

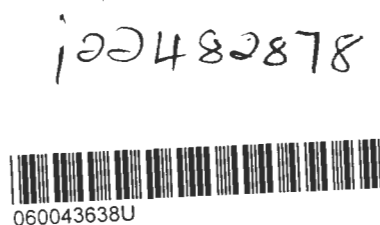
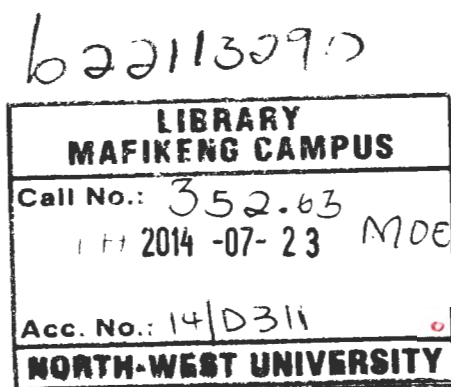
**STAFF PERCEPTIONS ON MUNICIPAL OPERATIONAL SYSTEMS TO
ENHANCE SERVICE DELIVERY IN THE GREATER TAUNG LOCAL
MUNICIPALITY**

By

Moeng Ngwakoana Betty

Student Number: 23231092

A Mini Dissertation submitted in partial fulfilment for the degree of
Masters in Business Administration (MBA) at the
North West University Graduate School



North-West University
Mafikeng Campus Library

Supervisor: Dr. C.M Guduza

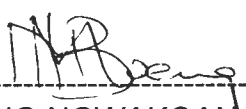
Mafikeng Campus

Date: October 2013



DECLARATION

I, Ngwakoana Betty Moeng, declare that this mini dissertation titled "The empirical analysis and investigation on municipal operational systems to enhance service delivery: The case study of Greater Taung Local Municipality" submitted for the Degree of Masters in Business Administration (MBA) at the North West University has not been previously submitted by me for a degree at this university or any other university; that this is my own work design and execution and that all materials contained herein have been duly acknowledged.



MOENG NGWAKOANA BETTY

DATE: 11/04/2014

PLACE: NWU

ACKNOWLEDGEMENTS

- I would like to express my sincere gratitude to my supervisor, Dr. C.M Guduza, for your guidance and for sharing your expertise and your excellence, without your guidance, it would not have been possible for me to complete this study.
- To Mr. S. Mokoele and Mr. D. De Jager, thank you for your support and encouragement.
- Mr. Z. Mabena, thank you for your kind support and information sharing of the library.
- Thanks to my late father, who always believed in me and groomed me to be what I am today. It was not easy to raise us as a single parent, but you did it.
- To my family, thank you for your remarkable support
- To my handsome son Thabiso, thanks for being so understanding, you are such a blessing
- Honour and praise be to God for giving me wisdom, strength, and guidance throughout this study.
- To Greater Taung Local Municipality, thank you for granting me the opportunity to use the municipality as my choice of study.
- Finally, I thank all the participants of Greater Taung Local Municipality

DEDICATION

I dedicate this study to my family for their humongous support and encouragement during my studies; to my late father Jacob for playing such an enormous role in my life; and to my best friend Ms. K. Nthutang for her encouragement in times of despair.

ABSTRACT

Local government in South Africa has undergone much transformation since the year 2000 in seeking to correct the imbalances, inequalities and disparities within our local communities as a result of apartheid. Part of this transformation process was to ensure that municipalities responded effectively and efficiently to communities' needs, and are transparent in their business dealings. To realise this, the National Government then realised the need to decentralise the provision of services from national government to local government as a way of enhancing service delivery.

A literature review contained in this study indicates that the operational systems, specifically on corporate governance, at a local government level are impacted upon by a number of factors such as the effective leadership and proper implementation of the policies and legislation. Furthermore, the study looks at various aspects which can be utilised to promote corporate governance of the municipality, and how corporate governance can be enhanced to promote service delivery.

This was a qualitative study where the total population was 125, and the non-probability sampling method was used to select the respondents. This research ends with recommendations for further research to assist municipalities in improving the service delivery within the local communities. It is argued that each municipality has its own unique municipal problems impacting on its corporate governance, and therefore no single model, as contained in the literature can be applied untailed to a specific organisation.

Table of Contents

Declaration	I
Acknowledgement	II
Dedication	III
Abstract	IV
CHAPTER 1: CONTEXTUALISATION AND PROBLEM STATEMENT	1
1.1 Introduction	1
1.2 An overview of Greater Taung Local Municipality	2
1.3. Background to the problem	4
1.4 Statement of the problem	5
1.5 Objectives of the study	6
1.6 Main research question and sub-questions	7
1.7 Significance of the Study	7
1.8 Justification of the study	8
1.9 Research Approach	8
1.10 Scope of the study	9
1.11 Definition of key concepts	9
CHAPTER 2: LITERATURE REVIEW	10
2.1 Introduction	10
2.2 Corporate Governance defined	11
2.3 Overview of Corporate Governance	11
2.3.1 Service delivery	16
2.3.2 Management/ Leadership	17
2.3.3 Risk Management	18
2.4 Legislation governing corporate governance	20
2.4.1 The Constitution of the Republic of South Africa, Act 108 of 1996	20
2.4.2 Municipal Systems Act 32 of 2000	21
2.4.3 Municipal Structures Act 117 of 1998	22
2.4.4 Municipal Finance Management Act (MFMA) 56 of 2003	22
2.5 Performance Management System	24

2.6	Role of IT Governance in Municipalities	26
2.7	Key Restructuring Initiatives	28
2.8	Conclusion	29
CHAPTER 3 : RESEARCH DESIGN AND METHODOLOGY		31
3.1	Introduction	31
3.2	Research Design	31
3.3	Target Population	32
3.4	Sampling Techniques	32
3.5	Sample Design	33
3.6	Research Methodology	33
3.7	Investigation Instruments	34
3.7.1	Covering letter	34
3.7.2	Follow-up	35
3.8	Data Analysis Techniques	35
3.9	Limitations of the study	35
3.10	Ethical Considerations	36
3.11	Conclusion	36
CHAPTER 4 : DATA PRESENTATION AND ANALYSIS		37
4.1	Introduction	37
4.2	Part A: Background Information	37
4.3	Part B: Results and Analysis	41
4.4	Conclusion	53
CHAPTER 5 : CONCLUSIONS AND RECOMMENDATIONS		55
5.1	Introduction	55
5.2	Theoretical findings	55

5.3	Empirical findings	56
5.4	Conclusion	58
5.5	Recommendations	59
6.	BIBLIOGRAPHY	61

LIST OF TABLES

Table 4.4.1: Pieces of legislation to promote corporate governance	43
Table 4.4.2: The Performance Management and Development System of the municipality	45
Table 4.4.3: Financial status of GTLM	48
Table 4.4.4: Leadership role in municipalities	51
Table 4.4.5: Compliance with the Legislation	52

LIST OF FIGURES

Figure 2.1:	Process of reporting financial controls	13
Figure 2.2:	Governance Framework Overview	15
Figure 2.3:	IT Governance Framework	27
Figure 4.3.1:	Gender	37
Figure 4.3.2:	Age Category	38
Figure 4.3.3:	Ethnicity	38
Figure 4.3.4:	Formal Qualification	39
Figure 4.3.5:	Position Level	40
Figure 4.3.6:	Years of service	40
Figure 4.4.1:	Understanding the meaning and importance of promoting corporate governance in the municipality.	41
Figure 4.4.2:	There is a governance policy within GTLM and I quite understand what it is all about.	42
Figure 4.4.3:	Understanding how good governance improves municipal performance.	44
Figure 4.4.4:	There is a Risk Management Policy in place.	47
Figure 4.4.5:	Understanding the importance of the risk management policy.	47
Figure 4.4.6:	There is an effective community participation policy in place to engage with local community.	49
Figure 4.4.7:	There were no violent protests against poor service delivery in the past four years.	50
Figure 4.4.8:	There is shortage of skills in GTLM, e.g. Technical capacity.	52

APPENDICES

Appendix A	Questionnaire
Appendix B	Research Letter
Appendix C	Approval letter from municipality

CHAPTER 1

CONTEXTUALISATION AND PROBLEM STATEMENT

1.1 Introduction

The government in its desire to increase participation of its citizens in the economy of the country sought to promote community involvement of the people in driving the economic development and advancement of the country. In terms of the Constitution of the Republic of South African (Act 108 of 1996), it is the core responsibilities of the local government to respond to people's concerns. The National Government then realised that there was a need to decentralise the provision of services from national government to local government as a way of enhancing service delivery. The government then developed strategies, structures and processes intended to guide the municipalities in their day-to-day operations, so that they could be more responsive to the needs and aspirations of the people.

This chapter presents the contextualisation background and motivation for this study. The chapter presents the implicit objectives governing the operational systems contained in the local government legislation, and specifically, the legislation relevant to corporate governance. Further, this chapter looks into pieces of legislations governing the operational systems of the municipality, with the aim of transforming the municipalities into more effective, efficient and economical spheres of government.

There are quite a number of operational systems that are found in municipalities. Operational systems are rules, policies and pieces of legislation that are designed to facilitate the day-to-day co-ordination of activities that direct given functions of an organisation and produce desired results. These include the Performance Management System, Corporate Governance, and Financial Management System. However, for the purpose of this study the focus is on corporate governance, which is critical for corporate performance and operational success of the municipality.

The need to undertake this study on operational systems, specifically on corporate governance of the Greater Taung Local Municipality (GTLM) results from the gaps and challenges identified in the GTLM Integrated Development Plan (2010/2011), the Auditor General Report 2010 and thorough observation of the local community. This chapter covers the background to the problem, statement of the problem, research objectives, research questions and sub-questions, significance of the study as well as justification of the study.

1.2 An overview of Greater Taung Local Municipality

Greater Taung Local Municipality is situated in the western part of the North West Province in the area of jurisdiction of Dr. Ruth Segomotsi Mompati District. The municipality is one of the five local municipalities that constitute the district which are, Kagisano Molopo District Municipality, Naledi Municipality, Lekwa Taemane Municipality, and Mamusa Municipality. Greater Taung is a typical rural municipality with about 106 widely scattered villages (GTLM IDP: 2010/2011). The main towns in the municipal area are Reivilo, Pudimoe and Taung Central. The municipality has an interesting and ancient geological heritage that is rich in minerals and paleontological artefacts (GTLM IDP: 2010/2011).

The municipal mandate is to provide services to the community regarding water, sanitation, roads maintenance, refuse removal, electricity and housing. The strategic goal of the municipality is to improve the quality of life of all the people of Greater Taung (GTLM IDP: 2010/2011).

1.2.1 Size and population

The GTLM covers an area of about 5 639 km² which is 11.8% of the Dr. Ruth Segomotsi Mompati District. The municipality is divided into 26 wards consisting of urban and rural areas. The total population served by the Greater Taung Local municipality is 214 765, which is 42.92% of the Dr. Ruth Segomotsi Mompati District. About 95% of the municipality is predominantly rural (GTLM IDP: 2010/2011).

1.2.2 Education and unemployment levels

The level of education in this area is very low, with very low skills and low qualifications. Currently, only 31% of the population have finished school while 13% have tertiary qualification. The low percentages in skills and qualifications contribute to the unemployment levels; with 40% of the population that are formally employed. The average income in the municipality earn about R1, 600 per household per month, which is below the poverty line (GTLM IDP: 2010/2011).

1.2.3 Senior Management

The municipality has senior management positions filled in terms of the corporate governance reform requirements as outlined in the King Report II of 2002. This report emphasises that there must be senior management structures in place within the organisations as part of the international corporate governance requirements. The entire staff component of GTLM is two hundred and ninety nine, with 248 as full time employees and 51 councillors (GTLM IDP: 2010/2011).

1.2.4 Housing

It was estimated in 2006 that 36210 [86.22%] of all households in the GTLM can qualify as indigent households (Annual Performance Report: 2011). The municipal rural economy is unable to generate revenue to boost income and socio economic investment.

1.2.5 Affordability

Household income is a vital determinant of welfare and the standard of living. The average household income is R3, 200.00 per household and R1, 600.00 per household in rural and urban areas of the municipality respectively. There is still a high level of indigence, especially in the rural areas, as poverty levels are still very high (GTLM IDP: 2010/2011).

1.2.6 Waste Removal

Most rural areas do not have proper waste removal services and refuse disposal and as a result the formal waste removal services serve the formal areas of the municipality only. Since the municipality covers a high number of rural areas (95%), this results in minimum number of households benefiting from these services.

1.2.7 Water and Sanitation

There is still a high shortage of water services in most areas within the municipality. The municipality has installed the infrastructure with the use of coupons to access water, but some households still do not have access to the service. There is only one source of water supply in Greater Taung; that is Sedibeng Water (GTLM IDP: 2010/2011). Many areas do not have proper toilet facilities.

1.2.8 Electricity

Some villages within the municipality have no access to electrical infrastructure. According to (GTLM IDP: 2010/2011), 2447 people are receiving free basic electricity (FBE) at Eskom paid by GTLM with equitable share allocation. Eskom is the electricity supplier in the Greater Taung Local Municipality jurisdiction.

1.3. Background to the problem

In South Africa, it is legislated that local government should interact with communities in an endeavour to carry out the responsibilities of service delivery to ensure growth and development in a manner that promotes and enhances community participation and accountability (White Paper on Local Government 1998: ix). Local government then came to being as a constitutional mandate emanating from Chapter 7 of the Constitution of South Africa Act, 108 of 1996.

South African municipalities have been given a constitutional responsibility to ensure delivery and management of local services to the citizens. To do this

effectively and efficiently, it is necessary that services rendered are development oriented and meet the needs of the residents. Operational systems must therefore be emphasised to promote the quality of services rendered to local communities within municipalities. Amongst other operational systems, corporate governance is the heart of municipal performance as it aligns and directs the municipality towards attaining corporate strategy and municipal objectives.

It is critical for management to have good leadership skills to ensure that they promote good corporate governance that will improve productive performance of the organisation. Corporate governance can be defined as rules, policies and principles that ensure that management act at the best interest of the organisation, and are held accountable in the organisational dealings. The Organisation for Economic Co-operation and Development (2004) defines corporate governance as procedures and processes according to which an organisation is directed and controlled. The OECD (2004) further highlights that corporate governance has a structure that specifies the distribution of the rights and responsibilities among the different participants in the organisation, and lays down rules and procedures for decision-making.

According to Le Breton-Miller and Miller (2006: 731), the emphasis on corporate governance stems mainly on two reasons which are, failure of governance mechanism to effectively control top management decisions resulting in fraud and corruption; and evidence that well-functioning governance and control systems can be a source of competitive advantage for an organisation.

1.4 Statement of the problem

According to Powell (2009), the government's faith in local government as the sphere that is closest to the people and the delivery arm of the state is not shared by communities. The expected improvements in performance and quality of services have not been achieved in municipalities, these include technical capacity, systems and community involvement as Fryer, Antony and Ogden (2009) argue. It seems that communities have lost faith in municipalities' ability to render services. This is confirmed by daily community protests against poor

service delivery as seen on the national television and newspaper bulletin. There is, therefore, an indication that there may be weaknesses in the municipal operational systems with regard to good corporate governance, performance management and financial management of services.

There is a high number of fraudulent appointments of staff which results in lack of technical capacity within the municipality (GTLM IDP: 2010/2011, 87). The municipality is also faced with allegations of maladministration as indicated in the GTLM IDP (2010/2011, 90). The inadequate leadership skills also lead the municipality to constantly be under the spotlight of the Media, Auditor General and even the Cabinet and Parliament (GTLM IDP: 2010/2011).

The high demand for services and insufficient budget for operation and maintenance has placed a huge pressure on the financial stability of the municipality (GTLM IDP: 2010/2011, 87). This has led the municipality to be unable to effectively meet its service delivery obligations and recover monies for services rendered. The Auditor General's Report on municipal financial performance, of November 2010, clearly indicated that there was a high unauthorized, wasteful and irregular expenditure due to non-compliance with supply chain management policies and procedures respectively.

There is still a low level of community participation within the GTLM with regard to municipality operations (GTLM IDP: 2010/2011). This study attempts to determine the manner in which the above problems can be addressed, specifically with regard to corporate governance, which might affect the delivery of services negatively within GTLM.

1.5 Aim and Objectives of the study

The aim of the study is to enhance service delivery in the GTLM by improving municipal operational systems community participation and good corporate governance and eliminate maladministration, unacceptable expenditure and fraud, amongst others. The objectives of the study are:

- To evaluate the effectiveness and efficiency of corporate governance in promoting service delivery and community participation;
- To evaluate the extent to which the municipality is capacitated with qualified competent personnel that have the knowledge on the application and interpretation of the pieces of legislation that are the pillar of good governance; and

1.6 Main research question and sub-questions

The main research question for this study is:

- Do the municipal officials understand the interpretation and application of corporate governance, its aspects of legislation, policies and procedures in promoting service delivery?

The sub-questions in this study are as follows:

- What is the role of corporate governance in promoting service delivery and community participation?
- Is the municipality capacitated with qualified competent personnel that have the knowledge on the application and interpretation of the pieces of legislation that are the pillar of good governance?

1.7 Significance of the Study

Good corporate governance is the backbone of every municipality. If the governance is not well managed in an organisation, then the sustainability of that organisation is questionable and the general performance will be negatively affected. Further, if governance is done properly, it becomes a core enabler of effective service delivery.

The Constitution of the Republic of South Africa Act 108 of 1996 expects municipalities to be transparent in managing their day to day operations; and also

give priority to the basic needs of the community. Section 153 of the Constitution further states that this provision of services should be provided equitably, effectively and sustainably. These provisions of services cannot be possible without good governance and proper management of those resources. Corporate governance is important in municipalities, and does not only affect the administration but also the community at large. Therefore the importance of the study is to:

- The study evaluates the role that good corporate governance has on service delivery.
- It seeks to determine the shortcomings of corporate governance as presently practiced within the Greater Taung Local Municipality in order to deliver its mandate, with a view of correcting and improving its operation.
- It also aims at promoting community participation in evaluating corporate governance.

1.8 Justification of the study

This study intends to investigate how corporate governance of municipalities is performed in Greater Taung Local Municipality. The alleged non-compliance to financial prescripts, maladministration, mismanagement, corruption, and continuous service delivery shortfalls of municipalities in the country has triggered the need for this study.

1.9 Research Approach

The researcher adopted a qualitative methodology to develop an understanding of the factors influencing corporate governance within Greater Taung Local Municipality. The study used literature review, closed ended questionnaires and municipal documents to collect data for the study. The relevant search engines such as Google scholar were also used to gather relevant information.

1.10 Scope of the study

This study is structured into five chapters, which are as follows: Chapter One: Contextualisation and problem statement; Chapter Two: Literature Review; Chapter Three: Research design and Methodology; Chapter Four: Data presentation and analysis; Chapter Five: Conclusions and recommendations.

1.11 Acronyms and key concepts

- IDP : Integrated Development Plan
- SDBIP : Service Delivery and Budget Implementation Plan
- Constitution: The Constitution of the Republic of South Africa. Act no. 108 of 1996
- Dr. R.S Mompoti : Dr Ruth Segomotsi Mompoti District
- GTLM : Greater Taung Local Municipality
- Local Government: Local Government in terms of Chapter 7 of the Constitution of the Republic of South Africa.
- MFMA : Municipal Finance Management Act, Act No.56 of 2003
- MSA : Municipal System Act, Act No 32 of 2000
- SALGA : South African Local Government Association
- ISACA : Information System Audit and Control Association
- ITGI: Information Technology Governance Institute
- ICT : Information and Communication Technology
- IDASA : The Institute for Democracy in Southern Africa
- IT : Information Technology
- ASX : Australian Securities Exchange
- OECD : Organisation for Economic Co-operation and Development

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on corporate governance, the factors that influence the corporate governance of the municipalities and how corporate governance impacts on service delivery and the operational and operations of the municipalities. According to De Vos, Srydom, Fouche and Delport (2005), a review of literature is aimed at contributing towards an understanding of the nature and meaning of the problem that has been identified. Michael and Gross (2004: 32) state that there is still a world-wide concern expressed about the shortcomings in systems of corporate governance. Chong, Chan, Ooi and Sim (2011:7) concurs that there has been a remarkable increase among researchers to study corporate governance.

In this chapter, various indicators of operational systems are discussed in relation with corporate governance and service delivery. A further literature on the legislation governing corporate governance is also discussed.

Corporate governance was introduced to ensure that management controls organisations in ways that serve the interests of the organisation, as well as to serve as a monitoring tool for accountability in the use of power as stated by Rossouw, van der Watt and Malan (2002:1). Good corporate governance is not simply about establishing prescribed or recommended structures, but much more importantly about the implementation and practice of effective processes that enhances the way things are done (<http://tshwane.gov.za> Governance Framework September 2007). Further, if corporate governance is effectively implemented, it becomes a core enabler of effective service delivery; hence if is not done properly, it will negatively affects the overall performance.

2.2 Corporate Governance defined

Du Plessis, Hargovan and Bagaric (2011: 10) define corporate governance as the system of regulating and overseeing corporate conduct and of balancing the interests of all internal stakeholders and other parties (external stakeholders, governments and local communities) who can be affected by the corporation's conduct, in order to ensure responsible behaviour by corporations and to achieve the maximum level of efficiency and profitability for an organisation. Hendrickse and Hendrickse (2004) view corporate governance as a partnership of shareholders, directors and management to provide wealth creation and economic well-being to the wider community of stakeholders and society. Fonacier and Mueller (2007: 475) defines corporate governance as a "mechanism to ensure that executives respect the rights and interests of stakeholders, as well as making those stakeholders accountable for acting responsibly with regard to the protection, generation and distribution of wealth." According to the Australian Securities Exchange Corporate Governance Council (2007), corporate governance is the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations.

Pound (1995) highlights that the essence of corporate governance is the ability of a corporation to employ a proper corporate decision-making process, rather than focusing on monitoring managers. Corporate governance is fundamentally about working at optimum efficiency to achieve corporate objectives, while monitoring performance. Corporate governance at local municipalities cannot be discussed without leadership/management, risk management, performance management, and service delivery.

2.3 Overview of Corporate Governance

Kakabadse and Korac-Kakabadse (2002) state that in 1994, in response to the changing political landscape, a shift in corporate control structures and a desire to be competitive in a global market, a committee commissioned by the Institute of Directors in South Africa (IOD) issued the King Report on Corporate governance. Corporate governance in South Africa was then institutionalised by the publication

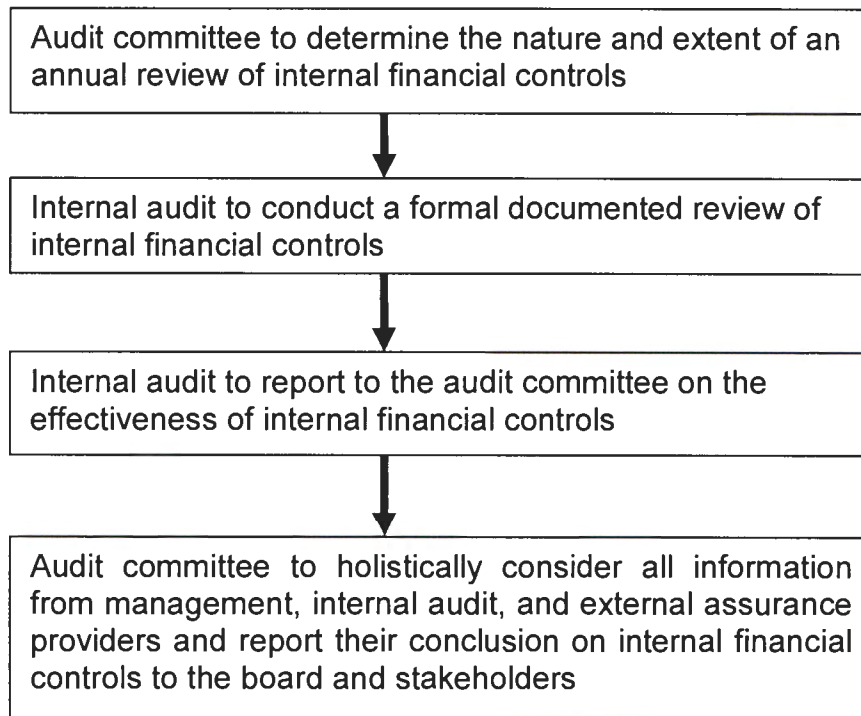
of the King Report on Corporate Governance in November 1994, which has subsequently been succeeded by the King II & III Reports on Corporate Governance.

According to Mallin (2006), the King Report II (2002) was designed to focus on qualitative aspects of good governance and not as a regulatory instrument. Furthermore, Mallin (2006) points out that the report was noteworthy for bringing societal obligations of companies within the ambit of corporate governance; and lived up to the expectations of government and the wider community that the corporate sector would contribute to the country's transition and development. In the King Report (2002), seven essential principles of good corporate governance were identified, namely discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. According to Kakabadse and Korac-Kakabadse (2002), the aim of the report was to promote the highest standards of corporate governance in South Africa by supporting an integrated approach to governance in the interest of the organisations and stakeholders.

In 2009 the King Report III was issued. The emphasis of King Report III shifted slightly towards some aspects such as leadership, integrity, sustainability and corporate citizenship. The report further identified two main functions which form an integral part of corporate governance; for which the board is responsible as a strategic direction and responsibility for the control of the company.

The King Report III of 2009 requires the audit committee to conclude and report annually to the stakeholders and the board on the effectiveness of the internal financial controls. According to the King Report III of 2009, the process of reporting on financial controls is as follows:

Figure 2.1 Process of reporting on financial controls



Adapted from King Report III of 2009

Du Plessis et al (2011: 5) highlighted that corporate governance influences how the objectives of the company are set and achieved; how risk is monitored and assessed; and how performance is optimized. Corporate governance is aimed at creating the balance between economic, social and environmental goals of an organisation as to ensure efficient use of resources and accountability in the use of power as stated by Sethi and Williams (2000: 20).

Zahra, Gedajlovic, and Neubaum (2009: 519) point out that the result of good governance is that disclosure of information related to the organisation's financial performance, social and environmental performance is provided to all relevant stakeholders. Corporate governance also provides guiding principles for directors of the organisations on the effective, efficient and acceptable use of Information Technology within an organisation (IT Governance 2012: 1).

According to Gregory and Simms (1999: 4), corporate governance quality impacts on the efficiency with which a corporation employs its assets; its ability to attract low-cost capital; its ability to meet societal expectations; and its overall performance. Quaterly (1996) is of the agreement with Gregory et al (1999) that effective corporate governance assists organisations in attracting lower-cost investment capital by improving both domestic and international investor confidence. Quaterly (1996) further points out that in order for corporations to succeed in competitive markets; corporate managers must be innovative and constantly evolve new strategies to meet changing demands.

Good corporate governance is not an obvious practice, it is about the organisational objectives, mission and vision that direct and guide the operation of the organisation. By developing good corporate governance, it will give the organisation a competitive advantage and improves performance. Melvin and Hart (2008) believe that good corporate governance is an investment technique that effectively improves performance and ultimately increases the value of a portfolio of investee companies. According to Gregory et al (1999), effective corporate governance helps at ensuring that societal needs are met.

Botch (2002) points out that good corporate governance is important and desirable based on the following reasons:

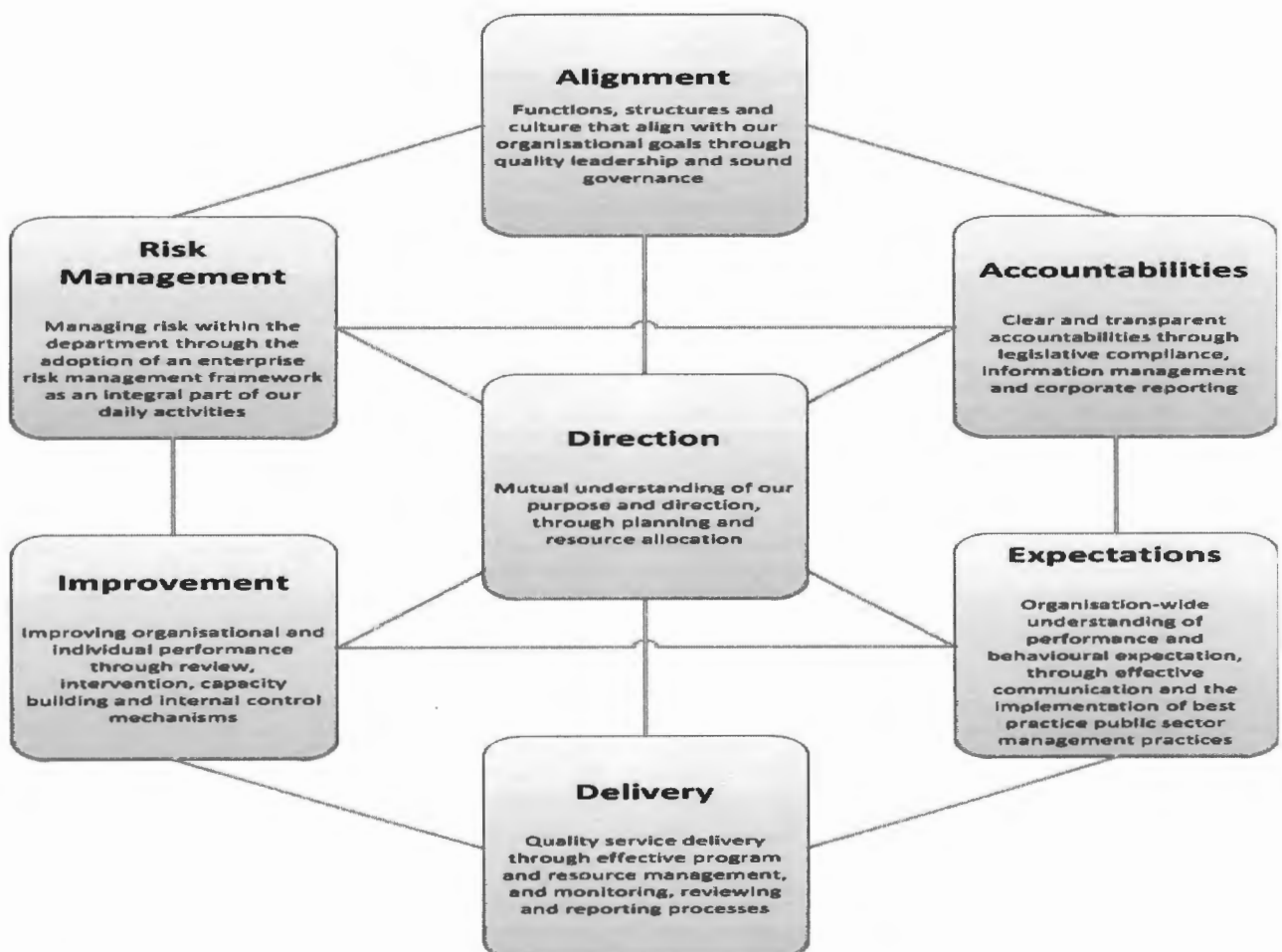
- In a well-governed organisation, the risks of fraud and corporate collapse are reduced, and there are mechanisms which reduce the likelihood of organisation controllers enriching themselves; and
- It can increase the creation of wealth by improving the performance of honestly managed and financially sound companies.

The Principles of Good Corporate Governance and Best Practice Recommendations of Australian Securities Exchange on Corporate Governance (2007) states that companies should actively promote ethical and responsible decision making; have the structure to independently verify and safeguard the integrity of their financial reporting; and should establish a sound system of risk oversight, management and internal control. The Australian Securities Exchange

(ASX) states that the company's framework should enable the board to provide strategic guidance for the company and effective oversight of management.

Figure 2.2 below is a representative of governance framework adapted from the Department of Education, Training and Empowerment (<http://deta.qld.gov.au/corporate/governance/pdf> 2013-2017). The framework has seven elements that contribute and supports each other in the framework. The framework summarizes the main indicators that support effective governance through strong leadership, management's accountability, and productive performance. However, each organisation can develop the framework that best suits their environment.

Figure 2.2: Governance Framework Overview



Corporate Governance Framework 2013-17, Adapted from Department of Education, Training and Employment

2.3.1 Service delivery

In South Africa, municipalities are still facing a major challenge in ensuring that they provide optimal services to the communities. It is the right to every South African to have access to common minimum standard of services, i.e. water, sanitation and refuse removal, among others. The Bill of Rights provides the communities with fundamental rights to access social services. Pretorius and Schurink (2007) highlight that service delivery should be viewed as the mechanism to activate communication strategy; in the sense that services provided at the district level and local municipalities should be communicated with the local citizens. Mofolo and Smith (2009) point out that municipality should make use of 'Batho Pele' principles as part of service delivery. There are eight Batho Pele Principles as indicated in the Ward Committee Resource Book (2005: 19), which includes consultation, service standards, access to services, courtesy in treatment, customer information, openness and transparency, redress and value for money. All the eight principles are important for daily operations of the municipalities; however consultation with the local residents, improving the quality and accessibility of government services are most critical in this study.

From local newspapers and news appearing on national television, it is clear that communities are not satisfied with the services provided by municipalities. It is also clear that demands made by South Africans for service delivery have increased. Communities are also embarking on mass protests daily to emphasise their demands. Citizens are not only complaining about the basic services, they also have interest in being involved in the decisions of the local municipalities.

Atkinson (2007:53) agrees that these mass protests are directly linked to municipal ineffectiveness related to poor service delivery and poor response to the grievances of community members. Kroukamp (2007:16) adds that municipal performance to deliver quality services adequately are questioned because of the alleged financial irregularities, maladministration, corruption and mismanagement.

According to Pretorius et al (2007), the municipal service delivery is governed by the Integrated Development Plan; Performance Management System; Batho Pele

Principles; and the Budget and intergovernmental relations. It is therefore appropriate that municipalities should be guided by and aligned to these prescripts for the provision of services to the citizens.

2.3.2 Management and Leadership

The Companies Act (Act no 71 of 2008) has provided the foundation for companies to use committee structures as part of its governance, operations, and decision making. The New Companies Act (Act no 71 of 2008) imported corporate governance and redefined the roles and duties of the directors. The Act states that directors are always required to act in the best interest of the body corporate, with the necessary degree of care, skill and diligence that may be reasonably expected from a person of their skill and experience.

Executive leadership and management are the most effective internal control of corporate governance processes and procedures in any organisation. According to Barkowski (2009:198), management and leadership are two separate behaviours, but both are necessary in guiding the development and success of any organisation to achieve its goals. Leadership is the ability that one has to get your followers to willingly do what you want them to do; and Management is the organisation and coordination of the activities of a business in order to achieve defined objectives (www.businessdictionary.com/definition 16 March 2013). McPheat (2010:18) states that a leader inspires his/her followers with a vision and mission and helps them cope with change; whereas a manager manages resources in order to deliver specific objectives. Patterson (2010: 60) points out that it is critical for management to encourage and motivate employees to carry out their tasks, as well as supporting their plans. However, according to Fonacier and Mueller (2007), effective leaders strive to attract and develop the right people with the right values in the right positions that are aligned to their organisational strategy. Fonacier and Mueller (2007) further point out that the potential power of leadership extends to building an organisation that is ready and able to adapt rapidly to changes in its external environment and its business strategy.

Vil-Nkomo (1998:201) argues that South African cities are still faced with tremendous development challenges that lead to critical institutional development challenge, which constitutes the crux of the success or failure of municipal leadership. According to Pretorius et al (2007), leadership qualities and skills are needed to improve service delivery and operational systems in local government as well as adjusting to the ever-changing demands of local authority. The State of Local Government in South Africa Report (2009) pointed that the skills deficit within municipalities remains a major challenge, which undermines the performance of municipalities. The report further stated that these result in municipalities being unable to meet their required performance standards. Hence, this impacts adversely on service delivery by opening up substandard services or complete non-delivery of services.

Day, Zaccaro and Halpin (2004) point out that while the scope of the current “crisis” in leadership is still debatable, there is still a need to develop leadership more fully in organisations. Adei, Badu and Eghan (2006:5) point out that only strong, responsible, and well-placed leadership can overcome the political and bureaucratic obstacles that confront the municipalities.

2.3.3 Risk Management

The mandate of South African legislation for risk management under Section 62 of the Municipal Finance Management Act (Act No.56 of 2003) and the Treasury Regulations Section 3.2 stipulate effective, transparent risk management process and risk audit in accordance to the legislation. The National Treasury of the RSA defines risk management as a systematic process to identify, evaluate, and address risks on a continuous basis before such risks can impact negatively on the institution's service delivery capacity. It further highlighted that risk management addresses all kinds of material risks to the objectives of the institution. As identified by the Auditor-General in several municipal audits, municipalities are still facing the challenge to ensure compliance to Municipal Finance Management Act and Performance Finance Management Act for risk management (http://thetetechnologies.co.za/municipal_risk.html 12 March 2013).

According to The National Treasury of the Republic of South Africa (2002), the way things are done is not effective as evidenced by a number of service delivery and general governance failures. In response to this, the principles of corporate governance and associated acts of legislation require organisations to be more transparent and structured about the ways in which they manage and report on risk. Effective corporate governance structures encourage companies to create value, through entrepreneurship, innovation, development and exploration, and provide accountability and control systems commensurate with the risks involved (<http://www.asxgroup.com.au/media/PDFs/> 15 April 2013).

The National Treasury (2002) states that risk management must ensure that effective processes and procedures are in place to prevent fraud. Furthermore, it states that the establishment of effective systems of risk management is part of a framework of internal control. It encourages management to ensure that all risks, both internal and external are effectively managed in accordance with good governance principle.

Risk management provides a dedicated focus on risk for the following reasons as stated by the National Treasury:

- **Corporate governance:** PFMA, MFMA, and King Report on corporate governance encourage organisations to implement a risk management plan;
- **Planning and organisation:** Risk management is best controlled when its principles and techniques are applied during the planning processes;
- **Continuous risk management:** The risk profile of organisations changes on a continuous basis; which means that the risk management plan must provide the organisation the ability to systematically identify new risks, and the assurance that existing risks are being addressed; and
- **Internal Audit plans:** Internal auditors are basing their priorities on the risk management plan and give priority to high-risk assets and processes.

Every organisation must have a risk management policy that best suits the organisational objectives and strategy, and ensure that the policy is effective across all the levels. The objective of the risk management policy should amongst

others, assist organisations in protecting opportunities that improve service delivery, and manage risks that impact the performance drivers.

2.4 Legislation governing corporate governance

Municipalities have systems of internal control and acts of legislation to guide them in their daily operations, and should be complied with to enhance and promote corporate governance. The executive leadership and management must ensure that various legislation, policies and processes are implemented properly across all levels according to the organisational strategic objectives, mission and vision in a way that enhances service delivery and productive performance.

The following are the pieces of legislation governing corporate governance within municipalities in South Africa:

2.4.1 The Constitution of the Republic of South Africa, Act 108 of 1996

The Constitution of the Republic of South Africa (Act 108 of 1996) places a legal obligation on the government of South Africa to ensure the health and safety of its citizens. In terms of Section 41(1) (b) of the Constitution, all spheres of government are required to secure the well-being of the people of the country. Section 152(1) (d) also requires that local government ensures a safe and healthy environment.

The Constitution Act 108 Of 1996 also states that services must be provided impartially, fairly, equitably and without bias; and should encourage the public to take part in the decision making process. According to Bolton (2007), all persons are equal bearers of rights, and that the inequalities of the past can be eliminated by simply extending the same rights and entitlements to all in accordance with the same neutral norms and standards.

2.4.2 Municipal Systems Act 32 of 2000

The Municipal Systems Act (Act No. 32 of 2000) stipulates that municipalities should use allocations in order to give priority to the basic needs of the local community, and ensure that all members of the community have access to basic services. This Act is aimed at providing for the core principles, mechanisms and processes that are necessary:

- To enable municipalities to move progressively towards the social and economic upliftment of local communities;
- To ensure universal access to essential services that are affordable to all;
- To provide for the manner in which municipal powers and functions are exercised and performed; and
- To provide for community participation.

The White Paper on Local Government (1998) urges municipalities to develop strategies and mechanisms to continuously engage with the local citizens. Participation of local communities should therefore be guided in four major senses as stated in the White Paper on Local Government (1998):

- as voters to ensure democratic accountability;
- as citizens who through a variety of stakeholder organisations can contribute to policy processes;
- as consumer and end users who expect value for money and affordable services; and
- as organised partners engaged in resource mobilization for development objectives

The Municipal System Act (Act No.16 of 2000) encourages municipalities to develop a culture of municipal governance that complements formal representative government with a system of participatory governance by the local community in the affairs of the municipality. The Act states that communities have the right to contribute to decision-making processes of the municipalities. This means that the local communities should form part of the process when decisions on the municipal development strategies are taken. The tool to administer this right is the Integrated Development Plan (IDP). Kaselowski and von Solms (2008) states that the IDP is used to perform, document and communicate long-term strategic planning of objectives and processes, which the municipality must perform, as well as the information on how to achieve them.

The Municipal Finance Management Act (Circular no.41) states that municipalities are urged to consult with their communities in a manner that encourages an active input from community members. According to Mofolo et al (2009), municipalities should consult with representatives of the communities in which they are situated about their preference, affordability, level and quality of municipal services that are rendered.

2.4.3 Municipal Structures Act 117 of 1998

As directed by the Constitution, the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) contains criteria for determining categories of municipalities. Chapter 5 of the Municipal Structures Act (1998) states that councillors are selected to represent local communities on municipal councils, to ensure that municipalities have structured mechanisms of accountability to local communities, and to meet the priority needs of communities by providing services equitably, effectively and sustainably within the means of the municipality. Councillors must therefore ensure that they report back to local communities on the performance of the municipality in terms of established indicators.

2.4.4 Municipal Finance Management Act 56 of 2003

The (MFMA) Municipal Finance Management Act (Act No. 56 of 2003) requires municipalities to take reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically. The implementation of the MFMA (2003) in all municipalities and entities remains an important strategy to improve financial management and service delivery. The MFMA Act (2003) indicated that linked to this strategy is the fundamental principles of effective and efficient utilisation of public resources and transparent and accountable financial management practices. The key objective of the Act is to modernise municipal financial management.

Sound financial management practices are essential to the long-term sustainability of municipalities. They underpin the process of democratic accountability. Weak financial management results in the misdirection of resources and increases the risk of corruption ([www.treasury.gov.za/publications/ 2011/pdf](http://www.treasury.gov.za/publications/2011/pdf)). Municipal financial management involves managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight.

Section 153 of the Constitution requires that 'a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community'.

MFMA circular no.41 states that the municipal budget should be prioritised according to the strategic outcomes embodied in the IDP and related strategic policies. The IDP should be linked with the Service Delivery Budget Implementation Plan to be able to measure performance considering the previous and recent performance, economic and demographical factors, and inflation. According to the MFMA (Circular No. 42), if budgeted expenditure is underestimated, then the budgeted revenue may not be sufficient to fund the planned level of service delivery. The municipality must have enough cash inflow to run its operation, and should maintain a positive cash position. If the municipality does not reflect a positive cash position, it is the first indicator of financial distress ([http://mfma.treasury.gov.za/Media Releases/2012](http://mfma.treasury.gov.za/Media_Releases/2012)).

The Auditor-General has highlighted a number of issues in the Consolidated Report on Local Government Audits for 2009/10 that include, among others, non-adherence to financial management policies and prescripts, as well as the need to improve governance arrangements. As stated in the report, a significant number of municipalities have incurred unauthorised, irregular as well as fruitless and wasteful expenditure over the recent years. The Auditor-General also emphasised these issues in the MFMA Circular No.68 report. MFMA circular no.68 provides guidelines on the process to be followed in dealing with these categories of expenditure.

According to the Institute of Democracy in Southern Africa (2010), good financial management is the key to local delivery; however most municipalities are generally associated with the worst form of financial management. IDASA (2010) further stated that corruption, financial mismanagement and non-compliance with financial legislation are common in most municipalities, which result to poor performance.

2.5 Performance Management System

Chapter six of the Municipal Systems Act (Act No.32 of 2000) states that municipalities should have a performance management system that promotes a culture of performance amongst the political structure, political office bearers, councillors and administration. The White Paper on Local Government (1998) also suggested that local government should introduce the idea of using monitoring tools to measure impact and performance. Therefore the White Paper on Local government (1998) further notes that performance management is critical to ensure that plans are being implemented, that they are having the desired development impact, and that resources are being used efficiently. Williams (2002) defines performance management as a system that ensures organisational performance through the alignment and integration of all organisational actions such as the vision, mission, values and culture of the organisation. De Waal (2002) defines performance management as the process that enables an organisation to deliver a predictable contribution to sustained value creation.

According to Flapper, Fortuin and Stoop (1996: 27), the success of any organisation depends on its ability to execute its functions against its strategies. Flapper et al (1996) further point out that strategies must ensure that all employees within the organisation are contributing to the organisational objectives via their daily activities in support of measurements as contained within the performance management system. In South Africa, at a local government level, the service delivery and all activities should be aligned to the municipal strategic outcomes as embodied in the Integrated Development Plan.

Moynihan (2008: 6) points out that the performance management systems are designed to share information from the environment through consultation with the public, stakeholders, public representatives, and consultation with external environment in the strategic planning phase. The performance management system serves as a guideline and a performance measuring tool that ensures that the municipality administers its affairs economically, effectively, efficiently, and in an accountably manner.

According to the Financial Reporting Council (2008), good corporate governance contributes to better municipal performance, and if it is not well practiced, it leads to poor performance. Gregory and Simms (1999) point out that when corporate governance is effective, it provides managers with oversight and holds them accountable in their management of corporate assets. Furthermore, Gregory et al (1999) highlight that it ensures efficient use of resources both within the organisation and the larger economy, increased responsiveness to societal needs and expectations, which should lead to improved corporate performance. Gregory and Simms (1999) highlight that effective corporate governance reduces corruption in business dealings, though it may not prevent corruption entirely, but it assists in discovering and eliminating corrupt practices.

The Ward Committee Resource Book (2005:19) highlights that 'Batho Pele' Principles should be implemented and emphasized in local governments in order to promote the culture of good performance. However, Buccus, Hemson, Hicks and Piper (2008: 7) point out that there is still a need for municipalities to reformulate the system so that it is taken seriously and embraced where performance management can be service oriented rather than document oriented. The performance management system should be implemented across all the levels within the municipalities in order to be effective. The leadership should be responsible for establishing the performance management system as a tool for measuring performance within the municipality.

2.6 Role of IT Governance in Municipalities

The Information Systems Audit and Control Association (ISACA, 2008) defines IT governance as an integral part of the enterprise governance, and consists of the leadership and organisational structures and processes that ensure that the organisation's IT sustains and extends the organisation's strategies and objectives. Information Technology governance is a set of rules and regulations that direct the functions of the IT department.

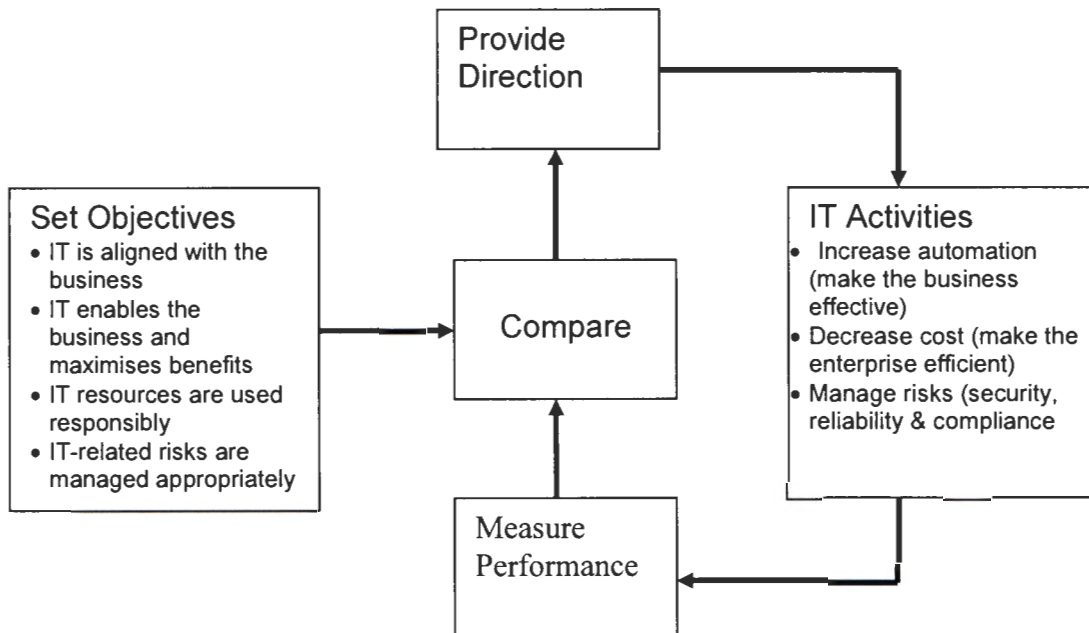
According to the South African Local Government Association (2012), South Africa has a tremendous potential for rapid and sustainable economic and social development by leveraging the potential of applying the Information Communication Technology (ICT) appropriately within the local government. As such, the Local Government Turnaround Strategy (LGTAS, 2012) states that each municipality must have the ICT systems in place across all municipalities to increase service delivery, improve efficiency and accountability. The South African Local Governance Association (SALGA, 2012) stated that the objective of ICT governance within municipalities is to raise the ICT as a strategic enabler for effective administration and service delivery; and to bring international good practices within the municipal arena. Further, SALGA (2012) points out that the ICT governance must be supported by capable people and tested processes to provide efficient services to the public.

According to IT Governance Institute (2003), IT must be an integral part of everyday operation; and is essential to manage information and knowledge necessary to initiate and sustain economic and social activities. IT should also be seen as an opportunity to increase productivity within organisations, as well as obtaining competitive advantage. SALGA (2012) also states that ICT cuts across all aspects, components and processes within the organisation, and is a strategic asset which must be leveraged to create opportunities.

According to ISACA (2008), management must promote effective IT governance framework that addresses strategic alignment, performance measurement, risk management, value delivery and resource management. Below is a

representation of Information Technology governance framework adapted from the Board of Briefing on IT Governance:

Figure 2.3 Information Technology Governance Framework



Adopted from Board of Briefing on IT Governance (ITGI: 2003)

De Beer et al (2007) pointed out that ICT plays a vital role in speeding up the flow of information and knowledge between government and citizens as well as transforming the way in which government and citizens directly interact effectively and efficiently. Chong, Chan and Sim (2010) are of the agreement with De Beer et al (2007) that, by combining the use of IT and strategic sharing of information, organisations are therefore becoming innovative which lead to high level of organisational performance. However, Ericson (2011) in agreement with De Beer et al (2007) and Chong et al (2010) highlighted that, ICT provide the tools and techniques necessary to move from materials to information-flow oriented approaches; which speed-up the flow of information.

The King Report III states that the directors should ensure that prudent and reasonable steps have been taken into consideration in regard to IT governance; and should focus on:

- Strategic alignment with performance and sustainability objectives of the organisation;
- Development and implementation of an IT governance framework;
- Value delivery : concentrating optimizing expenditure and providing the value of IT;
- Risk management : addressing the safeguarding of IT assets, disaster recovery and continuity of operations; and
- The protection and management of information.

Kaselowski and Solmons (2008) highlight that various factors such as municipal legislation, policies, vision and objectives should be taken into consideration when defining IT governance plan. However, SALGA (2012) stated that there is still a huge ICT skills shortage in South Africa which impact negatively on local governments.

2.7 Key Restructuring Initiatives

South Africa has realized that good corporate governance with improved policies and standards contribute to sustainable productivity growth and economic stability to achieve long-term goals, as stated by Vaughn and Ryan (2006). By recognizing the importance of good corporate governance, the country has developed certain initiatives such as King Reports and Organisation for Economic Co-operation and Development principles of corporate governance. The following are representative of South Africa's efforts:

The King Report III emphasized the principles of effective corporate governance as essentially about effective leadership and sustainability. The Report stated that leaders should direct company strategies and operation with a view to achieving sustainable economic, social and environmental performance; and these leaders should be characterised by the ethical values of responsibility, accountability, fairness and transparency based on moral duties.

According to OECD (2004), corporate governance is one key element in improving economic efficiency and growth. OECD (2004) pointed out that corporate governance provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance

are determined. Effective corporate governance helps the organisation to provide confidence that is necessary for the proper functioning of a market economy (OECD: 2004). The Millstein report (1998) agrees with the King Report III that the core standards of effective corporate governance are fairness, transparency, accountability, and responsibility

The Organisation for Economic Co-operation and Development principles of corporate governance had become the agreed global standard for corporate governance reform efforts worldwide (www.oecd.org/corporate 15 March 2013). The Principles are intended to assist OECD and non-OECD governments in their efforts to evaluate and improve the legal, institutional and regulatory framework for corporate governance in their countries, and to provide guidance and suggestions for stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance (OECD:2004).

2.8 Conclusion

Corporate governance is highly critical to a municipality, and it should be promoted to enhance service delivery and productive performance. This chapter provided a brief overview on corporate governance in South African local municipalities; and principles and guidelines on how corporate governance can be practiced to promote service delivery and enhance productive performance. It further discussed the pieces of legislation, policies and principles governing corporate governance in South African municipalities; and also the best practice recommendations in the King Reports on Corporate Governance.

The literature presented in this chapter also outlines the importance of other operational systems such as, performance management systems and financial management systems in municipalities; and how they impact on corporate governance. A performance management system ensures that an organisation implements its strategic objectives by measuring, monitoring and holding employees accountable for the implementation of actions in support of the strategy; whilst, a financial management system is the key to local delivery that

secures sound and sustainable management of financial affairs of municipalities and municipal entities.

This chapter has shown that governance processes should be properly implemented and understood by all employees across the organisation, to ensure adequate implementation and continuous improvement of good corporate governance. Local communities must also be involved in the municipal decision-making processes, as this continues to be a big challenge in South Africa.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology used to address the research questions, with the aim to find the possible solutions to the identified problem. The chapter also demonstrates how the research design and research methodology were applied to gather information on corporate governance of Greater Taung Local Municipality. The tools utilised to collect and interpret data, sampling design, and ethical considerations are also discussed in this chapter.

3.2 Research Design

According to Kothari (2009: 31), a research design is defined as the arrangement of conditions for collection of analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Terre Blanche, Durrheim and Painter (2006) define a research design as a strategic framework for action that serves as a bridge between research questions and the execution or implementation of the research. Babbie and Mouton (2003:647) define a research design as a structured framework of how you intend to conduct the research process in order to solve the research problem.

A research design is a plan that the researcher intends to use to collect, analyse and interpret reliable data to achieve the research objectives. It encompasses the methodologies and procedures employed to conduct the research. A research design can also be referred to as an instrumental tool that gives the researcher the opportunity to plan for the research before starting the project; to enable the researcher to foresee and avoid pitfalls and obstacles that might occur.

A case study design was applied and forms the basis of planning the processes of this study. The researcher used a case study design to narrow down a very broad field of research into one easily researchable topic. According to Yin (2003), a

case study design should be considered to answer the “how” and “why” questions that relate to the closed-ended questions used. It also provides more realistic responses than a purely statistical survey.

3.3 Target Population

According to Kitchenham (2002), the target population is the group or the individuals to whom the survey applies. Thus, the target population defines those elements for which the findings of the survey are required to report about.

The total population for this study was made of 125 administrative staff of the Greater Taung Local Municipality, which comprises of the six Senior Management, twenty four Middle Management, twenty five Junior Management and seventy Operational Clerical Staff or Semi-Skilled staff members. For the purpose of the study, not all the total population was represented. The researcher targeted 35 respondents, which will be a representative of the total population. The questionnaire was distributed among all the levels from top management to operational clerical staff, to obtain the facts from all levels since governance affects all the employees within the municipality.

3.4 Sampling Techniques

According to Leedy and Ormrod (2004:199), sampling can be classified into two major types, i.e. probability sampling and non-probability sampling. Leedy et al (2004) further state that in probability sampling, the population will be represented in the sample; and in non-probability sampling, the sample is not expected to be representative of the population of the study.

For the purpose of this study, the researcher used a non-probability sampling. The researcher chose purposive sampling which implies that people can be chosen for a particular purpose. Welman et al (2005) concur that in a purposive sampling preference is often given to key informants who on account of their position or experience have more information than the regular group members. For this

reason, the researcher distributed the questionnaire only to people who are directly involved with the day-to-day operation of the GTLM.

3.5 Sample Design

Polit and Hungler (1999:227) define a sample as a subset of a population selected to participate in the study. It is basically referred to as a shortcut method for investigating a whole population by gathering data on a small part of the whole population. Kothari (2009:55) defines a sample design as a definite plan for obtaining a sample from a given population. Kothari (2009) further points out that a sample design is the technique or the procedure the researcher would adopt in selecting the population for the sample.

3.6 Research Methodology

Leedy and Ormrod (2004:94) mention two classifications of research methodology; that is the qualitative and quantitative methods of research. According to Leedy and Ormrod (2004), qualitative method is used to answer questions about the complex nature of phenomena, often with the purpose of describing and understanding the participants' point of view; whereas quantitative method is used to answer questions about relationships among measured variables with the purpose of explaining, predicting and controlling the phenomena. Basically, qualitative method refers to inductive method of using questionnaire to collect, analyze and interpret data; whereas the quantitative method refers to statistical methods used to analyze data. However, there are also contemporary statistical methods used to analyze qualitative data which will not be explored in this study.

According to Winegardner (2004), a case-study is most appropriate when the goal of the research is to understand rather than to predict, to interpret rather than to manipulate the phenomenon being studied. It is usually based on a single organisation or entity.

3.7 Investigation Instruments

The research tool for this study was a questionnaire. There are two types of questionnaires that can be used to collect data, which are open-ended and closed-ended questions. According to Foddy (1993:127), closed-ended questions limit the respondent to the set of alternatives being offered; whereas open-ended questions allow the respondent to express an opinion without being influenced by the researcher. De vos et al (2005) point out that there is a disadvantage in using many open-ended questions because they are time consuming and the respondents may leave incomplete spaces, and also require determination on the side of the researcher.

Foddy (1993) explains that open questions give the respondents the opportunity of writing down any answer in the open space that enables the researcher to explore the variable better and to obtain some ideas of the spectrum of possible responses. However, for the purpose of this study, it was relevant and proper to use the closed-ended questionnaire so that the interviews and data collection can be structured and to also limit the set of alternatives to the respondents.

The researcher used closed-ended questionnaires and documents: the municipal offices for gathering data. For example, evidence to substantiate statements was collected by the researcher through the Integrated Development Plan of GTLM and the Auditor's General reports.

The questionnaire was structured into two, labelled as Section A and Section B, attached as "APPENDIX A. Section A asked questions about respondent's profiles and Section B were questions addressing the study objections.

3.7.1 Covering letter

De Vos et al (2005) suggests that all questions should be accompanied by a covering letter, explaining a brief description of the purpose of the study, the person or organization undertaking the research and how questionnaire will be handled to ensure confidentiality of the participants. The covering letter indicating

the reason to conduct the study was attached to all the copies of the questionnaires distributed.

3.7.2 Data Collection and Follow-up

The questionnaires were personally distributed to the participants by the researcher. Due to the fact that the majority of the respondents could not complete and return their responses on the said date, the researcher had to reschedule for another date for collection. Follow-ups were done both telephonically and by personal visits to check the progress of the participants. This has resulted in twenty four questionnaires being successfully completed and returned; which is one Senior Management, five Middle Management, six Junior Management, seven Operational Clerical Staff and five Other.

3.8 Data Analysis Techniques

Data analysis technique is utilised in a research to assist the researcher in answering the research questions. De vos et al (2005) state that data analysis entails that the analyst breaks down data into consistent parts to obtain answers to research questions and to test the research hypotheses. Data analysis in itself does not provide the answers to research questions, but provides guidelines to answering such questions. The researcher used descriptive data analysis to analyse and interpret data, which is concerned with the summary of data obtained for a group of individual units for analysis.

3.9 Limitations of the study

There are five municipalities that constitute the Dr. Ruth Segomotsi Mompati District Municipality which are, Kagisano Molopo District Municipality, Naledi Municipality, Lekwa Taemane Municipality and Mamusa Municipality. The study was only limited to Greater Taung Local Municipality; and therefore the findings of this study cannot be generalised to all municipalities within the district because each municipality has its own challenges and experiences with regard to corporate governance.

3.10 Ethical Considerations

Permission was granted from the Greater Taung Local Municipality to carry out this study, and the covering letter requesting permission was attached to this study as "Appendix A". The research participants were informed about the nature of the study to be conducted as well as their roles and duration therein.

According to Remenyi (1998:110), there are major ethical considerations to consider when undertaking research, which are how the information is collected, how the information is processed and how the findings are used. Remenyi (1998:114) further states that confidentiality should be upheld to avoid potentially "unsatisfactory practices which endanger staff".

3.11 Conclusion

This chapter has given a brief description of the research methodology employed by the researcher, and also an in-depth account of how the data was collected and analysed. The methodology was the core concept of this study, which directed the whole planning and organising of the project.

The reason for undertaking this research was also stated in the covering letter that accompanied the distributed questionnaire. Ethics that informed this study were also outlined, and the researcher also gave an account of how these ethical issues were upheld.

The following chapter gives an interpretation of findings and data analysis, with the data presented in tabular and graphic forms.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the data analysis and interpretation of the study. . Data is also presented in tabular and graphical formats. This chapter further interprets results and discusses the conclusions that have been reached.

This chapter is divided into two parts. Part A elaborates on the demographics of the respondents; Part B is the results and analysis of the respondent's general knowledge about corporate governance and pieces of legislation governing corporate governance.

4.2 Part A: Background Information

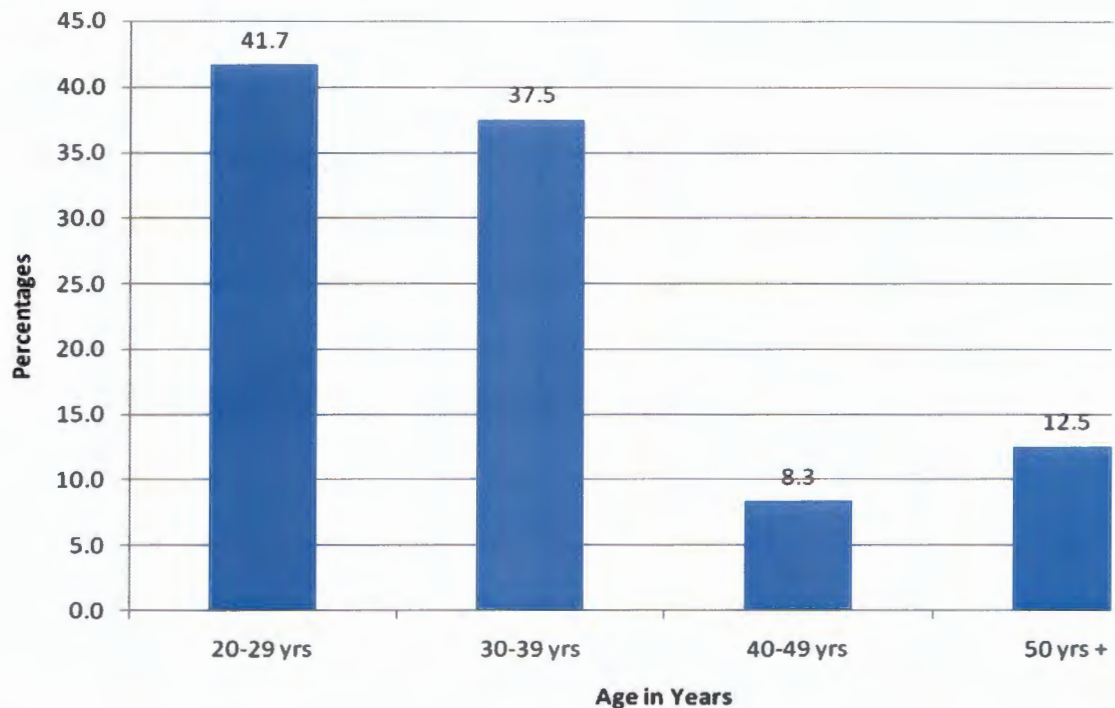
The data analysis of respondents is discussed in this section using figures to indicate the demographical profile of the respondent's of Greater Taung Local Municipality.

Figure 4.3.1 Gender



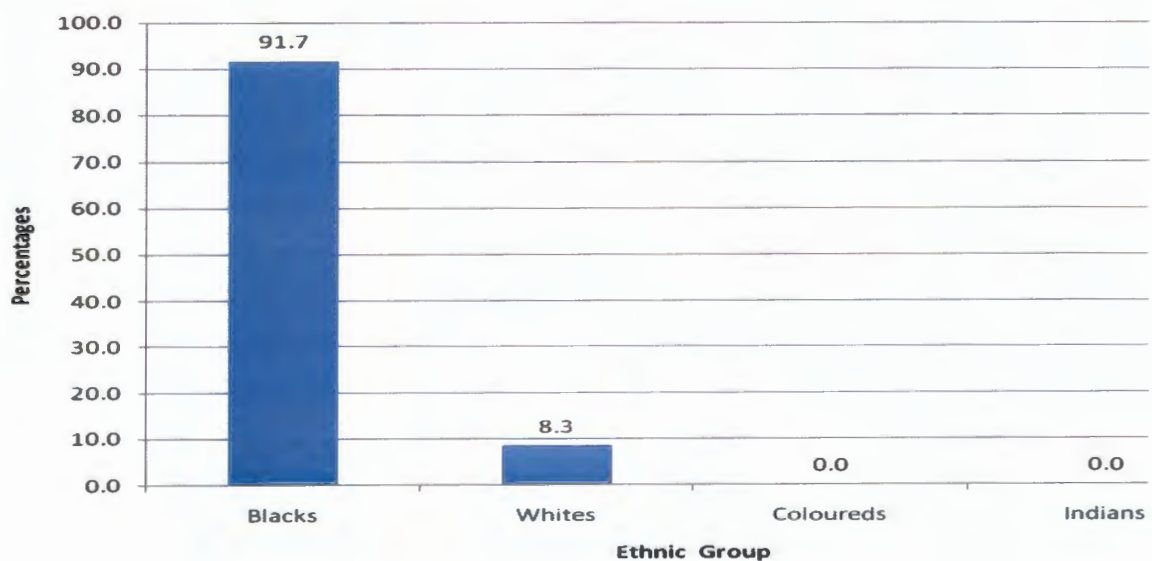
Figure 4.3.1 of the chart above represents the gender of the respondents. The total number of respondents was 24. The results indicate that 15 (62.5%) of the respondents were males, and 9 (37.5%) were females.

Figure 4.3.2 Age Category



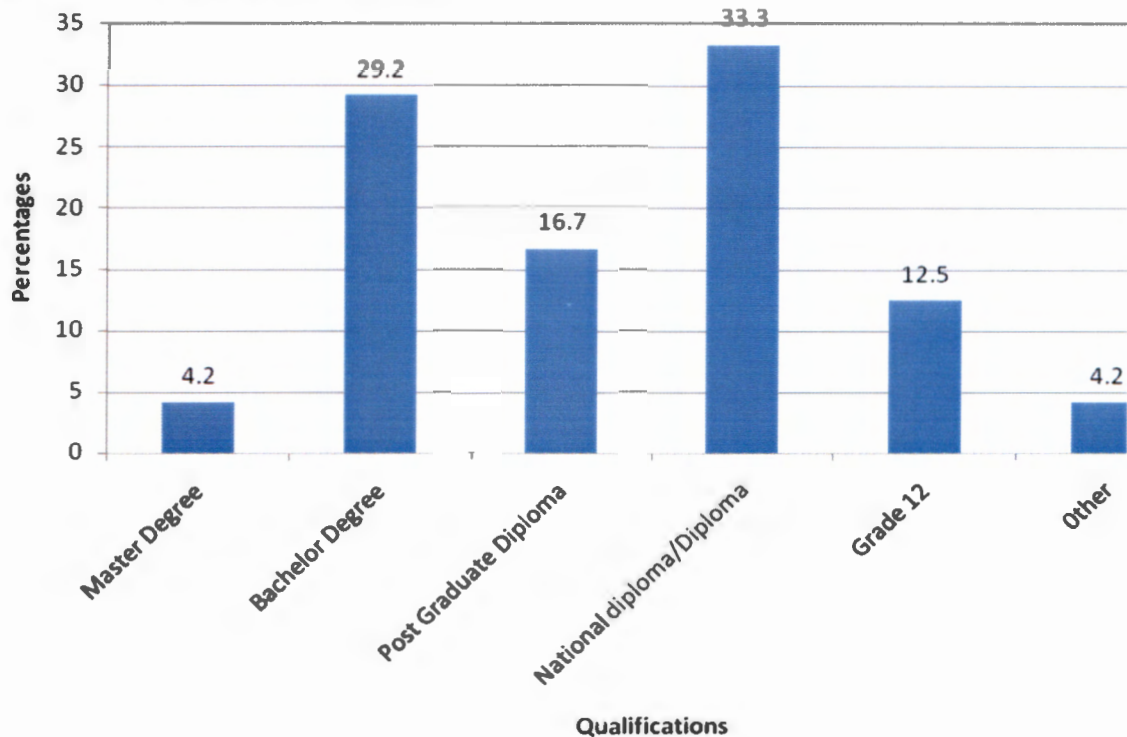
The graph illustrated by figure 4.3.2 above represents the age categories of the respondents. The results indicate that the majority of the respondents were between the ages of 20-29 years; whereas the minority were between the ages of 40-49 years.

Figure 4.3.3 Ethnicity



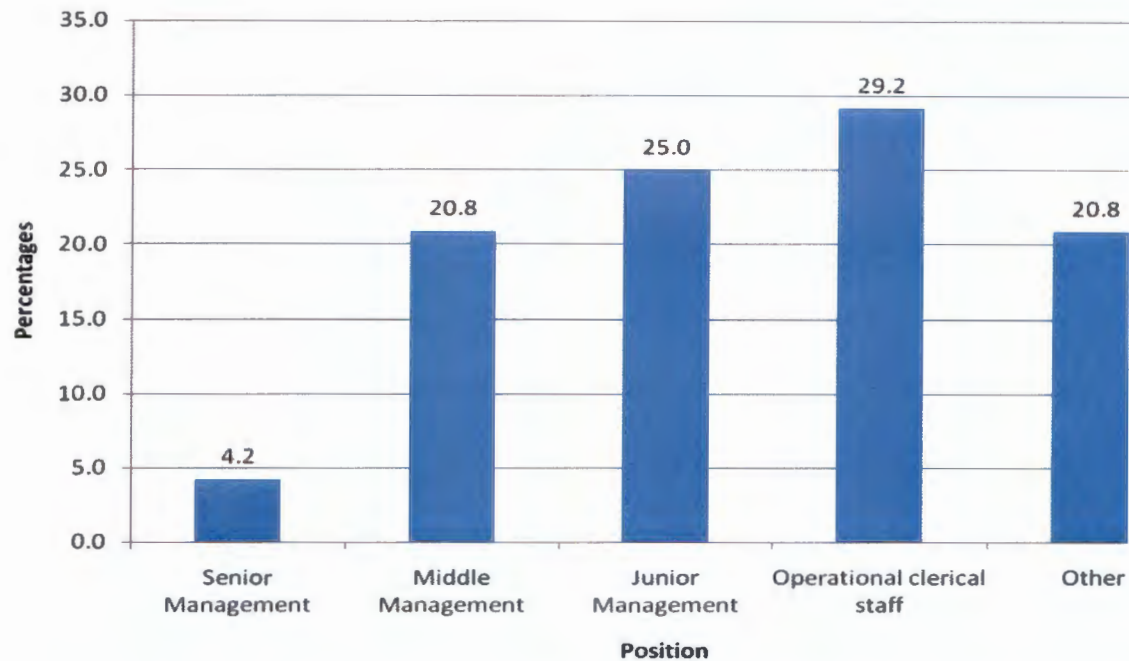
The graph illustrated by figure 4.3.3 above represents the ethnic group of the respondents. It indicates that out of twenty four respondents, 22 (91.7%) were Blacks and two (8%) were whites.

Figure 4.3.4 Formal Qualification



The graph illustrated by figure 4.3.4 above indicates that the majority of the respondents 8 (33.3%) had National Diploma\Diploma. This was followed by Bachelor Degree with 7 (29.2%). 4 (16.7%) of the respondents had Post Graduate Diploma and 3 (12.5%) had Grade 12. Of the 24 respondents, one holds a Masters Degree and one had other qualification, which formed 4.2% respectively. The results indicate that of the 12 management personnel who responded, five (20.8%) are having National Diploma/Diploma; two (8.3%) are having Grade 12, Bachelor's degree and Post Graduate Diploma respectively, and one(4.2%) is holding a Master's Degree.

Figure 4.3.5 Position Level



The figure 4.3.5 of the graph above represents the position level of the respondents. The results indicate that the majority of the respondents which is 7(29.2%) were operational clerical staff; followed by 6 (25.0%) of junior management. The middle management and other positions formed 5 (20.8%) respectively; with 1 (4.2%) of senior management.

Figure 4.3.6 Years of Service served within the municipality

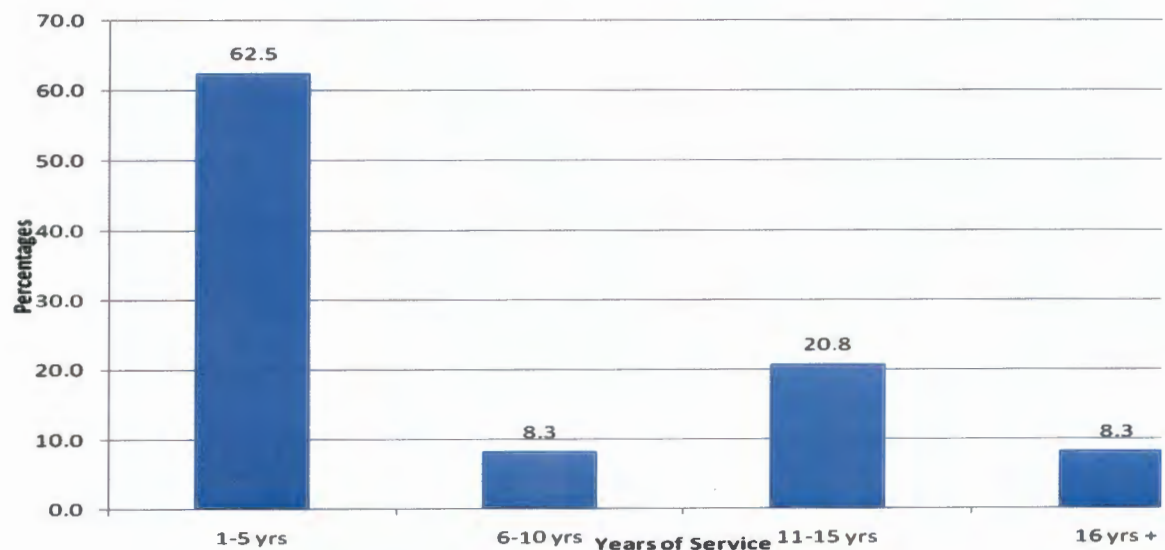
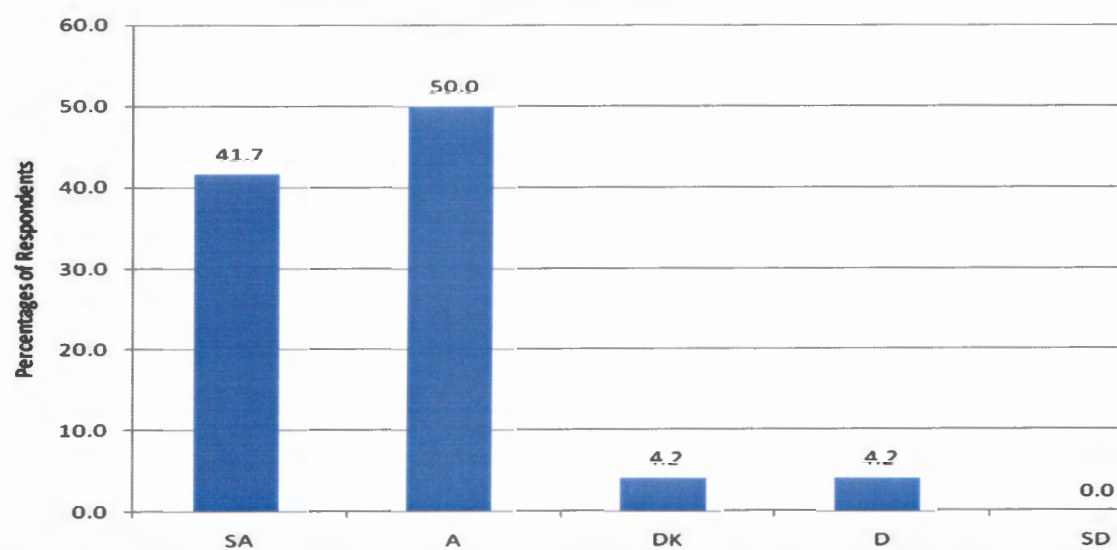


Figure 4.3.6 above indicates that 15 (62.5%) of the respondents have less than six years of service within the municipality. This is followed by 5 (20.8%) of the respondents with eleven to fifteen years of service. Respondents with six to ten years, and sixteen years and above formed 2 (8.3%) respectively.

4.4 Part B: Impact Measurement

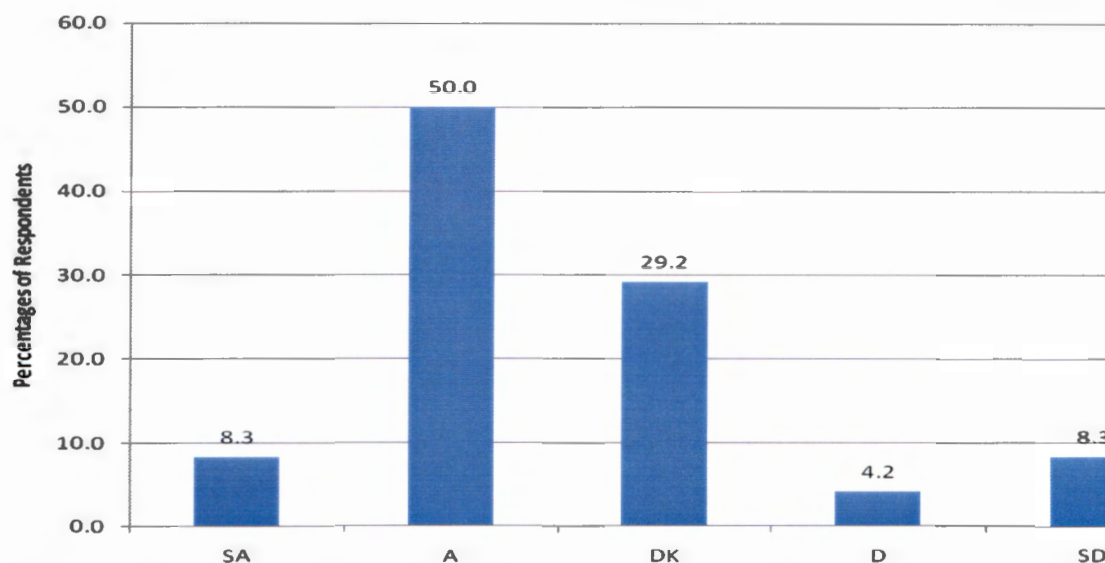
This part of the discussions focuses on interpretation and analysis of the research outcomes, thus outlining the results and analysing part B of the questionnaire which addresses questions B1 to B23 on “APPENDIX A”. The “B” numbering justifies Part B of the questionnaire. The forthcoming graphs and tables discussed based on the (1932) scale, which applied using the following key: SA: Strongly Agree, A: Agree, DK: Do not Know, D: Disagree, SD: Strongly Disagree.

Figure 4.4.1: Understanding the meaning and importance of promoting corporate governance in the municipality.



According to the data presented on figure 4.4.1, the results show that of the 24 respondents, the majority of the respondents have the knowledge of corporate governance and its relevance and importance within the municipality, which led to 12 (50.0%) of the respondents to agree with the statement; followed by 10 (41.7%) who strongly agreed; and a minority of 1 (4.2%) represented by respondents who did not know or are undecided and disagreed respectively.

Figure 4.4.2: There is a governance policy within GTLM and I quite understand what it is all about.



Of the 24 respondents, figure 4.4.2 above indicates that 50% agreed that there is a governance policy within the municipality and they clearly understand its contents; followed by 29.2% who were undecided or did not know; whereas 8.3% formed by respondents who strongly agreed. The 8.3% of the respondents strongly disagreed, and only 4.2% disagreed with the statement. The number of respondents who are not aware of the policy or disagreed with the statement is very high, which means that there may be certain processes and procedures that are not done according to governance principles.

Table 4.4.1: Pieces of legislation to promote corporate governance

No	Item	SA (%)	A (%)	DK(%)	D (%)	SD (%)
B3	I know and understand that the following pieces of legislation should be complied with in order to promote corporate governance.					
i.	The Constitution of the Republic of South Africa, Act 108 of 1996	(58.3) 14	(25.0) 6	(12.5) 3	(4.2) 1	(0.0) 0
ii.	Municipal Structures Act 117 of 1998	(54.2) 13	(29.2) 7	(12.5) 3	(4.2) 1	(0.0) 0
iii.	Municipal System Act 32 of 2000	(54.2) 13	(25.0) 6	(16.7) 4	(4.2) 1	(0.0) 0
iv.	Municipal Finance Management Act 56 of 2003	(54.2) 13	(20.8) 5	(20.8) 5	(4.2) 1	(0.0) 0
v.	Prevention and Combating of Corrupt Activities Act 12 of 2004.	(45.8) 11	(16.7) 4	(29.2) 7	(4.2) 1	(4.2) 1
vi.	Promotion of Administrative Justice Act 3 of 2000.	(41.7) 10	(0.0) 0	(50.0) 12	(4.2) 1	(4.2) 1

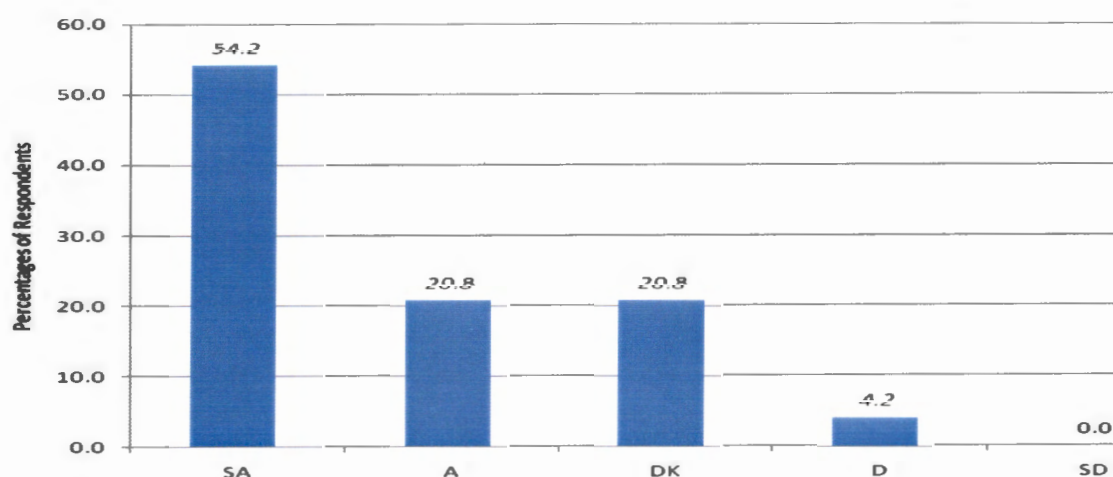
The results in table 4.4.1, item B3i indicate that the majority of the respondents which is 14 (58.3%) strongly agreed that they understand that the Constitution of the Republic of South Africa, Act 108 of 1996 should be complied with to promote corporate governance, followed by 6 (25.0%) of the respondents who agreed with the statement. 3 (12.5%) did not know about the Constitution Act 108 of 1996, whereas; 1 (4.2%) disagreed with the statement.

Item B3ii, majority of the respondents 13 (54.2%) strongly agreed that they understand the Municipal Structures Act 117 of 1998, whereas the minority of 1 (4.2%) disagreed with the statement. Item B3iii indicates that the minority of the respondents which is 1 (4.2%) disagreed that they know and understand the

Municipal System Act 32 of 2000, whereas the majority of the respondents which is 13 (54.2%) of the respondents.

The results in Item B3iv indicates that the majority of the respondents have the knowledge and understanding of Municipal Finance Management Act 56 of 2003, which led to 13 (54.2%) of the respondents to strongly agree with the statement, and 1 (4.2%) disagreed with the statement. Item B3v, the majority of the respondents which is 11 (45.8%) of the respondents strongly agreed that they understand the Prevention and Combating of Corrupt Activities Act 12 of 2004, and 1 (4.2%) of the respondents disagreed and strongly disagreed with the statement respectively. The results in item B3vi indicate that the majority of the respondents which is 12 (50.0%) did not know about the Promotion of Administrative Justice Act 3 of 2000, and 1 (4.2%) of the respondents disagreed and strongly disagreed with the statement respectively.

Figure 4.4.3: Understanding how good governance improves municipal performance.



The results in figure 4.4.3 indicate that 13 (54.2%) of the respondents strongly agreed that they understand how good governance improves performance, whereas 5 (20.8%) of the respondents agreed and are undecided with the statement respectively. Only 1 which is 4.2% of the respondents disagreed with the statement.

Table 4.4.2: The Performance Management and Development System of the municipality

No	Item	SA (%)	A (%)	DK(%)	D (%)	SD(%)
B5.	I understand the legislative requirements governing the Performance Management and Development System (PMDS) for all the employees in the municipality.	(29.2) 7	(25.0) 6	(33.3) 8	(12.5) 3	(0.0) 0
B6.	The municipality has a performance management policy in place which is applicable to all the employees.	(20.8) 5	(20.8) 5	(25.0) 6	(29.2) 7	(4.2) 1
B7.	I have been trained on or introduced to the PMDS since joining this municipality.	(16.7) 4	(12.5) 3	(12.5) 3	(41.7) 10	(16.7) 4
B8.	I consider the signing of the performance agreement to be important.	(41.7) 10	(41.7) 10	(12.5) 3	(4.2) 1	(0.0) 0
B9.	My performance agreement complies with the PMDS requirements of this municipality.	(20.8) 5	(8.3) 2	(50.0) 12	(4.2) 1	(16.7) 4
B10.	The PMDS has been effectively and efficiently implemented across all the levels of this municipality.	(12.5)	(8.3)	(37.5)	(16.7)	(25.0)

The results in table 4.4.2, Item B5, indicate that the majority of the respondents 8(33.3%) didn't know the legislative requirements governing the Performance Management and Development System, whereas 29.2% strongly agreed with the statement. A minority of the respondents disagreed with the statement.

B6 indicates that 7 (29.3%) disagreed that there is a performance management policy within the municipality which is applicable to all the employees, whereas 6 (25.0%) of the respondents were undecided with the statement. The 5 of the respondents which is (20.8%) strongly agreed and agreed with the statement respectively. Only 1 (4.2%) strongly disagreed with the statement. These might be that the policy is not applicable to all the employees within the municipality.

Item B7 indicates that the majority of the respondents disagreed that they have been trained on PMDS since joining this municipality. The least response was made of 4 (16.7%) of the respondents who strongly disagreed and strongly agreed with the statement. The high rate of respondents who did not acknowledge that they have been trained to the PMDS might be that they are not directly involved with the PMDS.

The results in item B8 indicate that the majority of the respondents strongly agreed and agreed with the statement respectively. Only 2 (12.5%) didn't know the statement and the minority of 1(4.2%) disagreed with the statement. Item B9 indicates that 12 (50.0%) of the respondents did not know whether their performance agreement complies with the PMDS requirements, and minority of the respondent which is 1 (4.2%) disagreed with the statement.

B10 indicates that the majority of the respondents disagreed whether the Performance Management and Development System was effectively implemented across all the levels of the municipality. Three of the respondents which is 12.5% completely agreed with the statement and the 2 (8.3%) of the respondents agreed with the statement.

Figure 4.4.4: There is a Risk Management Policy in place.

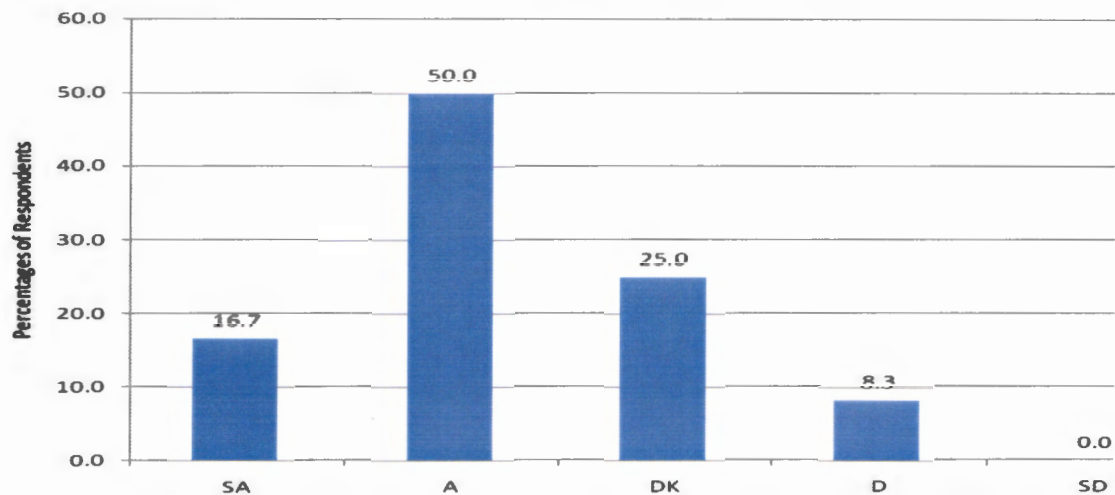


Figure 4.4.4 indicates that 12 (50.0%) of the respondents agreed that there is a risk management policy in place; followed by 6 (25.0%) of the respondents who were undecided with the statement. Only 4 (16.7%) completely agreed and 2 (8.3%) disagreed with the statement. The high rate of the respondents who were not aware of the risk management policy might be that the policy was not well communicated across all the levels.

Figure 4.4.5: Understanding the importance of the risk management policy.

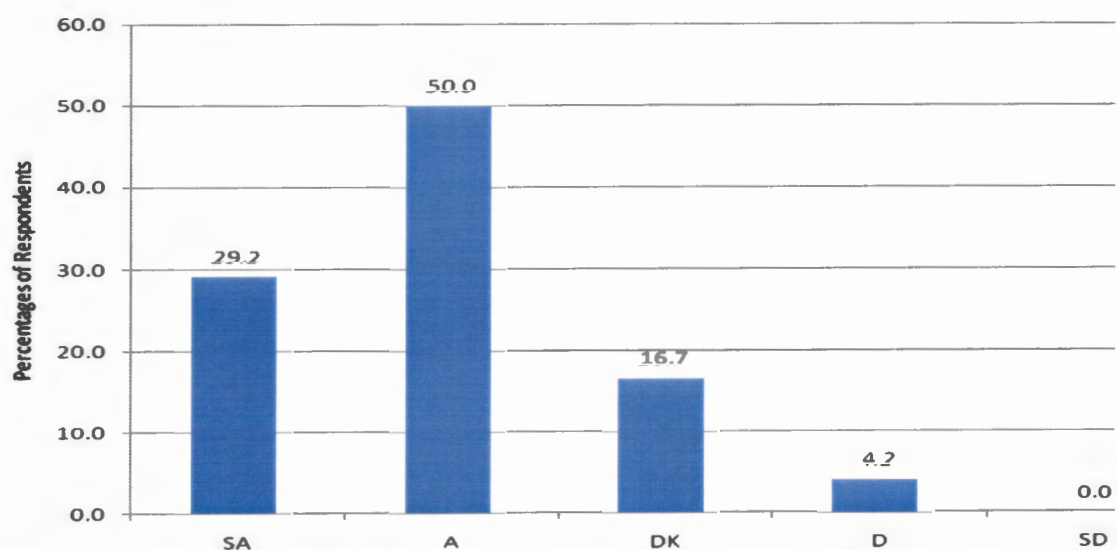


Figure 4.4.5 indicates that the majority of the respondents 12 (50.0%) agreed that they understand the importance of the risk management policy within the

municipality; whereas 29.2% completely agreed with the statement. The 4 (16.7%) of the respondents were undecided about the statement and 1 (4.2%) of the respondents disagreed with the statement.

Table 4.4.3: Financial status of GTLM

No	Item	SA (%)	A (%)	DK(%)	D (%)	SD(%)
B13.	The Greater Taung Local Municipality is financially viable	(25.0) 6	(33.3) 8	(25.0) 6	(12.5) 6	(4.2) 1
B14.	The municipality receives clean audits from the Auditor General reports.	(4.2) 1	(12.5) 6	(25.0) 6	(33.3) 8	(25.0) 6
B15.	The municipality has sufficient operational budget for the provision of services, such as water, sanitation, electricity, refuse removal, roads and housing.	(25.0) 6	(33.3) 8	(12.5) 6	(20.8) 5	(8.3) 2

Table 4.4.3, item B13, 8 (33.3%) of the respondents agreed that Greater Taung Local Municipality is financially viable; followed by 12 (25.0%) of the respondents who strongly agreed and undecided with the statement. Three (12.5%) of the respondents disagreed with the statement; and 1 of 4.2% strongly disagreed with the statement.

Of the 24 respondents, Item B14, 8 (33.3%) of the respondents disagreed that the municipality receives clean audits from the Auditor General reports; followed by 12 (25.0%) of the respondents who completely disagree and were undecided with the statement. Three (12.5%) of the respondents agreed with the statement and 1 (4.2%) completely agreed with the statement. The high rate of negative responses means that there may be non-adherence to financial management prescripts; or the municipality has incurred unauthorised, irregular as well as fruitless and wasteful expenditure from the Auditor-General reports. These also mean that the

municipality does not prioritise its budget according to the strategic outcomes embodied in the IDP and related strategic policies. There is a need to tighten the rules to ensure compliance to financial management prescripts across the municipality.

The results in Item B15 indicates that 8 (33.3%) of the respondents agreed that the municipality has sufficient operational budget for the provision of services; whilst 12 (25.0%) of the respondents strongly agreed with the statement. This is followed by 5 (20.8%) of the respondents who disagreed with the statement; and 2 (8.3%) of the respondents who strongly disagreed with the statement. Only 3 (12.5%) of the respondents were undecided. The high rate of respondents who did not acknowledge that the municipality has sufficient budget for the provision of services might be that they are not satisfied with the services offered by the municipality, such as water, sanitation, electricity, refuse removal, roads and housing.

Figure 4.4.6: There is an effective community participation policy in place to engage with local community.

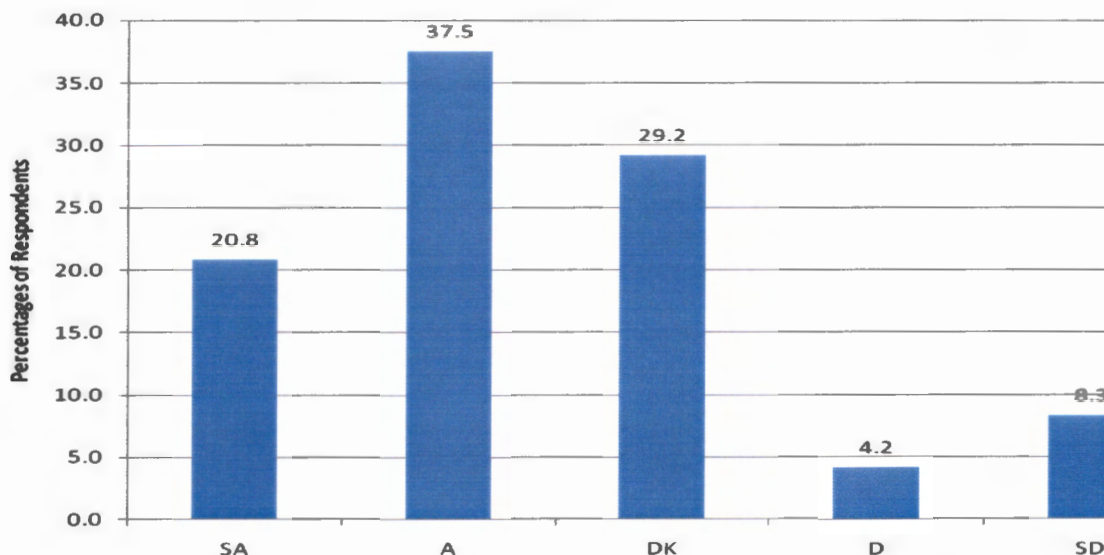


Figure 4.4.6 indicates that the majority of the respondents which is 9 (37.5%) agreed that there is an effective and efficient community participation policy to engage with the local community; followed by 7 (29.2%) of the respondents who

did not know about the policy. Five (20.8%) of the respondents completely agreed with the statement, whereas 2 (8.3%) completely disagreed with the statement.

Figure 4.4.7: There were no violent protests against poor service delivery in the past four years.

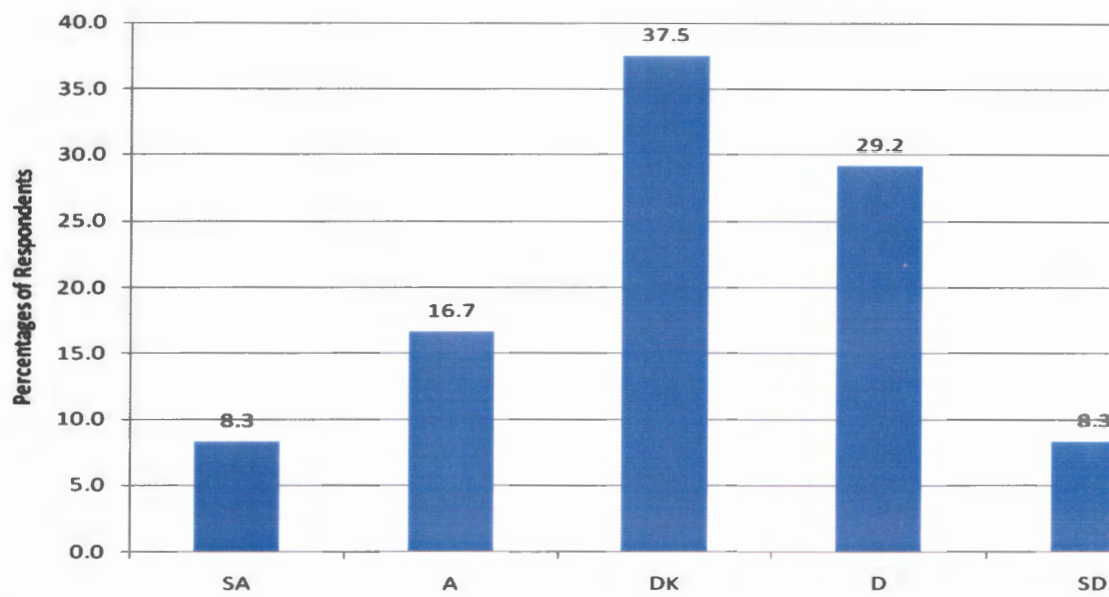


Figure 4.4.7 above indicate that the majority of the respondents 9 (37.5%) were undecided about whether there were no violent protests within the GTLM, whereas 29.2% disagreed with the statement. Four (16.7%) agreed that the municipality did not have violent protests against poor service delivery in the past four years; whilst 2 (8.3%) of the respondents strongly agreed and strongly disagree with the statement. These responses imply that the local community were not satisfied with the provision of services offered by the municipality, and as a result there were violent protests against poor service delivery in the recent years.

Table 4.4.4: Leadership role in municipalities

No	Item	SA (%)	A (%)	DK(%)	D (%)	SD(%)
B18.	I understand how good leadership can affect the municipal performance positively.	(54.2) 13	(33.3) 8	(8.3) 2	(4.2) 1	(0.0) 0
B19.	I understand how poor leadership can affect the municipal performance negatively.	(62.5) 15	(33.3) 8	(4.2) 1	(0.0) 0	(0.0) 0
B20.	Leadership qualities and skills are critical to improve service delivery in local government	(66.7) 16	(16.7) 4	(12.5) 3	(4.2) 1	(0.0) 0

Table 4.4.4, item B18, indicates that 13 (54.2%) and 8 (33.3%) of the respondents completely agreed and agreed respectively that they understand that good leadership can improve the municipal performance. These indicate that most of the respondents understand the importance of good leadership and its role in an organisation.

Item B19 indicates that 15 (62.5%) and 8 (33.3%) of the respondents strongly agreed and agreed respectively that they understand how poor leadership can affect the municipal performance negatively; whilst only 1 (4.2%) of the respondents were undecided with the statement. Item B20 indicates that the majority of the respondents 16(66.7%) strongly agreed that leadership qualities are critical to improve service delivery in local government. These indicate that most respondents understand that good leadership qualities enable municipalities to meet their required performance standards whilst impacting positively on the delivery of services.

Figure 4.4.8: There is shortage of skills in GTLM, e.g. Technical capacity.

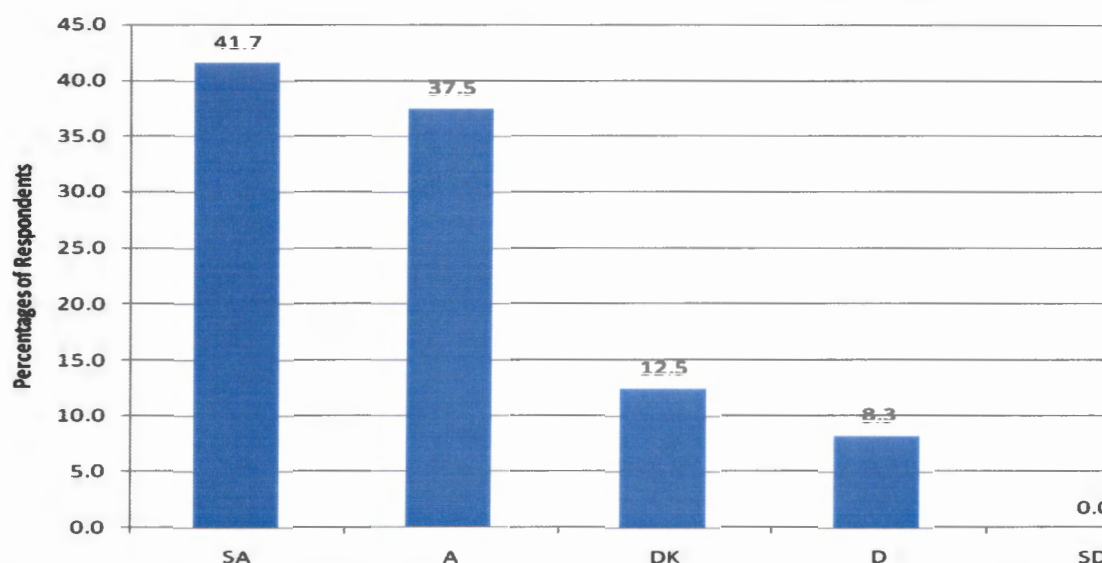


Figure 4.4.8 above indicate that 10 (41.7%) and 9 (37.5%) of the respondents strongly agreed and agreed respectively that there is a shortage of skills within GTLM. The 3 (12.5%) of the respondents did not know whether there is a shortage of skills in the GTLM; whilst 2 (8.3%) of the respondents disagreed with the statement. This high rate might mean that the services offered to the local citizens are compromised due to lack of skills or technical capacity. The municipality must ensure that they hire the relevant capacitated and competent candidates to perform its objectives or they identify the gaps and provide relevant training to staff.

Table 4.4.5: Compliance with the Legislation

No	Item	SA (%)	A (%)	DK(%)	D (%)	SD(%)
B22.	There is corruption in this municipality.	(12.5) 3	(25.0) 12	(62.5) 15	(0.0) 0	(0.0) 0
B23.	There were no suspensions or expulsions in this municipality in the past five years that are linked to corrupt activities.	(0.0) 0	(4.2) 1	(62.5) 15	(8.3) 2	(25.0) 12

B22 indicates that the majority of the respondents which is 15 (62.5%) were undecided or did not know whether there is corruption in GTLM. There were no respondents who disagreed or completely disagreed with the statement.

B23 indicates that 15 (62.5%) of the respondents were undecided or did not know whether there were no suspensions within the Greater Taung Local Municipality in the past five years that are linked to corrupt activities; whereas 12 (25.0%) of the respondents strongly disagreed with the statement. 8.3% of the respondents disagreed with the statement. Of the 24 respondents, 2 (8.3%) disagreed with the statement and 1 (4.2%) of the respondents agreed with the statement. This high rate means that there were lot of suspensions that are linked to corrupt activities in the past five years; which confirms why the majority of the respondents acknowledged that there is corruption within GTLM.

4.5 Conclusion

This chapter discussed the outcomes of the empirical data conducted on the municipal operational systems to enhance service delivery within the Greater Taung Local Municipality, with particular emphasis to corporate governance. The Section A of the analysis focused on questions about the respondents' profile and Section B were questions addressing the study objectives.

Data interpretation and analysis is seen as a stage whereby answers to the questions and objectives are put forward. This process is achieved through the process of interrogation and interpretation of the data. In light of the latter statement, several trends and patterns of responses were observed and discovered within the Greater Taung Local Municipality. Thus the findings are generated from the interpretation of data through the analysis and findings based on the total number of the returned questionnaires.

The results presented by figure 4.4 of the formal qualifications indicated that management in terms of qualifications are not competitive. The results also showed that majority of the respondents 15 (62.5%) have less than six years of

service within the municipality. This may suggest inexperienced staff; or high turnover of employees; or competitive salary and benefits that attract new candidates at the municipality.

The study revealed that there is still a gap within the GTLM in understanding the purpose of policies and legislation that should be complied with to promote corporate governance, which needs to be addressed to improve municipal performance. The findings have showed that GTLM has policies in place, but they are not effectively and efficiently implemented. This has resulted in a high rate of respondents not knowing about the existence of the policies. The majority of the respondents acknowledged the importance of good leadership and its role within the municipality.

The following chapter draws the logical conclusions from the data that was collected and interpreted; and recommends ways to solve the identified problem.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter delineates how the research objectives of the study were achieved, and discusses the findings and conclusions of the study. The chapter draws together the various themes that have run through this dissertation.

5.2 Theoretical findings

The theoretical findings revealed the following:

- The literature revealed that there is still failure of governance mechanism in municipalities to effectively control the top management decisions which result in fraud and corruption.
- According to the literature reviewed in the study, there is still non-compliance to policies, regulations, and procedures in most municipalities.
- The literature revealed that the rural areas are still lagging behind in terms of provisions of municipal services. Greater Taung Local Municipality is predominantly rural, and is also expected to urbanise and respond to the needs of the local community.
- The study also revealed that municipalities are still facing a major challenge in providing optimal services to the citizens. The expected improvements in performance and quality of services have not been achieved in municipalities.
- The study demonstrated that community participation is crucial in prioritizing the needs of the community. When the local community is involved when the decisions are made, it will ensure that the local

community is aware of the restrictions and financial implications that the municipalities encounter when delivering the services to the people.

- Municipalities must from time to time measure their financial viability and financial performance, and ensure that they have a positive cash flow for operation, as this is crucial for any organisation. According to the literature reviewed in the study, if budgeted expenditure is underestimated, budgeted revenue may not be sufficient to fund the planned level of service delivery; which is the indicator of financial distress.
- The study also revealed that there is still lack of skills in municipalities, which results in municipalities being unable to meet their required performance standards.
- According to the literature reviewed in the study, performance management system is one of the instrumental monitoring and administering tools aimed at transforming municipalities in South Africa. The literature further demonstrates that performance management is critical to ensure that plans are implemented as documented; and also assists in ensuring that the needs of the community are met through the improved delivery of municipal services.

5.3 Empirical findings

The empirical findings in this study are based on the data presentation and analysis as indicated in chapter four. The empirical findings are as outlined below:

The findings revealed that the majority of the respondents have the knowledge and understanding of the meaning and importance of corporate governance. However, the majority of the respondents did not know whether there is a governance policy in place, which means that there are certain processes and procedures that are not done according to governance principles, and measures should also be enforced to ensure compliance.

The findings also revealed that the Greater Taung Local Municipality has the policies in place, but they are not effectively and efficiently implemented; and are not well communicated across all the levels. This had led to a high rate of respondents not knowing about the existence of the policies. The study suggests that they should be strict adherence to policies, legislation and principles as documented to encourage effective good governance.

The results showed that the majority of the respondents understand the importance of the risk management policy; which assists the municipality to eliminate fraud and detect threats when the policy is effectively implemented. The study also showed that the majority of the respondents understand the legislative requirements governing the Performance Management and Development system (PMDS); however the PMDS was not effectively and efficiently implemented across all the levels in the municipality. The study suggests that the PMDS must be emphasised to enable the municipality to assess performance and identify the relevant developmental gaps of employees.

The findings also revealed that the majority of the respondents agreed that Greater Taung Local Municipality is financially viable, which means that the municipality is able to maintain its cash inflow, while generating sufficient income for its operation and maintaining service levels.

The findings also revealed that there is shortage of technical capacity skills within Greater Taung Local Municipality; which means that the municipality does not perform as expected. This also compromises the mandate of the Local Government; and undermines the performance of the municipality. The findings suggests that the municipality must hire competent capacitated candidates to perform their functions where the gaps have been identified, or identify the relevant trainings needs through PMDS and ensure that they are implemented as documented.

According to the empirical findings, the results showed that there were violent protests against poor service delivery, which implies that the local community is

not satisfied with the provision of services offered by the municipality. However the findings also revealed that there is community participation policy in place.

The results showed that there were suspensions within the Greater Taung Local Municipality in the past five years that are linked to corrupt activities. The findings suggest that there is a need to tighten the rules, policies and procedures to ensure compliance in the municipality.

5.4 Conclusion

Effective and efficient operational systems within municipalities are judged through continued compliance and implementation of strategies as well as the community based service delivery. The aim of this case study was to analyse the extent to which operational systems of the Greater Taung Local Municipality enhance the service delivery. For the purpose of this study, focus was on corporate governance, which is crucial for municipal performance and the reason for municipal survival and existence.

This study has demonstrated the various dimensions which can be employed in municipalities to promote corporate governance. Further, the study has shown how poor leadership, skill's shortages, non-compliance to financial management prescripts, ineffective policies and procedures, impact on the implementation of effective corporate governance and service delivery respectively. This study was only limited to the Greater Taung Local Municipality in the North West Province.

This research was qualitative in nature; and the findings were drawn from data interpretation and analysis. The researcher used structured questionnaires for data collection, interpretation and analysis, as well as to determine the theoretical and empirical findings in order to draw the relevant conclusions about the study.

The conclusions of the study addressed the objectives of the study as outlined in chapter one, and the findings of the literature review as discussed in chapter two, as well as the key findings presented in chapter four.

This study has shown that, in response to the main research question posed; the municipal officials do not understand the purpose of policies and legislation that should be complied with to promote corporate governance. Corporate governance is therefore a constraint in the Greater Taung Local Municipality.

The empirical findings of the GTLM are similar to some of the challenges raised by the literature, which states that the municipalities undergo through similar challenges. Nevertheless, there is still hope for effective corporate governance and compliance within municipalities. Most researchers have showed interest in the field of corporate governance, which will contribute to the body of literature on the subject of corporate governance principles and legislation.

In conclusion, no municipality will be successful without good corporate governance, adequate financial resources and good leadership. The resources should always be enough to enable the municipalities to deliver all services expected from them, since the demands of the citizens continue to escalate significantly.

5.6 Recommendations

This study was conducted at Greater Taung Local Municipality; and therefore the findings of this research cannot be generalised to all other municipalities that constitute the Dr. R.S Mompoti District Municipality. Each municipality has its own unique challenges. This study has identified the need for further research that will expand upon the existing body of knowledge in the area of corporate governance of municipalities in general. The study suggests the following recommendations to improve the municipal operational systems and enhance service delivery:

- Tighten and enforce the rules to ensure compliance to legislation, policies and principles.
- Ensure effective and efficient implementation of all policies, and ensure that they are well communicated across all the levels.

- Develop a strategy to monitor and control the top management decisions which results in fraud and corruption.
- Appoint competent capacitated candidates where there is shortage of skills or identify relevant training needs to current employees affected.

6. Bibliography

Adei, S, Badu, Y.A & Eghan B.C. 2006. Managerial leadership capacity for service delivery: the case of accelerated training programme for Ghana's civil service.

Akinnusi, D.M. 2008. Research project learner guide, Graduate School of Business and Government Leadership, North West University, Mafikeng Campus

Atkinson, D. 2007. Taking to the streets: has developmental local government failed in South Africa? In S. Buhlungu, J. Daniel, R. Southall & J. Lutchman, State of the Nation: South Africa. Pretoria: HSRC.

Babbie, E. & Mouton, J. 2003. The Practice of social research. Cape Town : Oxford University Press.

Botch, H. 2002. The Changing Face of Corporate Governance. University of New South Wales Law Journal 270.

Buccus, I., Hemson, D., Hicks, J., Piper, L. 2008. Community development and engagement with local governance in South Africa.

Burns, N. & Groove, S.K. ed. The practice of Nursing Research. 4th ed. Philadelphia, P.A:W.B Saunders Company, c2001.

Business Sector Advisory Group, Report to the OECD on corporate governance: Improving competitiveness and access to capital in global markets (1998): The Millstein Report.

Companies Act No 71 of 2008.

Chong, A.Y.L., Chan, F.T.S., Ooi, K.B & Sim, J.J. 2011. Can Malaysian firms improve organisational or innovation performance via SCM. *Industrial Management & Data Systems*, 111(3) : 410-431.

Chuenyane, G. 2009. The poor are voting on the streets: Protests over non-delivery of services are widespread. *City Press*, 12 July:11.

Dalene, P. & Schurink, W. 2007. Enhancing Service Delivery in Local Government: *South African Journal of Human Resource Management*, 5, 19-29.

Day, D.V., Zaccaro, S.J. & halpin, S.M. 2004. *Leader Development for transforming organisations. Growing leaders for tomorrow.* London : Lawrence Erlbaum Associates Publishers.

De Vos, A.S., Srydom, H., Fouche, C. B. & Delport, C. S.L.eds. *Research at Grass Roots.* 3rd ed. Van Schaick Publishers, Harfield Pretoria, S.A. c2005.: .

De Waal, A. 2002. The Power of world-class performance management : Use It! *Measuring Business Excellence*, 6(3) : 9-19.

Dinga, G. 2012. Corporate Governance in the Public Sector.

Du Plessis, J.J., Hargovan, A. & Bagaric, M. eds. Principles of Contemporary Corporate Governance. 2nd ed. Cambridge University Press, c2011.: .

Ericson, D. 2011. "Demand Chain Management – The evolution", Orion, 27(1), 45-81.

Fiske, S.T., Gilbert, D.T., Lindsey, G. & Jogsman, E. 2010. Handbook for Social Psychology. 5th ed. volume 1. Noboken, United Kingdom.

Flapper, S.D.P., Fortuin, L. & Stoop, P.M.P. 1996. Towards consistent performance management systems. International Journal of Operations and Production Management, 6(7): 27-36.

Foddy, W. 1993: Constructing Questions for Interviews and Questionnaires: Theory and Practice in Social Research. Place: Cambridge University Press.

Fonacier, R & Mueller, J. 2007. Toolkit for Leaders : Entrepreneurship and leadership – prerequisites for a winning performance, Journal of Asia Entrepreneurship and Sustainability, vol. 3 (3).

Fryer, K., Antony, J. & Ogden, S. 2009. "Performance management in the public sector" International Journal of Public Sector Management, 6, 478-498.

Gerring, J. 2007. Case Study Research : Principles and Practices. Place?: Cambridge University Press.

Greater Taung Local Municipality IDP (2010/2011)

Greater Taung Local Municipality Annual Performance Report 2011

Gregory, H. J. & Simms, M. E. eds. Corporate governance: what it is and why it matters. International Anti-Corruption Conference. 9th ed. c1999.

Hendrickse J & Hendrickse L. 2004. Business governance handbook: Principles and practice. Cape Town : Juta.

<http://tshwane.gov.za> : Governance Framework September 2007

ISACA. 2008. Board Briefing on Information Technology Governance. 2nd ed.

IT Governance Institute. (2003). Board Briefing on IT Governance. 2nd ed.

IT Governance. 2012. ISO/IEC 38500: The new international standard for IT governance.[internet : <http://www.itgovernance.co.uk/media/article>

Kakabadse, A. & Korac-Kakabadse, N. 2002. Corporate Governance in South Africa: Evaluation of the King II Report, Journal of change Management, 2, 305-317.

Kaselowski, E. & Von Solmns, R. 2009. Corporate and IT Governance in Local Municipalities – towards a best practice. International Information Management Corporation.

Kitchenham, B. 2002. Principles of Survey Research. Software engineering Notes vol 27(5).

Kumar, R. Research methodology: A step-by-step- guide for beginners. 3rd ed. Sage Publication Ltd, 2011.

King Report II on Governance for South Africa 2002.

King Report III on Governance for South Africa 2009.

Kothari, C.R., eds. Research Methodology: Methods and Techniques. 2nd ed. NewAge International, c2009.: .

Le Breton-Miller I. & Miller D. 2006. Why do some family businesses outcompete? Governance long-term orientations and sustainable capacity. Entrepreneurship Theory and Practice. 30: 731-746.

Leedy, P.D. & Ormrod, J.E. Practical research: Planning and Design International Edition. 8th ed. Prentice Hall, c2004.: .

Local Government Municipal Finance Management Act, Act No 56 of 2003.

Local Government Municipal Structures Act, Act No. 117 of 1998.

Local Government Municipal System Act, Act 32 of 2000.

Malherbe, S. & Segal, N. 2001. Corporate Governance in South Africa, OECD Development.

Mallin, C.A. 2006. Handbook on international corporate governance. Cheltenham :Edward Elgar.

McPheat, S. Leadership Skills. MTD Training and ventus. C2010.

Melvin, C. & Hart, H. C. 2008. Corporate Governance and Performance in The Business Case for Corporate Governance. Cambridge University Press, 201-217.

Michael, B. & Gross, R. 2004. Running business like a government in the new economy: Lessons for organisational design and corporate governance. Corporate Governance. 4(3):55-74.

Mofolo, M. A., Smith, W. 2009. Making use of Batho Pele Principles to improve service delivery in municipalities : Journal of Contemporary Management, 6, 430-440.

Mokhele, I. & De Beer, K. J. 2007. The use of Information and Communications Technology in e-service delivery and effective governance in South Africa. *Interdisciplinary Journal*, 6(2): 60-67.

Moynihan, D.P., *The dynamics of performance management: constructing information and reform*. Georgetown University Press, 2008.:

Mutula, S.M & Mostert, J. 2010. Challenges and opportunities of e-government in South Africa. *The Electronic Library*, 28(1): 38-35.

National Treasury. 2002. *Guideline Framework for corporate planning and shareholder's compact*.

OECD Principles of Corporate Governance (2004).

Patterson C., *Management Briefs: Management and leadership theory made simple*. Coleman Patterson & Ventus. c2010.

Pretorius, D. & Schurink, W. Enhancing service delivery in local government: the case of a district municipality. *SA Journal of Human Resource Management*, 2007,5 (30), 19-20.

Polit, D.F. & Hungler, B.P. ed. *Nursing Research : principles and methods*. 6th ed. Philadelphia Lippincots, c1999.

Powell, D. 2009. What is wrong with local government? The Magazine of Local Government. October.

Pound, J. 1995. The promise of the governed corporation, Harvard Business Review, March-April : 89-98.

Protector, T., ed. Essentials of marketing research. 4th ed. Prentice Hall, c2005.: .
Quaterly, M., 1996. Putting a value on board governance, 170, 170-71, 174.

Republic of South Africa. 1998. The Constitution of the Republic of South Africa Act No. 108 of 1996. Pretoria. Government Printers.

Remenyi, D. 1998. Central Ethical Considerations for Masters and Doctoral Research in Business and Management Studies. South African Journal of Business Management, 29(3): 109 -118

Republic of South Africa. 1998. White Paper on Local Government. Pretoria. Government Printers.

Rossouw, G.J., van der Watt, A. & Malan, D.P. 2002. Corporate Governance in South Africa : Journal of Business ethics, 37, 289-302.

SALGA. 2012. A municipal guide/ Roadmap to successful ICT Governance.

Sethi, S. P. and Williams, O. F. (2000) Economic Imperatives and Ethical Values in Global Business: The South African Experience and International Codes Today Norwell, MA: Kluwer Academic.

South Africa. 2005. Ward committee resource book: Best practices & lessons learnt for municipal officials, councillors & local governance practitioners. Pretoria: Government Printers.

Tempkin, S. 2004. JSE Raps 16 Companies for Poor Reporting, Business Day.

Terre Blanche, M., Durrheim, K. & Painter, D. 2006. Research Practice : Applied Methods for the Social Sciences. University of Cape Town Press (Pty) Ltd, Cape Town South Africa.

Vaughn, M. & Ryan, L.V. Corporate Governance in South Africa: a bellwether for the continent. 2006, 14(5).

Vil-Nkomo, S. 1998. Meeting the challenges of the new millennium in governance and public sector development. Pretoria: University of Pretoria.

Welman, J.C., Kruger, S.J. & Mitchell, B. eds. 2005. Research Methodology. 3rd ed. Cape Town: Oxford University Press..

Wiebie, E., Durepos, G. & Mills, A.J. 2009. Encyclopedia of case study research. Vol.2

Williams, R.S. 2002. Managing Employee Performance: Design and implementation in organisations. London : Thomson Learning.

Winegardner, K.E. 2004. The Case Study Method of Scholar Research. The Graduate School of America.

Zahra, S., Gedajlovic, E., Neubaum, D.O. & Shulman, J.M. 2009. A typology of social entrepreneurs: Motives, search processes and ethical challenges. Journal of Business Venturing. 24(5) : 519-532.

Yin, R.K. (2003). Case Study research : Design and Methods. 3rd Ed. Thousand Oaks, CA : Sage.

APPENDIX A
VOLUNTARY QUESTIONNAIRE

The empirical analysis and investigation on municipal operational systems to enhance service delivery: the case study of Greater Taung Local Municipality.

Graduate School of Business Management and Government Leadership
North-West University (Mafikeng Campus)

Researcher: N.B Moeng

Supervisor: Dr C. Guduza

Date: 11 July 2013

Dear Participant

This questionnaire is aimed at a qualitative method of data gathering that will enhance empirical evidence to be used in taking conclusions towards solving the phenomenon under this study. However, the study also seeks to analyse the effectiveness and efficiency of corporate governance within the municipality; and also to determine whether the municipal officials understand the legislative frameworks governing good governance to enhance service delivery.

Instructions

Please answer all the questions as honestly as you can and where you do not know the answer indicate so. Your answers will be kept strictly confidential and will never be divulged to a third party without your formal consent.

Should you have any questions regarding this questionnaire, feel free to contact me at 053 994 9812/ 073 753 7517, or e-mail me at bnmoeng@nwpg.gov.za. Kindly complete and return the questionnaire to the HR Manager Mr D. de Jager on or before the 19th of July 2013. Your participation will be greatly appreciated.

Yours Sincerely


N.B Moeng

Permission to use your responses for academic research (optional)

I hereby give permission that my responses may be used for research purposes as long as my identity will not be divulged to a third party or in the published records of the researcher.

Postal Address: _____

Postal Code: _____

Contact No: (H) _____

(W) _____

Signature: _____

Date: _____

Section A– Background Information

Please answer the following questions by putting an (X) in the appropriate box.

A1. Gender

Male	
Female	

A2. Age Category

20-24	
25-29	
30-34	
35-39	
40-44	
45-49	
50-54	
55-59	
60+	

A3. Ethnicity

Black	
White	
Coloured	
Indian	

A4. Highest Qualification

Doctoral Degree	
Masters Degree	
Honours Degree	
Bachelors Degree	
Post-Graduate Diploma	

National Diploma/ Diploma	
Grade 12	
Other	

A5. Position Level

Senior management	
Middle management	
Junior management	
Operational clerical staff	
Other	

A6. Years of Service served within the municipality

1-5 years	
6-10 years	
11-15 years	
16+ years	

Section B – Impact measurement

Please answer the following questions by putting an (X) in the appropriate box using the following scale:

Scale: Strongly Agree- Agree- Don't Know - Disagree - Strongly Disagree

B1.	I understand the meaning and importance of promoting corporate governance in the municipality.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
-----	--	----------------	-------	------------	----------	-------------------

B2.	There is a governance policy within Greater Taung Local Municipality (GTLM) and I quite understand what it is all about.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
-----	--	----------------	-------	------------	----------	-------------------

B3.	I know and understand that the following pieces of legislation should be complied with in order to promote corporate governance.					
		Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
i.	The Constitution of the Republic of South Africa, Act 108 of 1996					
ii.	Municipal Structures Act 117 of 1998					
iii.	Municipal System Act 32 of 2000					
iv.	Municipal Finance Management Act 56 of 2003					
v.	Prevention and Combating of Corrupt Activities Act 12 of 2004.					
vi.	Promotion of Administrative Justice Act 3 of 2000.					

B4.	I understand how good governance improves municipal performance	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
-----	---	----------------	-------	------------	----------	-------------------

B5.	I understand the legislative requirements governing the Performance Management and Development System (PMDS) for all the employees in the municipality.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
-----	---	----------------	-------	------------	----------	-------------------

B6.	The municipality has a performance management policy in place which is applicable to all the employees.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
-----	---	----------------	-------	------------	----------	-------------------

B7.	I have been trained on or introduced to the PMDS since joining this municipality.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
-----	---	----------------	-------	------------	----------	-------------------

B8.	I consider the signing of the performance agreement to be important.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
-----	--	----------------	-------	------------	----------	-------------------

B9.	My performance agreement complies with the PMDS requirements of this municipality.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
-----	--	----------------	-------	------------	----------	-------------------

B10.	The PMDS has been effectively and efficiently implemented across all the levels of this municipality.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
------	---	----------------	-------	------------	----------	-------------------

B11.	There is a Risk Management Policy in place	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
------	--	----------------	-------	------------	----------	-------------------

B12.	I understand the importance of the risk management policy	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
------	---	----------------	-------	------------	----------	-------------------

B13.	The Greater Taung Local Municipality is financially viable	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
------	--	----------------	-------	------------	----------	-------------------

B14.	The municipality receives clean audits from the Auditor General reports.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
------	--	----------------	-------	------------	----------	-------------------

B15.	The municipality has sufficient operational budget for the provision of services, such as water, sanitation, electricity, refuse removal, roads and housing.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
------	--	----------------	-------	------------	----------	-------------------

B16.	There is an effective and efficient community participation policy in place to engage with the local community.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
B17.	The municipality did not have violent protests against poor service delivery in the past four years	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
B18.	I understand how good leadership can affect the municipal performance positively.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
B19.	I understand how poor leadership can affect the municipal performance negatively.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
B20.	Leadership qualities and skills are critical to improve service delivery in local government	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
B21.	There is a shortage of skills in GTLM, e.g. technical capacity	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree

B22.	There is corruption in this municipality.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
B23.	There were no suspensions or expulsions in this municipality in the past five years that are linked to corrupt activities.	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree

APPENDIX B



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

**Graduate School of Business and
Government Leadership (GSB&GL)**

Private Bag x 2946, Mmabatho
South Africa, 2735

Tel: 018-389 2437 Fax: 018-389 2335

Email: Graduateschool@nwu.ac.za

06 July 2012

TO WHOM IT MAY CONCERN

Permission to conduct research- Ms NB Moeng -MBA student

This letter serves to introduce Ms NB Moeng who is presently a registered student for Master in Business Administration (MBA) programme at the Graduate School of Business and Government Leadership of the North West University. She is conducting a research project on, **"The empirical investigation on municipal operational system to enhance service delivery: a case study of Greater Taung Local Municipality"** towards a partial fulfillment of her MBA programme.

In this regard, your office is requested to afford her full co-operation to conduct this research. In particular, Ms NB Moeng requires permission to access information, data or even to distribute questionnaires.

Your cooperation will be highly appreciated.

A handwritten signature in black ink, appearing to read 'Felicia Moruntshe'.

**Felicia Moruntshe
Research Officer**



APPENDIX C



Greater Taung
Local Municipality

Postal Address:
Private Bag X1048,
Taung Station, 8580

Physical Address:
Station Street,
Taung, 8580

Office of the Municipal Manager

To : Ms NB Moeng
From : Municipal Manager
Date : 18th October 2012
Subject: Request for Permission To Conduct Research

The above matter refers.

Take note that your request for a permission to conduct a research was tabled in the Council's duly constituted meeting held on 05th September 2012 the Council resolved to accede to your request.

You are therefore granted permission to interact with staff personnel and council members for a successful research. Please consult with the Municipal Manager or HR Manager Mr D. de Jager to obtain permission to obtain permission to access information.

We take this opportunity to wish you all the best in your endeavours.

Yours faithfully

Mpho Mofokeng
Municipal Manager
GTLM