

**An assessment of the capacity of
selected Gauteng metropolitan
local governments' audit and risk
committees to combat fraud**

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ABSTRACT

This research addresses the critical issue of the apparent failures of Audit and Risk Committees (ARCs) in combatting fraud and corruption within selected metropolitan municipalities in the Gauteng Province. The focus is on the challenges faced by ARC members. The study aimed to assess committee members' capacity to address fraud, corruption, and related irregularities.

Secondary objectives, including formulating frameworks for accountability, performance assessment, and guidelines for committee member capacities, supported the primary goal. The evaluation uncovered systemic challenges within the municipal governance structure that deter the efficacy of ARCs. Ineffectiveness stemming from councils that rubber-stamped reports without substantial actions was identified as a significant obstacle. The integrity and independence of ARCs are compromised by political considerations and affiliation, undermining their ability to address fraud and corruption objectively. The lack of effective consequence management has emerged as another crucial challenge, hindering audit outcomes and accountability improvements.

In addressing these findings, the research proposes multifaceted recommendations to enhance the effectiveness of ARCs and mitigate the identified challenges. Legislative enhancements are recommended to empower ARCs with more unambiguous mandates and consequences for non-compliance. Establishing targeted training programmes for committee members, addressing forensic auditing and legal aspects, is proposed to bridge existing knowledge gaps.

The study underscores the importance of these recommendations for municipalities, emphasising the need for proactive measures to strengthen the defence against fraud and corruption. The identified gaps in committee capacities and the significance of training and development highlight the continuous improvement required within ARCs. The research concludes by advocating for the implementation of suggested frameworks, mechanisms, and guidelines to bolster the effectiveness of ARCs, contributing to transparent and accountable governance.

Keywords: Audit and Risk Committee, governance, oversight, accountability, fraud, corruption.

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LIST OF ABBREVIATIONS

Abbreviation	Description
AFS	Annual Financial Statements
AGM	Annual General Meeting
AGSA	Auditor General South Africa
ARC	Audit and Risk Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Department of Cooperative Governance and Traditional Affairs
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
HR	Human Resources
ICT	Information and Communication Technology
IDASA	Institute for Democracy in South Africa
IFRS	International Financial Reporting Standards
IOSCO	International Organisation of Securities Commissions
JSCI	Joint Standing Committee on Intelligence

MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
NPA	National Prosecution Authority
PFMA	Public Finance Management Act
POPIA	Protection of Personal Information Act
PWC	PricewaterhouseCoopers
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SAPS	South African Police Services
SOE	State Owned Entities
STATS SA	Statistics South Africa

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CHAPTER ONE

1. INTRODUCTION

This research study intends to provide insight into the capacity of audit and risk committees (ARCs) to detect, prevent and combat fraud, corruption and related irregularities¹ at the local government level within the Gauteng Province. Since the dawn of democracy, oversight committees have been bestowed with the responsibility to be watchdogs by conducting oversight over their respective executives and political principals by holding them accountable for the use of public resources as outlined in the provisions of the Constitution of the Republic of South Africa, 1996 (Republic of South Africa, 1996) (the Constitution), and other relevant legislation. Despite these efforts, fraud appears to have escalated to unacceptably high levels. According to the PricewaterhouseCoopers (2020:1) (PwC) Global Economic Crime Survey for South African companies the economic crime rate continues to remain significantly higher than the global average.

South Africa has a constitutionally entrenched local government system, as is set out in Chapter 7 of the Constitution. Section 152 thereof, among other things, requires local governments to be accountable and to “ensure the provision of services to communities in a sustainable manner”, such as water, sanitation, electricity and other infrastructure. This means that service delivery on the local government level is constitutionally entrenched.

Consulta (2021:1) reported in their 2021 8th South African Customer Satisfaction Index (SAcsi) that customer satisfaction in South African metropolitan municipalities has reached an all-time low. The index measures the satisfaction and trust of the general public with service delivery in eight metropolitan municipalities: Cape Town, Tshwane, Ekurhuleni, Johannesburg, eThekweni, Mangaung, Nelson Mandela Bay and Buffalo City. According to the study, trust in metropolitan municipal service delivery is at its lowest level since the index started in 2014. This results in an

¹ In this study, the word ‘fraud’ is used broadly to refer to several commercial crimes and related irregularities, including fraud, theft, corruption, money laundering, etc.

increase in financing costs and a decrease in investment and service delivery protests.

Three Gauteng metros (i.e., Ekurhuleni, Tshwane, and City of Johannesburg) were also found to be performing below par as per the expectations of its citizens. According to Consulta's (2021:2) 2021 Customer Satisfaction Index, this could be attributed to the leadership change in 2018, which had negatively impacted citizen expectations and trust in the ability to deliver services. The Customer Satisfaction Index is a survey conducted annually to measure citizen satisfaction and trust in local municipalities to deliver basic services Consulta's (2021).

BusinessTech (2019:1) reported that in the year 2019 results of the customer satisfaction index, the overall scores show that all metros saw a fall, with certain metros exhibiting a sharp decline and worsening in citizen satisfaction. BusinessTech (2019:1) attributed the primary driver of metros' residents' dissatisfaction with the lack of essential service delivery, such as clean streets, electricity supply, water supply, garbage disposal and road maintenance.

There is a critical need to improve the standard of administration and service delivery level in metropolitan municipalities in general. According to STATS SA's *Community Survey Report* (2008:2), several socio-economic problems are prominently identified and serve as a deterring factor in developing and improving service delivery, such as payment of services by municipality residents. The Department of Cooperative Governance and Traditional Affairs (CoGTA) (2009:4) concluded that local government is distressed and requires a comprehensive turnaround. In their report, they identified various issues, including enormous backlogs in service delivery, poor leadership and administration, fraud and corruption, poor financial management, a lack of capacity due to a shortage of skills, high vacancy rates, poor performance management and insufficient training (CoGTA, 2009:4).

IDASA (2010:1) emphasises that the fundamental goal of a democratic system is citizen satisfaction. Therefore, the effectiveness of good local governance must be evaluated using the capacity of local government structures to offer an integrated developmental approach to social and economic development issues and provide

necessary services that align with the needs and desires of the local community (IDASA 2010:1).

According to the Institute of Internal Auditors (2012:23), the role of the ARC is to strengthen the independence, integrity and effectiveness of audit activities by providing independent oversight of the internal and external audit work plans and results, assessing audit resource needs and mediating the auditors' relationship with the organisation. ARCs can also ensure that audit results are aired, and any recommended improvements or corrective actions are addressed or resolved (Institute of Internal Auditors, 2012:23).

The ARC is regarded as an essential element in the spectrum of oversight in an organisation's control environment and governance. According to George (2005:1), an ARC must have three important qualities to fulfil its duties: independence, communication and accountability. The ARC has a crucial role in fraud risk management by ensuring that municipalities, for instance, implement appropriate ethics and compliance programmes such as establishing a whistleblowing hotline. The ARC members can assist in overseeing the prevention and detection of financial statement fraud by monitoring management's assessment and review of quarterly and annual financial statements (George, 2005:1).

According to KPMG (2021:3), maintaining the ARC's effectiveness requires strong leadership, prioritising the committee's agenda, monitoring its oversight processes, and periodically reassessing its skills and composition. The King IV Report (Institute of Directors Southern Africa, 2016:50) advises that the governing or delegated body should comprise the appropriate balance of knowledge, skills, diversity, independence and experience (including the business, commercial and industry experience needed to govern the organisation) for it to discharge its governance role and responsibilities objectively and effectively.

The Gauteng Province plays a crucial role in South Africa's economy (Infrastructure News, 2019:1). It might be the province with the smallest land area, but economically, it packs a punch. Gauteng generated just over a third of SA's gross domestic product (GDP) in 2017, making it the nation's biggest provincial economy. Its strategic location, the concentration of businesses and industries, transport and

logistics infrastructure, innovation and technology hubs, and tourism industry make it a vital economic powerhouse; it is home to the country's largest city, Johannesburg, as well as the administrative capital, Pretoria (Infrastructure News, 2019:1).

According to STATS SA (2022:1), Gauteng is the province with the largest GDP. It is also the most populous province. Gauteng was home to 14,3 million people in 2017, according to data from Stats SA's Mid-year Population Estimates Report. The province contributed R1,59 trillion to the country's total GDP of R4,65 trillion (2022 prices), translating to R111 171 per person. This makes it the top-ranking province in GDP per capita, followed by the Western Cape with R97 664 per person and Free State Province with R79 877 per person.

The Gauteng Province is South Africa's mining, industrial and commercial centre (Infrastructure News, 2019:1). This concentration of companies and industries draws foreign capital and generates employment, which promotes economic progress. The OR Tambo International Airport in Ekurhuleni is the busiest in Africa. Further, Gauteng's aviation, rail and road networks make it a crucial link for transporting products and people inside and outside South Africa and the continent (Infrastructure News, 2019:1).

Hence, there is a necessity to assess the capacity of the ARC function of selected Gauteng metropolitan municipalities by qualitatively interrogating certain variables such as the effectiveness of the ARC's oversight mechanisms, including the frequency and depth of their review of financial statements and internal controls to identify fraudulent activities in relation to combatting fraud and, after that, formulate guidelines or frameworks to enhance the capacity and accountability of ARCs and their members. This research aims to strengthen the image of South Africa as a country, and in particular the Gauteng Province, with an advanced statutory and regulatory framework to promote service delivery and community development, particularly to enhance oversight processes to effectively and efficiently assist in combatting irregularities in the public sector.

In the context of this research study, "capacity" refers to the collective ability, competency, and preparedness of the ARCs within selected Gauteng Metropolitan local governments to effectively identify, prevent, and address instances of fraud and

corruption. It encompasses the skills, knowledge, resources, and organisational frameworks that enable these committees to fulfil their roles and responsibilities in promoting transparent, accountable, and ethical governance. The assessment of capacity involves an evaluation of the ARC members' expertise, the effectiveness of existing frameworks, and the adequacy of support mechanisms in place to combat fraud within the local government context and in particular, within the selected Gauteng Metropolitan Councils.

1.1 BACKGROUND OF THE STUDY

According to PwC (2022:4) in its 2022 Global Economic Crime and Fraud Survey, 46% of surveyed South African organisations reported experiencing fraud, corruption or other economic crimes in the 24 months preceding the survey. This was the 3rd highest in the world. Fraud is particularly a big concern at the local government level.

Global Economic Crime and Fraud Survey is a recurring survey conducted by PwC to assess the landscape of economic crime and fraud across various industries and regions globally. The survey aims to provide insights into the prevalence, nature, and impact of economic crime on businesses, public sector and organisations. The survey covers a range of topics, including the types of economic crimes experienced by organisations, the methods used by perpetrators, the effectiveness of fraud detection and prevention measures, and the overall economic and operational impact on businesses. PwC (2022)

According to the Department of Cooperative Governance and Traditional Affairs (2009:1), Operation Clean Audit 2014 was launched in 2009 as part of the government's more significant effort to "turn around" local government by the late CoGTA Minister Sicelo Shiceka. It had two goals, namely:

- First, by 2011, there should be no disclaimer, adverse opinion, or failure to submit financial statements for audits in any municipality or provincial department, and
- Second, by 2014, the Government should achieve a clean audit for all provincial agencies and municipalities.

There is no necessity for detailed explication, the exacerbation of the situation is self-evident, and fraud and corruption have increased. The Auditor General South Africa (AGSA) (2021:3) reported that 64 municipalities were dysfunctional in the 2021/2022 financial year. Poor institutional capacity, poor financial management, corruption, and political instability are the primary causes of the dysfunction. Eight municipalities were under administration or provincial intervention. By June 2021, 23 municipalities were under administration or provincial intervention, which further increased to 33 municipalities by February 2022 (Auditor General South Africa, 2021:4).

According to Transparency International's (2022:1) 2022 Corruption Perception Index, South Africa is ranked 72 out of 180 countries in terms of countries perceived to be the most corrupt. It has worsened compared to the last eight years, during 2015, the Corruption Perception Index ranked South Africa 61 out of 168 countries.

Oversight committees, such as ARCs, are considered a crucial part of the control measures (i.e., processes and tools) aimed at achieving optimal efficiency and effectiveness in public sector service delivery performance.

An ARC not only focuses on audit-related matters but also on risk issues. Note 21 of the Public Sector Risk Management Framework, National Treasury (2014:2), also advises that in instances whereby the audit committee is separate from the risk committee, the risk committee will be considered a sub-committee of the audit committee and is therefore expected to report to the audit committee. According to National Treasury (2010:44), a risk committee is the committee of the accounting officer/authority, depending on the type of organisation (i.e., risk committee members are appointed at the behest of the accounting officer/authority), to evaluate, guide and review the organisation's systems of risk management. The committee members are appointed to assist the organisation in managing risks. Note 21 (National Treasury, 2014:2) also advise that the strategic value of the oversight committee in risk management is the responsibility of the ARC concerning risk management and should be formally defined in its charter. According to the National Treasury (1999:8), the head of the relevant treasury must appoint audit committee members after consultation with the relevant executive authorities. The chairperson of an audit committee may not be a political office bearer, and the audit committees must be constituted to ensure their independence. The ARC should oversee the

organisation's control, governance and risk management (Institute of Directors Southern Africa, 2016:57).

Felix (2022:1) reported that according to a cabinet statement and given the high levels of fraud and non-compliance with auditing requirements on the local government level, the national and/or provincial governments had to intervene to attempt and restore governance, financial management, and service delivery since many municipalities had become dysfunctional. He further added that in such instances, the national and/or provincial governments then designate administrators to manage and oversee the day-to-day operations of these communities.

In terms of section 139 of the Constitution, a possible intervention could be undertaken to place a municipality under administrative control. This could be implemented when a municipality fails or neglects to carry out its executive responsibilities as required and expected by the Constitution. This will entail the suspension of executive roles and the appointment of an administrator to oversee and administer the daily operations of the municipality.

For example, in December 2019, the Free State Provincial Government imposed a mandatory intervention on the Mangaung Metropolitan Municipality after failing to implement the financial recovery plan during the provincial intervention for more than two years; the municipality was later subjected to a mandatory economic recovery plan in 2020 (Felix, 2022:1).

According to the Auditor General of South Africa's Consolidated General Report on Local Government Audit Outcomes (2021:4), the effectiveness of local government depends on the ability of the entire ecosystem to be accountable and function together. All role players must work collaboratively with a knowledge of how their separate responsibilities influence and affect one another rather than merely operating in silos. This will propel the ARC with the understanding that it has a crucial role to play in giving the municipal management an unbiased perspective of the efficacy of municipal controls and procedures; this should also strengthen the position of the audit committee and internal audit function with the knowledge that council is the municipality's executive authority. (Auditor General South Africa, 2021:5).

The most crucial aspect in many mechanisms deployed to improve administration is the requirement to hold the executive and political principals to account effectively (CoGTA, 2009:6). In other words, the lack of adequate public accountability and mechanisms to exercise oversight over the executive and political principals, mainly the target of a clean audit, will remain an unattainable dream.

Part VI of the Judicial Commission of Inquiry into State Capture's Report (Commission of Inquiry into State Capture, 2022:128) highlighted the failures and inadequacies of public sector oversight committees. For example, Parliament's Joint Standing Committee on Intelligence (JSCI) failed to perform its oversight duty properly with respect to the State Security Agency. According to Erasmus (2021:2), when the then Deputy Chief Justice, Raymond Zondo, as the chairperson of the commission, was addressing the media on the failures of oversight committees in parliament, he indicated that some of the root causes were political interference and non-rotational chairpersons of the committee for more than five years. The Commission of Inquiry into State Capture (2022) provided substantiated evidence of the inadequacies of oversight mechanisms and framework in state organs and the lack of accountability by those occupying the oversight roles in state organs, as well as the lack of mitigating factors for the risk of political interference and a possible repeat of state capture.

The ARC oversees a metropolitan municipality's financial reporting processes, internal control environment and audit of the financial statements. Given the crucial role played by the committee in corporate governance processes, it is expected that the committee must be independent of the municipality's operations and management. Section 166(2) of the MFMA requires an audit committee to be an independent advisory body. Furthermore, the committee members must be competent with varied skills and knowledge such as financial reporting, risk management, compliance management and corporate governance in general (Institute of Directors Southern Africa, 2016:28).

The research study aims to assess the capacity of selected Gauteng metropolitan ARC members to combat fraud through qualitatively interrogating their skills, knowledge and experiences in those required fields as mentioned above.

1.2 PROBLEM STATEMENT

It is evident from the above discussion, that the South African public sector has been engulfed in fraud, corruption and maladministration for decades amid heavily regulated public services and institutions. This is specifically true of the state of local government in South Africa (Auditor General South Africa, 2021:3). This happened under the 'watchful eye' of multiple oversight committees, exposing its apparent ineffectiveness and inefficiencies.

The recent State Capture Report exemplifies the failures in public sector oversight committees (Commission of Inquiry into State Capture, 2022). This requires assessment and close observation of the capacity of oversight committee members, particularly regarding ARCs. Anecdotal observation confirms that members occupying these oversight committees are not held accountable for not exercising their fiduciary duties, whereas some were actively involved in the maleficence. The mitigating measures to monitor and prevent the conduct of these oversight committees from being corrupt have proven to be inadequate because some have become rogue and gotten themselves involved in fraud and corruption. This pervasive and deeply rooted problem has far-reaching implications for the effective functioning of local government structures and the overall well-being of its residents. The convergence of corruption, maladministration, and political interference has led to a breakdown in accountability, compromised service delivery, and an erosion of public trust in the institutions meant to serve the people.

This research study will qualitatively interrogate the variables causing the ineffectiveness and inefficiencies of oversight committees (i.e., ARCs) to combat fraud and corruption and related irregularities in the public sector, specifically in respect of selected Gauteng metropolitan municipalities and thereafter formulate guidelines or frameworks to hold oversight committee members accountable for failing to exercise their fiduciary duties, especially whenever fraud and corruption have been detected, particularly whenever it can be ascertained that irregularities occurred under their watch and chose not to act or report to relevant authorities. The study seeks to comprehensively analyse the intricate interplay between these three detrimental factors and their cumulative impact on the state of Gauteng's metropolitans. It will critically examine the manifestations of corruption, identify

instances of maladministration, and dissect the mechanisms of political interference, this research aims to illuminate the complexities of the issue, identify key contributing factors, and propose potential strategies to mitigate these challenges. Through an in-depth assessment of the Gauteng metropolitans, this study endeavours to provide valuable insights that can inform evidence-based policy reforms and institutional restructuring, fostering transparent, accountable, and efficient local governance for the betterment of the province and its residents.

1.3 RESEARCH OBJECTIVES

1.3.1 PRIMARY OBJECTIVES

The primary objective of this research study is to assess the capacity of ARC members within selected metropolitan municipalities in the Gauteng province to effectively combat fraud, corruption, and related irregularities¹.

1.3.2 SECONDARY OBJECTIVES

The secondary objectives of this study are as follows:

- Formulate a draft framework for holding the individual ARC members accountable for failing to exercise their fiduciary duties.
- Formulate a draft framework on the mechanism to assess the performance of ARCs independently and objectively and for individual members to foster continuous improvement in their functioning and performance.
- To formulate a draft framework to provide a guideline on the capacities of individuals appointed in these ARCs, emphasising ethics, public service and governance.

1.4 SIGNIFICANCE OF THE STUDY

South Africa has been engulfed with poor service delivery and battling fraud, corruption, and maladministration in the public sector for decades since the dawn of the new democracy. This has been exposed through the Commission of Inquiry into State Capture (2022) and other relevant entities such as the Auditor General of South Africa (2022). However, there is an adequate legislative and governance

framework to hold executives to account in the form of oversight committees. Whenever fraud and corruption are uncovered, the relevant oversight committees are exonerated from their oversight responsibilities.

The research study findings will contribute to resolving the challenges and weaknesses in the oversight functions and, therefore, improve mitigation strategies in deterring and preventing fraud, corruption and maladministration in the public sector, in particular at the level of local government. The contributing factors to the failures in applying legislative requirements and recognised standard practices will be exposed, and therefore recommendations will be drafted to improve the processes.

The role played by the oversight committees will be scrutinised, particularly in combatting irregularities (i.e., fraud, corruption and maladministration), at the metropolitan municipality level within Gauteng Province. The factors that contribute to the lack of accountability by the oversight committee members as a collective and as individuals for their failure to exercise adequate oversight will be examined.

The main primary contribution of the study will be the improvement of the ARC oversight function in metropolitan municipalities, and there are several secondary contributions of the study, which are listed as follows:

- Assessment of the capacity of ARC members at the metropolitan municipality level within Gauteng Province;
- Mechanisms to assess the performance of ARCs, collectively and as individuals; and
- Highlight the need to hold ARC members accountable for failing to provide adequate oversight, collectively and as individuals.

1.5 SCOPE/DELIMITATIONS OF THE STUDY

The research study will solely focus on the capacity of ARCs in Gauteng metropolitan municipalities to combat fraud and corruption, therefore it relates to the area of governance and financial management within Gauteng metropolitans.

The study focuses on the apparent failures of ARCs to combat fraud and corruption in metropolitan municipalities within the Gauteng Province. The three Gauteng Metropolitan Municipalities (i.e., City of Johannesburg, Ekurhuleni and Tshwane) have a combined total population of approximately fifteen (15) ARC members. However, it should be stated that the number fluctuates due to the resignations of members. The research will be limited to between eight (8) and twelve (12) ARC members spread across the three metropolitan municipalities of Gauteng Province.

The study will contribute to the available literature on ARCs' role in combatting fraud and corruption in metropolitan municipalities. There are several limitations identified in this study. The first is the small sample size, which is between eight (8) and twelve (12) participants and might not be representative of all ARC members in the metropolitan municipalities within Gauteng Province. These limitations will provide opportunities for future researchers, and adequate data can be collected from other provinces and the country for future contributions.

The second main limitation of this research study will be the geographical boundary. This study focused on ARC members in metropolitan municipalities in the Gauteng province. The results of this study have a specific regional representation and, therefore, may be different from the ARCs in other provinces and South Africa as a whole.

Furthermore, as the study will focus on ARC members in metropolitan municipalities within Gauteng, the research questions might not be answered openly and honestly with the required transparency due to fear of reprisal by the executives or political principals.

1.5.1 FIELD OF STUDY

The field of study is corporate governance and financial management, focusing on maladministration, fraud, and corruption in metropolitan municipalities within Gauteng Province, specifically Ekurhuleni, Johannesburg, and Tshwane. The adequate capacity among the ARC members of selected Gauteng urban municipalities to combat fraud, corruption and related irregularities will be assessed.

1.5.2 SECTOR/INDUSTRY/BUSINESS UNDER INVESTIGATION

Metropolitan municipalities' ARCs within the Gauteng province will be the focal point. The focus will be on ARCs operating in urban municipalities within the Gauteng province.

1.5.3 GEOGRAPHICAL DEMARCATION

The study will be geographically limited to the Gauteng province.

1.6 BROAD OVERVIEW OF RESEARCH DESIGN AND METHODOLOGY

The research approach will be qualitative grounded research whereby data is collected and analysed in the process; thereafter a theory is developed. The research approach will employ two different data collection methods: semi-structured interviews and questionnaires.

Semi-structured interviews will be conducted with ARC members who are presumed to possess valuable insights into the intricacies of corruption, maladministration, and political interference. These interviews offer the flexibility to delve into individual experiences, perceptions, and opinions, providing rich qualitative data.

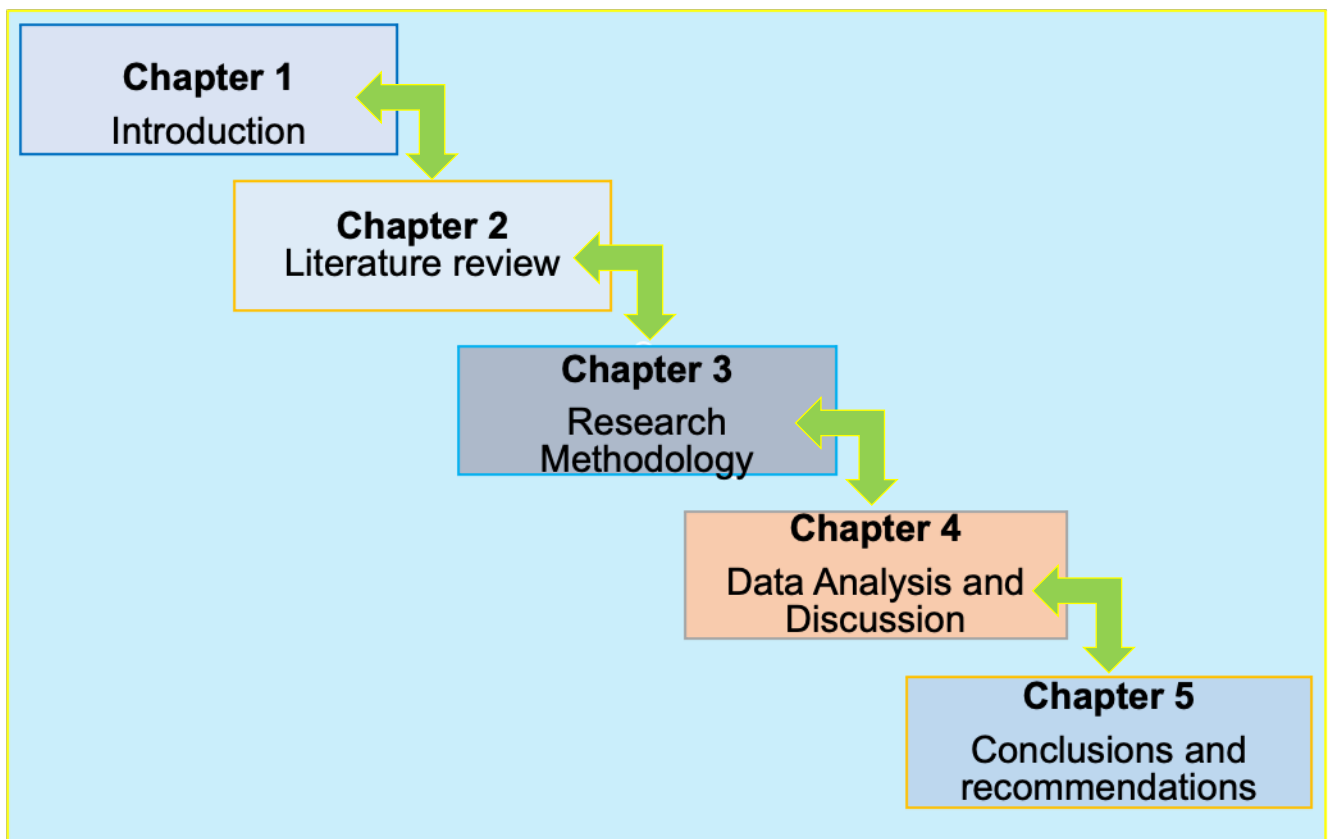
Questionnaires will be distributed to the same sample of participants to complement the interviews and gather more data on some issues. This method enables the researcher to capture a broader range of perspectives, comprehensively exploring the research problem. The structured nature of questionnaires allows for the systematic collection of data while accommodating open-ended questions that encourage participants to elaborate on their responses.

The research aims to achieve a triangulation of data sources, enhancing the validity and reliability of the findings. The collected data will undergo rigorous analysis involving processes such as thematic coding and content analysis. The chosen research design and methodology align with the qualitative grounded research approach, allowing for an in-depth exploration of the research problem. The combination of semi-structured interviews and questionnaires ensures a comprehensive data collection process, enabling the development of a robust

theoretical understanding of the complexities surrounding corruption, maladministration, and political interference within the Gauteng metropolitans.

The data analysis will be inductively built from specific feedback to general themes, and thereafter, interpretations of the meaning of the data will be formulated. The methodological choice for this research study is qualitative research with an inductive approach, whereby qualitative research tools such as interviews, expert opinion, self-reflection, and content analysis will be utilised.

1.7 LAYOUT OF THE STUDY



SUMMARY

This study aims to assess the capacity of ARC members to effectively combat fraud, corruption, and irregularities within the Gauteng Metropolitans. Taking into cognisance the critical role played by these committees in upholding financial integrity, transparency and accountability. The research aims to assess committee members' proficiency, knowledge, and preparedness in addressing these pervasive challenges.

The research approach adopted engages qualitative techniques to gather comprehensive insights. Semi-structured interviews will be conducted with sampled committee members to investigate their experiences, perceptions, and strategies for tackling fraud, corruption, and irregularities. These interviews offer an avenue for committee members to provide a narrative which is rich in context. Furthermore, a questionnaire will be administered to committee members to gauge some of their understanding of relevant regulations, strategies, and tools for fraud and corruption prevention.

The study's significance lies in its potential to highlight areas where ARC members' knowledge and capacity might be lacking while also identifying successful practices that can serve as models for other committees. Ultimately, the study seeks to contribute valuable recommendations and insights that can inform training, policy adjustments, and the enhancement of committee effectiveness in safeguarding the integrity of Gauteng's local government.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 INTRODUCTION

In the realm of governance structures, municipalities, local governments, and public entities play a pivotal role in shaping South Africa's socio-economic landscape. Ensuring the efficient and transparent functioning of these municipalities is essential for service delivery and the well-being of local communities and for the overall progress of South African development. However, challenges always arise and threaten the integrity and effectiveness of these essential institutions. The main challenges include the pervasive issues of fraud, corruption, and maladministration exerting a detrimental influence on both service delivery and public trust.

The legislative requirement that enforces the establishment of ARCs within municipalities and local government institutions has emerged as a strategic response to these challenges, reflecting a proactive approach towards safeguarding resources, enhancing accountability, and promoting ethical conduct. ARCs serve as crucial mechanisms for monitoring financial activities, evaluating risk exposure, and upholding the principles of good governance.

This literature review delves into the multifaceted realm of ARC members' roles within selected Gauteng Metropolitan Municipalities and local government entities, focusing on their contributions to combatting fraud, corruption and maladministration. Furthermore, this literature review seeks to uncover the challenges encountered by the ARC members, the strategies employed to facilitate and navigate fraud and corruption challenges and the overall impact of these committee members' endeavours in reshaping the dynamics of accountability, transparency, and ethical behaviour within the realm of municipal governance. The term literature review refers to the process of performing a review and the product resulting from reviewing relevant literature sources. According to Machi and McEvoy (2016:2), the literature review is a crucial pillar in any research undertaking because it determines what is known about a topic and then moves on to contribute to the field.

As we further embark on this research study, it becomes evident that understanding the intricacies of ARC members' responsibilities and actions is not only essential for academic discourse but also for shaping policies and practices that can mitigate and address the pressing issues of fraud, corruption, and maladministration within Gauteng's municipalities and other local government entities. The in-depth examination of the experiences and insights gained from various contexts will have an immense contribution and valuable lessons that will serve as an ongoing quest for effective and sustainable governance mechanisms in the South African and Gauteng Metropolitan Councils.

2.2 OVERSIGHT, GOVERNANCE AND ACCOUNTABILITY BY AUDIT AND RISK COMMITTEES

Oversight is defined from South Africa's perspective by the Parliament of the Republic of South Africa (Parliament RSA, 2009:7) as a constitutionally mandated function of legislative organs of the state to scrutinise and oversee executive action and any organ of the state. It further explains that oversight entails the informal and formal, watchful, strategic, and semi-structured scrutiny exercised by legislatures regarding the implementation of laws, the application of the budget, and the strict observance of statutes and the Constitution. This parliamentary definition of oversight function is inadequate because it does not provide the detailed operational activities expected to be carried out, and it also assumes that oversight can only be conducted by Parliament. In contrast, there are low-level operational oversight committees that could provide practical oversight functions.

There is an open-ended description of the concept of oversight. It is described as the supervision of the government activities and public finances by the Legislature cited Monona (2015:74). Also, Monona cited Haris (1980:9), who describes oversight as a review process, which suggests that oversight contains inspections of policies that are or have been in effect, investigation of past administrative actions, and the calling of executive officers to account for their financial transactions. It should be noted that the above descriptions of oversight only focus on the administration, economic and policy implementation, not ethics and expedition of service delivery.

Makhado et al. (2012:4) state that “oversight refers to the crucial role of the legislature in monitoring and reviewing the actions of the executives of the organs of government”. It refers to actions or mechanisms taken to oversee government departments' and public entities' financial and non-financial performance.

It can be concluded that there is an overlapping functionality description between oversight and governance. These terms are primarily used interchangeably, although it can also be argued that they both have a common objective, which is to advise, direct, monitor and manage the public entity's activities towards the achievement of its goals.

Oversight function is a legislated requirement for all state organs and state-owned enterprises which in terms of the Constitution (Republic of South Africa, 1996), sections 42(3), 55(2), 114(2), 115(a & b) and 133(2), requires that Parliament has the power to conduct oversight of all state organs, together with those at provincial and local government level. In terms of section 55 of the Constitution, the National Assembly is empowered to maintain oversight over all organs of state and section 92 of the Constitution empowers Parliament to hold the Cabinet accountable on all strategic and operational matters, organs of state at a national level and Ministers and their departments are generally held to account employing summoning them to Parliament which include the submission of annual and quarterly performance reports. Hence, Parliament conducts oversight through quarterly meetings whereby organs of state are invited to present the status or progress in implementing their service delivery mandate.

According to the South African Legislative Sector (2012:2), oversight can be defined as the functional interface between a legislature and the executive and administrative structures that improve the delivery of predetermined objectives of government priorities. However, it should be stated that the oversight function cannot be restricted to Parliament because it is broad in practice, intended purpose, and implementation. The Public Finance Management Act, 1999 (PFMA), section 77 (National Treasury, 2010), requires that state organs appoint ARCs, which must comprise at least three individuals, of whom, in the case of a department, one must be from external and not from the public service. Institute of Directors Southern Africa (2016:55) acknowledges that establishing ARCs is a statutory requirement for

organs of state and public sector entities and also a matter of leading practice. It further states that the role of the ARC should be to provide independent oversight hence it recommends that each committee should have a minimum of three separate and non-executive members which as a whole, has the necessary knowledge, financial literacy, skills, experience and capacity to execute its duties effectively.

In comparing the two laws and Corporate Governance practice guidance (i.e., Companies Act, MFMA and King IV) on the composition of the ARC, there are three standard features which can be stated below:

- Members are required to be independent of the operations of the entity as non-executive members;
- Members are collectively needed to have the necessary skills, knowledge, experience and financial literacy;
- There is a requisite minimum number of three as a statutory requirement and recommendation to form a functional committee.

Another familiar concept that is closely related to both concepts of oversight and governance is “*Accountability*”. This concept was also expatiated by Makhado *et al.* (2012) and the Overseas Development Institute (2008). According to Makhado *et al.* (2012:5), “Accountability means to give an account of actions or policies or account for the spending of public funds. According to the Overseas Development Institute (2008:3), “Accountability originates from the useful need to delegate certain tasks to others to provide delivery of large and complex workloads”. In return, people entrusted with these delegated duties will be required after the fact to be held accountable. According to Pelizzo and Staphenurst (2014:19) “accountability *exists* when there is a relationship where an individual or institution, and the performance of tasks or functions by that individual or institution, are subject to another’s oversight, direction, or request that the individual or institution provide information or justification for its actions”.

According to the Governance Institute of Australia (2012:5), governance “encompasses the system by which an organisation is controlled and operates and the mechanisms by which it, and its people, are held to account. Ethics, risk

management, compliance and administration are all elements of governance”. It further states that corporate governance refers to interactions between an organisation's management, board, shareholders and other stakeholders. Furthermore, it offers the framework through which the company's goals are established and ways to achieve them and measure performance.

The term or concept of accountability refers to the state of being accountable, or at least the expectations of responsibility, having to answer for one's own actions to a person of authority like a boss or the public in case of voted public representatives (Institute of Internal Auditors, 2012:10). Accountability involves holding those in positions of authority and power responsible for their decisions and actions. Accountability is usually referred to in the context of persons, in particular employees.

Institute of Internal Auditors (2012:10) further states that accountability is the process whereby public sector entities and the individuals within them, are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities and having clearly defined roles through a robust structure.

According to the Canadian Audit and Accountability Foundation (2020:3), the term “oversight committee refers to those who are in charge (responsible) of overseeing functions of the public entity or state organ and are expected to ensure that all processes, programmes and other related activities within the organisation are managed smoothly but without getting involved in its daily operations and management”. Based on this description, it is evident that ARCs play an oversight role due to the below listed functions and responsibilities.

The following are some of the responsibilities of those entrusted with oversight (Canadian Audit and Accountability Foundation, 2020:3), which are also in line with the functions of ARCs in local governments, namely to:

- Ensure that due diligence is undertaken before critical and serious decisions;

- Evaluate and ensure that policies and strategies are implemented as supposed;
- Ensure that critical risks are identified, analysed, monitored and mitigated;
- Ensure that processes, systems and internal controls are adequate and working;
- Ensure that the strategic outcomes are achieved as expected;
- Evaluate to ensure that all significant expenditures add value for money;
- Ensure there is compliance with all policies, laws and ethical standards;
- Ensure continuous improvement and development in areas of concern and
- Ensure the safeguarding of assets.

The State Capture Report (Commission of Inquiry into State Capture, 2022:1222) highlighted the failures and inadequacies of public sector oversight committees and made some recommendations such as the establishment of a Standing Appointment and Oversight Committee tasked to ensure, by way of a public hearing, that any person nominated for Board appointment or as the Chief Executive Officer, Chief Financial Officer, or Chief Procurement Officer of a state-owned enterprise meets the professional, reputational and eligibility requirements for such a position. Also proposed other recommendations for consideration to be implemented by Parliament for appointments to the boards and to the executive office of state-owned enterprises, as listed below:

- The Standing Appointment and Oversight Committee should have the powers and functions to invite, receive and assess by way of a transparent and public process nominations for appropriately qualified and experienced persons of high integrity willing to accept an appointment to fill any vacancy on the Board of a state-owned enterprise or in a senior executive post;
- To publish a Code of Conduct which will be binding on Board members and senior executives;

- The need to strengthen the institutional capacity of anti-corruption agencies to execute their mandate without political interference and in the interests of the country at large;
- The need for the role of committee chairpersons to be rotational, “Parliament sits for five years, and every 18 months the committee chair could be rotated”; and
- A combination of a non-majority party chairperson and only persons with solid personalities (characters) to be considered.

2.3 LEGISLATIVE MANDATE

There is a legislative requirement imposed by Parliament and the Government of the Republic of South Africa, which has put in place a framework of oversight for all organs of state, public entities and government departments. In line with this requirement, the PFMA and Municipality Finance Management Act (MFMA) and Treasury Regulations, paragraphs 3.1.4 and 3.1.5, require that audit committees must be constituted, and that the chairperson of an audit committee may not be a political office bearer to ensure their independence. ARC members are empowered to report any maleficence, fraud, corruption, and maladministration regarding Treasury Regulations paragraphs 3.1.11, 3.1.12 and 3.1.9. Should a report to an audit committee, whether from the internal audit unit or any other source, implicate the accounting officer in fraud, corruption or gross negligence, the audit committee chairperson must promptly report this to the relevant executive authority. An audit committee may communicate any concerns it deems necessary to the executive power, the relevant treasury, and the Auditor-General. They are also required to make recommendations to the accounting officer, who retains responsibility for implementing such recommendations.

In addition, National Treasury (2010) states that all state organs and state-owned enterprises are required to have a Risk Management Committee, and the participation of the members should comprise both management and external autonomous members with the necessary blend of skills.

ARC's role in oversight, governance and accountability is to reinforce the public sector's impartiality, integrity, objectivity and effectiveness by providing independent management of the internal and external audit work and results. The appointment of audit committees is also regulated in section 94 of the Companies Act, 71 of 2008, in that public companies and state-owned enterprises are required to appoint audit committees. A public company or state-owned company must elect an audit committee comprising at least three members, each member of an audit committee of a company must not be involved in the day-to-day management of the company's business or have been so involved at any time during the previous financial year.

An audit committee is expected to fulfil the following duties, among others, to nominate, for appointment as auditor of the company, a registered auditor who, in the opinion of the audit committee, is independent of the company.

The Accounting Authority (i.e., Municipality Council) or Accounting Officer (i.e., Municipal/City Manager) is required to establish an audit committee in terms of section 166 of the Municipal Finance Management Act, 56 of 2003 (MFMA). The MFMA also requires that the ARC should be composed in line with the following:

- The chairperson of the audit committee should be an independent person and not an employee of the public entity or should not be a political office bearer;
- The majority of the audit committee members should not be employed by the public entity;
- The audit committee members should not be members of the controlling body, and all members are required to have appropriate experience;
- If there is a need for premature termination, the relevant executive authority has to concur with that decision;
- The audit committee, in conjunction with the internal audit function, must develop an audit committee charter to guide their internal audit approach;
- The ARC will evaluate the internal control environment and, after that, make recommendations to the accounting authority or accounting officer;

- Ensure that an annual report on the effectiveness of internal controls is included in the annual report of the institution; and
- Evaluate and, after that, provide comments on the financial statements in the annual report.

It can be concluded that the comparison regarding the composition requirements for ARCs as stipulated in King IV, the Companies Act, and the Municipal Finance Management Act (MFMA) reveals both similarities and differences. King IV strongly emphasised the independence and diversity of committee members, encouraging a majority of independent non-executive directors and a gender-balanced representation.

The Companies Act, on the other hand, primarily focuses on the expertise and qualifications of committee members, stressing the need for financial acumen and ensuring at least one member possesses relevant financial expertise.

In contrast, the MFMA, which applies specifically to local government entities, highlights the importance of including officials with financial and risk management expertise.

Each framework has its unique requirements; they all share the goal of enhancing financial oversight and risk management within organisations. Ultimately, the choice of which framework to follow should be based on the specific nature and objectives of the entity, as well as compliance with applicable legal and regulatory requirements.

2.4 THE ROLE AND IMPORTANCE OF AUDIT AND RISK COMMITTEES

Fraud in the public sector, especially in Gauteng Metropolitan municipalities, poses significant challenges to effective governance, financial management, and public trust. Kgosana (2023), reported that the three metropolitans in Gauteng account for the most cases of documented corruption in local government in the year 2022. The three metros, the City of Tshwane, the City of Johannesburg and the City of Ekurhuleni, account for 58% of reported local government incidents, as per the Corruption Watch stats.

The Human Rights Commission (2021) criticised Ekurhuleni, Johannesburg and Tshwane metros for consistent non-delivery to the poor (Human Rights Commission, 2021), revealing that a quarter of households in informal settlements in three Gauteng metros targeted for upgrading in 2019/20 were not upgraded. Also, 32% fewer houses were upgraded compared with 2016/17 and 30% fewer than the number upgraded in 2017/18.

The Auditor General South Africa (2022:66) raised a concern about non-compliance with legislation in the province, with slight improvement year-on-year. Consequently, the closing balances of unauthorised, irregular, fruitless and wasteful expenditures continued to increase, mainly due to additional amounts being incurred and the previous ratios not being investigated promptly and resolved. The irregular expenditure incurred remained high, with the City of Johannesburg and the City of Tshwane incurring a combined R3,82 billion (85% of the total at the municipal level). The City of Tshwane spent millions on financial reporting consultants to produce a compliant fixed asset register.

ARCs are crucial in ensuring transparency, accountability, and risk management within these municipalities. However, despite their mandate, ARC members in Gauteng Metropolitan Municipalities have faced challenges in effectively combatting fraud. This literature review explores the factors contributing to this issue and potential strategies to enhance their effectiveness in fighting fraud.

ARCs in public sector entities, municipalities and municipal entities are established in section 166 of the MFMA. According to KPMG (2021:4), ARCs monitor the overall risk management framework, financial reporting processes, compliance processes, auditors' performance, and overseeing the audit programme. There is also a requirement in terms of the King IV Report (Institute of Directors Southern Africa, 2016:57), standard practice and corporate governance guidelines that risk management remains the board's responsibility and should be delegated to appropriate operational levels in the organisation to enable the board to play an influential oversight role.

According to GreenLine (2023:1), audit oversight refers to verifying and checking an organisation's reported financial results by external and internal review. It further

states that financial audits verify the integrity and reliability of an organisation's financial reporting process and that these reports reflect a fair and accurate assessment of its current financial health.

To realise the goals of local government as outlined in section 152 of the Constitution, 1996, the separation of powers between the executive and the legislature should strengthen the oversight role of public representatives (i.e., council members) and audit committee members in metropolitan municipalities. Therefore, those actions taken by legislators concerning the executive are referred to as oversight. Anecdotal observation of the spectrum of South African governmental oversight structures includes the following:

- Oversight committees in Parliament;
- Board of directors in state-owned enterprises;
- ARCs in public entities;
- ARCs in state organs;
- Council committees in municipalities;
- Risk management committees and
- Public accounts committees (in Provincial Governments).

In the recent decades since the dawn of democracy, numerous acts and accounts of maladministration, misconduct, fraud and corruption in the public sector were exposed through media and by Chapter Nine institutions such as the Auditor General South Africa and Public Protector South Africa. According to Monona (2015:72), “There are still gaps and challenges as far as the oversight role of Parliament is concerned, notwithstanding the existence of committees that have been put in place to oversee the executive and relevant structures of government, government activities and public finance”. The State Capture Report (Commission of Inquiry into State Capture, 2022) provides substantiated evidence on the inadequacies of oversight mechanism and framework in state organs and the lack of accountability by those occupying the oversight roles in state organs.

This section provides an overview of the responsibilities and functions of ARC members in Gauteng Metropolitan Municipalities. The role of these committees is to ensure compliance, risk identification, internal control evaluation, and fraud detection. According to Nest (2008), ARCs have increasingly been recognised as an integral part of modern control structures and governance practices in the private and public sectors. The ARC is an essential element of public accountability and governance processes. It plays a key role in underwriting the integrity of the corporate governance of a government entity. This study aims to assess the capacity of the audit committees in Gauteng Metropolitan Councils. The ARCs can still improve their effectiveness in the performance of certain vital functions in the areas of oversight over risk management, governance, financial reporting, internal control, and support for the external audit function.

In recent years, fraud and corruption in Metropolitan Municipalities and within other municipal entities have attracted significant attention due to their adverse effects on public finances, service delivery, and the reputation of municipalities. The EOH state capture saga serves as a perfect example according to the State Capture Report (Commission of Inquiry into State Capture, 2022:175), “there were two City of Johannesburg contracts which EOH irregularly influenced through improper payments and donations”.

Numerous fraudulent activities were identified within Gauteng Metropolitan Municipalities, encompassing a range of illicit practices. These activities include procurement fraud, where collusion among officials and suppliers undermines fair procurement processes. Auditor General South Africa (2022) identified non-compliance and fraud resulting in material financial losses estimated at R3.9 billion, causing substantial harm to municipalities and the general public. It also found that no action had been taken to address 81% of these matters until a notification was issued by the Auditor General South Africa. It has also advised that material irregularities could be resolved only when all possible steps had been taken to prevent any further losses and harm, recover financial losses or remove/addressing the harm caused, and implement consequences for officials and third parties involved. Additionally, misappropriation of funds, bribery, kickbacks, and embezzlement have been reported as everyday occurrences. Property related fraud

involving the illegal acquisition or sale of municipal land or assets further exacerbates the issue (Public Service Commission, 2011). According to Erasmus (2015:2) of Corruption Watch, corruption is rife in metros. Since the launch of Corruption Watch in January 2012 to the end of January 2014, 465 complaints have been lodged with the civil society organisation alleging corruption in public procurement. Regarding provincial spread, 149 or 32% of the reports came from Gauteng, with all three metropolitans in the province heavily implicated in graft allegations. KwaZulu-Natal was next with 65, followed by Free State with 43. The highest number of corruption reports concerning metros implicated the City of Johannesburg in Gauteng, with the City of Tshwane following next.

According to Zweni and Yan (2022), municipal officials at all levels ignore the laws that govern local government financial management. Disregarding statutes by municipal officials is a norm rather than an exception. As such, poor financial management controls and effective application of legislation put municipalities under enormous financial pressure. These predicaments have a negative impact on the provision of services to citizens; therefore, the finances of municipalities must be managed and handled with diligence.

2.5 IMPACT AND CONSEQUENCES ON PUBLIC FINANCES AND SERVICE DELIVERY

The ramifications of fraudulent activities on public finances are substantial. Misappropriation of funds and embezzlement divert critical resources from essential public services, hindering effective service delivery. As financial losses accumulate due to fraudulent practices, municipalities face budget constraints that compromise their ability to provide quality services such as infrastructure maintenance, waste management, and social programmes. This subsequently leads to public dissatisfaction and a decline in the overall well-being of residents.

Naidoo (2012), stated that corruption is now recognised as one of the South African government's greatest challenges in the public sector. The Public Service Commission (2011:12) stated that the five most common manifestations of corruption that are on the increase in the South African public sector are fraud and bribery, mismanagement of government funds, abuse of government resources,

identity document fraud and procurement irregularities. According to PricewaterhouseCoopers (2020), there has been a slight decline in the percentage of respondents who had experienced economic crime in South Africa for the first time in the last decade. However, there was no surprise in the finding that bribery, corruption, and financial statement fraud are still among the more prominent types of reported economic crime. This, combined with the increased involvement of senior management in perpetrating such acts, has resulted in a sharp increase in the value of losses incurred. It is a significant hindrance to good governance, with a disproportionate impact on poor communities and is corrosive of the very fabric of our society. Mlambo and Masuku (2020) stated that the 2020 COVID-19 pandemic confronted politicians and public servants in South Africa with unprecedented challenges. The COVID-19 pandemic has not only laid bare the inequalities within South African society, but sadly, it has also portrayed how successive South African public sectors have failed to deal with corruption which has become entrenched within every sector of society.

The reputation of Gauteng Metropolitan Municipalities is significantly affected by the prevalence of fraudulent activities. The exposure of corruption and unethical conduct erodes public trust in municipal governance. Most citizens perceive their local government as corrupt and become disillusioned and reluctant to engage with municipal initiatives. Moreover, these reputational damages can deter potential investors and partners, impeding economic growth and development in the region. The negative image projected by municipalities plagued by fraud tarnishes their standing on both national and international platforms.

The effects of corruption in South Africa can be compared to the debilitating effects of the COVID-19 pandemic, which sees no colour, age, gender or degree of wealth. Corruption undermines the very constitutional rights of every citizen. Lekubu (2015) indicated, "Corruption is behind a lot of the underdevelopment in our country and continent. It causes, among others, poor quality of goods and services, lack of efficiency, excessive costs, and ineffective public programmes". The consensus is that fraud and corruption destabilise societies, and in many instances, corruption also endangers the security of our states (Madonsela, 2010:3). To address these challenges, comprehensive strategies are required to detect, prevent, and combat

fraudulent practices within the municipalities. With robust anti-fraud measures and the promotion of transparency and accountability, these municipalities can work towards restoring public trust, enhancing service quality, and fostering sustainable development.

2.6 FACTORS CONTRIBUTING TO THE INEFFECTIVENESS OF AUDIT AND RISK COMMITTEES

In the appointment of ARCs and boards, particularly in municipalities and municipality entities, there should be a clear separation of responsibilities concerning political affiliation, cadre deployment and fiduciary responsibilities, which should account for effective and efficient service delivery in the public sector. As long as political parties decide who represents South Africans in the administration of state organs (cadre deployment), corruption-breeding patronage will persist for many years to come, as was illustrated through the State Capture Commission testimonies. Tshishonga (2014) argues that deploying people who are incompetent and unskilled not only exacerbates a dire need for service delivery but cements the idea that South Africa does not have qualified and experienced personnel for the jobs in public service.

The independence of those appointed as ARC members is paramount to the effectiveness of their oversight role. Those seen as not independent could prefer to avoid upsetting the Accounting Officer (City Manager) to ensure that their tenure on the ARC remains intact. They would prefer continuation of their remuneration in the form of sitting fees and related perks. Naidoo (2016:139) cited (the Institute of Directors Southern Africa, 2016) on the independence of Board Directors and stated that independent directors are non-executive directors who are independent “in fact and the perception of a reasonably informed outsider”.

According to Naidoo (2016:139), non-executive directors may be classified as independent where there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to unduly influence or cause bias the ability of the director to act independently in the best interests of the company. Thus, Naidoo (2016:139), further stated that an independent director with close personal ties to management or one who depends

mainly on his board stipend for his subsistence may not be all that objective when he needs to be.

Deloitte (2014:3) proposed that the independence of ARC members should be subject to review at least annually and more often as necessary and further argued that companies that are required, in terms of the Companies Act, to appoint an ARC should have policies in place to facilitate the timely identification of changing relationships or circumstances that may affect the independence of audit committee members. Deloitte (2014:2) further states that the Companies Act requires the appointment of an audit committee by the shareholders at every annual general meeting. This means that the appointment of the audit committee becomes an annual event, which will somehow enhance their independence. This requirement also highlights the importance of the board's nomination committee. As all audit committee members must be directors (members of the board), it is essential that the nominations committee identifies suitably skilled and qualified individuals to nominate for appointment to the audit committee, which raises questions about the same independence. Is the ARC not supposed to be independent from the Board to be perceived as entirely independent. It also does not refer to shareholding as a disqualification from membership of the audit committee, and the value judgment about independence relates only to suppliers and customers, except that all members of the audit committee must be independent directors.

Accountability and thoughtful, ethical monitoring are often lacking and might be due to limited or inadequate structural oversight framework. According to Rao (2016), ethical values can be brought back to centre stage by raising peoples' awareness and encouraging greater transparency and public disclosure. It requires a public policy that strongly incentivises ethical behaviour and rewards those officials who have not allowed themselves to be lured by money and find satisfaction in rendering service. This raises questions regarding ARC members' recruitment, appointment and remuneration. If the accounting officers (City Managers) in municipalities are entrusted with the responsibility of their recruitment, appointment and compensation, can it be assumed that the independence of ARC members will remain intact?

2.7 REQUIREMENTS OF KING IV REPORT, MFMA AND COMPANIES ACT

The assessment of the ARC members' capacity to combat fraud and corruption will be guided by the requisites and qualities of ARC members based on the King IV Report on Corporate Governance, the MFMA, the Companies Act, and other corporate governance guidelines.

The King IV report emphasises principles-based governance and encourages a holistic approach to addressing governance issues. It is recognised that it is not prescriptive but provides guidance on the roles, responsibilities, and qualities of ARC members, which are outlined below:

- The requirement for committee members to be independent. The ARC members should be independent of management and the municipality's operations to ensure unbiased oversight. It cannot be entirely said members are independent of the accounting officers (City Manager) because they are recruited, appointed and paid through the approval of the city managers.
- The committee members must have a variable blend of skills and expertise. The ARC members should possess diverse skills and expertise relevant but not limited to financial reporting, risk management, internal controls, and auditing.
- Committee members are required to have financial literacy. The ARC members should understand financial statements, accounting practices, and auditing standards such as International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Practices (GAAP).
- Committee members are required to have risk management knowledge. The ARC members should have a strong understanding of risk identification, assessment, and management, which is essential. In particular, the Public Sector Risk Management Framework in the case of municipalities and local government.
- The ARC members are expected to portray a high level of ethical behaviour and standards. Members should exhibit high ethical standards and a

commitment to the organisation's best interests by providing adequate time commitment necessary to fulfil their responsibilities effectively.

- Committee members are required to have communication skills. The ARC members should effectively communicate with stakeholders and management.

The MFMA provides guidelines for financial management in municipalities in South Africa. It requires municipalities to establish ARC structures, known as Audit Committees, to enhance accountability and transparency in financial matters with the below-listed requisites:

- There is a requirement for committee members to be independent; the committee members should be independent of the financial management and operations of the municipality.
- Committee members are required to possess the relevant skills and expertise, similar to the requirements of the King IV. ARC members should include financial, risk management, and governance expertise.
- The ARC members are required to be transparent and accountable; the committee should ensure transparency in financial reporting and accountability for public funds.
- The ARC members should ensure compliance with relevant laws, regulations, and standards and regularly evaluate their performance as a committee. It is also recommended that they assess individuals' contributions to the committee.

Section 94 of the Companies Act outlines regulations for corporate governance and sets requirements for ARCs in certain types of companies with the below-listed requisites and qualities:

- The composition of the ARC is a requirement by the Companies Act that public companies and state-owned companies should establish an ARC comprising non-executive directors.

- The requirement for the audit committee to be appointed annually by shareholders at the Annual General Meeting.
- The audit committee must consist of a minimum of three non-executive directors (including alternate or quasi-directors) appointed by shareholders at each AGM, all of whom must be independent and have an appropriate level of financial literacy.
- The audit committee will also be responsible for the appointment of auditors, settling the audit fees, determining the extent of and approving the provision of any non-audit services by the auditors and preparing a report to be included in the annual financial statements setting out how the audit committee has carried out its functions for the period under review, confirming the independence of the auditors and providing comment on the financial statements,
- The chairperson of the committee must be an independent director who is not the board's chairman.
- In the absence of a dedicated risk committee, the audit committee must also oversee the arrangements for anonymous reporting of irregularities, supervise the management of IT risks and controls, review the company's compliance with its legal and regulatory obligations, and oversee the internal audit and risk management functions.
- Most committee members should be independent of the company as non-executive directors.
- The ARC members should act in the company's best interests, uphold ethical behaviour, and communicate (report) all its activities honestly and openly to shareholders.

In conclusion, the King IV report, focusing on principles-based governance, advocates for a holistic approach to addressing governance issues. It emphasises the importance of independence, skills diversity, financial literacy, risk management knowledge, ethical behaviour and effective communication among ARC members.

However, the challenge of complete independence arises due to members' recruitment, appointment, and remuneration being subject to the approval of city managers, introducing a potential conflict.

While the MFMA provides specific guidelines for financial management in South African municipalities, mandating the establishment of ARC structures to enhance accountability and transparency. Similar, to King IV, it highlights the need for independence, relevant skills, transparency, accountability, and compliance with laws and regulations.

Section 94 of The Companies Act further outlines regulations for corporate governance, specifying requirements for ARC in certain types of companies. It stresses the composition of the ARC, annual appointment by shareholders, independence of members, responsibilities related to auditors, and the oversight of risk management functions. The emphasis on independence is reiterated, aligning with the principles of both King IV and the MFMA.

In essence, the requisites and qualities outlined by these governance frameworks collectively contribute to establishing effective ARC members' capacity. However, challenges related to independence, particularly in the context of municipal appointments, need careful consideration and further exploration.

Additionally, there are various other corporate governance sources and guidelines in South Africa which emphasise similar characteristics for ARC members, such as the below listed; one of those is the South African Institute of Chartered Accountants (SAICA) on their submission on the IOSCO consultation report on good practices for audit committees (SAICA, 2018), argued that:

- At least one-third of the members of a company's audit committee at any particular time must have academic qualifications or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management, in line with the provisions of Regulation 42 of the Companies Regulations.
- All audit committee members should be independent, non-executive members of the governing body.

- The governing body should appoint an independent, non-executive member to chair the audit committee.
- The ARC members should adhere to high ethical standards and integrity.
- The ARC members should be able to exercise sound judgment in complex financial and risk-related matters.
- The ARC members should be able to analyse information critically and ask relevant questions.
- The ARC members should be able to have effective communication and engagement with stakeholders.

According to Masibigiri (2022:35), other factors affecting municipalities include the absence of accountability, political interference, nepotism, and the failure of oversight committees to hold transgressors accountable for their unethical behaviour. (Mdlongwa, 2016)

2.8 CONCLUSION

The independence of ARC members stands as a pivotal factor in ensuring the effectiveness of their oversight role. The concerns highlighted regarding the potential influence of Accounting Officers (City Managers) on committee members' independence underscore the need for consistent and rigorous review processes. The recommendation of annual assessments and ongoing vigilance to changing relationships and circumstances can play a significant role in upholding independence. Furthermore, the absence of robust ethical monitoring mechanisms could be attributed to insufficient structural oversight frameworks. There is a need to reiterate the importance of moral values, transparency, and public disclosure, which will also highlight the importance of fostering a culture that rewards ethical behaviour. The intricate relationship between the recruitment, appointment, and remuneration of ARC members, mainly when influenced by accounting officers, raises crucial questions about maintaining their independence. Therefore, addressing these challenges demands comprehensive reforms, not only in policy but

also in the mechanisms that shape the composition and functioning of these committees.

CHAPTER THREE

3. RESEARCH DESIGN AND METHOD (METHODOLOGY)

3.1 INTRODUCTION

The research methodology employed in this study aims to explore and assess the capacity of ARC members within selected Gauteng Metropolitan Councils and understand their perceptions, experiences, and insights regarding their ability to combat fraud and corruption in their oversight role. The research strategy centres on a qualitative research approach through interviewing and using questionnaires to gather data. This chapter will detail the research design, participants' selection, data collection procedures, and data analysis methods.

This chapter provides a comprehensive elucidation of the research methodology meticulously crafted to delve into the capacity of ARC members within Gauteng Metropolitan Councils. The central objective of this study is to holistically explore and meticulously assess the capacity of these committee members in combatting fraud and corruption within their critical oversight role. In tandem with this primary aim, the study also seeks to gain an in-depth understanding of their perceptions, lived experiences, and profound insights concerning this vital aspect of their responsibilities.

A comprehensive study was conducted to thoroughly understand the contributing factors in the failures of oversight committees to combat irregularities in the South African public sector within Gauteng Province amid the heavily regulated environment with all the anti-fraud and corruption mechanisms at their disposal.

It should be stated that the product resulting from the reviewed literature was the focus and concern of this paragraph. Machi and McEvoy (2016:2) further state that the literature review should underpin the topic's theoretical and methodological basis, setting an appropriate theoretical framework. The literature review's most important aspect was informing, formulating and narrowing the research questions, thus enabling the researcher to take further manageable steps in the research process.

In line with the accepted principles and literature review process, a comprehensive study was conducted to thoroughly understand the contributing factors in the failures of oversight committees to combat irregularities in metropolitan municipalities within the Gauteng Province amid the regulated environment with all the anti-fraud and corruption mechanisms at their disposal.

The literature review's primary purpose was to assess and understand the relationship between capacity limitations and causes of failures to achieve both primary and secondary research objectives.

The carefully selected secondary data was used for literature review and was gathered through consulting various academic sources and relevant publications, which were sourced through several online academic databases, such as follows:

- NWU library;
- Google Scholar;
- PubMed (NLM);
- Various online sources.

The relevant secondary data utilised assisted in providing insight into the theoretical background to outline the research topic and offer the means required to derive the conceptual model for the study.

3.2 EMPIRICAL STUDY

The primary data will constitute information and statistics collected, analysed and interpreted for the sole purpose of the research study (Grimsley, 2017). The required primary data for this research study will be collected using an empirical assessment of the factors contributing to the failures of ARC members to combat irregularities in the selected Gauteng Metropolitan Councils.

According to Formplus (2022:2), the empirical study is a research methodology that uses verifiable evidence to arrive at research outcomes. It is the type of research which relies solely on evidence obtained through observation or scientific data collection methods. It further states that empirical study is based on gathering and

analysing data and aims to provide reliable and verifiable knowledge about a particular phenomenon or subject.

In an empirical study, a researcher uses a systematic and objective method to collect and analyse data. The data might come from various sources, such as surveys, experiments, observations or existing databases.

The primary data will constitute information and statistics that are collected, analysed and interpreted for the sole purpose of the research study at hand (Grimsley, 2017:17). The required primary data for this research study will be collected using an empirical assessment of the factors contributing to the failures of ARC members to combat fraud and corruption in metropolitan municipalities.

The research design of the empirical assessment for this research study includes the following (each of these has been expatriated briefly below):

- Determining the research paradigm;
- Methodological approach;
- Methodological choice;
- Methodological strategy;
- Time horizon; and
- Data collection and analysis techniques are used.

3.2.1 RESEARCH PARADIGM

The research paradigm adopted is constructivist. A research paradigm is a research method, model, or pattern. It is further explained as a set of ideas, beliefs, or understandings within which theories and practices can function (Abbadia, 2022:1). Most paradigms derive from one of two research methodologies: positivism or interpretivism. Every research project employs one of the research paradigms as a guideline for creating research methods and carrying out the research project most legitimately and reasonably. It is believed that there's no single reality or truth but rather multiple realities (Getproofed, 2022). The research study has devoted itself to

understanding and interpreting the meaning attached to actions or non-actions by the ARC members. According to constructivism, it is assumed that reality is in a constant state of flux, is subjective, and that multiple realities co-exist.

According to Bryman and Bell (2011:17), constructionism as an ontological position asserts that social phenomena and their meanings are being produced continually by social actors, individually and collectively, through social interaction.

The research study will devote itself to understanding and interpreting the meaning attached to the capacity of ARC members to act upon fraud and corruption in metropolitan municipalities. According to constructivism, it is assumed that reality is constantly in flux, is subjective and that multiple realities co-exist.

3.2.2 RESEARCH APPROACH

The research approach adopted was qualitative grounded research. Data is collected and analysed in this process, and then a theory is developed. The research approach implies the different methods of data collection and analysis and the differences between qualitative and quantitative methods. The research approach was understood to be an available plan and procedure for conducting the study. According to Bryman and Bell (2015:27), the process for the research can be divided into three categories, which are deductive, inductive and abductive approaches. It was initially used by (Williams & Irurita, 2005) in the study of personal hygiene, control and emotional content during the period of hospitalisation of patients.

The surveyed self-administered questionnaires were mainly responded to with pre-determined subjectivity depending on the perception of the sampled ARC's committee members. Therefore, it can be concluded that there were more than an adequate number of human behaviour variables, which might distort the interpretations of the research hypothesis.

The process involved merging data questionnaires and data typically collected in the participant's setting. The data analysis was inductively built from specific feedback to general themes, and interpretations of the meaning of the data were formulated thereafter.

The main distinctive point between deductive and inductive approaches was the hypotheses' relevance to the study. The reasoned approach tested the validity of assumptions (or theories/hypotheses) in hand, whereas the inductive approach contributed to new theories and generalisations.

In this research study, the survey of self-administered questionnaires was adopted. It was expected that it would mainly to be responded to with pre-determined subjectivity depending on the perception of the sampled ARC members. Therefore, it can be a foregone conclusion that there will be more than an adequate number of human behaviour variables, which might distort the interpretations of the research hypothesis.

3.2.3 METHODOLOGICAL CHOICE

The methodological choice for this research study is qualitative research with an inductive approach, whereby qualitative research tools such as interviews, expert opinion, self-reflection, and content analysis were utilised. An in-depth analysis and understanding of the obtained information were conducted to provide a thorough assessment of the failures of the ARC and generate a well-informed theory and framework. Qualitative research is associated with the interpretive research paradigm and focuses more on a small sample's subjective views and beliefs (Wiid & Diggines, 2013:87).

Denzin and Lincoln (2000), cited by Bryman & Bell (2015), define qualitative research as a situated activity that locates the observer in the world, which consists of a set of interpretive, material practices that make the world visible. They turn the world into a series of representations, including field notes, interviews, conversations, photographs, recordings, and memos to the self. Accordingly, qualitative researchers investigate phenomena in their natural environments with the goal of explaining or interpreting occurrences in terms of the meanings that individuals assign to them.

3.2.4 RESEARCH STRATEGY

The research strategy is using narrative accounts in qualitative research about the functions and fiduciary duties of ARC members. The research data was gathered

through semi-structured interviews and questionnaires. There was a need to analyse the interview and questionnaire data and construct it as narrative accounts to understand the contributing factors to the failures of ARC's members to combat irregularities. This research strategy aimed to dictate, describe and explain research primary and secondary objectives just the way it would provide a description or explanation to the subjects.

3.2.5 TIME HORIZON

According to Melnikovas (2018:34), a time horizon describes the period over which a study occurs. The time horizon often limits the period of the research to a reasonable and acceptable period. Theoretically, based on the time limitations and resource unavailability, cost and benefits analysis are very crucial when setting the research time horizon.

Cross-sectional research is undertaken to answer a question or solve a problem. It will, therefore, employ experiments (limited) strategies such as semi-structured interviews, questionnaires, case studies or grounded theory. In such a case, fewer than seven months were required to finalise the research study.

3.2.6 STUDY POPULATION AND SAMPLING

The research study population was all the current ARC members serving in the selected metropolitan municipalities within Gauteng Province. The sampling frame for the research study was the list of all the current ARC members serving in the selected urban municipalities within Gauteng Province.

The sampling strategy was set forth to ensure that the sample used for the research study represents the population from which a proper and appropriate conclusion can be drawn. Probability sampling was chosen, including some form of random selection in selecting the elements to also place greater confidence on the representativity of probability samples.

The participants for the study were selected through purposive sampling. This method ensures that participants have relevant experience and knowledge concerning ARC functions (Bryman & Bell, 2015). A diverse pool of participants from

the selected Gauteng Metropolitan Councils was considered to capture a range of perspectives. The inclusion criteria encompass committee members who have been serving on ARCs for at least two years and were still contracted during the research period.

The sampling involved a selection process in which each element in the population has an equal and independent chance of being selected. A total number of between 8 and 12 samples were randomly selected for the research study.

The deliberate selection process aimed to maximise the richness and relevance of the collected data. A diverse range of committee members from various metropolitan councils were invited to participate as per the selected sample, facilitating the capture of a heterogeneous array of viewpoints. The inclusion criteria encompass individuals who have accrued a substantial tenure of at least two years as active members of ARCs. This criterion guaranteed that participants possessed the requisite depth of experience necessary to provide meaningful insights into the challenges and intricacies of their roles.

3.2.7 RESEARCH DESIGNING

The research study was conducted through one-on-one and virtual interviews to collect data directly from the participants and questionnaires. A qualitative research approach was chosen, including individual interviews, focus groups and direct observations. The research study was entirely dependent on the willingness of participants to share their experiences, knowledge and challenges about the incapacity of ARCs to combat irregularities and semi-structured interviews as the measuring tool in this study. Qualitative research was an indispensable approach for unearthing the intricate nuances and underlying motivations that characterise human experiences and behaviours. It allowed for a thorough assessment of the multifaceted dimensions of ARC members' roles, focusing on the technical aspects of their duties and the human factors that influence their decision-making processes.

The research approach did allow a semi-structured interview guide as an instrument to manage the interviews. A list of questions was prepared for this research study as derived from the literature review on the incapacity of ARCs to combat fraud and

corruption. Most of the time, the research logistical arrangements were through emails to arrange meetings and submit questionnaires.

The utilisation of both one-on-one interviews and questionnaires provided a comprehensive picture of ARC members' perceptions and attitudes to be developed. These methods allowed for an exploration of the underlying complexities of the ARC's role, responsibilities and decision-making processes.

3.2.8 COLLECTION OF DATA

Two primary methods were employed for data collection: one-on-one semi-structured interviews and questionnaires. The data was collected through interviews and emailed questionnaires within Gauteng Metropolitan Municipalities (i.e., Tshwane, City of Johannesburg and Ekurhuleni). Interviews were conducted virtually, some in person, and questionnaires were emailed.

Sampled participants were forwarded questionnaires across the sampled participants' spectrum as indicated in the research sampling strategy (probability).

The first activity of the research was the request for interviews with the selected (sampled) members of the ARC. The interview questions focused on relevant prescripts and legislation to expatiate and demystify any perceived limitations on the ARC functions and processes.

3.2.8.1 ONE-ON-ONE SEMI-STRUCTURED INTERVIEWS

Semi-structured interviews offered flexibility while ensuring consistency across participants. Depending on the participants preferences, these interviews were conducted face-to-face or through video conferencing. A pre-defined set of open-ended questions guided the interviews, allowing participants to share their experiences, opinions, and insights related to their roles on ARCs. Follow-up questions were asked to clarify and probe deeper into specific areas of interest. The interviews were expected to last approximately 30 to 40 minutes.

3.2.8.2 QUESTIONNAIRES

Questionnaires served as a supplementary data collection method to gather information from some of the ARC members. The questionnaires were designed based on the legislative mandate identified in the relevant literature. The technique enabled the collection of qualitative data, which was used to complement the qualitative findings and provide a broader perspective on the research topic. The questionnaire was distributed electronically to potential participants and was semi-structured to be completed within 20 to 30 minutes.

3.3 DATA ANALYSIS

The collected data undergo a rigorous qualitative analysis. The interviews were transcribed verbatim, and the questionnaire responses were coded to identify common themes, patterns, and variations. A thematic analysis approach, as proposed by Braun and Clarke (2006), was used to guide the analysis process. Initially, data were open-coded to identify recurring ideas, and subsequently, these codes were grouped into broader themes. Quotations from interview transcripts also enriched the qualitative findings to highlight participants' viewpoints.

The transcription commenced immediately after the participants' responses had been collected through semi-structured interviews and kept safe. The data was analysed after transcribing the interview data and participants' responses. The written consent was sorted from all the participants before data was transcribed and it was only transcribed from the original digital voice recorded.

The data analysis process was done via coding as a form of data analysis. All the important dates, names and notes were kept confidential, but most important, the actual answers to the questions by the different participants. Upon transcription of interview recordings and collation of questionnaire responses, the data was subjected to open coding. The initial phase involved the identification of discrete codes encapsulating meaningful concepts. Subsequently, these codes were refined and organised into overarching themes, revealing the interconnectedness of participants' insights. Direct quotations from interview transcripts were meticulously interwoven into the analysis to authenticate the findings and provide a tangible connection to participants' voices.

The researcher must switch from natural interview mode into research mode to interpret these words (Saunders *et al.*, 2018:638). Interpretivism was deduced from the provided answers by the participants and then converted into qualitative data. The qualitative data analysis was done via a variety of computer-aided qualitative data analysis software (Saunders *et al.*, 2018:692). Available computer-aided data analysis software was considered to conduct the analysis, namely ATLAS.ti.

The use of thematic analysis to transcribe and encode the data was employed for this research study. A combination of the transcribed interviews and encoding of each paragraph assisted in having a complete set of data gathering to finalise a collaborative process in qualitative research.

3.4 RELIABILITY AND VALIDITY (TRUSTWORTHINESS)

The participants were engaged to validate the findings and ensure that the results have been interpreted correctly. In case there was information that the participants wanted to retract or add were then afforded the opportunity.

To create and increase reliability for the research study, it was ensured the research process is logical by providing a project plan, traceable by creating a record filing/folder cabinet and ensuring that all the documents are kept safe to maintain an audit trail for any eventuality. A research study may demonstrate trustworthiness for its approach to be audited (Bryman *et al.*, 2014:45).

To enhance the validity and reliability of the study, several measures were implemented. Participant member checking was conducted, where participants were provided with a summary of their interview responses to ensure accuracy and confirm their perspectives. Triangulation was also applied by comparing interviews and questionnaires findings to establish consistency.

It was a required measure that the researcher's interpretations and findings were derived strictly from the data collected and that the researcher did not allow personal values to influence the research (Bryman *et al.*, 2014:45). A continuous consultation with the research study supervisor was a permanent feature of the study to ensure confirmability and be kept on check that any personal views and perceptions are not infiltrating the qualitative data of the research study.

Ethical guidelines were strictly adhered to throughout the research process. Participants were provided with informed consent forms, guaranteeing their anonymity and confidentiality. All data was stored securely and only accessible to the researcher. Before data collection commenced, ethical approval was obtained from the North-West University's Faculty of Economic and Management Sciences' Ethics Committee.

3.5 ETHICAL CONSIDERATIONS

Ethical issues were considered before the proposed study began, which were provided with the required attention. Some of the potential research participants were reluctant to take part in the research due to some of the following possible reasons:

- Unwanted exposure of the metropolitan municipality they are serving as a committee member;
- Potential conflict with the metro city they were serving and therefore fearful of repercussions thereof;
- Fear of harassment by the other committee members and the metropolitan municipality executives for expressing their views, which might not be in agreement with the status quo;
- Disclosure of confidential and private information of the metropolitan municipality and fellow committee members by the participant;
- Disclosure of self-incriminating information;
- Metropolitan municipalities might be reluctant to allow their committee members to participate in this research for fear of exposing confidential or sensitive information.

The ethical issues anticipated during and when collecting data for the study were provided and mitigated with the required attention. The following were some of the research ethical issues encountered during the study:

- Some of the participants may not consent to the recording of the research study interviews;
- Some of the participants may not agree to the signing of the consent forms for the research study interviews;
- Some of the participants might expect to be reimbursed for participating in the research study or solicit money for participating;
- During the interviews, some participants might diverge into unwanted and irrelevant matters, such as politics and race.

The ethical issues that were anticipated during the data analysis, reporting, sharing, and storing data of the study were provided with the required attention, some of which include the following:

- The improper data analysis due to incompetence or misunderstanding is an ethical issue because it may result in the publishing of false or misleading research study conclusions;
- The personal interview methodology used during interviews is at the expense of a clear and straightforward method and, after that creates problems in data gathering, analysis, and the reporting of findings;
- Limited understanding of the subject matter by either the participant or the student researcher might create a significant ethical issue;
- Keep safe the interview recording and any other information/files of the research interviews.

The following measures were implemented to mitigate the ethical risks listed in the paragraph and ensure compliance with the Protection of Personal Information Act requirements, 4 of 2013 (POPI Act).

The first mitigation measure to follow was to create informed consent rules and consent forms to be signed by all the research participants, which were signed before participation. The consent rules were listed on the backside of the consent form and ensured the following:

- The consent forms and regulations provided a guarantee that participants were voluntarily participating in the research with a complete understanding of relevant risks and benefits;
- The requirement was that the person should have all of the necessary information that might reasonably influence their willingness to participate or not participate;
- The consent forms provided all the necessary information, such as disclosures and guarantees that their personal data will remain confidential and will never be disclosed to external parties;
- The consent forms provided participants with an option to withdraw their participation at any time whenever they felt uncomfortable;
- The consent form rules informed the participants that there was no remuneration for participating in the research interview and eradicated those expectations as early as possible.

3.6 CONCLUSION

The research methodology adopted for assessing the perceptions, experiences, and insights of ARC members regarding their capacity to combat fraud and corruption is straightforward and in line with the standard research practice. Qualitative interviews and questionnaires were expected to provide a comprehensive understanding of committee members' viewpoints. The next chapter will present the findings obtained from the analysis of the collected data.

This chapter has expounded upon the research methodology harnessed in this study, designed to holistically explore and meticulously assess the capacity of ARC members within Gauteng Metropolitan Councils. Through the judicious utilisation of qualitative interviews and questionnaires, the research aims to uncover the technical and legislative aspects of combatting fraud and corruption and delve into the intricate human dynamics that shape the committee members' experiences and perceptions. The subsequent chapter will present the culmination of this methodology – the empirical findings derived from the comprehensive analysis of the collected data.

CHAPTER FOUR

4. ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 INTRODUCTION

The research study focused on the apparent failures of ARCs to combat fraud and corruption in the selected metropolitan municipalities within the Gauteng Province. This chapter endeavours to transform the data gathered through interviews conducted into valuable knowledge in order to assist with addressing the study's primary objective, namely to assess the capacity of selected ARC members to effectively combat fraud, corruption and related irregularities.

The data obtained is analysed by first referring to the participant demographics, followed by an analysis of a structured questionnaire, and then a qualitative analysis is conducted through the use of ATLAS.ti software.

ATLAS.ti is a qualitative data analysis software programme designed to facilitate the management and analysis of large amounts of unstructured or qualitative data. The software is commonly used in academic research to support the systematic analysis of textual, audio, video, and image data. ATLAS.ti provides a range of tools for organising, coding, and exploring qualitative data, helping researchers to identify patterns, themes, and relationships within their datasets. It supports a variety of qualitative research methodologies, including grounded theory, content analysis, and thematic analysis, offering a systematic and efficient way to derive insights from diverse qualitative data sources.

4.2 PARTICIPANTS' DEMOGRAPHICS AND INTERVIEW METHODOLOGY

The research data was gathered through semi-structured interviews and questionnaires. The selected Gauteng Metropolitan Municipalities (i.e., City of Johannesburg, Ekurhuleni and Tshwane) had a combined total population of approximately fifteen (15) ARC members at the time when this research study was conducted. However, it should be stated that the number fluctuates as members tend to resign due to personal and other circumstances. The sampling frame for the

research study was the list of all the current ARC members of the selected Gauteng Metropolitan Municipalities. A total of ten (10) sampled participants from the total population of fifteen (15) were randomly selected for interviews.

The interview appointment requests were sent through emails to the ten (10) identified participants. Only eight (8) responded and made themselves available for the interviews, where MS Teams meetings were arranged with each depending on their schedules and availability. The participants were informed of the purpose of the discussions, their rights regarding the POPI Act and other required ethical prescripts.

The interviews were recorded with the participants' permission and thereafter transcribed and kept safe for record-keeping and analysis purposes. All the participants were requested to sign a consent form as evidence of their consent to the interviews and transcriptions for research purposes. The participants will be kept anonymous per the agreement and undertaking on the signed consent forms.

The participants' demographics, experience and level of qualifications are outlined in the table below:

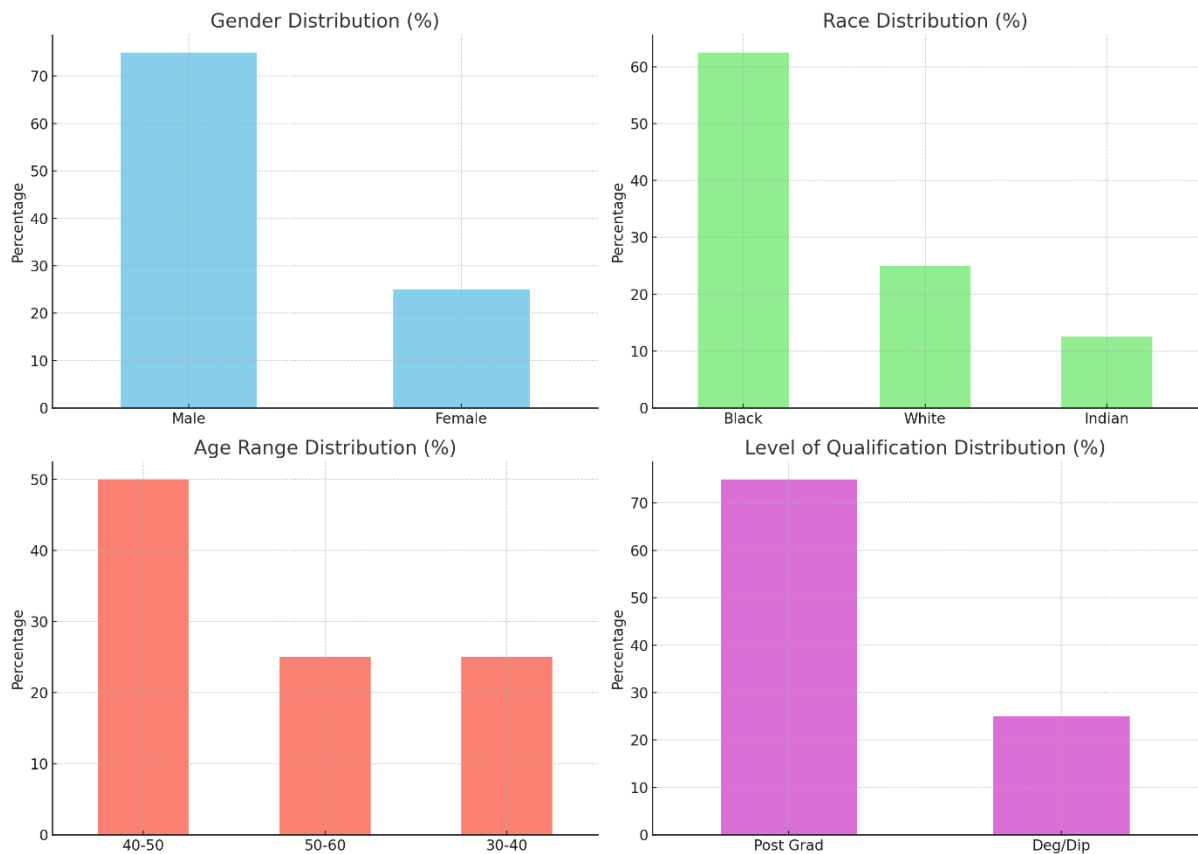


FIG.2.1 Participant demographics

In the paragraphs below, a detailed breakdown of the demographic composition, highlighting the predominant characteristics in terms of gender, race, age and educational qualifications within the participant group, is provided.

Gender distribution:

Males account for 75% of the participants, indicating a significant majority. Females comprise 25% of the group, showing less representation than their male counterparts. Other sexes were not revealed.

Race distribution:

Black participants constitute 62.5% of the group, representing the majority. White participants form 25% of the group, indicating a notable presence. Indian participants have a representation of 12.5%, the smallest among the racial groups. Given the number of participants, this appears to be a fair comparison with the country's racial demographics.

Age range distribution:

The 40-50 age range includes 50% of the participants, making it the most common age group. The 50-60 and 30-40 age ranges comprise 25% of the participants, indicating a balanced representation of these age groups.

Level of qualification:

75% of the participants have postgraduate qualifications, suggesting a highly educated group, with 25% of the participants possessing a degree or diploma, representing a significant but smaller proportion than postgraduates.

From the above, it can be summarised that the majority of the participants are highly educated and with the required minimum level of qualifications as depicted on both graphics (*FIG. 2.1*). The majority have a postgraduate qualification (i.e., 6 out of 8 participants) which is 75% of the sampled population. Some participants are qualified as chartered accountants, registered auditors and certified fraud examiners.

Most participants have indicated that they had previously held high-level positions at multinational companies such as the so-called Big Four auditing firms, while others gained experience in small or medium black-owned accounting firms. The experience varies from independent forensic accountants, risk management specialists, ICT auditors and chief audit executives. All participants have a minimum of 10 years' experience in the public sector, particularly local government, and a minimum of 5 years' experience as ARC members either in national, provincial, state-owned entities or private companies.

4.3 STRUCTURED QUESTIONNAIRE ANALYSIS

The participants were required to complete a pre-approved structured questionnaire. Participants were required to rate whether they 'strongly agree', 'agree', 'are neutral', 'disagree', or 'strongly disagree' with different statements in the structured questionnaire. From an analysis of the responses obtained, the following is noted as is set out in the paragraphs below.

From the interviews conducted, it is noted that there is 100% agreement on the importance of the role of the ARC in combatting fraud, corruption, and related

irregularities in the local government's metropolitan area because all the participants answered yes to the structured questionnaire.

- *Independence of the chairperson of the ARC*

An overwhelming majority, approximately 80% of the participants, strongly agree (Score 5) with the importance of the chairperson's independence in the ARC. This high percentage reflects a strong consensus among participants about the critical role of an independent chairperson for effective oversight.

- *Appropriate mixture of skills in the ARC*

A combined total of 60-70% of participants agree (Score 4) or strongly agree (Score 5) that the relevant ARC has an appropriate mix of skills. This indicates a generally positive sentiment about the diversity of skills within the committee, though with some room for improvement, as indicated by the remaining 30-40%.

- *ARC support from management*

About 50-60% of participants either agree (Score 4) or strongly agree (Score 5) that the committee receives adequate support from management. However, around 20-30%, a significant percentage are neutral (Score 3), suggesting some uncertainty or ambivalence about this aspect.

- *Timely provision of documents/information to the ARC*

Responses are more varied, with about 30-40% strongly agreeing (Score 5) and a similar percentage agreeing (Score 4). However, there's a notable presence of neutral (Score 3) and disagree (Score 2) responses, indicating mixed perceptions about the timeliness of information provisioning.

- *Processes for informing the ARC about fraud and corruption*

This question sees a more balanced spread of responses across agree (Score 4), neutral (Score 3) and disagree (Score 2). Approximately 30-40% agree, but a similar percentage is neutral, and a smaller yet significant proportion disagrees, reflecting varied opinions on the effectiveness of these processes.

- *Measures to combat fraud and corruption*

Around 60-70% of participants agree or strongly agree (Scores 4 and 5) that adequate measures are in place to combat fraud and corruption within the respective metros. This indicates a majority view that the respective ARCs are proactive in combatting fraud and corruption, though not as unanimous as the response to the independence of the chairperson. However, the audit outcome, as presented by the Auditor General South Africa, appears to contradict this view. As an example, it was reported that the City of Tshwane Metro was the municipality with the most missing information; the metro could not provide supporting documents for the award of four tenders (mainly for public lighting infrastructure and professional engineering services on construction projects) worth R0,89 billion because it did not have proper document management in place. (Auditor General South Africa, 2022)

- *Training to mitigate the risk of fraud and corruption*

This question shows a more even distribution of responses, with approximately 30-40% agreeing (Score 4) but a significant proportion giving neutral (Score 3) and disagree (Score 2) answers, suggesting mixed views on the adequacy of training provided.

A summary of the responses obtained from the participants on the structured questionnaire is provided in the graphics below:

Legend:

Strongly Agree	5
Agree	4
Neutral	3
Disagree	2
Strongly Disagree	1

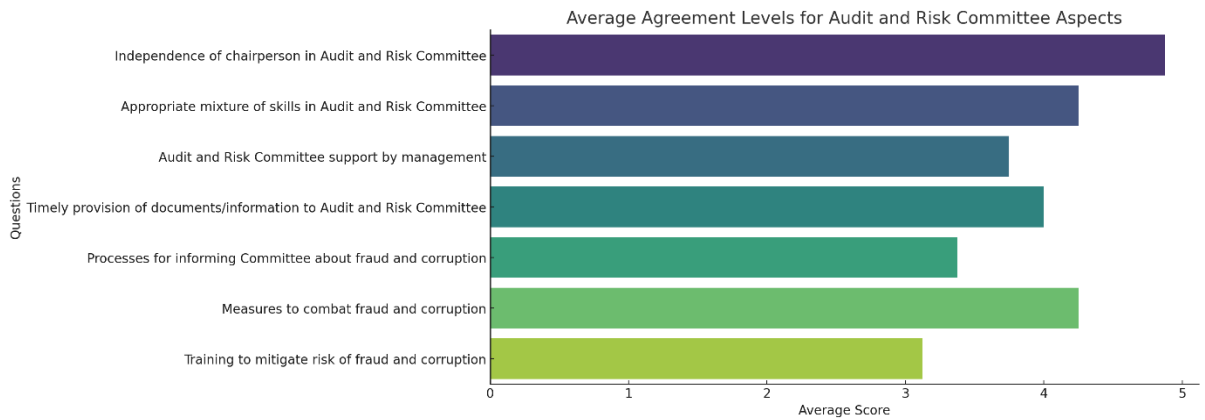


FIG.2.2 Structured questionnaire graph

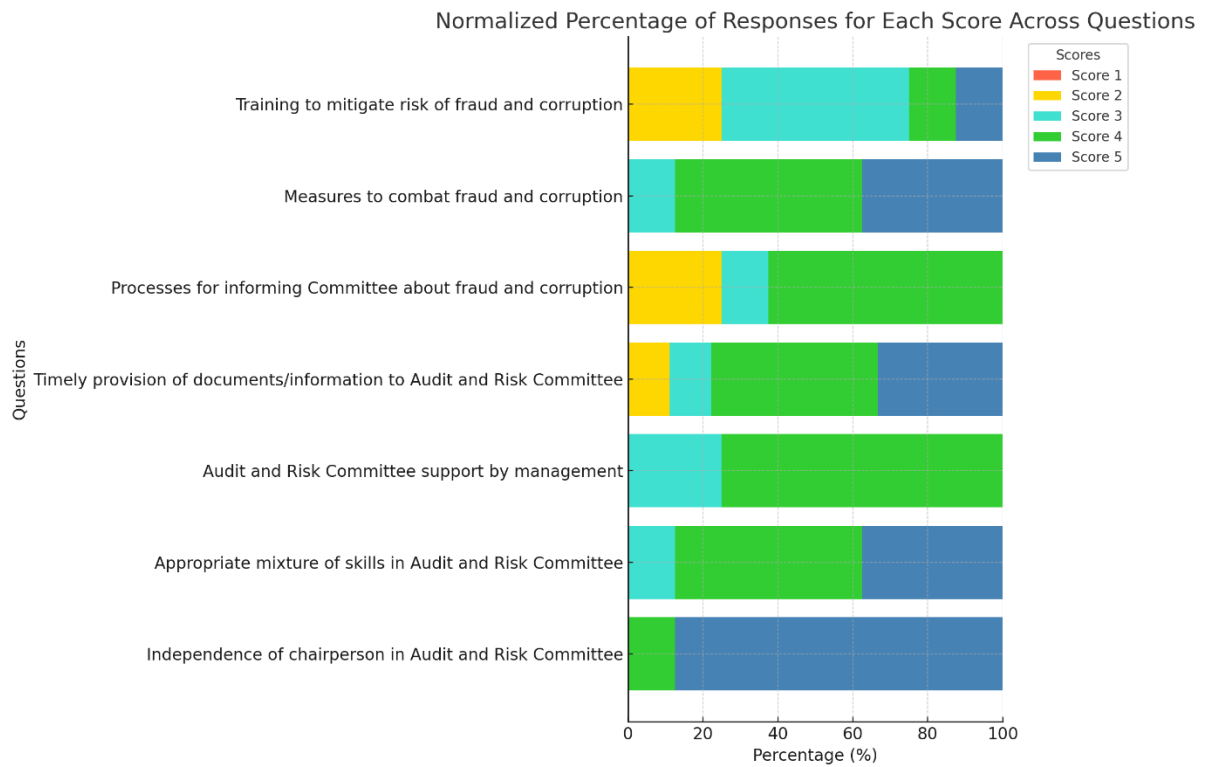


FIG.2.3 Structured questionnaire graph

4.4 QUALITATIVE ANALYSIS

The core purpose of this chapter is to interpret the data collected through the semi-structured research interviews. It involved organising, summarising and presenting

the data in a manner that is coherent and meaningful through transcribing and coding utilising software.

The Grounded Theory-Inductive Approach diagram, given below, captures the dynamic, evolving, and inductive nature of deriving theories directly from the data in this qualitative research study. It illustrates the iterative and recursive nature of cycling back and forth between data collection and analysis, refining the theory as more data becomes available. (Glaser & Strauss, 2014)

Grounded Theory-Inductive Approach

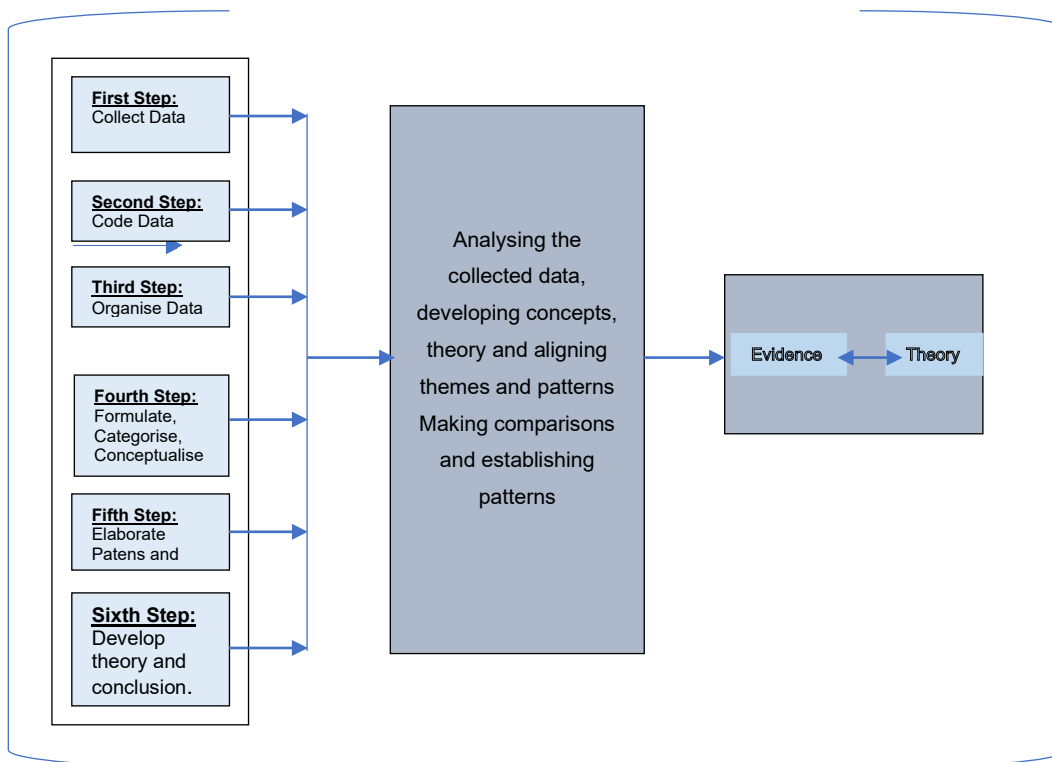


FIG.2.4 Grounded Theory-Inductive Approach

4.4.1 DATA CODING

ATLAS.ti software was utilised for coding the data and identifying patterns, trends and relationships within the data, making it more meaningful and coherent, which was after that comprehensibly translated to the interpretations and findings.

The transcriptions from the audio interviews conducted with the participants were uploaded on the ATLAS.ti software for analysis. A total of eight interview transcript documents were uploaded and analysed. After that, ATLAS.ti's coding function was utilised to code these eight interview transcript documents, which was subsequently followed by identifying the most prevalent and relevant concepts and themes of the study.

The concepts and themes most relevant to the research study and question were chosen. More than 60 codes were initially generated through ATLAS.ti and assigned to 127 quotations extracted from the interview transcript documents, which were, after that, organised into six categories based on their relevance and alignment to the research objectives, some of which served as the research themes.

In addition, ATLAS.ti also extracted more than 60 unique concepts from the interview transcripts. An overview of these concepts is provided in Section 1.2.1 and is followed by a detailed unpacking of the results from the thematic analysis in Section 1.3.1. Throughout Section 1.4.1, illustrative quotes gained from the participants' interviews are reported before the researcher's study. This is done to stay as close as possible to the documented experience of the participants themselves and to centre their observations, knowledge and reporting.

4.4.2 CONCEPTS CLOUD AND TREEMAP

An ATLAS.ti "Concepts Cloud and Treemap" were generated for the data provided. The Concepts function in ATLAS.ti finds and extracts noun phrases, counts them, arranges them in count order, and outputs the Cloud and Treemap as shown below. Each of these ideas appears in the topics that will be fully explored in Section 1.1.2.5.1, where they will be covered in detail.



FIG.2.5 ATLAS.ti Treemap

4.5 IDENTIFICATION OF THEMES AND PATTERNS

The following themes and patterns were identified through the use of ATLAS.ti software.

4.5.1 THEMATIC ANALYSIS

Through the use of ATLAS.ti and also guided by the research study questions, a network was created, and each code was examined together with the quotes that went along with it to ensure their relevance towards the research study questions and objectives. Most codes were combined to create concerted and focused research and to interpret and analyse only necessary subthemes within the main themes. After the above-outlined process, the following code categories, which served as the research themes, were identified.

The most pertinent codes, which are the foundation of each theme, will be covered in detail in the following parts. Although many of the pieces are connected, it will first be broken down and examined separately, with an emphasis on the sub-themes and

the associated quotations that accompany each, in order to facilitate a nuanced understanding.

4.5.2 KEY THEMES IDENTIFIED

The below listed key themes were identified through the use of ATLAS.ti coding and will be further explored in the following paragraphs.

- **Theme 1: Challenges in combatting fraud and corruption**

- ⇒ Advisory Committee

- ⇒ Ineffective counsel

- ⇒ Council not responsive

- ⇒ Lack of accountability

- **Theme 2: Holding executive accountable**

- ⇒ Strengthening ARCs

- ⇒ Improve the reporting mechanism

- ⇒ Empowering ARCs

- ⇒ Training and Development

- **Theme 3: Accountability and transparency**

- ⇒ City manager

- ⇒ Political interference

- ⇒ Adequate mixture of skills and competencies

- ⇒ Management support

- ⇒ Performance management

- ⇒ Consequence management

- **Theme 4: Independence of ARCs**
 - ⇒ Independence of the chairperson
 - ⇒ Municipal public accounts committee
 - ⇒ Municipal stakeholders
- **Theme 5: Assessment of the ARC**
 - ⇒ Training alignment
 - ⇒ Training for municipality operations
 - ⇒ Training provided
 - ⇒ Training not for fraud and corruption

The utilisation of multi-code quotes allowed the researcher to discover the multitude of factors contributing to the challenges experienced by ARCs to combat fraud and corruption within the selected Gauteng Metropolitan municipalities.

Through the multi-coding of structured transcribed interview documents, an aligned theme and pattern was discovered as outlined in Section 1.3.1.1 and will be explored further in the subsequent paragraphs. The interviews highlighted several issues, such as the ARC's lack of authority to enforce consequence management because they only serve as a committee to Council. ARCs can only escalate issues to the Council in instances where the executive is not cooperating or not being accountable.

The legislative structural weakness was also exposed through the interview discussions with the participants, who have shown a high level of knowledge and understanding of municipality governance and local government administration. In the context of this research study, a structural legislative weakness means that the laws and regulations governing these ARCs need to be more robust to provide clear guidance, authority, or mechanisms for effective functioning. This involves limitations in enforcing consequence management and inadequate provisions for accountability. One of the central themes and patterns was the lack of accountability and

consequence management executed either by the relevant Council or Municipal Public Accounts Committee (MPAC) because it appears that even if the ARC is adequate and functioning optimally as it is supposed to, the Council and MPAC appears not to be responsive to the matters escalated by the ARC. Issues remain unresolved and eventually swept under the carpet.

4.5.3 EMERGING THEMES AND PATTERNS

The overarching theme throughout the responses highlighted a call for a more proactive and empowered approach by municipalities, emphasising the urgency of transparent and accountable governance to combat fraud and corruption effectively. The following themes were prevalent in the discussions with the participants and have been expanded more in the paragraphs below:

Ineffective Councils:

Most participants expressed frustration with councils that seemed ineffective in addressing the issues raised by ARCs. Councils were often described as rubber-stamping reports without taking substantial actions, hindering the committee's efforts to combat fraud and corruption.

Political Interference:

The participants widely acknowledged the compromising effect of political interference on the integrity and independence of ARCs. There was a consensus that political affiliations sometimes influenced the functioning of committees, affecting their ability to address fraud and corruption objectively.

Consequence Management:

The majority of responses indicated concerns about the need for more effective consequence management. The participants highlighted that the absence of consequences for poor performance and non-compliance hindered improvements in audit outcomes and the overall accountability of executives.

Legislative Weakness:

Participants commonly pointed out legislative weaknesses as a significant challenge.

There was a shared view that the legislative framework governing ARCs lacked clarity, authority, and mechanisms to effectively enforce consequence management and accountability.

Training Gaps:

Some participants acknowledged receiving training, and concerns about its adequacy and consistency were prevalent. Specific training gaps, especially in areas related to anti-fraud and corruption measures, emerged as a recurring theme, emphasising the need for targeted programmes to enhance committee capacities.

4.5.4 IDENTIFIED THEMES

Several themes were identified, which are alluded to in the paragraphs below.

4.5.4.1 Theme 1: Challenges in combatting fraud and corruption

This theme consists of four main codes, namely: ineffective Council, Council not responsive, advisory committee and lack of accountability.

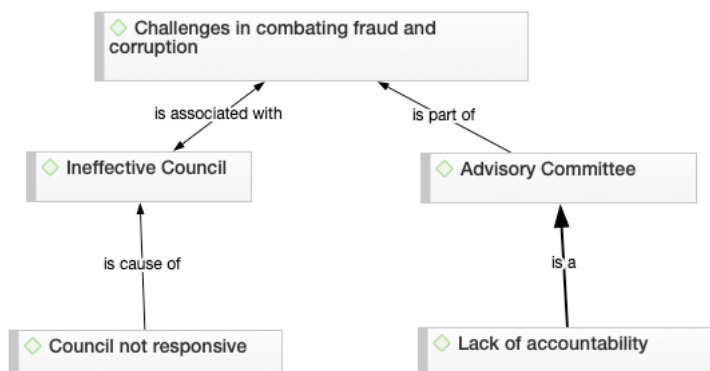


FIG. 2.6 ATLAS.ti Category Code Network: Challenges in combatting fraud and corruption.

Challenges in combatting fraud and corruption: Ineffective Council and not responsive

The question posed to the participants was, *“What more can ARC members do to hold the executive management accountable for maladministration and irregularities within municipalities?”*

These are some of the participants' replies indicating a challenge in how the council performs its functions.

“I was not being listened to, so although they were quarterly reports to Council, the Council would look at them and say, yes, rubber stamp them and move on.

They didn't do anything about it, so it is emphasising the importance of those charged with governance, which is the Council, and it has an impact on the rest of the committees within the municipality to take action and to drive the process towards addressing the problem areas and control deficiencies, the lack of consequence management, the lack of performance management, the lack of follow up of both internal and external audit findings.” (Participant 1)

“It is not as frequent as one would like it to be simply because of the changes that are happening within Councils, there [is] a constant change of council and executive members of Council and that sort of destabilises operations of committees.” (Participant 7)

The above statements highlight the fact that even if the ARC can be most effective and competent in doing its work, if it does not have a supportive, stable and committed council, the executive management will not be held accountable whenever issues are escalated and reported to the board, via the audit committee. In such circumstances, the oversight function and responsibility to prevent and detect fraud and corruption remains futile.

The statements uttered by the participants allude to the structural shortcomings of the ARC, namely that the ARC is a sub-committee of the Council and, therefore, is reliant on the Council to hold the executive accountable through enforcing consequence management. Some of the participants stated the following:

“Remember, it is an ARC. It is an oversight committee of the council.”

“It is an independent oversight body of the council, it wouldn't even go into consequence management, but they'll hold management to account to say you were required”. (Participant 5)

Challenges in combatting fraud and corruption: advisory committee

According to one of the participants, *“The ARC is just an advisory committee of Council and therefore does not have a mandate or legislative authority in itself to enforce consequence management”*. ARCs are appointed in terms of relevant legislation as a sub-committee of the Council and are expected to provide oversight by reporting to the Council. If the Council and MPAC fail to ensure accountability and consequence management after a matter has been escalated by the ARC, the latter has no further legislative mechanism that can be applied other than resorting to reporting the matter to either the Auditor General South Africa or the South African Police Services in the case of fraud and corruption. Some participants who support this notion uttered the statements below.

“It is an independent oversight body of the council; it wouldn't even go into consequence management.” (Participant 5)

“Remember, the committee is an advisory committee. It does not dig down into the details of transactions.” “We can't take disciplinary action ourselves to ensure it”. (Participant 1)

Challenges in combatting fraud and corruption: Lack of accountability

Structures above the ARC, such as Council and MPAC (i.e., political office bearers), are not held accountable when not functioning as expected and, therefore, are incapable or equipped to hold the ARCs to account whenever inefficiencies are identified. Furthermore, due to the perceived capacity issues within Councils and MPAC, inefficiencies in the ARC may also not be addressed.

“So there’s been weaknesses in that, the audit committee can slide at times, and nobody holds them accountable because they’d rather not be held accountable themselves.” (Participant 1)

This creates a dilemma for the ARC because, in their oversight role of demanding accountability from executive management to enforce consequence management, if the enforcement of consequence management is not forthcoming and the Council is not responsive, the ARC finds itself in limbo.

“The whole process of how do you go about disciplining for financial misconduct.” (Participant 1)

4.5.4.2 **Theme 2: Holding the Executive Accountable**

This theme consists of four main codes: strengthening members' accountability, improving the reporting mechanism, empowering ARCs and training and development.

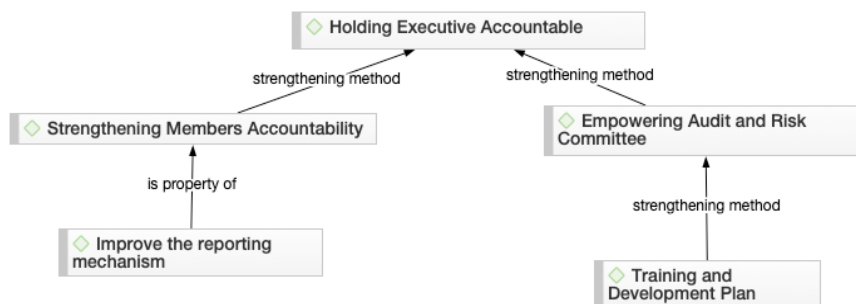


FIG. 2.7 ATLAS.ti Category Code Network: Holding Executive Accountable

Holding the executive accountable: Empowering ARCs

The question posed to the participants was, “Is the ARC adequately resourced and empowered to ensure consequence management in respect of instances of fraud and corruption?”

It is clear that the ARC's power and authority depends on the Council's functionality; if the Council is dysfunctional, the ARC's efforts will be wasted, and there is no remedy other than escalating issues to other external arms of state such as the police and/or AGSA.

The statements below, uttered by participants, allude to the limitations of the ARC in terms of what can be done if the issues they identify are ignored or not entertained after the escalation thereof to the Council.

“So, there is a need to be empowered with more tools actually to do that evaluation well”. (Participant 1)

“There can be significant improvements just in it if you formalise certain processes and make it clearer how the audit committee gets evaluated and who should be doing the evaluation and the impact should be doing it”. (Participant 1)

“The audit committee, in this case, has been pushing for many of those issues to be resolved, and if the audit committee didn't keep proper minutes and push those issues, I think a lot of them would have just slid under the carpet long ago. So yeah, we're not adequately empowered”. (Participant 4)

Holding the executive accountable: improve the reporting mechanism

In the words of one of the participants, the reporting mechanism needs to improve because the ARCs sit once a quarter, which is inadequate to play an oversight role to such complex institutions responsible for infrastructure worth billions and employing thousands of employees. The following statements from participants are noted:

“The audit committee meetings sit once over three months in theory but actually we split it into three meetings, and one of the meetings was specifically to oversee the forensic department and the issues around consequence management”. (Participant 1)

“We do ask for reports around investigations, but maybe the approach to say what can be done to improve is to start then looking at the reports for consequence management.” (Participant 6)

Holding the Executive accountable: Strengthening member's accountability.

There appear to be times when the ARC clarity in terms of the processes to be followed or implemented to hold the executive accountable is needed, especially when there is instability in the municipality caused by political reasons and/or over-extended acting city managers. In the event of instability in the municipality, sudden executive or leadership changes often follow, which is detrimental to accountability. The ARC finds themselves not knowing how to continue insisting on consequence management because those responsible would have vacated their positions.

The following statements from participants are noted:

“So now, for the first time, there's a permanently appointed city manager who takes accountability and can be held accountable”. (Participant 1)

“The audit committee can slide at times, and nobody holds them accountable”. (Participant 1)

“In terms of holding the executive accountable, there needs to be clearly defined processes or way of doing things until the last part in terms of reporting and holding those who have committed such acts.” (Participant 3)

Holding the Executive accountable: Training and development

Regarding section 166 of the MFMA, concerning the requirements regarding the appointment of ARC members, there should be a mixture of various skills and competencies. Therefore, management should accept that not all ARC members joining are all-rounded in terms of the competencies required in the municipality. For example, a risk management specialist is not necessarily an accounting and financial management expert.

A training and development plan for all the members of the ARC should be developed and implemented for the duration of their membership.

The following statements from participants are noted:

“...the committee members that are appointed, they sort of rely on their development and training from where they have permanent roles or where they're coming from”. (Participant 7)

“I think ongoing training for the committees in areas like forensic auditing, legal aspects of fraud and corruption and imaging risk management trend”. (Participant 4)

“...audit committee, we are starting to come up with the ways that perhaps we should start also developing our training plan maybe at least a one or twice a formal training that the municipality can take us to that training for professional development”. (Participant 6)

4.5.4.3 **Theme 3: Accountability and transparency**

The theme consists of six principal codes: municipal manager, political interference in local government, an adequate mixture of competencies and skills, consequence management, management support and performance management.

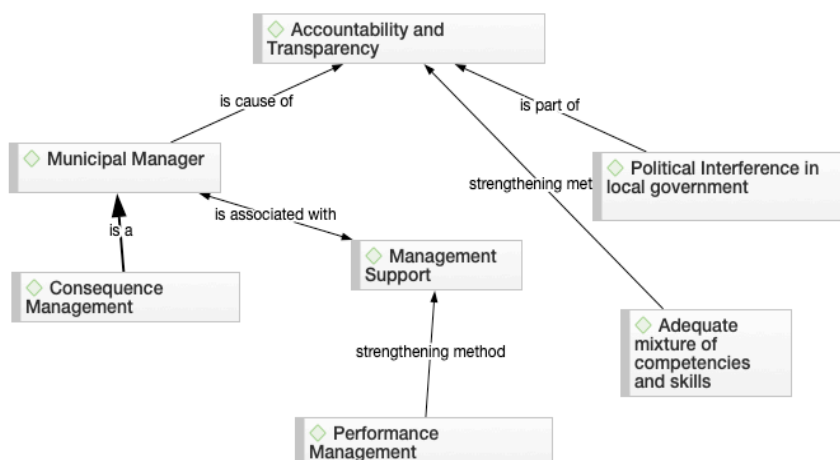


FIG.2.7 ATLAS.ti Category Code Network: Accountability and Transparency

Accountability and transparency: City Manager

The City Manager is the accounting officer of the municipality, and therefore, he/she is also the person ultimately responsible and accountable for the operations of the city, including appointing the ARC members through the normal recruitment process of the municipality. Regarding section 166 of the MFMA, the ARC is a committee of the Council, although appointed through the normal recruitment processes for which the City Manager is responsible. If there is no stability in the position of the City Manager, this process might be negatively affected and, as a result, also affect the operations of the ARC.

The following statements from participants are noted:

“The City of Tshwane has had an acting city manager until a year ago. So now, for the first time, there's a permanently appointed city manager who takes accountability and can be held accountable”. (Participant 1)

“You've got a problem of acting city managers that will leave things because they don't want to rock the boat in the position that they're in”. (Participant 6)

Accountability and transparency: Political interference in local government

The integrity and independence of the ARC are compromised, especially if some members are appointed due to their political affiliation or their connections and relations to either the City Manager or Council. The assumption is that matters presented to the committee will not be evaluated professionally and objectively due to some members protecting their affiliates.

The following statements from participants are noted:

“If our committees had clear authority or faced interference, as you know, remember this local government is more of political interference”. (Participant 4)

“I think we must also improve this thing of political interference, it is very challenging, and it is also making that audit committee not to be there working effectively”.

(Participant 4)

“I would try to avoid politics, but most of this committee members are political appointments”. (Participant 7)

Accountability and transparency: Adequate mixture of competencies and skills

There is a general consensus among the participants that there is an adequate and appropriate mixture of the competencies and skills of the appointed ARC members as required in terms of the MFMA. However, a few members raised a lack of specific skills which, according to their observation, could have assisted their committees to be more efficient, such as legal and ICT.

The following statements from participants are noted:

“I think that the mixture of competencies the current ARC has is adequate or is good for understanding the risks of fraud and corruption within the municipality”.

(Participant 1)

“I’m quite satisfied with the mix of the skills and competency of our ARC that they possess, particularly regarding our capacity to address fraud and corruption risk”.

(Participant 4)

“For fraud and corruption, I’m comfortable that we have that skill within the audit Committee members. However, we don’t have a skill in ICT, remember ICT links up with your fraud aspect”. (Participant 5)

“The lack of skills was more around IT and human resources, which were not necessarily or performance management, which are not necessarily fraud and corruption issues”

Accountability and transparency: Consequence management

The lack of consequence management remains a challenge. As a result, there is no improvement in the audit outcome of most municipalities because it appears that Executive Management is not held accountable for poor audit outcomes reported by the AGSA year on year, as per the participants' concerns. The ARCs appear to be powerless to eradicate this challenge.

The following statements from participants are noted:

“It is an issue that is always lagging behind even the Auditor General raises mostly the findings around non-performance of consequence management”. (Participant 8)

“...the municipality to take action and drive the process towards addressing the problem areas in the controlled deficiencies, the lack of consequence management, the lack of performance management, the lack of follow up of internal and external audit findings”. (Participant 1)

“You need to have better consequence management. You need to make sure that you address the audit findings timeously, and the city has actually not done that, and you can see that pattern very clearly in the number of material irregularities that have been reported and how long they take to resolve in the annual reports of the municipality”. (Participant 1)

Accountability and transparency: Management support

The ARC does not have enough time to conduct its oversight function adequately to ensure that all areas are covered because it only meets once per quarter and has two special meetings to review Annual Financial Statements (AFS) and AGSA's management report. Therefore, it is upon management to dedicate time, allocate resources, and offer support to the ARC in the form of the timeous provision of audit packs to allow members to have proper meeting preparations. Also, such as providing a quarterly meeting calendar for members to schedule their meetings well ahead. Sourcing specialised skills such as forensic investigators and cyber experts whenever requested by the committees without delays caused by bureaucracy and procurement processes.

The following statement from a participant is noted:

“Let's say agree, there are instances where management support is not coming”.

(Participant 2)

Accountability and transparency: Performance management

There are a few ARC members who raised concerns about the current performance management system being utilised for ARC members. The majority are satisfied with how it is carried out, although there is a lack of follow-up on the weaknesses identified to ensure that members improve.

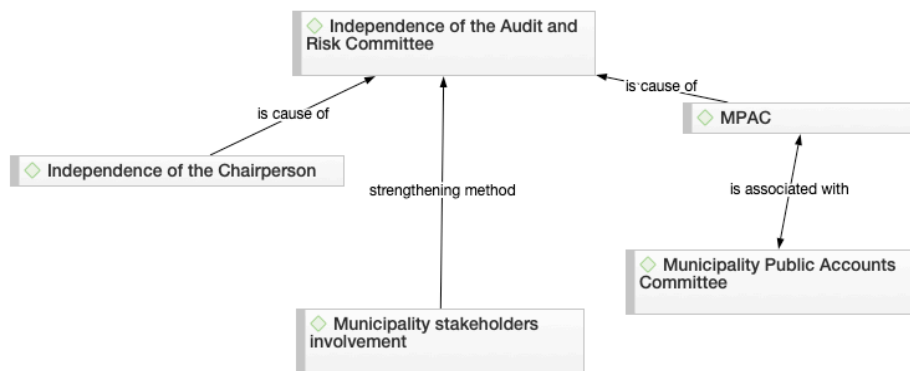
The following statements from participants are noted:

“There's a self-assessment process that functioned reasonably well because they were high-quality members and people held themselves accountable”. (Participant 1)

“The assessment process should be flexible enough to adapt to the new challenges and changes in the risk landscape, but I guess the current performance assessment process is a build-up foundation for evaluating our effectiveness; incorporating the implementation on the improvement could greatly enhance its ability”. (Participant 4)

4.5.4.4 Theme 4: Independence of ARCs

The theme consists of three main codes: the chairperson's independence, the Municipal Public Accounts Committee (MPAC), and municipal stakeholder involvement.



FIG, 2.8 ATLAS.ti Category Code Network: Independence of ARCs

Independence of the ARC: Independence of the Chairperson

The majority of the participants have overwhelmingly agreed on the importance of the chairperson's independence in the ARC, with all either strongly agreeing or just agreeing to the structured question. This high percentage reflects a strong consensus among participants about the critical role of an independent chairperson for effective oversight and functioning of the ARC. The issue raised about some committee members having been appointed due to their political connections raises a concern and creates doubts about the independence of some of the committee members.

The following statements from participants are noted:

“I think we must also improve this thing of political interference, it is very challenging and it is also making that audit committee not to be there working effectively”. (Participant 4)

“I would try to stay away from politics, but most of this committee members are political appointments”. (Participant 7)

Independence of the ARC: Municipal Public Accounts Committee (MPAC)

The ARC, without the subsequent enforcement by either Council or MPAC after the issues have been escalated, is impotent regarding consequence management. The MPAC should be conducting an oversight role on the ARC to ensure efficiency and improvement in the governance and management of municipalities. The participants alluded to the inefficiency or lack of responsiveness by MPAC even after the ARC escalated the issues.

The following statements from participants are noted:

“We think that we have the following weaknesses as a team and individually, although the process worked, it needed reinforcements and that unfortunately didn't happen. The MPAC should also be exercising oversight over the ARC and its findings”. (Participant 2)

“Then we started scoring yellows (regressing), and the Auditor General pointed out that ARC, while we were functioning committee, our communication of the issues to Council and to MPAC, which is the Municipal Public Accounts Committee, were not responded to and therefore not bearing fruits”. (Participant 1)

Independence of the ARC: Municipal Stakeholder Involvement

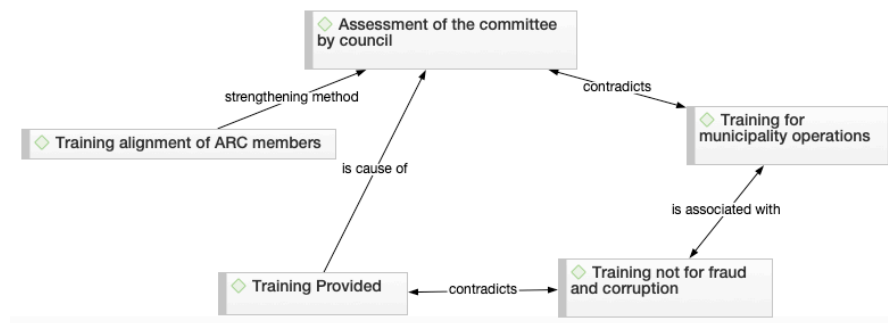
The Municipal Systems Act 32 of 2000, sets out the principles, mechanisms, and processes municipalities, including Metropolitan Councils, must follow to facilitate public participation and stakeholder involvement in decision-making. It also emphasises the importance of public involvement in developing, implementing, and reviewing municipal policies, bylaws, and integrated development plans. Therefore, it is prudent that the ARC's operations and activities (i.e., reports) are made available to all the municipal stakeholders to ensure transparency.

The following statements from participants are noted:

“Implementing a robust reporting mechanism that allows for transparent communication of our findings and relevant to the stakeholders, including the public, can also boost or bolster the committee's accountability”. (Participant 4)

4.5.4.5 **Theme 5: Assessment of the ARC by Council**

The theme consists of four main codes: training alignment of ARC members, training for municipality operations, 'training not for fraud and corruption', and training provided.



FIG, 2.9 ATLAS.ti Category Code Network: Assessment of the ARC by Council

Assessment of the ARC by Council: Training alignment of ARC members

The participants have mixed opinions on the training offered to the ARC members. It became clear that it is not a structured performance management process that identifies areas of weakness and develops a training plan for individual members but just a general training provided without any base. The committee members are assumed to be seasoned professionals and appear to need to be offered adequate training.

The following statements from participants are noted:

“OK, I think that was the only training that was provided to us. I think it was an induction, a kind of training where when we started serving as the Audit Committee members, they took us through various presentations with the departments relevant to your questions”. (Participant 6)

“So I wouldn't say there was a proper full-blown training that was provided”. (Participant 2)

Assessment of the ARC by Council: Training for Municipal Operations

The only training offered consistently for all the metros under review is the induction training for all the members, and it is only provided immediately after the appointment of the members, and thereafter, nothing happens. The ARC members have to source their training.

The following statements from participants are noted:

“I was saying that there was training provided in terms of the municipality operations”. (Participant 1)

“But other than that, you are exposed to the strategy, which is your best strategy of the organisation and the policy around anti-fraud. So but training, I won't say it was coming forth”. (Participant 2)

“Unfortunately, I have never been in all the ones that I'm sitting. ARC members have not been provided with any training whatsoever”. (Participant 8)

Assessment of the ARC by Council: training not for fraud and corruption

Training on the combatting of fraud and corruption is lacking, and members who are not exposed to anti-fraud and corruption processes and mechanisms will be serving on the committee without proper orientation on matters of anti-fraud and corrosion and will therefore not be able to add value to their optimum ability on the subject matter.

The following statements from participants are noted:

“The issue of training is out, it is non-existent. Maybe recommendations need to be made to local governments and audit committees on the importance of providing training, especially on some of these pertinent issues for the committee members; it must not just be assumed that since these people are professionals, it means they know it all”. (Participant 8)

“I think the quality of the audit committee members was such that to give them training on identifying fraud and fraud risks”. (Participant 1)

Assessment of the ARC by Council: Training provided

It has been indicated that ethics training is still evolving within municipalities and is not solidified at the current point. Some acknowledged the importance of ethics training, emphasising the need for committee members to lead by example and align their actions with ethical standards. Some participants have acknowledged receiving training on ethics and highlighted the importance of promoting an ethical culture within the governance structure and the municipality at large, especially in dealing with cybercrime.

The following statements from participants are noted:

“No training on ethics, generally the training that's supposed to be provided to audit committees.” (Participant 5)

“Yes, they did provide us with training of awareness on ethics. Were there various presentations from risk management regarding ethics and also ethical conduct?”. (Participant 6)

4.6 CLOSING REMARKS

The interview with participants provides comprehensive and affirmative responses on most issues discussed and indicates a strong understanding of the ARC's role in combatting fraud and corruption in local government. The participants' wealth of experience and nuanced insights contribute significantly to the depth of the research findings. The responses align with the research objectives, emphasising the importance of skills, training, and effective oversight mechanisms within ARCs.

The research study underscores the pervasive challenges ARCs face within Gauteng's metropolitan municipalities. Ineffective Councils, marked by a tendency to

merely rubber-stamp reports, hinder the committees' capacity to take substantial actions against fraud and corruption.

Political interference emerges as a critical theme compromising the integrity and independence of ARCs. This interference significantly impacts their ability to objectively address instances of fraud and corruption, thus highlighting a fundamental challenge in holding executives accountable. It emphasises the importance of ensuring that ARCs can function autonomously and objectively in fulfilling their oversight responsibilities.

The lack of effective consequence management emerges as a significant stumbling block, hindering improvements in audit outcomes. The findings emphasise the need for robust accountability mechanisms and transparent governance practices to address these challenges.

The participants expressed varied opinions on the adequacy and consistency of training programmes for ARC members. Specific training gaps, particularly in areas related to anti-fraud and corruption measures, underscore the need for targeted programmes to enhance committee capacities. Also, their commitment to continuous learning, proactive engagement in fraud prevention measures, and successful outcomes in fund recovery contribute positively to the overall assessment.

Further research could delve deeper into specific competencies, legislative implementation challenges, and feedback mechanisms to enhance the research's comprehensiveness. The study advocates for future research to delve deeper into the impact of legislative changes on committee effectiveness, the long-term outcomes of enhanced training programmes, and comparative studies across municipalities to identify best practices. This suggests recognising the evolving nature of governance challenges and the need for ongoing research to inform effective governance strategies.

CHAPTER FIVE

5. SUMMARY, SYNTHESIS AND FINAL CONCLUSION

5.1 SUMMARY

Since the beginning of the new democracy, South Africa has struggled for decades with inadequate service delivery and fraud, corruption and maladministration in the public sector. This was explicitly prevalent at the level of local government. Oversight committees serve as a sufficient legislative and governance structure to hold executive accountable. Concerns have been raised that the relevant oversight bodies were absolved of their oversight role in the event of fraud and corruption. The research study's results will assist in addressing the difficulties and shortcomings in such oversight functions, which will enhance mitigation measures to discourage and combat fraud, corruption and maladministration in the public sector, especially in municipal government. In this study, the focus was put on the role of one such oversight committee, namely the ARC and its role in addressing anomalies (fraud, corruption, and maladministration) in selected metropolitan municipalities in the Gauteng province. The research study mainly focused on the capacity of ARCs within the selected Gauteng Metropolitans to combat fraud and corruption.

The study confirmed the crucial role ARCs can play in combatting fraud, corruption, and other related irregularities but also revealed areas for improvement, including skill development, standardisation of processes, proactive measures, ethical training, and resource enhancement. Issues regarding the independence of ARCs, their ability to ensure effective consequence management and the challenges caused by political interference and instability were also highlighted. The recommendations aim to guide municipalities in fortifying their ARCs, ultimately contributing to more effective oversight and a strengthened capacity to combat fraud and corruption at the local government level.

A qualitative study with semi-structured interviews was conducted. The participants were members of the respective ARCs at the selected metropolitan municipalities consisting of professionals with diverse backgrounds. They provided valuable

insights into their perspectives on various aspects related to their roles, responsibilities and the challenges they face as members of the ARC. The questions posed to the participants focused on the ARC's role in combatting fraud and corruption, the importance of the independence of the ARC and its Chairperson, the adequacy of skills within the respective ARCs, the timely provision of relevant information to the ARC, internal processes for reporting incidents of fraud and corruption, proactive measures to combat fraud, training provided, awareness on ethics and the risk of fraud, performance assessments, the challenges of political interference and instability, and the ARC's resources and empowerment for consequence management.

The responses from the participants overwhelmingly concurred that ARCs play a significant role in addressing issues related to fraud, corruption and related irregularities. The participants' views, as expressed through their responses, collectively emphasise the importance and effectiveness of the ARC in maintaining organisational oversight and integrity.

5.2 SYNTHESIS: RESULTS AND FRAMEWORK RECOMMENDATIONS

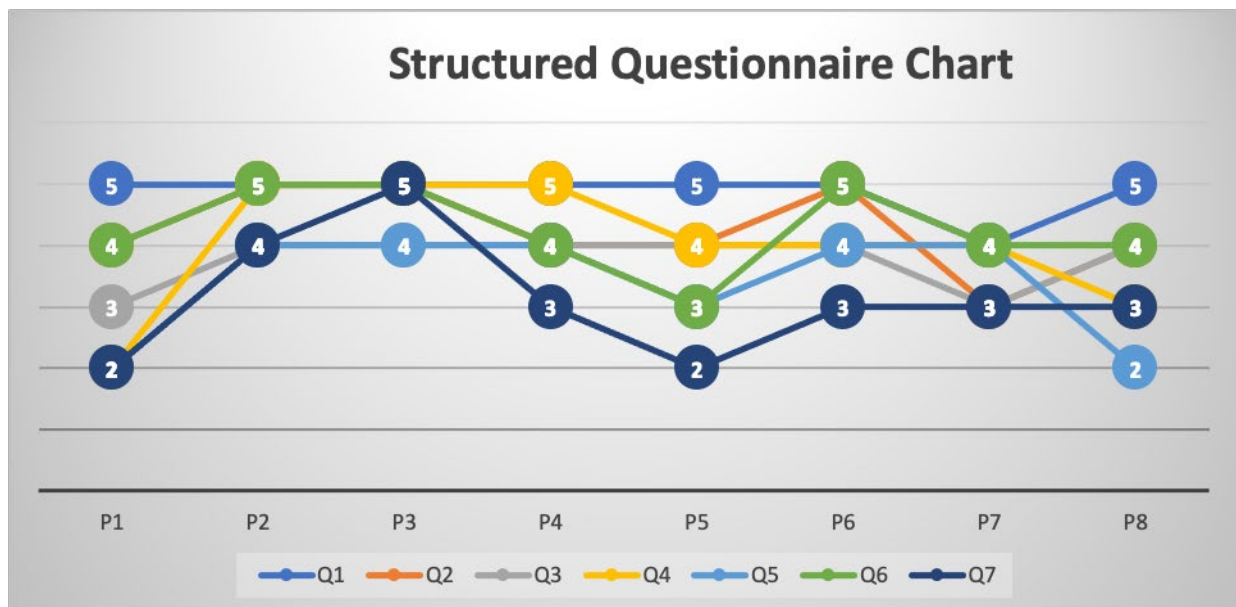
The synthesis of the participants' responses reveals a consistent and shared belief in the proactive role ARCs can play in combatting fraud, corruption and related irregularities. This convergence of opinions strengthens the overall argument that the ARC can indeed be instrumental in addressing the scourge of fraud and corruption in local government. This shared perspective is valuable in affirming the significance of these committees as a common thread in maintaining organisational integrity.

The research outcomes also underscore the complex challenges ARCs face in combatting fraud and corruption. The themes and codes identified from the data obtained from the interviews conducted in this study align closely with the primary objective of assessing committee capacity. The secondary objectives, focusing on accountability, performance assessment, and capacity building, revealed specific areas that require attention and reform. The recommendations offer actionable steps to address these challenges and enhance the overall effectiveness of ARCs. Future research endeavours should explore the implementation and impact of proposed

frameworks, ensuring continuous improvement and adaptation to evolving governance landscapes.

The identified gaps and recommendations collectively contribute to a holistic approach for strengthening the capacity of ARCs to combat fraud, corruption and related irregularities, not only in metropolitan municipalities within the Gauteng Province but also in the rest of the country. The proposed frameworks provide actionable steps towards accountability, performance assessment, and capacity building, aligning with the overarching goal of enhancing the effectiveness of ARCs.

Analysis of the structured questions posed to the participants



The participants generally agreed on the importance of an independent chairperson, the need for a diverse skill set, and the implementation of proactive measures to combat fraud and corruption. However, there are varying opinions on issues such as the timeliness of document provision, adequacy of support from management, and the effectiveness of training provided by the respective municipalities.

There were seven structured questions which participants were required to answer depending on their observations about the specific subject matter and in respect to which they were required to choose between strongly agree (rated 5), agree (rated 4), neutral (rated 3), disagree (rated 2) and strongly disagree (rated 1).

Analysis of the answers provided shows the following:

- There is a high level of agreement (primarily 5s) among the participants regarding the importance of the independence of the chairperson of the ARC. The participants indicate a generally positive view of the composition of skills within the selected ARCs. There is a predominant agreement (4s and 5s), implying that participants believe in the significance of diverse skill sets to enhance the committee's ability to provide comprehensive oversight.
- The participants seem to be moderately satisfied with the level of support provided by management to the ARCs. The responses range between 3 and 4, indicating room for improvement.
- Regarding the timeous and adequate provisioning of helpful information to the ARC, some variances in responses were found. Some participants strongly agree (5), while others express dissatisfaction (2). This suggests a potential issue with the consistency and timeliness of document provision before meetings.
- The participants indicate a moderate level of agreement, with ratings ranging from 2 to 4 regarding internal processes to ensure prompt and confidential communication of suspect incidents. This suggests a need for improvement in internal processes in this regard.
- The participants generally agree that basic measures to combat fraud and corruption are in place, with ratings predominantly falling between 4 and 5. This indicates a positive perception of the proactive measures taken by the selected ARCs.
- Regarding the adequacy of relevant anti-fraud and -corruption training, the responses vary, with some expressing dissatisfaction (2) and others indicating agreement (4 and 5). This suggests a mixed perception regarding the adequacy of training provided by the selected municipalities.

5.2.1 SUMMARY OF THE LITERATURE STUDY AND SYNTHESIS OF THE INTERVIEWS

The Reports of the Commission of Inquiry on State Capture (Commission of Inquiry into State Capture, 2022), presents compelling evidence highlighting significant deficiencies in oversight mechanisms and frameworks within state organs. The report underscores a pervasive lack of accountability among individuals occupying oversight roles in the institutions investigated. This revelation serves as a critical backdrop for examining the responsibilities and functions of the ARC members within the selected Gauteng Metropolitan Municipalities.

The role of ARCs is paramount in ensuring the robustness of governance practices, encompassing compliance monitoring, risk identification, internal control evaluation, and fraud detection. Nest (2008) emphasises the growing recognition of the ARC as an indispensable component of contemporary control structures, applicable not only in the private sector but also within the public service domain.

In synthesising this information gleaned from the interviews conducted in this study and the existing literature, it becomes evident that the challenges revealed such as ... in the Reports of the Commission of Inquiry into State Capture resonate with the essential functions of the ARCs. The inadequacies in oversight mechanisms, as illuminated in the report, extend to the municipal level, where these committees operate. The synthesis of literature and interviews suggests a critical need to strengthen the ARCs in municipalities to fortify the oversight framework and foster greater accountability within state organs. As the Reports of the Commission of Inquiry into State Capture shed light on systemic issues, the integration of the findings of this research study with insights into ARC functions in the selected Gauteng Metropolitan Municipalities contributes to a nuanced understanding of the broader governance landscape and the imperative for reform.

5.2.2 FACTORS CONTRIBUTING TO THE FAILURES TO COMBAT FRAUD AND CORRUPTION

The primary objective of the research was to assess the capacity of ARC members in selected metropolitan municipalities within the Gauteng Province to effectively combat fraud, corruption and related irregularities. In particular, the research focused

on the challenges faced by ARCs, which was complemented by the secondary objectives aiming to formulate frameworks for accountability, performance assessment and capacity building.

Research study findings

The research revealed a multifaceted landscape concerning the capacity of ARCs to combat fraud and corruption. Although the participants acknowledged the crucial role played by the ARCs, there were gaps identified, including variations in skills, challenges experienced with information (audit pack documents) being timeously provided to the ARC members and mixed responses regarding internal processes for reporting incidents of fraud and proactive measures to mitigate fraud and corruption.

Challenges identified in the assessment of the capacity of ARCs to combat fraud and corruption and other related irregularities

Ineffective councils

The ARCs faced challenges in that ineffective Councils often appear to rubber-stamp reports without taking substantial corrective actions. The identified challenge of ineffective Councils represents a significant impediment to the functionality of ARCs within the selected Gauteng metropolitan municipalities. It is a concerning situation where councils merely endorse or "rubber-stamp" reports presented by the ARCs without undertaking substantial actions in response thereto or ensuring that effective and timeous consequence management is implemented.

The lack of engagement with issues presented by the ARC could stem from various factors, including insufficient understanding of the gravity of the issues raised or just a profound disinterest in actively addressing governance concerns. It can be concluded that, if Councils do not critically engage with the findings and recommendations presented by the ARC, the oversight function becomes superficial and impotent.

Political interference

The process of appointing ARC members appears to be influenced by political considerations rather than on merit or competence. By doing so the integrity and

independence of the ARCs are compromised, affecting their ability to objectively and efficiently address fraud and corruption. Political interference can result in the selection of individuals with loyalty to specific political interests rather than a commitment to the ARC's objectives and mandate. Such interference compromises the integrity and independence of the ARCs, significantly impacting their capacity to objectively address instances of fraud and corruption. Independence is a cornerstone of effective oversight and governance. Political interference erodes this independence, creating a situation where committee members may feel constrained or influenced by external political forces, thus compromising their ability to function impartially. Hausmann *et al.* (2023), in their recent report on the Growth Through Inclusion in South Africa, reported that the deeper causes of collapsing state capacity in electricity and beyond centre on gridlock, ideology, overburdening and political patronage. He further reiterated that political patronage rather than effectiveness is often an explicit goal of appointments to SOEs.

Consequence management

Linked to the aforementioned, the identified lack of effective consequence management hindered improvements in the audit outcomes experienced by the selected municipalities over the last few years, as well as addressing the challenges of fraud and corruption and highlighting a crucial challenge in holding executives accountable. The ARCs appear to lack the authority to enforce consequence management directly. Their recommendations require validation or enforcement by the Council, contributing to delays and ineffectiveness. This deficiency in addressing non-compliance or misconduct hampers the potential improvements in audit outcomes and underscores a broader challenge in holding executives accountable for their actions.

Consequence management is instrumental in fostering a culture of accountability within municipalities. Executives should be held responsible for their actions, as it sets a precedent for responsible governance and ethical conduct. The public's trust in municipal governance is closely tied to the effectiveness of consequence management. Transparent and accountable actions reassure the public that issues are taken seriously and addressed promptly.

5.2.3 FRAMEWORK: INDIVIDUAL AND COLLECTIVE ACCOUNTABILITY

Findings

The findings of the study highlighted the importance of holding individual ARC members accountable. Participants emphasised the independence of the Chairperson of the ARC and identified potential gaps in certain skills, suggesting the need for a comprehensive framework to ensure accountability. Therefore, there is a need for a more robust framework for holding individual ARC members accountable, particularly in cases where fiduciary duties are not adequately exercised.

Recommendation

There should be a legislative or regulatory change to empower the ARC with clearer mandates, in particular, to ensure consequences for non-compliance. A further development of detailed mechanisms for internal accountability within ARCs is required.

A comprehensive accountability framework should consider and re-emphasise the independence of the ARC members, particularly the Chairperson and address identified gaps in skills. This framework should outline mechanisms to address failures in exercising fiduciary duties.

5.2.4 FRAMEWORK: PERFORMANCE ASSESSMENT

Findings

Opinions on the effectiveness of the current performance assessment process of ARCs were varied. The call for a comprehensive review and a 360-degree assessment aligns with the objective of formulating a framework for independently and objectively assessing committee performance. Therefore, there is a need to review the existing performance system based on some concerns raised about the current performance management system for ARC members, indicating the necessity for improvements.

According to QuestionPro (2023:1), 360- degree assessment is described as a comprehensive evaluation method that gathers feedback on an individual's

performance from various sources within and outside the organisation. Typically, feedback is collected from supervisors, peers, subordinates, and sometimes external stakeholders. It is a holistic approach which aims to provide a well-rounded perspective on an individual's strengths, weaknesses, and overall effectiveness in their role.

Recommendation

Revise and enhance the performance management system, ensuring it encourages continuous improvement and accountability of the ARC members. Develop a structured training programme as part of performance enhancement and ensure that it implements a 360-degree performance assessment framework to objectively evaluate committee performance. This should include individual assessments to foster continuous improvement and enhance overall committee functioning.

5.2.5 FRAMEWORK: CAPACITY BUILDING

Findings

Training gaps were identified, especially in anti-fraud and corruption mitigation, emphasising the need for targeted programmes to enhance the ARC members' capacities. Ethical training emerged as a critical aspect, aligning with the objective of promoting ethics, public service and governance. Identified gaps in skills, particularly in areas such as IT and human resources, underscore the need for a draft framework emphasising the critical requirement of a balanced mixture of competencies and skills of individuals appointed to the ARC.

Recommendation

Develop and implement specific training programmes for ARC members, addressing key areas such as forensic accounting, fraud risk management and relevant legal aspects, emphasising the importance of continuous training and development.

There is also a need to formulate a framework for capacity building that addresses skills gaps, especially for specialised functions identified in the ARC, such as IT and forensic accountancy. The framework should also emphasise ethical training and

guidelines for individuals appointed to the ARC, aligning with the objectives of promoting ethics, public service and governance.

5.2.6 CROSS-CUTTING THEMES

Dependency on Council functionality

The effectiveness of the ARC was found to be intricately linked to the functionality and responsiveness of the Council. This issue is particularly noticeable during periods of political instability experienced at certain Councils.

Ethics and governance

Stakeholder involvement, ethical conduct and transparency emerged as crucial components for effective committee operations.

5.3 LIMITATIONS OF THE CURRENT STUDY AND SUGGESTIONS FOR FUTURE RESEARCH

The research study contributes valuable insights, and acknowledging its limitations opens opportunities for future research to build upon and refine our understanding of the challenges faced by ARCs in combatting fraud and corruption within selected metropolitan municipalities in the Gauteng Province. The suggested areas for future research aim to address these limitations and foster a more comprehensive and nuanced exploration of the subject matter. Therefore, certain limitations must be acknowledged, which are as outlined below:

5.3.1 LIMITATIONS

Limited generalisability

The findings of this study are specific to the selected metropolitan municipalities in Gauteng and may not be entirely representative of the ARCs in the rest of the province or in other provinces or regions. The unique contextual factors in Gauteng could impact the generalisability of the results.

Sampling bias

The study sample was drawn from a specific geographic location, and the selection of participants might introduce sampling bias. The ARC members who chose to participate may differ in their perspectives from those who opted not to, potentially affecting the comprehensiveness of the findings. Previous or non-incumbent ARC members may also hold other views. The same goes for other role players that engage with ARCs and their functions, like the Auditor-General, Council members, the public, etc.

Dependence on participant responses

The research heavily relies on the accuracy and transparency of the information provided by the participants. Honest responses might be influenced by factors such as organisational culture, fear of reprisal, or the desire to present a positive image, potentially affecting the reliability of the data, specifically as all of them are incumbent ARC members, given the risk of political interference as was pointed out in the study.

Single methodology approach

The research primarily utilised qualitative methods, such as semi-structured interviews, to gather data. The research study approach offers in-depth insights, but it should be acknowledged that a single methodology might limit the breadth of the study. Therefore, it is prudent that future research could benefit from a mixed-methods approach to triangulate findings.

Time constraints

The research was conducted within a specified timeframe, imposing limitations on the depth and scope of the research assessment. A more extended study duration could have allowed for a more thorough exploration of the dynamics within ARCs.

5.3.2 SUGGESTIONS FOR FUTURE RESEARCH

Cross-regional comparative studies

The future research could extend the scope beyond the Gauteng Province and encompass multiple provinces or regions to facilitate a more comprehensive

understanding of the challenges faced by ARCs in combatting fraud and corruption. Comparative studies would enable the identification of region-specific nuances or even include comparative analysis with the experience in other countries or even within the private sector.

Quantitative analysis

Complementing qualitative insights with quantitative data could provide a more nuanced and statistically robust understanding of the factors influencing the effectiveness of ARCs. Surveys and statistical analyses could quantify the prevalence of identified issues.

Longitudinal studies

Conducting longitudinal studies over an extended period would allow researchers to track changes and developments within ARCs. This approach could capture the evolution of challenges and the effectiveness of implemented interventions over time.

Incorporating stakeholder perspectives

Future research could incorporate perspectives from various stakeholders, including government officials, external auditors and members of the public. This broader range of perspectives would enrich the analysis and provide a more holistic view of the challenges faced by ARCs.

Exploring technological solutions

Given the increasing role of technology in governance and risk management, future research could explore the integration of technological solutions within ARCs. Assessing the effectiveness of digital tools in preventing and detecting fraud could be a valuable avenue for research.

Comparative analysis of ARC structures

The research study could delve deeper into the structural aspects of ARCs, comparing different governance models and structures. Understanding how

variations in committee composition impact effectiveness could inform best practices.

5.4 FINAL CONCLUSIONS AND MEETING OF THE RESEARCH OBJECTIVES

The findings of this research underscore the consensus among participants that ARCs have an important role in combatting fraud, corruption and related irregularities, because of the specific role, composition, skills required and independence of ARCs. The unanimity in responses, as indicated by the affirmative statements from all participants, adds weight to the argument that ARCs are a crucial component of corporate governance structures in municipalities.

There is agreement among the participants that ARCs are integral components of corporate governance structures, and the insights gathered from this research advocate for the continued attention and reinforcement of ARCs as essential guardians against fraudulent activities and irregularities.

The participant's acknowledgement of the ARC's role in this important matter suggests that municipalities should continue to invest in and strengthen these oversight structures. As municipal operational landscapes evolve and new challenges emerge, the role of ARCs remains constant in promoting transparency, accountability and ethical conduct.

This research contributes to the existing body of knowledge by providing empirical evidence of the perceived importance of ARC in addressing fraud, corruption and related irregularities. The future research studies could delve deeper into the specific mechanisms and practices employed by these committees to enhance their effectiveness further.

This research also delved into the challenges faced by ARC in combatting fraud and corruption within the selected metropolitan municipalities in the Gauteng Province. The primary objective was to assess the capacity of these committees, complemented by secondary objectives focusing on accountability frameworks, performance assessment mechanisms, and guidelines for committee capacities. Utilising both structured and open-ended responses from participants, as well as

employing ATLAS.ti software for thematic analysis, this section consolidates the findings, draws conclusive insights, and aligns them with the research objectives.

5.4.1 RESEARCH OBJECTIVES AND OUTCOMES

Below is a detailed analysis of each research objective, accompanied by the corresponding outcomes:

Assessing the capacity of ARC members

Objective

Assess the capacity of the ARC members in combatting fraud, corruption and related irregularities.

Outcome

The study revealed a mixed capacity among ARC members. There are some who demonstrated a strong understanding of fraud and corruption risks, while others highlighted gaps, particularly in areas such as IT, fraud risk management and human resources. The overall assessment indicated room for improvement in the collective capacity of ARC members to address this issue.

Formulating a framework for accountability

Objective

Develop a framework for holding individual ARC members accountable for failing to exercise their fiduciary duties.

Outcome

The participants acknowledged the need for accountability frameworks. Suggestions included regular performance assessments, self-assessment processes, and clearer lines of communication between the ARCs and municipal councils. The research study recommends the development and implementation of a structured accountability framework.

Developing a mechanism for performance assessment

Objective

Develop a mechanism to assess the performance of the ARC independently and objectively, fostering continuous improvement.

Outcome

The research highlighted the importance of performance assessments but indicated existing gaps in the current processes. Recommendations include a 360-degree assessment, incorporation of external expertise, and more transparent reporting mechanisms to enhance objectivity and effectiveness.

Drafting a guideline on the capacities of ARC members

Objective

Formulate a guideline on the capacities of individuals appointed in the ARC, emphasising ethics, public service and governance.

Outcome

The participants recognised the importance of diverse skills and competencies within committees but identified specific gaps, particularly with respect to legal expertise and IT. The study recommends developing comprehensive guidelines for committee member appointments, ensuring a well-rounded mix of skills.

Cross-objective analysis

To provide a holistic view of the outcomes concerning each research objective, the following table summarises the key findings:

Research Objective	Outcomes
Assess the capacity of ARCs	Identified challenges in functionality and effectiveness. ⇒ Mixed capacity among committee members.

	<p>⇒ Identified gaps in IT, fraud risk management and human resources competencies.</p> <p>⇒ Acknowledgment of the need for collective improvement</p>
Formulate a framework for holding members accountable	<p>Emphasised the need for improved consequence management.</p> <p>⇒ Recognition of the necessity for accountability frameworks.</p> <p>⇒ Recommendations for regular performance assessments and clearer communication between committees and councils.</p>
Formulate a framework for performance assessment	<p>Raised concerns about the current performance management system.</p> <p>⇒ Importance of performance assessments highlighted.</p> <p>⇒ Existing gaps in current processes identified.</p> <p>⇒ Recommendations for a 360-degree assessment and incorporation of external expertise.</p>
Formulate a framework for committee capacities	<p>Stressed the importance of continuous training and development.</p> <p>⇒ Acknowledgment of the importance of diverse skills within committees.</p> <p>⇒ Identified gaps, especially in legal expertise and recommendation for comprehensive guidelines for committee member appointments.</p>

5.4.2 RECOMMENDATIONS

Legislative and Regulatory enhancements

Legislative and regulatory changes are proposed to empower the ARC with clearer mandates to ensure consequences for non-compliance in respect of fraud, corruption and related irregularities. It is essential to introduce explicit consequences for non-compliance with the ARC's recommendations or for obstructing their oversight functions and processes. This helps in creating a culture of responsibility and will discourage actions that hinder effective governance. It is proposed to introduce legal sanctions for individuals or entities found guilty of non-compliance with the ARC's recommendations, ensuring that accountability is not merely a procedural formality but has tangible repercussions.

Training programmes

Develop and implement targeted training programmes for ARC members, addressing specific areas such as forensic accounting, fraud risk management and relevant legal aspects. The effectiveness of ARCs depends on the skills and knowledge of their members. Tailored training programmes can address specific gaps identified in the research, ensuring that committee members are well-equipped to handle the complexities of their roles. Governance landscapes are dynamic, requiring committee members to stay updated on emerging trends and evolving best practices. Continuous professional development ensures that ARCs remain proactive and effective in their oversight functions.

Performance management

Revise and enhance the performance management system for ARC members, ensuring continuous improvement and accountability. To ensure that ARC members are held to rigorous standards, a comprehensive set of performance metrics must be established. These metrics should encompass various aspects of their roles, including oversight effectiveness, contribution to fraud detection, fraud risk management and adherence to ethical standards. Clearly defined and measurable KPIs that reflect the core responsibilities of the ARC members are required. These could include the effectiveness of recommendations and the timely resolution of audit findings. Regular performance reviews are essential for ongoing improvement. Conducting periodic assessments may allow ARC members to reflect on their contributions, identify areas for growth and receive constructive feedback.

Future research

Given the evolving nature of governance challenges, future research should delve deeper into:

- The impact of legislative changes on ARC effectiveness

The proposed legislative and regulatory changes have the potential to reshape the landscape of the ARC's responsibilities and powers. Investigating the impact of these changes is crucial for understanding how legislative reforms may influence the effectiveness of ARCs in combatting fraud and corruption.

- Long-term outcomes of enhanced training programmes

Continuous learning is pivotal for ARC members to stay abreast of evolving fraud and corruption challenges. Investigating the long-term outcomes of enhanced training programmes provides insights into the sustainability of knowledge transfer and its impact on committee performance. Explore how training interventions correlate with improved fraud detection and prevention outcomes. Examine whether committees that undergo enhanced training exhibit a sustained ability to address emerging risks.

- Comparative studies across municipalities to identify best practices

Municipalities vary in their governance structures, challenges and successes. Comparative studies provide an opportunity to identify best practices by analysing the experiences of different municipalities in combatting fraud and corruption. Investigate contextual factors that influence the success of governance mechanisms. These could include political stability, public engagement, and the presence of robust accountability frameworks. Compare the governance mechanisms, legislative frameworks, and committee structures across multiple municipalities. Identify instances where certain practices contribute significantly to committee effectiveness.

5.5 CONCLUDING REMARKS

The research concludes that while ARCs play a vital role in combatting fraud and corruption, there is room for improvement. ARC members need enhanced capacity,

and the development of frameworks, mechanisms, and guidelines that can contribute to their effectiveness. The study offers valuable insights for municipal authorities, contributing to the ongoing discourse on governance and risk management.

It is imperative for municipalities to act on the study's recommendations, fostering an environment of continuous improvement within ARCs. The address of the identified gaps and implementation of the suggested frameworks by municipalities can strengthen their defence against fraud and corruption, promoting transparent and accountable governance.

A recurring theme that emerged from the research is the critical importance of training and development for ARC members. Some of the participants acknowledged that they had received training but concerns about its adequacy and consistency surfaced prominently. The study sheds light on specific training gaps, particularly in areas related to anti-fraud and corruption measures and IT. This highlights the imperative need for targeted training programmes designed to enhance committee capacities comprehensively.

The research not only highlights areas for improvement but also issues a compelling call to action for municipalities. Municipalities should foster an environment that encourages learning and adapts to emerging challenges, and implementation of the proposed frameworks is paramount. The effective functioning of ARCs contributes not only to risk mitigation but also to the broader goals of transparent and accountable governance. The onus is on municipal authorities to heed the insights provided by this research study, catalysing positive change and fortifying the foundations of governance within the Gauteng Province's Metropolitan Municipalities.

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