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Corporate Governance in eThekwini Municipality

by

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Declaration

I, **Zwakele Maxwell Mncwango** do hereby declare that this dissertation is the result of my investigation and research and that this has not been submitted in part or full for any degree or for any other degree to any other University.

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Signature   Date

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Abstract

South Africa is a constitutional democratic country with three spheres of government. The National, Provincial and Local Government all have their own executive powers and authority, key responsibilities and legislative powers are defined by the constitution of South Africa. Government institutions have a responsibility of providing service delivery to all people of South Africa and all are governed by legislation and the constitution of the country. In order to provide services to community there is a vital need of good financial management and accountability. According to the past auditor general's report the eThekwini Municipality has been unsuccessful in obtaining a clean audit opinion. The well-coordinated and clear corporate governance can assist the executive committee to enforce compliance and accountability. According to municipal finance management act council has the responsibility to perform oversight over municipal finances and are accountable for any irregular expenditure that occurs. The fact that council continuously fails to achieve a clean audit, highlights that there is a challenge in corporate governance within the eThekwini Municipality. The aim of conducting this study is to identify gaps and challenges within the institution that hinder progress and which result in the council's failure to get a clean audit. A quantitative approach was used to collect primary data. Data was collected using a web based online questionnaire developed specifically for this study. A sample size of 80 executive committee members and senior employees of eThekwini Municipality was used and 56 respondents completed the survey. The study recommended that the eThekwini Municipality develop a policy framework that protects senior officials from being abused by politicians who are driven by unethical conducts.

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

EThekwini Municipality is one the eight metropolitan in South Africa with an annual budget of R39 billion. The size of the budget calls for strong leadership and clear policy frameworks in order to enforce transparency and good governance. According to the previous auditor general's report eThekwini Municipality has been unsuccessful in obtaining a clean audit opinion (agsa, 2013). Well-coordinated and clear corporate governance can assist the Executive Committee to enforce compliance and accountability. According to the Municipal Finance Management Act, the council has the responsibility to perform an oversight over municipal finances and are accountable for any irregular expenditure that occurs (Ha, 2003).

The fact that council continuously fails to obtain a clean audit, highlights that there is a challenge in corporate governance within the eThekwini Municipality. This chapter introduces the study and provides a background to the study. The aim of the study, the research objectives and research questions, have been formulated from the problem statement. The significance of the study and limitations of the study are also discussed in this chapter.

1.2 Background and motivation for the study

There has been no study that has been conducted on corporate governance in the eThekwini municipality prior to this study. The study identifies gaps that exist within the eThekwini municipality that hinder it from getting a clean audit. Recommendations are made in this study that will benefit the municipality. Getting a clean audit is a milestone for any public institution and this study may assist municipal leadership in reviewing their roles in addressing the audit outcomes (Ghafran and O'Sullivan, 2013). The study will be able to improve efficiency by helping management to better understand their roles and responsibility.

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The study also identifies areas within the eThekwini Municipality that need improvement/s and how to implement proper changes and adjustments.

The study will benefit the executive committee of the eThekwini Municipality, the City manager as the accounting officer of the municipality, top management who reports to the executive committee and the city manager, councillors within council and the ratepayers as a clean audit means money has been spent wisely and records are available on how it has been used. The study critically looks at the enforcement of transparency and good governance and this will benefit the citizens of eThekwini as information is power (Arko-Cobbah, 2008). This study also leads to an in-depth understanding of processes and procedures within eThekwini Municipality and also to better understand the meaning of corporate governance.

1.3 Focus of the study

The main objective for this study was on corporate governance in eThekwini Municipality and to identify gaps and challenges within the institution that hinder progress which ultimately results in the council's failure to obtain a clean audit.

1.4 Problem statement

Every year the eThekwini Municipality obtains unqualified audits reports and hence fails to obtain a clean audit. The purpose of conducting this research was to investigate the relationship between the executive committee of eThekwini Municipality and other stakeholders such as council, management and senior employees in order to ascertain where the problem lies in obtaining a clean audit.

According to audit reports for the financial year end 2013/2014, the Auditor General highlighted specific problems in his audit opinion. Some of the specific problems included material losses and impairments (Agsa, 2013).

He further mentioned that the municipality had incurred material losses relating to water and electricity of R513 million (119 966 557 kl) and R396 million (667 412 169 kWh), respectively.

The municipality had raised a provision for debt impairment of R1, 98 billion (2012: R1,93 billion) on consumer debtors as the recoverability of these amounts are doubtful. Irregular expenditure of R325,27 million (2012:R785 million) was incurred mainly as a result of contracts awarded to suppliers, which were in contravention of the Local Government: Municipal Supply Chain Management Regulations.

With regards to material under spending of conditional grant and capital budget, the municipality had materially underspent on conditional grants by R597,62 million. As a consequence, the municipality did not achieve its target for KPI.3.20 "Phase 1 of the Integrated Rapid Transport Network" as reflected on the annual performance report. The municipality had underspent on its capital budget by R836,44 million (19%). As a consequence, the municipality did not achieve certain objectives included in plan 3: "Creating a Quality Living Environment" as reflected on the annual performance report.

Procurement and contract management, awards were made to providers who are persons in the service of the municipality in contravention of section 112(j) of the MFMA and MSCMR 44. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality did not disclose such interest, as required by the MSCMR 46(2)(e). He further mentioned that reasonable steps were not taken to prevent irregular expenditure as required by section 62(1)(d) of the MFMA(agsa,2013) .

With regards to financial management, the municipality failed to implement an effective monitoring control (in the form of the management and review of conflict of interest). There were inadequate processes, policies and monitoring controls over financial transactions relating to commitments and contingent liabilities. One hundred and twenty five internal investigations relating to alleged procurement fraud, noncompliance with MSCMR and financial misconduct by council employees were still in progress at year end 2013/2014.

This study reviews critical information regarding system of rules and processes that exist within the eThekwini Municipality which are used to direct and control the institution. The study had to focus also on roles and responsibility of executive committee members and senior management and their understanding of transparency and accountability which is a cornerstone of good governance (Sharma, 2011).

1.5 Research objectives

The main objective for this study was to identify gaps and challenges within the institution that hinder progress and which results in the council's failure to obtain a clean audit.

Other objectives of the research are:

- To establish whether eThekwini Municipality have frameworks of rules and practices that can be used to ensure transparency, accountability and good governance;
- To establish the reason that cause the eThekwini Municipality to continuously fail to obtain a clean audit as highlighted in the audit report (2013/2014), which are as follows:
  - ➢ Continuous material under spending of conditional grant and capital budget.
  - ➢ Tender awards continuously made to providers who are persons in the service of the municipality in contravention of section 112(j) of the MFMA and MSCMR 44.
  - ➢ Why reasonable steps are not taken to prevent irregular expenditure as required by section 62(1)(d) of the MFMA.
- To determine whether oversight committees perform their responsibilities as expected;
- To establish whether all stakeholders clearly understand their roles and responsibilities; and

- To measure the extent to which political interference affect service delivery and ethical conduct of senior employees.

1.6 Research questions

According to Alvesson and Sandberg (2011), the research must give answers to questions that lead to a solution to the problem under study. The following research questions were asked in order to attempt to find the way forward:

- Does the eThekwini Municipality have framework of rules and practices that can be used to ensure accountability, transparency and good governance?
- Why does the eThekwini Municipality continuously fail to achieve a clean audit?
- Do oversight committees perform their responsibility?
- Do all stakeholders know and understand their roles and responsibility when it comes to issues of transparency and good governance?
- To what extent does political interference affect service delivery and compromise the ethical conduct of senior council officials?

1.7 Limitations of the study

The quantitative method was used to gather data which only allowed for respondents to respond to a choice of questions instead of giving their opinions as is in the case of the qualitative approach. The sample included politicians and they were reluctant to answer the questionnaire, hence only 15% of executive committee members responded to the survey questions. The questionnaire was sent to participants online through the use of email and hence participants did not seem to realise the urgency of responding as opposed to when an interviewer is present.

1.8 Format of the study

The study is formatted as follows:

- Chapter 1: Introduction - this chapter introduces the chapter and gives a background to the study.
- Chapter 2: Literature Review – this chapter presents the literature that was reviewed for this study.
- Chapter 3: Research Methodology – the methodology that was used to gather the primary data is discussed in this chapter.
- Chapter 4: Presentation and Discussion of the Findings – after data was collected, it was presented and discussed in this chapter.
- Chapter 5: Conclusions and Recommendations – this chapter concludes the study and presents a summary of this study. The recommendations are derived from this study and are also presented in this study.

1.9 Summary

This chapter presented an overview of corporate governance within the eThekwini Municipality. It is imperative for the senior staff at eThekwini Municipality to have an understanding of corporate governance in order to function at their optimal and to further avoid corruption. The motivation for the study, problem statement, study objectives and limitation to the study was also discussed in this chapter. The next chapter presents the literature reviewed for this study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature on corporate governance that was gathered for this study. The chapter starts by defining what corporate governance is by using five definitions from different authors. The importance of corporate governance was also discussed in detail by using four key issues used to understand it. The focus was on South African context since the study was on one of the South African municipalities.

2.2 Definitions of corporate governance

For the purpose of this study five definitions of corporate governance is given below:

- **Definition one**

The most commonly used definition of corporate governance is the system by which companies are directed and controlled (Cadbury Committee, 1992). In particular it is the framework by which different stakeholder interests are balanced, or, as the IFC states, the relationship among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders (Dedman, 2002).

- **Definition two**

According to McRitchie (2015), corporate governance is frequently viewed as both the construction and the relationships which establish corporate direction and performance. The board of directors is usually vital to corporate governance. Its relationship to the other stakeholders is crucial. The framework of the corporate governance is also dependent on the legal, regulatory, institutional and ethical environment of the general public.

The 20th century was considered as the age of management, while the early 21st century is said to be focused on governance. Even though both terms deal with the control of corporations, it is essential to examine the underlying purpose and legitimacy of governance (McRitchie, 2015).

- **Definition three**

According to Leblanc (2015), corporate governance is the control of management in the best interests of the company, including accountability to shareholders who elect directors and auditors and vote on for example on pay. The way an organisation is controlled has an influence on the rights and relationships among organisational stakeholders. This ultimately results in the success or failure of the particular organisation (Leblanc, 2015).

- **Definition four**

According to Shleifer and Vishney (1997), corporate governance is about how investors get the managers to give them back their money.

- **Definition five**

According to Mathiesen (2002), corporate governance is a field in economics that investigates how to secure/motivate efficient management of corporations by the use of incentive mechanisms, such as contracts, organizational designs and legislation. This is frequently restricted to the question of an improvement in financial performance. For example, how can the corporate owners protect or motivate that the corporate managers will bring about a competitive rate of return (Mathiesen, 2002).

2.3 The importance of corporate governance

Corporate governance assists organisations in making decisions that looks after the interest of all relevant stakeholders, which includes but is not limited to the responsibility of handling finances and conducts of commercial activities. The different definitions of corporate governance discussed above on section 2.2 shows that corporate governance is about decision making and relationships of all relevant stakeholders. Soltani and Maupetit (2015) point out that with the increase in globalisation the challenges with regards to the growth of trade and businesses, the attempt to control corporate governance has become increasingly difficult (Stapenhurst, 2015).

2.3.1   Four key issues to understanding the importance of corporate governance

The four issues which are key in understanding the importance of corporate governance are discussed below. The discussion looks at global challenges of corporate government but the focus was on South African context.

2.3.1.1 The issue of integrity

The issue on integrity is whether the management and members of a board within the organisation conduct their responsibilities in an ethical manner (Stamoulis, 2009). According to Simberova, Kocmanova and Nemecek(2012) the term corporate governance is a technical term for accountants, lawyers, etc. It is also referred to as honesty, decency, and fairness. In the same way, what the professional would call questionable practice in this arena is criticised by the general public using words such as rip-off, cheating and crooked (Applied-Corporate-Governance, 2015).

The main concern currently in the area of corporate governance is whether top management of major corporations can be seen with integrity in the eyes of the general public (Landy, 2009).

According to Soltani and Maupetit (2015), integrity means being ethical, acting impartially and does what needs to be done in the interest of the organisation. In the true sense integrity describes an individual who possesses a high moral virtue and someone who stands their ground and never compromise their ethical code (Soltani and Maupetit, 2015).

Corporate governance requires high level of integrity as agency relationships are expected to maintain a high level of trust in order to sustain relationships. This requires professionalism and ethical conduct. In a professional environment, the ethical position of an individual is portrayed by integrity which makes integrity a keystone to corporate governance (Soltani and Maupetit, 2015).

2.3.1.2   The bonus culture

According to Stamoulis (2009) the bonus culture is a topical issue. The question arises is that can an improved corporate governance within the financial institutions and their reimbursement policies prevent the credit crunch and consequential financial crisis? Paulo (2011) points out that the financial crisis that is currently being experienced has caused an increased focus on the structure of bonuses and reimbursements which are operated by financial institutions. It was argued that it supported unnecessary risk taking and reckless lending (Nadeem, 2008). Combined with the complex financial instruments that the mainstream institutions constructed to move the risk off their books, this highly simplistically stated was, some say, what led to the so called credit crunch (Paulo, 2011). Paulo (2011) also adds that there was indeed unnecessary risk and reckless lending which ultimately led to the collapse of several of the world's largest lenders which in turn also affected the insurers who insured that risk (Paulo, 2011).

Hence, the significance of corporate governance in this case was, in people's minds, unquestionable. Had there been an advanced system of monitoring and

controlling corporate governance, the warning signs would have been clearly seen (Yang and Eskin, 2012).

Lessons have been printed in the from the financial crisis in OECD, which also conclude that the financial crisis can be to an important extent attributed to failures and weaknesses in corporate governance arrangements which did not serve their purpose to safeguard against excessive risk taking in a number of financial services companies (Marks, 2009).

According to Nick (2012), the compensation to directors and the bonus culture are frequently viewed as a single concern and not holistically looked upon. Nick (2012) advises that companies should operate in a responsible manner in every way possible and not only when it comes to the payment of salaries and bonuses. Good performance is remunerated in order to attract and retain talent in a well-run company. Bistrova and Lace (2012) point out that even though the bonus culture at times comes under attack, the significant value of corporate governance must be highlighted in every organisation. There is definitely a need to ensure that the principles and procedures of corporate governance is monitored and controlled.

2.3.1.3 The regulatory framework

Maharaj (2009) mentions that corporate governance should be better regulated in order to ensure its importance. In addition, corporate governance should be a fundamental part of management and not just a tick box exercise. Kumar and Singh (2013) point out that good governance is good management and that a failure in good governance means a failure in management. There has been admittance from the regulators that they did not understand the complicated financial instruments that ultimately caused the downfall of the financial system (Applied-Corporate-Governance, 2015). It became a futile task to construct new regulations in order to control situations that was yet to emerge.

The significance of corporate governance in the financial markets was not just topical. The solution to poor governance was global and any system of regulation necessitates the right balance between encouraging innovation and customer choice and an obligatory set of minimum standards (Rose-Ackerman, 2006).

Essentially corporate culture should be changed and that provision should be made for incentives to beyond these minimum standards.

It has been established that the regulatory problem, has resulted in individual inventing more and more complicated systems to circumvent detection (Applied-Corporate-Governance, 2015).

2.3.1.4 The significance of corporate governance in the training of directors

Directors should be trained on all aspects of corporate governance which includes procedures to follow, principles and practice of corporate governance (Applied-Corporate-Governance, 2015). The consequence of the focus on the corporate conduct of senior corporate staff was the attention that was being paid to the qualification of these senior staff to bear their responsibilities. In the past it was not necessary to have a formal qualification in order to direct or manage a company (Marilen and Ana-Cristina, 2013). However, recently organisations such as the UK Institute of Directors have introduced qualifications such as the Chartered Director to deal with the matter. Most major companies however seek for suitable professional qualifications in their senior staff. There is also an increase in the number of companies who are offering non-executive director training and selection services (Applied-Corporate-Governance, 2015). The UK Institute of directors desires that this trend will continue and that the significant value of corporate governance be completely accepted and recognised.

2.4 The foundation principles of corporate governance

Corporate governance is based on set of relationships that is prevalent between a company's management and all its stakeholders (Vasile and Croitoru, 2013). In addition, corporate governance makes provision for a framework through which the objectives of the organisation are set. The method to attain objectives and monitoring performance should established (Dumitrascu and Bombel, 2015).

The framework of corporate governance is underpinned by the six foundation principles (Dahlberg and Nokkala, 2015). Figure 2.1 shows all six foundation principles of corporate governance.

Figure 2.1: Foundation principles of corporate governance

Sources: Keay (2015)

Each foundation principle of corporate governance is explained briefly in the figure above. However, more explanations are detailed below.

2.4.1 Accountability in corporate governance

Keay (2015) mentions that accountability is being able to answer for decisions and to have the correct systems and procedures in place in order to ensure that all standards that are related to corporate governance are followed by the agency.

Marton (2008) adds that it is compulsory for all stakeholders to be held accountable in the way it performs, to take responsibility for their actions , and to disclose the results in a way that is transparent to all those concerned. It also includes the responsibility for money or other entrusted property (Marton, 2008).

Accountability is known to be one of the pillars of good governance and it pledges that performance and decisions made by the officials are subject to oversight and that the stated objectives are met (Perego and Verbeeten, 2015). Legislatures play a key role in ensuring accountability and the concept of accountability is based on two distinctive stages which is answerability and enforcement (worldbank, 2015):

- Being answerable is when it is compulsory for the government, the organisations and the public officials to give information and reasons about decision and performance to the public and those bodies of accountability that are tasked to provide oversight; and
- Enforcement suggests that the organisation or the public that is in charge of accountability can permit the aberrant party or enhance the contravening behaviour. Hence, different bodies of accountability may be in charge of either or both of these stages (namely answerable and enforcement).

2.4.1.1 Why is accountability important to governance

It is imperative to evaluate the ongoing efficiency of public officials or public bodies in order to ensure their optimal potential, and that they provide value for money in the provision of public services, instilling confidence in the government and being responsive to the community they are meant to be serving (Gibbon et al., 2008).

2.4.1.2 Types of accountability

Newberry (2015) mentions that the main form of accountability are described below in reference to their opposing, or alternate, concept namely horizontal vs. vertical accountability.

Horizontal accountability is the capability of state institutions to monitor abuses by other public agencies and branches of government, or the obligation for agencies to report sideways (Doin,Dahmer,Schommer,and Spaniol, 2012).

On the other hand, vertical accountability is the channel through which citizens, mass media and civil society seek to enforce standards of good performance on officials (Augusto Doin et al., 2012). Even though parliament is generally considered as a key institution in constructs of horizontal accountability, it is also crucial in vertical accountability. Citizens and civil society groups can seek the support of elected representatives to redress grievances and intervene in the case of inappropriate or inadequate action by government [State of Queensland] (Department of Education, 2014). In addition, through the use of public hearings, committee investigations and public petitioning, parliament can supply a vehicle for public voice and a means through which citizens and civic groups can question government and seek parliamentary authorisation where appropriate (Augusto Doin et al., 2012).

Political versus legal accountability parliament and the judiciary perform as horizontal constitutional control on the authority of the executive (Friedberg, 2013). The role of these two institutions can be further explained in that parliament holds the executive politically accountable, whilst the judiciary holds the executive legally accountable. These classifications stem from the reality that parliament are political institutions, while the judiciary can only adjudicate on legal issues (Peacey, 2007).

Together, they offer ongoing oversight in order to maintain governments' accountability throughout its term in office (Theakston et al., 2014). They may also be aided by other institutions, such as supreme audit institutions, anti-corruption commissions, ombuds offices and human rights institutes. These secondary 'autonomous institutions of accountability' are generally structured to be independent of the executive. Supreme audit institutions (in 'Westminster parliamentary systems'), anti-corruption commissions and ombudsman offices usually report to parliament while supreme audit institutions in Francophone countries and human rights institutes may be part of the judiciary.

Political accountability is generally evident in the concept of individual ministerial responsibility, which is the foundation of the concept of responsible government (James, 2010).

The lack of direct principal-agent relationship reduces the importance of the accountability relationship to one of horizontal accountability or social accountability (Irani et al., 2002). The current view of social accountability is that it moves toward building accountability that depends on civic engagement, namely a circumstance where ordinary citizens and/or civil society organizations take part directly or indirectly in extracting accountability. Such accountability is very often know as society driven horizontal accountability (Schillemans, 2011).

The World Development Report Framework (2004) identifies three different accountability relationships among citizens, politicians/policymakers, and service providers. These relationships form two routes to accountability are formed from these relationships namely a long one and a short one:

- The political process that society tries to utilise to manipulate politicians is called "citizen voice" - the long route's first "leg."
- The relationship between politicians/policymakers and service providers is the second leg of the long route -"the compact". Many of the government's present plans to enhance accountability focus on this leg.
- The short route - the third leg - takes into account how much society, now acting as clients of public services, can directly force the service providers to guarantee competent delivery - we call this "client power."

When both the long and short route to accountability works, then accountability is said to be at its strongest (Schillemans, 2011). An increase in the body of research reveals that getting these accountability relationships right is the solution that would improve public services for the poor (Goff, 2003). Successful accountability relationships mean that all relationships are engaging in the correct manner thereby strengthening each other as a public service delivery system. This methodology emphasizes strengthening both the short and long route to accountability - strengthening democracy, internal state capacity and accountability, and society involvement (The World Development Report Framework ,2004)

2.4.1.3 Effecting change

Multiple breakdowns in both the short and long routes to accountability mean that reforms must be broader than those initiated in a respective government or organisation. While this may seem daunting and overly ambitious, the task does not involve introducing any new legal or policy frameworks (Radygin, 2006). What is really needed is a consistent and effective implementation of the existing, well designed constitutional decentralization and the fiscal and sector policy frameworks already in place.

What analytical framework could assist people in thinking through successes and failures in public service for the poor? The World Development Report (2004) used an approach that looked at the politician and service provider incentives to provide quality services to citizens, including the:

- "Political voice" that citizens have with politicians to shape priorities and policy design;
- "Compacts" and "contracts" between policymakers and service providers to provide services effectively and efficiently; and
- "Client power" of citizens over service providers to ensure delivery.

2.4.2 Transparency in corporate governance

According to Parum (2005), it is important for any organisation to have clear procedures, well defined roles and responsibilities on how decisions are made in exercising power. In addition, organisations must have transparency and openness (Parum, 2005).

Outa (2014), defined transparency as a principle in which affected people or stakeholders (by the decisions taken by administration or organisational transactions) are allowed to know all facts that are basic, together with mechanisms and processes followed.

He further argues that civil servants, management and those serving as trustees have a duty to act visibly. In addition, Outa (2014) points out that all stakeholders must act as expected, and understandably.

Ibrahim and Ju (2006), said transparency allows people to see what is happening within an organisation. Transparency comes to reality when there is some level of integrity hence it works well together. When a person or entity have integrity, the more transparent such a person or entity can become.

2.4.2.1 Importance of transparency

Confidence in the management is enhanced when stakeholders can see that transparency is prevalent (Mäntysalo, 2015). The cost of capital gets ultimately reduced when an organisation is transparent which also attracts more stakeholders to invest in such an organisation or business. By allowing the organisation to be transparent, those in charge can avoid fraud as measures against fraud will be put into place. All these factors put together permits the improvement of a company's productivity and capability (Tong, 2013).

2.4.2.2 Mechanisms for enhancing transparency

Transparency has been enhanced by overhauling chains of corporate governance (Hinsch, Kaddar and Schitt ,2014). Hinsch et al.(2014) state that in order to achieve true and fair reporting on what is recognised, measured and disclosed there is a strong need to continuously enhance international accounting standards and other relevant regulations. In the area of auditing there are also different trends taking place simultaneously (Hinsch et al., 2014).

The code of best practice and act of parliament are regulations that are crucially important in improving openness (du Plessis, McConvill and Bagaric,2005).

Du Plessis et al.(2005) states that, when it comes to small businesses there is an overwhelming cost associated to the cost of reporting and other audit fees that are related. He also points out that it is for this reason why certain small business are exempted from certain reporting requirements. Preparing reports as a management or performance measurement tool is advisable for any organisation or entity regardless of the size.

Transparency and accountability are necessary to reinforce each other. Transparency and accountability together allow people or citizens to have a voice to influence decisions that are made and also at the same time be able to hold decision makers accountable for their actions (Ferry et al., 2015). Tinto (2012) states that as a matter of principle, civil servants, managers and directors of organisations together with the board of trustees have a responsibility and duty to have predictably act visibly and promote involvement and accountability.

The world is fast moving towards open and transparent governments as a better way of strengthening accountability and to fight against corruption (Trepte, 2005). Citizens trust a government that is open and allows meaningful involvement and participation of society. Openness of government means that the public have freedom to access information that is done by passing laws that enshrine the right to information (Paul et al., 1991).

2.4.2.3 The benefits of openness and freedom of information

According Thurston (2015), there are significant benefits to citizens and governments when there is openness and transparency as listed below:

- Open and transparent governments allow public to have access to information by full participation in the democratic system. The public gets empowered around processes of making decisions and take part in political dialogue when there is real access to information and being engaged in processes followed when making policies.
- It helps in increasing accountability while limiting corruption. Government must be accountable for their actions and how they spend public funds.

Corruption gets reduced if government information is accessible and people can scrutinize information. Openness and transparency limits opportunities for individual groups to benefits themselves at the expense of the public as decisions are objective. It further creates healthy competition when it comes to procurements and public resources are spend more efficiently and controllable.

- Information disclosure to the public creates trust in government as it means government has nothing to hide and hence reduces suspicion.

- It creates better processes of managing and organising information as it necessitates proper information systems that make government work well. Transparent government strive to have better and effective systems that is used to control and process information. Government works better when decisions and policies are made in line with the need of society.

- Governments exist to serve society and transparency helps society to know where and how to access services.

2.4.2.4 The obstacles to transparency

Without the buy-in and involvement of decision makers cabinet ministers, executives, public servants and society at large, progress towards transparency will fail (Mentaschi,Perez,Besio,Mendez and Menendez,2015). The involvement of all groups is critical to the success of any organisation. However, there are number of possible barriers that hinder the involvement of the process of transparency.

Public officials at times abuse power by thinking they have authority over information (Hardaway and Scamell, 2012). In some cases officials have a belief that being transparency limits their influence on matters of governance and being subject to public scrutiny.

2.4.2.5 Making government more transparent

Across the world public increasingly demands and call for governments to be visible regarding processes and how decisions are made particularly when it comes to the spending of public funds. The demand expands to a call for accountability at the highest level is one of the best ways to boost public confidence hence indicating that the government always acts at the interest of society (Zausmer, 2011).

2.4.2.6 Making knowledge powerful

As more and more governments moves towards becoming transparent and open about what they do and how they do it, technology plays a role that is crucial (Meredith, 1997). Technology helps in data management and combined techniques that allow government to be able to share information with less difficulty (Meredith, 1997). By sharing information it assists to reduce the mistrust of the public.

2.4.3 Responsibility in corporate governance

Management is accountable to set up corporate values and governance structures for the organisation and to make sure that all legal and regulatory criteria are met and complied with fully and in a timely fashion. One of the principles of corporate governance is to establish long-term strategic objectives for the organisation. In addition it is the responsibility of management to establish clear lines of responsibility, a strong system of accountability and performance measurement (Marton, 2008). .

In order to make proper and correct decisions, and to be able to adequately monitor and oversee the organisations management, management has to ensure that the board or executive is fully informed and supplied with sufficient information.

The board or executive should be accountable for risk management and monitoring with the help of the audit and risk committee. They must also exercise leadership and make sure that all deliberations, decisions and actions are based on the four values underpinning good governance namely responsibility, accountability, fairness and transparency(Magnier ,2014) .

2.4.4 Vision to create long-term value in corporate governance

According to Sanders and Wood (2014), it is vitally imperative that corporate governance balances the interests of all relevant stakeholders (for example the employees, government shareholders, customers and investors and community) in order to create value. In order to create long-term value which in turn benefits both internal and external stakeholders, sustainable corporate governance should be the tool of corporate control.

Sustainability cannot be about simply a marketing, operation or supply chain concern, current organisations must take cognisance of the fact that energy, water and things like waste have become financial assets when it comes to reduced cost, mitigating risk and starting new line of revenue. There is always a need to put environmental performance under the auspices of risk management, accounting and finance as well as corporate governance (Sanders and Wood, 2014).

2.4.5 Equitable treatment in corporate governance

In a sound corporate governance system it is necessary for all stakeholders to actively participate and to also have some power of influence on corporate strategic decision-making. Hence, it is imperative that all stakeholders obtain a fair and equitable treatment (Magnier ,2014).

In the private sector, most markets control the provision of entitlements, proxy voting, the holding of annual general meetings, and similar events in its own manner, under its own timeframes, and with its own level of rights afforded to the investor. When stockholders meet Meetings of stockholders an open forum for the consideration of management and stockholder proposals should be provided.

This should be followed by a specific written agenda which should be made available to all attendees and should adhere to a code that governs the conduct of the meeting. The effectiveness of shareholder participation is also dependant on procedures of voting and should include the notification of the dates, agenda of annual meetings, voting and counting methods. Sufficient time must be given to notify beneficial holders in order to meet local voting deadlines. In addition, documentation requirements and timing must be considered in order to determine whether voting can be effectively performed (Marton, 2008).

2.4.6 Ethics in corporate governance

The Board and the Social and Ethics committee should endeavour to make sure that the organisation is and is seen to be a responsible corporate citizen. This must be done by having regard to not only the financial position of the organisation but also the impact that the business operations have on the environment and the society within which it operates. It is the responsibility of the board to ensure that the organisations ethics are managed effectively. The board or executive should also create an ethical corporate culture and make sure that the organisation's ethics are effectively managed by; incorporating ethical risks and opportunities into the risk management process; create an ethics policy and train all staff members accordingly; as well as monitoring and reporting on the company's ethics performance (Rose, 2006).

2.4.6.1 Business ethics and corporate governance

In the narrow perspective, corporate governance entails maximizing the shareholder's wealth (Mantysalo, 2015). In a broader perspective, it takes into account the welfare of all stakeholders including the society. Ethics is a branch of philosophy and is considered as a normative science because it is concerned with the norms of human conduct. In addition, it is a conception of right and wrong behaviour, and defines actions that are moral and immoral.

Business ethics is the art and discipline of applying ethical principles to inspect and solve complex moral dilemmas. Business ethics is believed to be ethical only if it attempts to reach a trade-off between pursuing economic objective and its social obligations (Rose, 2006).

Business ethics is all about developing trust and maintaining it fruitfully so that the firm flourishes profitably and maintains good reputation. Trust leads to predictability and efficiency of the business. Trust is used as an indicator variable of ethics. Typically trust is three dimensional namely trust in supplier relationships, trust in customer relationships, and employee relationships (Abend,2013).

2.4.6.2 Ethical issues

There must be a strong corporate governance to manage the unethical issues and activities. When a bribe is accepted it creates a conflict of interest between the person that receives the bribe and his or her organisation. Hence, this conflict results in unethical practices. Coercionist is forcing a person to do things which are against his personal believes ,for example blocking a promotion, loss of job or blackmailing (Palmer,2010).

Insider trading is misuse of official position which means that an employee leaks out certain confidential data to those who are external to the organisation or other insiders which in turn effects the reputation and performance of the company (Nganga, 2012). Conflict of interest is when private interests are more important to the employees which are against the desire of the employer. Unfair treatment or given privileges to persons on the base of race, age, sex, nationality or religion is a failure to treat all persons equally. (Piercy and Lane,2007)

Gifts donations or contribution to political leaders or parties to obtain any unconditional act done for example the sanctioning of any special contract, issue of licenses, etc. is a concern of business ethics (Thompson,2009).

Presentation of false returns of income and statements (prepare false income returns and statements of accounts for evasion of tax) and getting various government benefits and incentives is another concern of business ethics. The accumulation of profits by illegal means is another concern in that sometimes business undertakes various unethical and unconstitutional activities to maximize its profits for example hoarding of goods, black marketing, speculation, etc (Trapp, 2011).

2.4.6.3 Characteristics of ethical organisations

A characteristic of an ethical organisation is that it is based on the principle of fairness and that all stakeholders are treated equally without any discrimination. In addition, the benefit of stakeholders in given precedence over their own interest and there communication is clear in an ethical organisation(Trapp, 2011). Hence, what is to be done, how it is to be done is clearly stated.

2.4.6.4 Causes of unethical conduct in an organization

Pressure to meet unrealistic objectives and deadlines. According to a recent survey, the pressure from management or from the board to meet unrealistic business objectives is the leading factor that causes unethical behaviour (Thompson,2009).Competition is on the increase globally and every business aims to be the highest profit maker. To achieve this goal, organisation/individuals are urged to act dishonestly and unethically.

People have a desire to live a life full of comforts and luxuries and hence certain individuals follow unethical ways to earn more money. Personal financial concerns become a cause for unethical behaviour such as accepting a bribe. The information given by media provides ideas to inexperienced businessman for doing unethical activities (Thompson,2009).

Pressure to earn profit in that shareholders expect larger returns. Employees hope for higher salary and benefits, while directors expect higher remuneration (Stuebs, Wilkinson, and Arnold, 2012). Hence, there is an increasing pressure to maximize profit to cope with enlarged requirements. The lack of management support or poor leadership is another cause of unethical conduct in the organisation. The leader is responsible to motivate his or her employees. If the leader does not encourage the subordinates to be ethical then there are higher chances of unethical conduct. In addition, if the leader himself is involved in unethical activities, the employees may do the same (Silver, 2015).

2.4.6.5 Benefits of business ethics

Goodwill of the business and individual prefer to build long term relationships with organisations that perform their tasks on the principles of ethics. By following a code of ethics the organisations goodwill is enhanced. In addition, the organisation possesses a strong public image and moreover strong public image leads to continual loyalty and attracts new investors.

Good business ethics assists in the prevention from legal action. By implementing ethical practices organisations are automatically prevented from illegal and objectionable activities as business ethics instruct to avoid all that is wrong or evil. Any business or organisations with ethical culture have no fear of legal action and social boycott (Verschoor, 2004).

Business ethics have significantly improved in society and the establishment of anti-trust laws, unions and other regulatory bodies have added to the development of the society. Ethical practices create a strong public image and a business with strong ethical practices will occupy a strong image among the public. This image would lead to strong loyalty and strong public image results in attracting new investors (Wallace and Sheldon, 2015). Ethical practices support employee growth and ethics in the workplace assists the staff to face reality, both good and bad. Also employees feel full confidence and therefore they can deal with any situation that is prevalent in the organisation.

Ethics build trust with key shareholders and the implementation of ethics assists the organization to gain the trust of their shareholders and shareholders who ultimately feel confidence that organisation are well monitored. The benefits received from business ethics are the goals of corporate governance (Palmer, 2010). Hence one can say that ethics has a strong impact on corporate governance and that the implementation of business ethics can ensure good governance.

2.5 How to improve corporate governance and corporate responsibility

According to Kilburg (2012) corporate governance and responsibility are important for businesses that are both large and small. Corporate governance consists of two primary components. First, corporate governance are the behaviour exhibited by various members of a company, whether it is at the management and executive level or among other employees. The second component is the specific set of rules that help govern this conduct (Kilburg, 2012). Having these rules in place makes it possible for business owners to codify governance and increase responsibility (Jhunjhunwala and Sharvani, 2011). Kilburg (2012) further highlights the steps that can be followed in improving corporate governance:

- Corporate governance can be improved when decision makers hold meetings more regularly in order to review areas of improvements;
- Organisation should write or create a manual for governing relations and it should clearly spell out all expectations. The manual should be specific on mandates for all stakeholders in order to avoid confusion and to be clear on what is expected from a manager and employee;
- Strive to publicly disclose corporate rules and place information on websites in order for anyone who desired to learn organisational ethical values and culture. Corporate responsibility increases when an organisation is subject to public scrutiny;
- An organisation should audit employees' behaviours and must be done more regularly.

Using external auditing firms or consultants to examine behaviours and corporate policies helps to increase accountability and makes everyone follows rules and act in a more responsible manner; and

- Risk management - Risk management can be an integral part of management processes and an essential function of corporate governance. Effectiveness can be enhanced when risk management becomes part of the culture and are embedded in its values, practices and business processes. Risk management focuses on the relationship between risk and its impact on achieving outcomes. When risk management is integrated into strategic and operational planning, the additional risk management information available should enable more informed planning and decision making within the department. All staff are responsible for managing risk in order to support the achievement of outcomes.

2.6 The role and benefits of a corporate governance framework

When a board has a common framework of governance it can understand their oversight role with ease (Wajeeh and Muneeza, 2012). The framework should incorporate characteristics that add to effectual governance and tools to address the risk in corporate governance. A framework also makes available a sound structure to evaluate how the responsibilities of management fit in with the board's oversight responsibilities(Wajeeh and Muneeza, 2012).

2.6.1 Attributes that contribute to governance effectiveness

Chan and Lau (2003) mention that there four elements that are in place in order to assist with the assessment of the board's performance level and that which also implements the framework:

- Skills and knowledge – relates to the necessary skills required for the board to be effective in their role;

- Process relates to the processes that are required for the board to be knowledgeable and correctly oversee the performance of the company;

- Information – information that is given to the board must be sufficient in for order for effective oversight decisions; and

- Behaviour – the board's behaviour must support and emphasize robust oversight.

The discussions above are broad however, they can assist to begin the process of recognizing gaps and opportunities for development within the overall framework (Levrau and Van den Berghe, 2007). When the questions that the board needs to understand are addressed, they can make correct decisions and look into improvement opportunities within the different aspects. A board for example may find that the information with respect to performance is adequate, of good quality and is timeous, while the strategic planning process needs attention. This high-level of priority assists to seize the broad notion of board efficiency and produce activities that are manageable (Levrau and Van den Berghe, 2007).

2.7 Alignment of corporate governance

The Department of Education and Training Queensland point out that organisational alignment pledges that all aspects of operations are associated with the understanding of the purpose (Lander and Reinstein, 2005):

- Strategically – is when the organisations management recognises the vision of the organisation; and

- Operationally – is the capability to deliver the objectives of the organisation.

Chen and Chuang (2009) add that this involves assuring the precision and efficiency of the main business processes, and to control the plan of the structure of the organisation (Chen and Chuang, 2009). It incorporates governance procedures that give authority to employees, assures accountability, and sets and monitors performance objectives.

In order to be successful a strong commitment from the leadership of the organisation is required. This commitment should also be spread across the agency. It is vital to ensure that all levels of staff understand commitment and that a clear line of sight from high level strategies to individual developing performance plans be made known. Awareness should be created for every individual of their responsibilities towards corporate governance. In addition every individual should enthusiastically support the model of a robust corporate governance (Koslowski, 2009).

2.8 Summary

Researcher was able to review the literature and discuss the study of corporate governance. During the review, the importance of corporate was discussed and four key issues in understanding importance of corporate governance. Five different definitions from different authors were reviewed and the corporate governance has been discussed. Researcher discussed six foundation principles of corporate governance, ways of improving corporate governance and corporate responsibility. The chapter also covered the roles and benefits of a corporate framework, attributes that contribute to governance effectiveness and alignment of corporate governance. The next chapter focuses on the research methodology that was used to conduct this study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The research methodology that was utilized to gather primary data for this study is presented in this chapter. The study focused on corporate governance in the eThekwini Municipality. The aim of the study was to identify gaps and challenges within the institution that hinder progress which ultimately results in the council's failure to obtain a clean audit. The research design, research approaches and the strategy that was used to collect data are also discussed in this chapter. The research instrument, population, sample and sampling method used is also discussed. The issue of reliability and validity together with the ethical considerations that was followed is also presented in this chapter.

3.2 Aim and objectives of the study

The aim of study was to examine corporate governance in the eThekwini Municipality. The aim of the study is to also identify gaps and challenges within the institution that hinder progress which ultimately results in the council's failure to obtain a clean audit. The main objective for this study was to critically analyse whether the council has a framework of rules and practices that can be used to ensure accountability, transparency and good governance. It was also important to understand as to who should account for the eThekwini Municipality failures. The research seeks to find reasons as to why the eThekwini Municipality continuously fails to achieve a clean audit despite the fact that the audit reports always highlight key problematic areas and that the auditor general's recommendations are not given cognisance of.

In addition, this study seeks to determine whether the oversight committees perform their responsibilities as expected.

The study further investigates as to who holds the power amongst the stakeholders and whether they know and understand their roles and responsibilities as far as transparency and good governance is concerned. It was also important to investigate the extent to which political interference affect service delivery and compromise the ethical conduct of senior council officials. Lastly another objective of this study was also to establish whether the council conforms to the integrated reporting standard of the King III report.

3.3 Research design

According to Sekaran and Bougie (2010) research design was a blueprint that a researcher uses when collecting, measuring, and analysing data. The research design assists in ensuring that evidence obtained by the researcher is able to effectively address the research problem in a logically manner and also be unambiguous (Sekaran and Bougie (2010).

3.3.1 Descriptive research

According to Burns and Grove (2003), descriptive research was designed to provide a picture of a situation as it naturally happens. The justification of current practices maybe done, judgements can be made and as well as developing theories. For this study, the descriptive research was used in order to obtain the opinion of the population chosen and to understand their roles and responsibilities within the eThekwini Municipality.

3.3.2 Experimental design

Experimental design is a "blueprint of the procedure that allows for the maintenance of control over all factors that may influence the result of an experiment" (Saunders et al., 2009:140).

In the experimental research design the attempt is to determine or predict what may occur. "Experimental research is frequently utilised where there is time priority in a causal relationship (cause precedes effect), there is consistency in a causal relationship (a cause will always lead to the same effect), and the magnitude of the correlation is great" (Saunders et al., 2009:140). The classic experimental design identifies an experimental group and a control group. The independent variable is administered to the experimental group and not to the control group, and both groups are measured on the same dependent variable. Subsequent experimental designs have utilised more groups and more measurements over longer periods. True experiments must have control, randomization, and manipulation.

3.3.3 Exploratory design

According to Saunders et al. (2009), where there are few or no earlier studies to refer to or rely in a research problem in order to predict an outcome, an exploratory design is used. The focus is on gaining insights and familiarity for later investigation or undertaken when research problems are in a preliminary stage of investigation. Saunders et al. (2009) adds that exploratory designs are frequently utilised to ascertain an understanding of how best to advance in studying an issue or what methodology would effectively apply to gathering information about the issue.

3.4 Research approach

There are two commonly used approaches during the research study, namely qualitative and quantitative. Punch (2009) makes comparison of the two methods and points out that the quantitative research is a study that uses data in the form of numbers or measurement while qualitative research uses data in the form of words and not numbers.

3.4.1   Quantitative approach

According to Kultar (2007), quantitative research designs can be either descriptive or experimental. He further defines descriptive study as a study that determines the relationship between variables and an experimental study determines causality. The quantitative approach was selected for this study as it focuses on a relationship between variables and a questionnaire can be used to collect data (Kultar, 2007).

3.5 Target population

Sekaran and Bougie (2013) refer to the population as the entire group of people, events, or things of interest that the researcher wishes to investigate. The study was conducted in Durban within the eThekwini Municipality. Since the study was about corporate governance in the eThekwini Municipality, the population was identified with assistance of the deputy city manager who is responsible for human resources. The target population and sample side for this study was 80 and were made up of the executive committee members, city managers, deputy city managers and heads of departments.

3. 6 Sampling plan and design

Sekaran and Bougie (2013) mentioned that a sample was a subset of the population. It comprises some members selected from it. The sampling plan entails selecting the type of sampling technique that will be used. The sampling plan is to also define the population and the sampling frame. It is necessary that a sample be drawn from the target population, as it usually not possible to obtain responses from the entire population due to time and cost constraints. A sample set selected must be representative of the population so that the results can be generalized.

There are two basic types of sampling that can be used namely: probability and non-probability sampling. According to Salkind (2000) in probability sampling, the probability of any one member of the target population that is selected is known. The opposite applies to non-probability sampling in that the probability of selecting any one member of the population is unknown and that some members in the target population may not even a have a chance of being selected.

Cooper and Schindler(2003) point out that in probability sampling the simple random sampling was often not practical to use due the challenge or impossibility of not been able to acquire a list of the population. Cooper et al. (2003) points out that there are four types of probability-sampling that can be used to select a sample namely: systematic, stratified, cluster and double sampling.

For the purpose of this study the non-probability sampling was selected as this method is more suitable for quantitative research. According to Chaturvedi (2011) non-probability sampling makes use of the researcher's own judgment to choose elements of a population which the researcher believes are representative of the population.

3.7 Data collection strategies

Data collection is a systematic approach that is used to gather information from a variety of sources in order to obtain complete and accurate picture of an area of interest (Cooper et al., 2003). Saunders, Lewis, and Thornhill (2009) mention that in a quantitative approach, the survey in the form of a questionnaire is the most commonly utilised research strategy to collect primary data. The questionnaire was therefore selected for this study as it is commonly used because of its ability to gather responses from a large sample, it is effortless to use and also less costly to gather data. A self-administered questionnaire was designed to address the research questions of this study (Cooper et al., 2003).

3.7 1 Construction of the research instrument

The research instrument was constructed according to the quantitative approach. The quantitative questions were designed with specific attention to the following:

- To identify whether the executive committee members and top management understand their roles and responsibility;
- To evaluate whether eThekwini Municipality has systems or policies that ensure transparency and accountability;
- To determine whether eThekwini Municipality oversight committees perform their responsibilities;
- To determine reasons why the eThekwini Municipality continuously fails to obtain a clean audit; and
- To establish whether roles and responsibilities are clearly defined and written.

The research instrument that was designed consisted of two sections:

- Section A: Demographic information; and
- Section B: This section was more information seeking questions relating to corporate governance in the eThekwini Municipality.

3.7.2 Pretesting and validation

A pre-test of survey questions was conducted prior to the administration to the selected sample. The pre-testing was conducted to determine whether the questions were valid and that the respondents will be able to answer all the questions without any difficulty. The pre-testing was carried out on five participants from the sample. The pre-testing indicated that the questionnaire was too long (originally 35 questions) and that many questions were repeated. The participants also indicated that the questions were simple and clear to understand and that just the length of the questionnaire needed adjustment. Hence the questionnaire was redesigned with 24 questions (excluding demographic information).

3.7.3 Administration of the questionnaires

The quantitative questionnaire was emailed (in the last week of October 2015) to the 80 respondents that were selected to participate in the study. The questionnaire was linked to an online survey programme called Questionpro. The use of the email was selected as it was easier to reach the respondents, saved time and money. In addition, the respondents can answer the questionnaire in their own space and their own time which also eliminates any form of bias. The respondents were given one week to complete the questionnaire. A covering letter was sent with the questionnaire to explain the nature and purpose of the study.

The respondents were guaranteed that their identity would be protected, participation on the survey was voluntary and that there was no penalty for not participating in the study. It was also made clear that the questionnaire would only take approximately 8 minutes to complete.

3.7.4 Collection of the questionnaires

Some of the respondents were reluctant to answer the questionnaire. However, they were reassured of their anonymity and that all information gathered will be confidential and will be used for the purpose of this study. Constant reminders were sent to the respondents to complete the questionnaire. After two weeks only 56 questions were received. However, according to the report generated from the survey link 77 respondents did open the survey, but did not get to complete and send. The reasons for them not completing the survey are unknown.

3.8 Analysis of the data

The quantitative data analysis was helpful to this research study as it provided data that could be quantifiable and easier to understand. In additional statistical analysis can be drawn from a quantitative study.

The relationship between eThekwini executive committee and other stakeholders was analysed using quantitative data from respondents of the survey. According to Kulter (2007) quantitative research uses numbers, logic, and an objective stance. Quantitative research is focussed on numeric and unchanging data, and convergent reasoning rather than divergent reasoning. The computer software called QuestionPro was used to manipulate data and to automatically give research results in a percentage form for easy analysis.

3.9 The concept of validity and reliability

3.9.1 Validity

According to Newman and Benz(1998) when an instrument has the ability to measure what it was intended to measure it is then deemed valid. The validity was done in order to ensure that the research investigation was able to provide answers to the research questions regarding corporate governance in the eThekwini Municipality. Literature was reviewed and from the literature the questionnaire was designed, hence ensuring that the questions in the questionnaire were valid.   Validity in quantitative research often concerns: objectivity, generalizability, replicability, predictability, controllability and nomothetic statements (Newman and Benz, 1998).

According to White and Mcburney (2012:142), there are three major types of validity namely: construct, content and criterion as discussed below:

- Construct validity is the degree to which a test measures what it claims, or claims, to be measuring. In the classical model of test validity, construct validity is one of three main types of validity evidence, alongside content validity and criterion validity.
- Content validity is the extent to which the elements within a measurement procedure are relevant and representative of the construct that they will be used to measure.

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- Criterion validity is also called predictive validity, measures the degree to which the test scores measuring one test criterion is consistent with other criterion being measured.

3.9.2 Reliability

According to Newman and Benz(1998)) reliability in a research is when an instrument used has ability to create reproducible results. The survey was designed in a way that similar scores would be obtained each time it was used and the questionnaire was reliable since it was able to give same or similar answers repeatedly. Cronbach's alpha was used by the researcher for the purpose of this study.

In order to ensure that the questionnaire was reliable bias and ambiguities were reduced in order to get credible information and better data quality.

3.10 Ethical considerations

Ethical clearance from the University of Kwazulu-Natal Ethics committee was obtained prior to conducting this study. The consent was also obtained from the eThekwini Municipality's city manager before collecting responses from the sample. All ethical considerations were taken into account to ensure the confidentiality and anonymity of all respondents of this study.

3.11 Summary

This chapter discussed the research methodology that was utilised in gathering the data for this study. The research design that was utilised for this study, the selection of the sample and statistical techniques that were utilised to analyse the findings was discussed.

The aim of the study was to examine corporate governance in the eThekwini Municipality in the hope of identifying gaps and challenges that are prevalent within the institution that hinders the progress which results in the council's failure to obtain a clean audit. The research study approach used was quantitative and descriptive. An online questionnaire was developed with the aim of establishing the relationship between the independent variable and dependent variable within the population under study. The next chapter presents the findings and discussion of the primary data that was gathered for this study.

CHAPTER FOUR: PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

The results of the findings are presented in this chapter. The quantitative method was used to gather data, hence all results are numeric. An analysis of each result and the meaning of percentages of each response are explained.

4.2 Response rate

Eighty questionnaires were sent out to the selected sample. The response rate obtained from the sample was 70%, which was good considering that people are always reluctant to participate in surveys.

4.3 Results and analysis

Table 4.1: Reliability statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
0.732	30

The reliability analysis showed that the data was reliable as the Cronbach's Alpha value was 0.732 (Table 4.1). Cronbach's Alpha is a test of reliability or an indicator of consistency. The questionnaire had 30 items, 24 questions and demographic variables. Cronbach Alpha is used to estimate the proportion of variance that is systematic or consistent in a set of test scores. It can range from 00.0 (if no variance is consistent) to 1.00 (if all variance is consistent) with all values between 00.0 and 1.00 also being possible. In this case the Cronbach Alpha for a set of scores turned out to be 0.732, meaning that the test is 73.2% reliable, and by extension that it was 26.8% unreliable (100% - 73.2% = 26.8%)
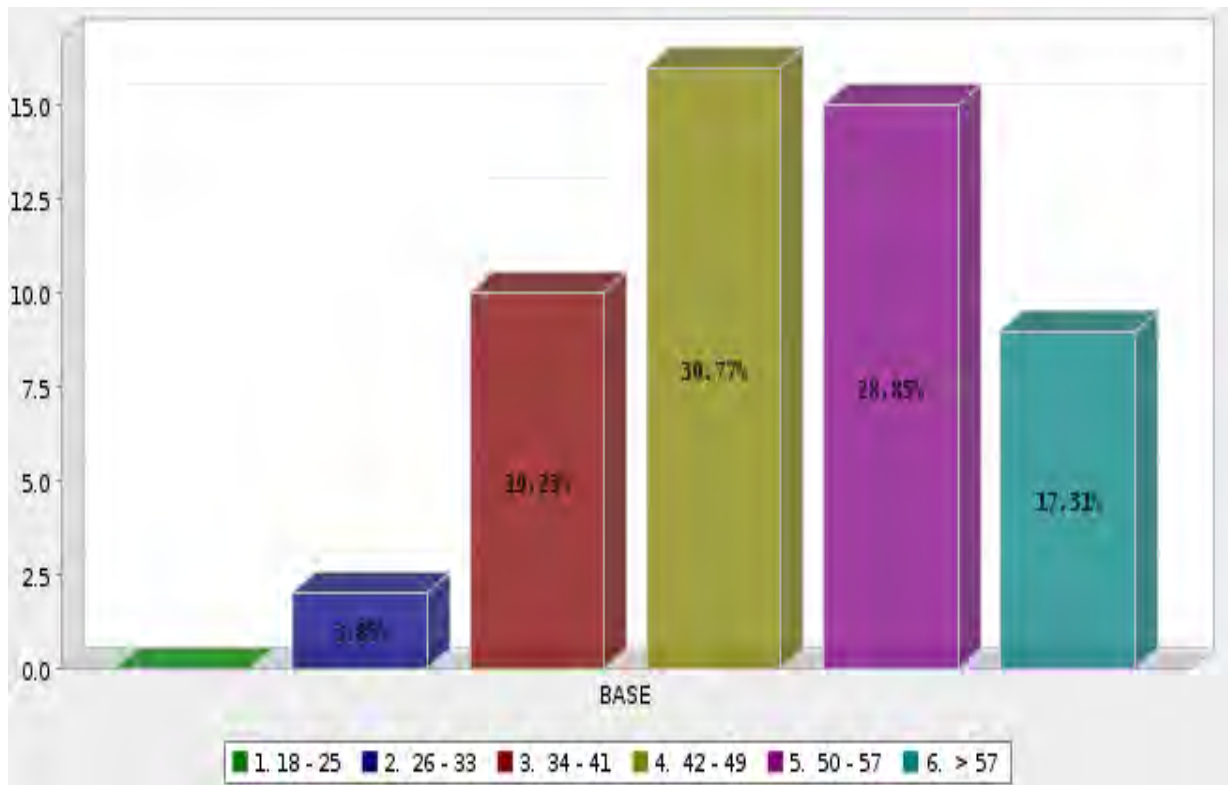
Y (Number of Respondents)

Figure 4.1: Respondents age distribution

Figure 4.1 indicates that half of the respondents (50%) were between the ages of 34 years and 49 years. This figure also indicates that 46.16% respondents are above 50 years of age, while only 3.85% of the respondents were below the age of 34 years.
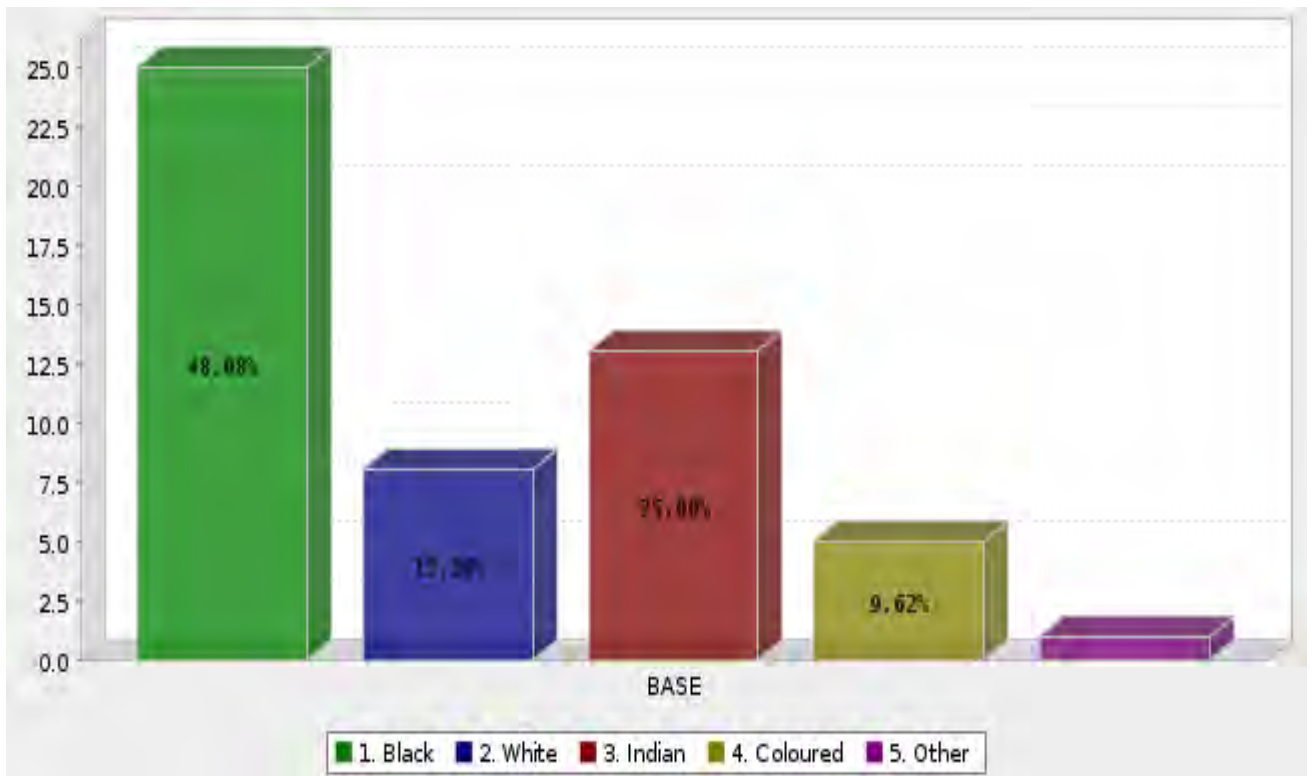
Y(Number of Respondents)

Figure 4.2: Distribution of race

With regards to the race of the respondents, Figure 4.2 indicates that about half of the respondents (48.08%) were Black, followed by Indian (25.00%), White (15.38%) and Coloured 9.62%.

Y (Number of Respondents)

Figure 4.3: Gender distribution

According to Figure 4.3, more than three quarters of the respondents were male (67.31%) and female (33.69%).
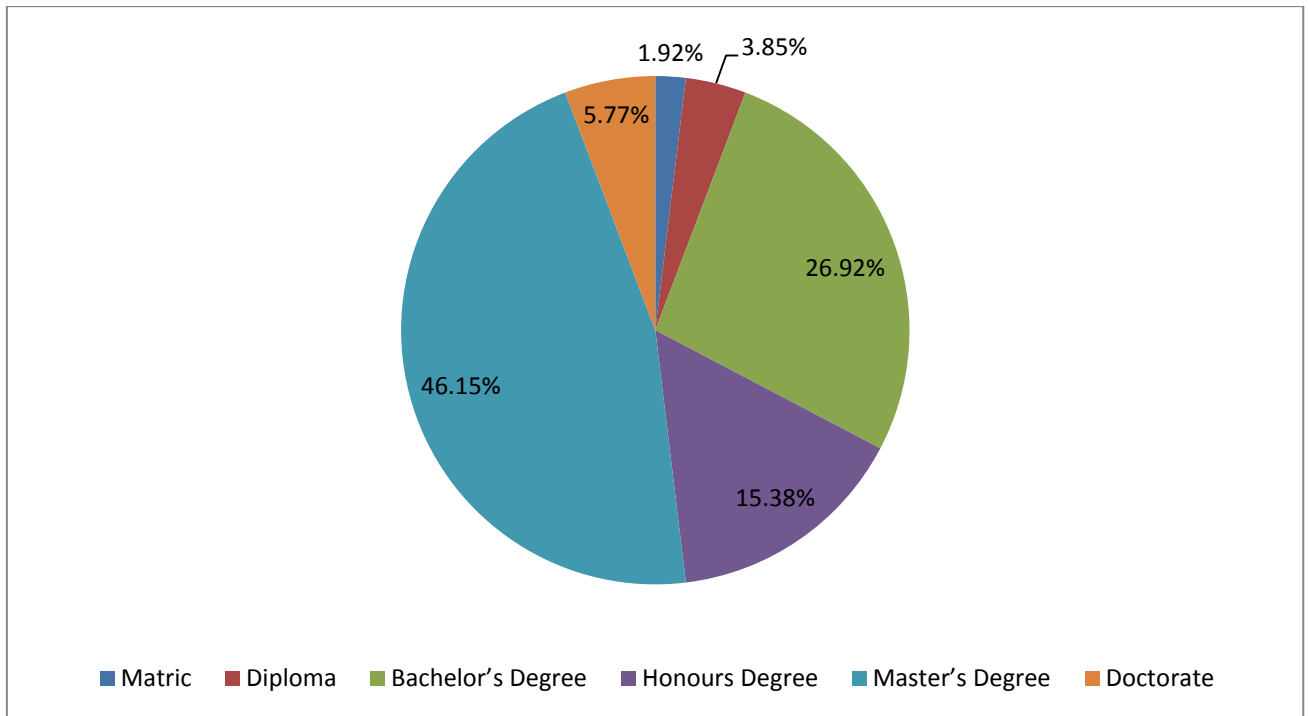
Figure 4.4: Education level of the participant

Figure 4.4 indicates that almost all the respondents had a bachelor or higher level of education than a bachelor's degree (94.23%). The results show that in the eThekwini Municipality less than 5.77% of top management employees are without a high level qualification. Therefore, it was clear that the target population for this study was well educated in order to understand corporate governance. The consequence of the focus on the corporate conduct of senior corporate staff was the attention that was being paid to the qualification of these senior staff to bear their responsibilities.
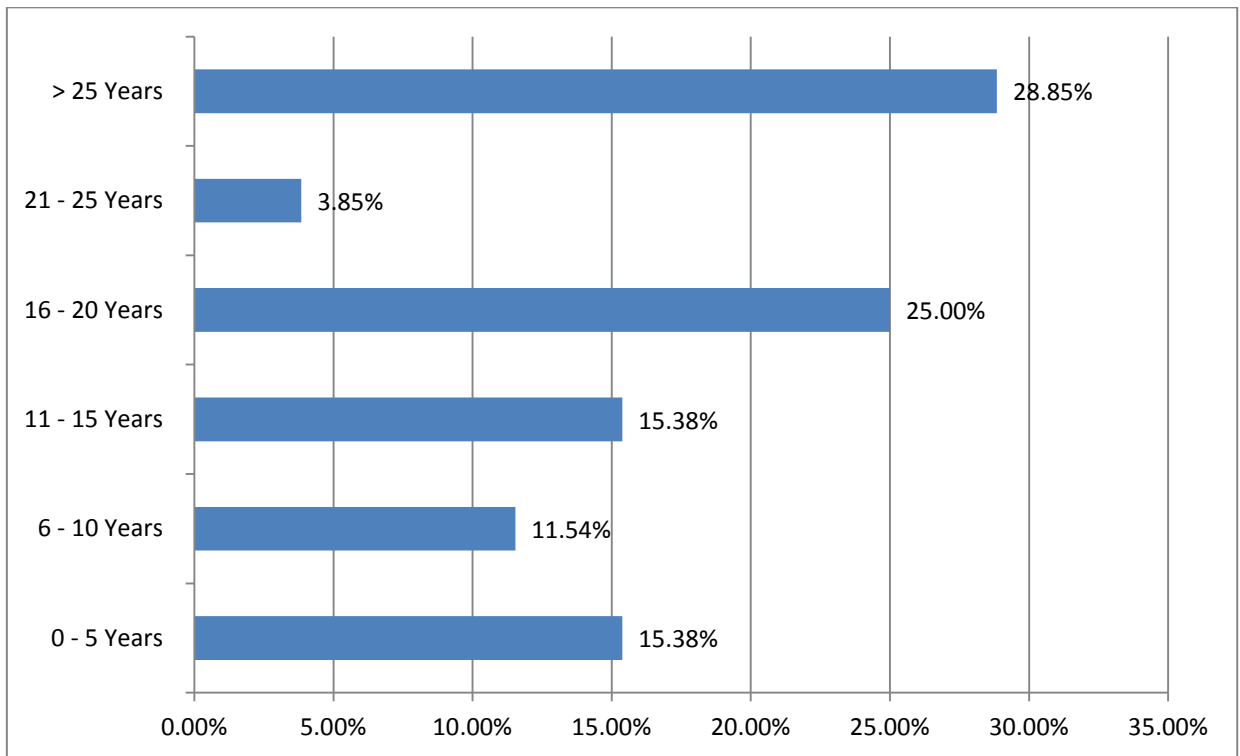
Y (Years of Service)

Figure 4.5: Years of service   X (Number of respondents %)

Figure 4.5 indicates that more than a quarter (28.85%) of the respondents are working for more than 25 years whereas only 15% had five or less years of service. The findings are therefore indicative that since so many of the employees are there for a long time they carry with them a vast amount of institutional knowledge. It was noted that this result means that 55.77% of respondents are between 5-25 years of service.
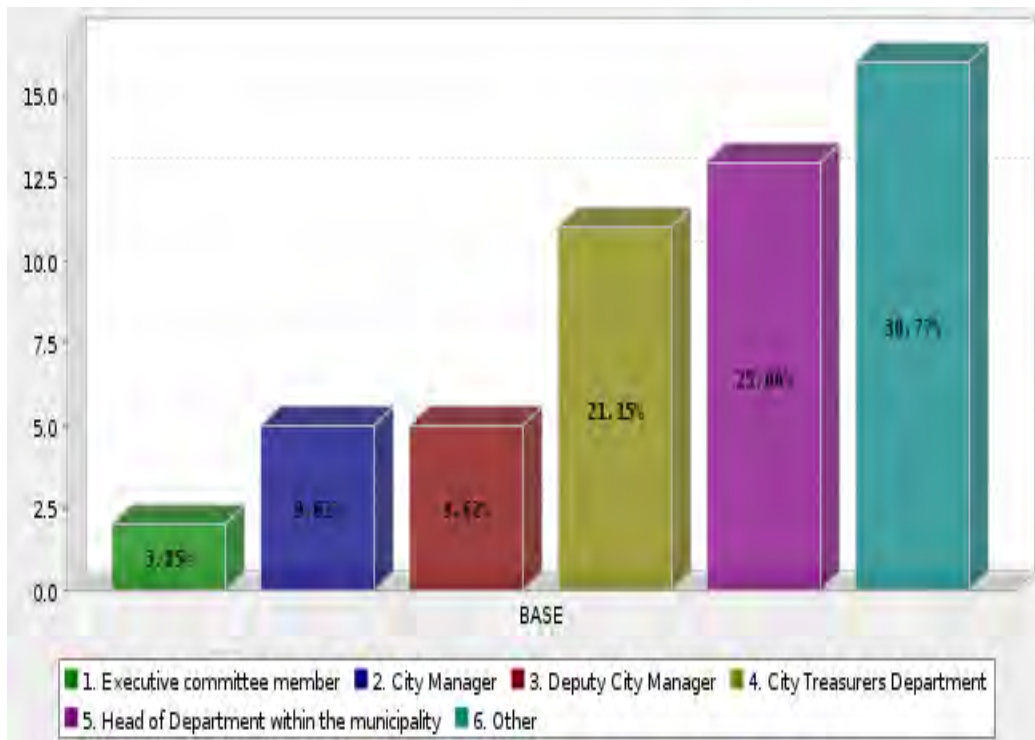
Y (Number of Respondents)

Figure 4.6: Working in the department

The findings in Figure 4.6 indicated that more participants were from other departments (30.77%) not listed and followed by the Head of department within the municipality (25%).
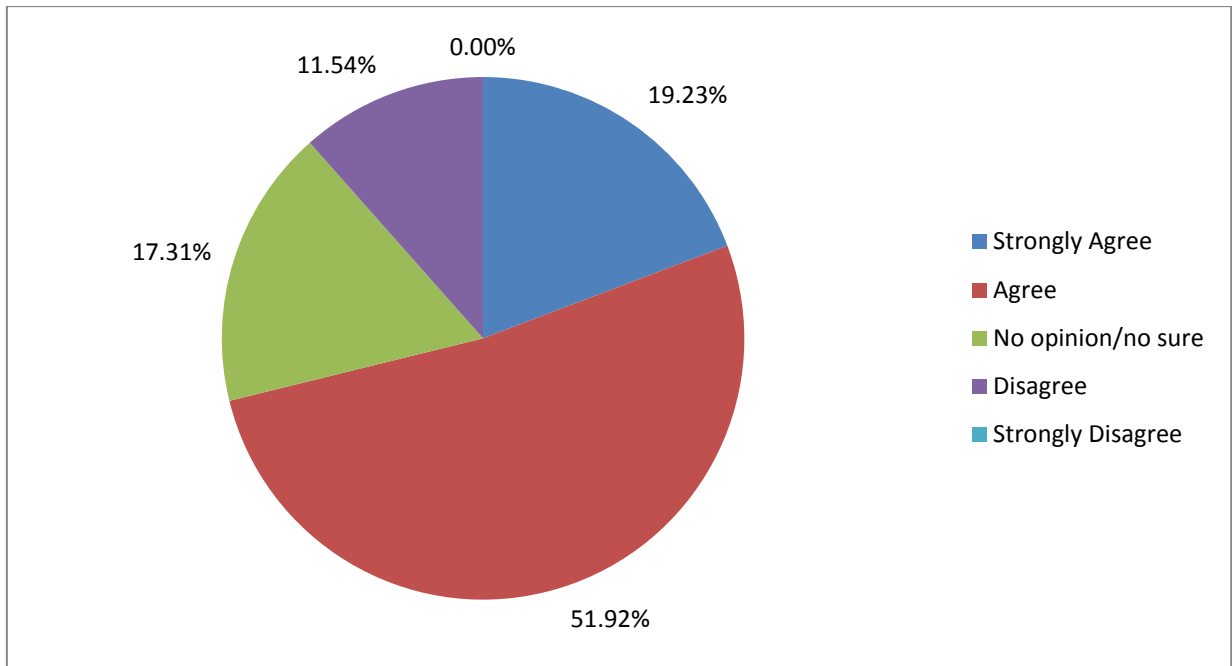
Figure 4.7: Members of the executive committee understand their responsibilities

More than two-thirds of the participants (71.15%) mentioned that the members of the executive committee understand their responsibilities (Figure 4.7). Similarly, 73% positively highlighted that the executive committee members and management staff responsibilities are clearly set out in writing (Figure 4.8). The executive committee members are similar to a board of directors of an organisation and therefore it is important for them to understand their roles and responsibility. The results however reveal that 17.31% of the respondents did not have an opinion to the above statement while 11.54% of the respondents believe that the executive committee members do not understand their responsibilities. The possible reason some had no opinion or disagree might be the fact that they are not familiar with executive committee's responsibilities or its function.
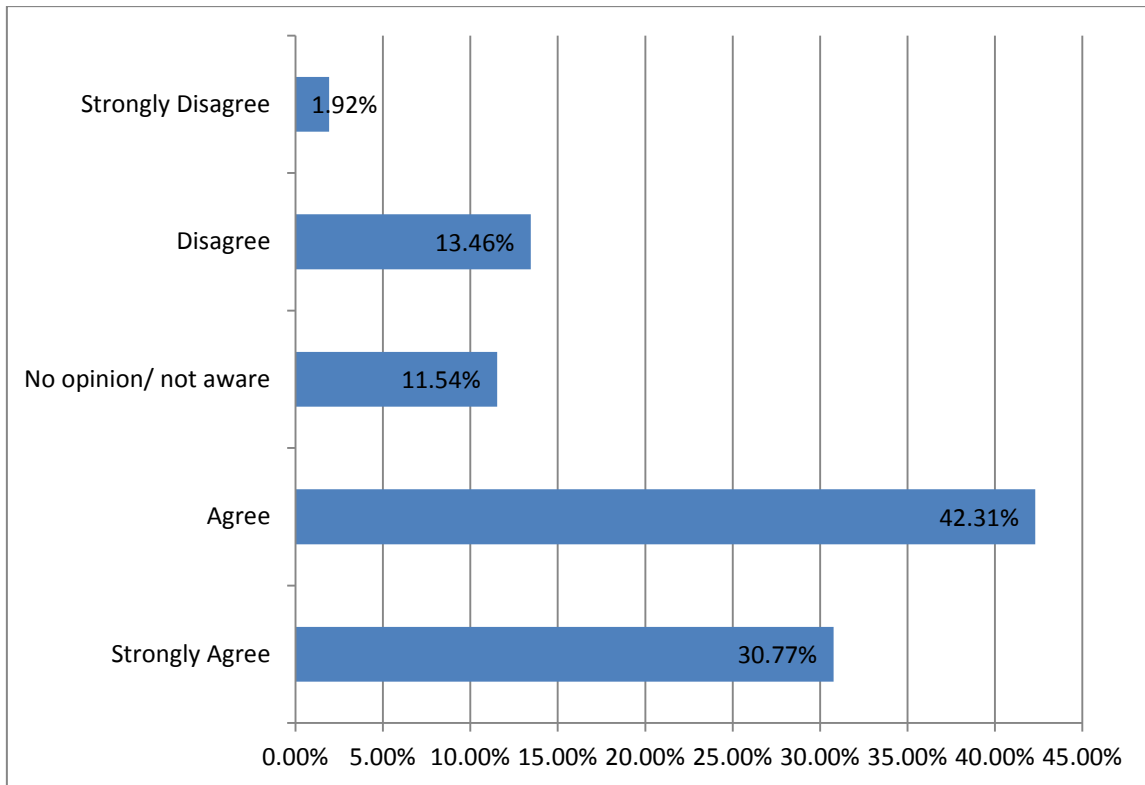
Figure 4.8: Executive committee members and management staff responsibilities are clearly set out in writing

According to Figure 4.8, 73.08% of the respondents have agreed to the statement that the roles and responsibilities of the executive committee members are clearly set out in writing. This means that the executive committee members should have an understanding of their roles and responsibilities. However it is clear 11.54% of respondents are not aware whether these responsibilities are clearly set out in writing or not.
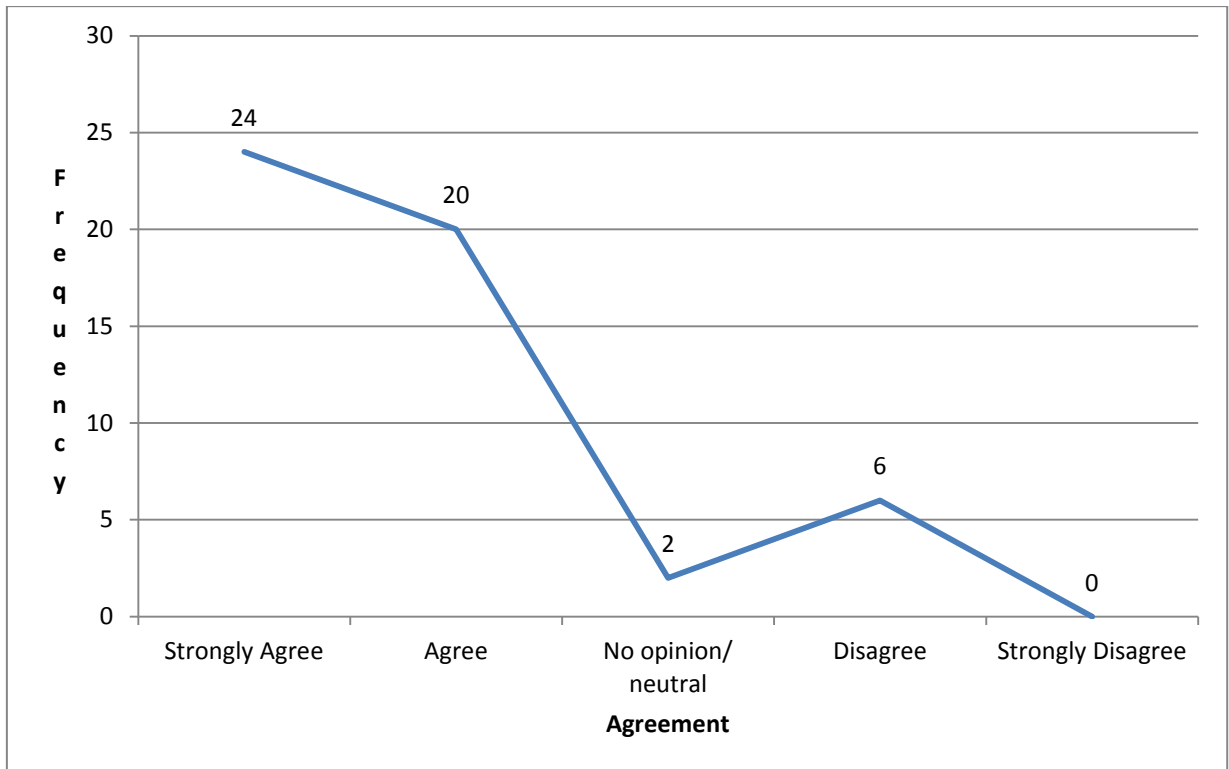
Figure 4.9: Clear understanding of roles

The majority of the respondents (85%) agreed or strongly agreed to the statement that they can clearly differentiate between what the executive committee members can do, and what the senior managers and employees of the municipality can do (Figure 4.9).

Y (Number of Respondents)
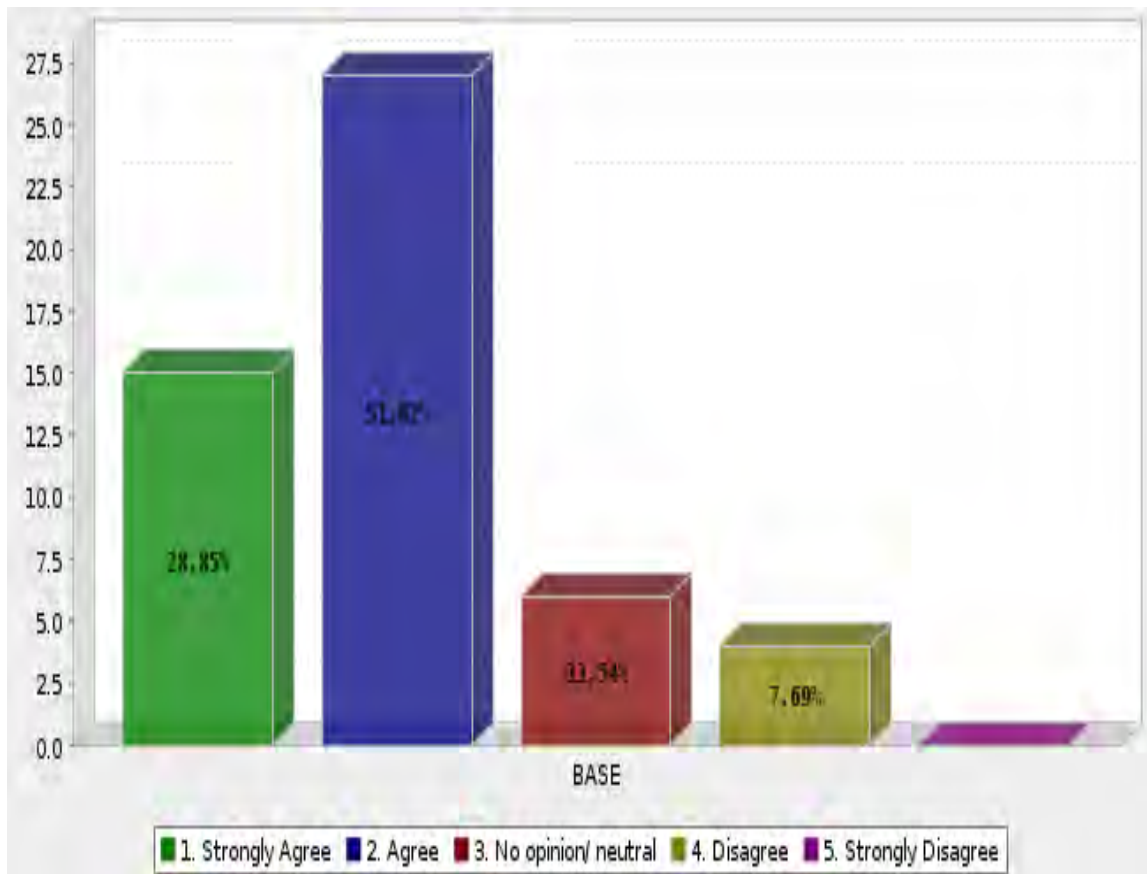
Figure 4.10: The executive committee and the relevant sub-committees have clearly defined roles

Figure 4.10 reveals that more than a half (80.77%) of the respondents agreed that the executive committee and the relevant sub-committees have clearly defined roles which are imperative for the proper functioning of the municipal activities. The first four questions dealt with roles and responsibilities of the executive committee and top management. The responses are positive in a way that it shows that these are clear and understood.
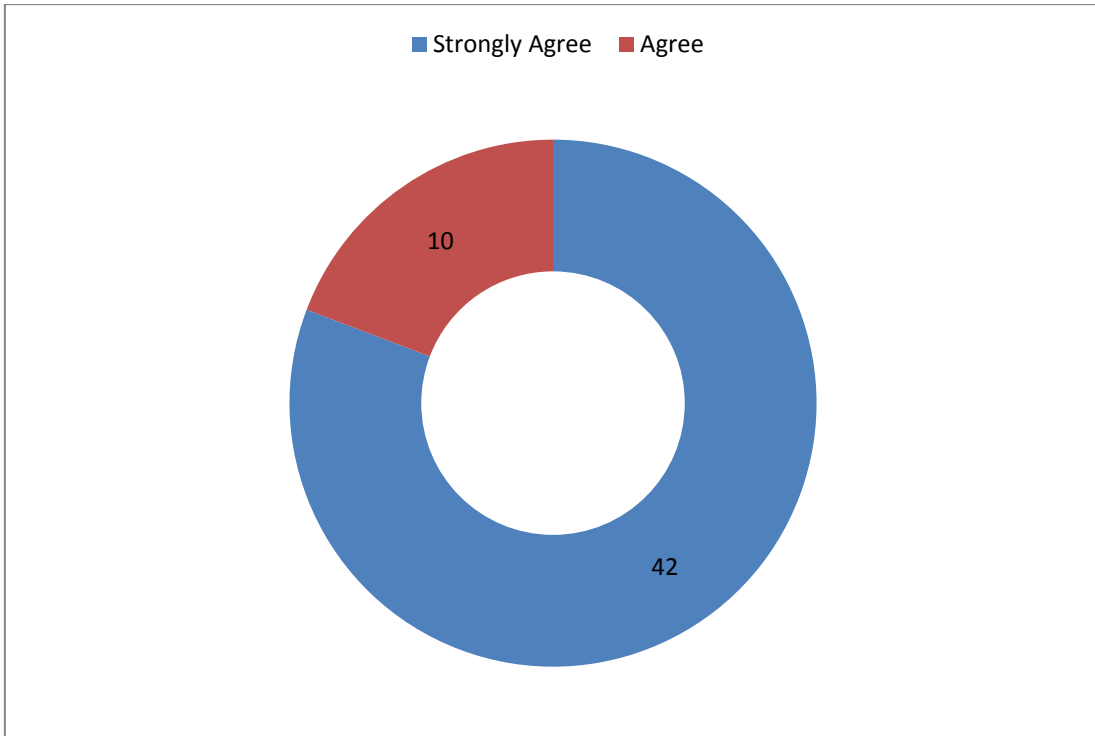
Figure 4.11: eThekwini Municipality has an audit committee

All the participants (100%) mentioned that eThekwini Municipality has an audit committee (Figure 4.11). The audit committee is one of the important oversight committees as it keeps updating stakeholders of the possible risks and areas of improvement.

Y (Number of Respondents)
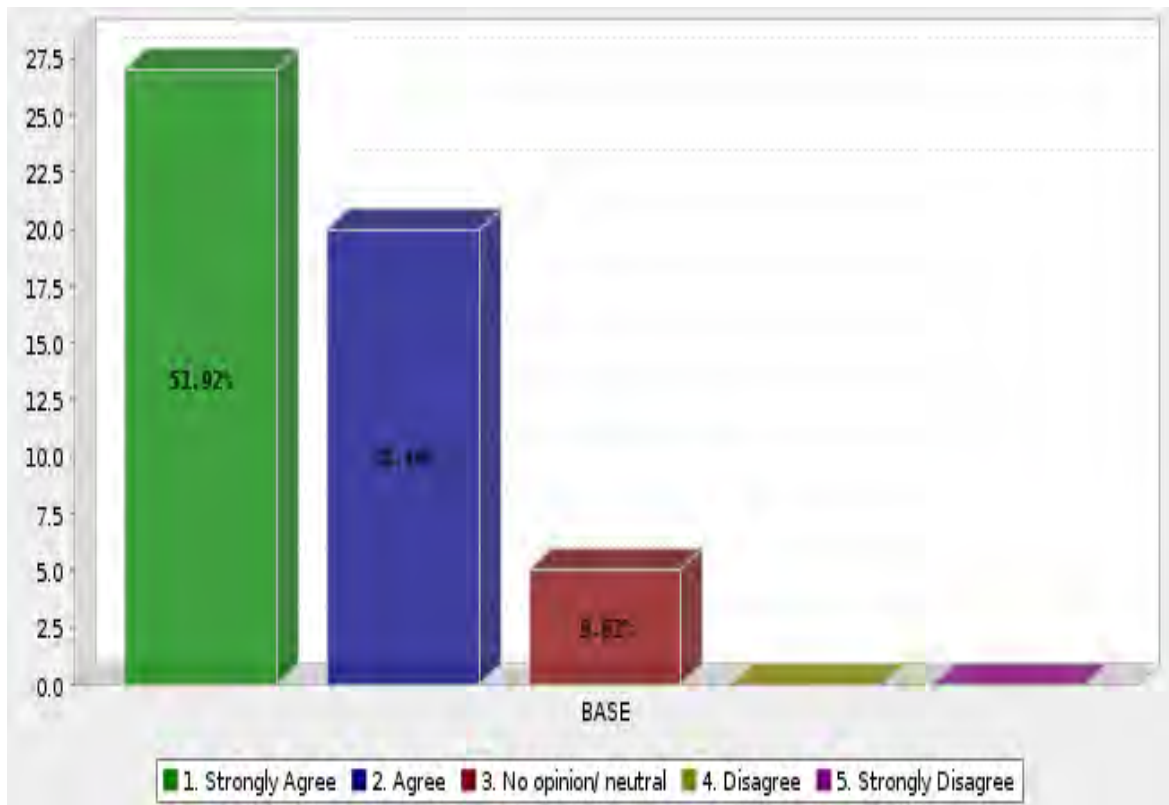
Figure 4.12: eThekwini Municipality makes use of external auditors

According to Figure 4.12, the majority (90.38%) of the respondents agreed that the eThekwini Municipality makes use of external auditors. It is very important for the Municipality or any organisation to make use of external auditors because it provides credibility and ensures compliance. Credibility is important to any sphere of government, especially because they are always under public scrutiny. In addition, the organisation can be trusted with the tax payers' money. Furthermore because external auditors don't work directly with municipality, they are less biased. Thus, an external auditor's approval of an organisations financial statement becomes more credible than that of an internal auditor.

Y (Number of Respondents)
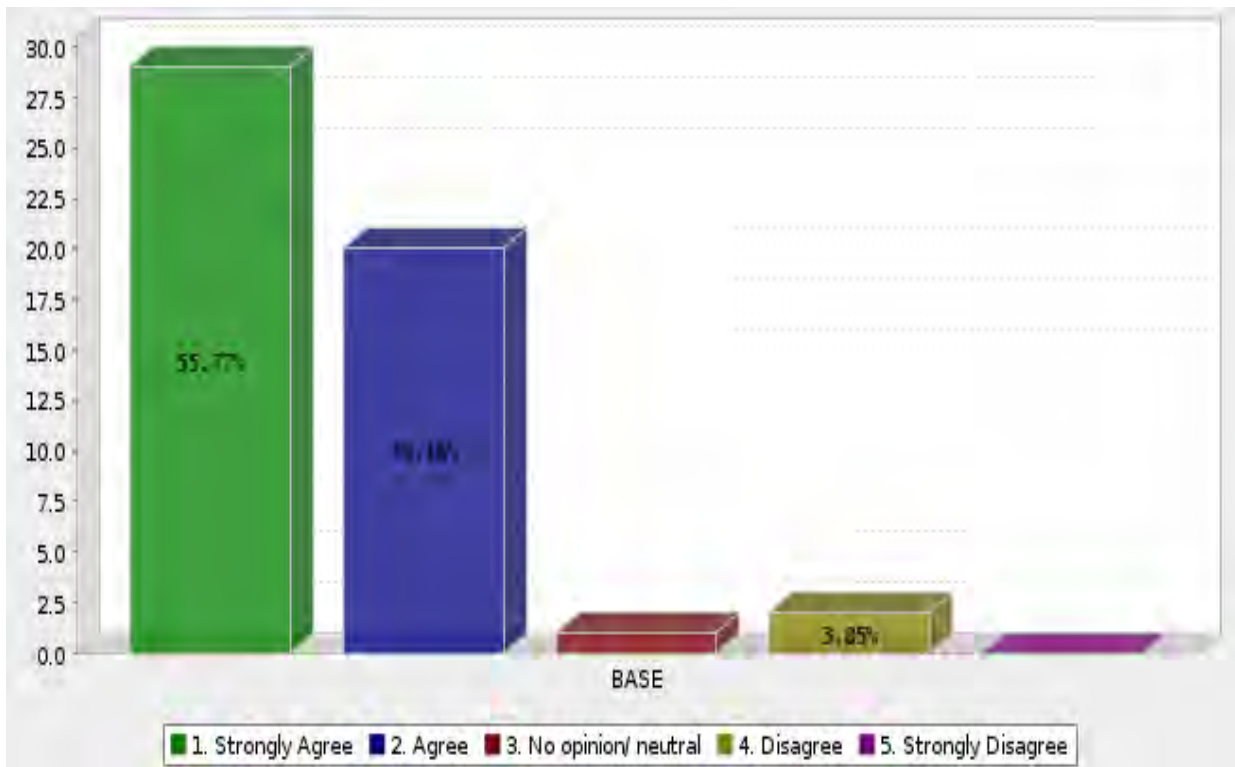
Figure 4.13: An independent internal audit function is present within the Municipality

The majority of the respondents (94.23%) agreed to the statement that there is an independent internal audit function within the municipality (Figure 4.13). The respondents confirm that the Municipality has an independent internal audit function that helps detect errors, fraud and specific performance trends. The use of repeatable methods creates audit systems. Depending on the expertise of the accountant used, an internal audit might be more forensic, spotting problems and opportunities that are prevalent with council policies and procedures.

Y (Number of Respondents)
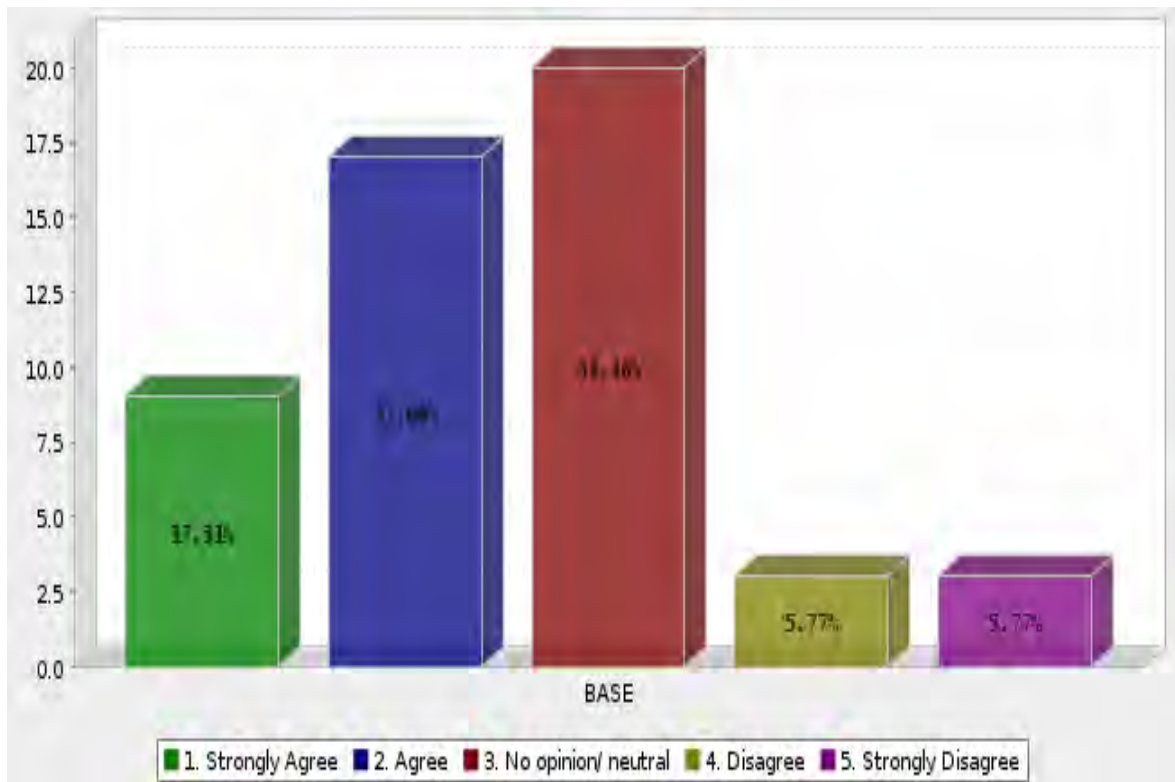
Figure 4.14: Provisions are made by the municipalities articles of association that mandate the rotation of external auditors

When asked if there are provisions in the municipalities articles of association mandating rotation of external auditors, 38.46% of the respondents remained neutral (Figure 4.14), which might mean they are not sure. It was also noted that half of respondents (50%) agreed and strongly agreed that provisions are made by municipality. Only few respondents (11.54%) disagree\strongly disagree. However the results are indicative that systems are in place for the rotation of external auditors.

Y (Number of Respondents)
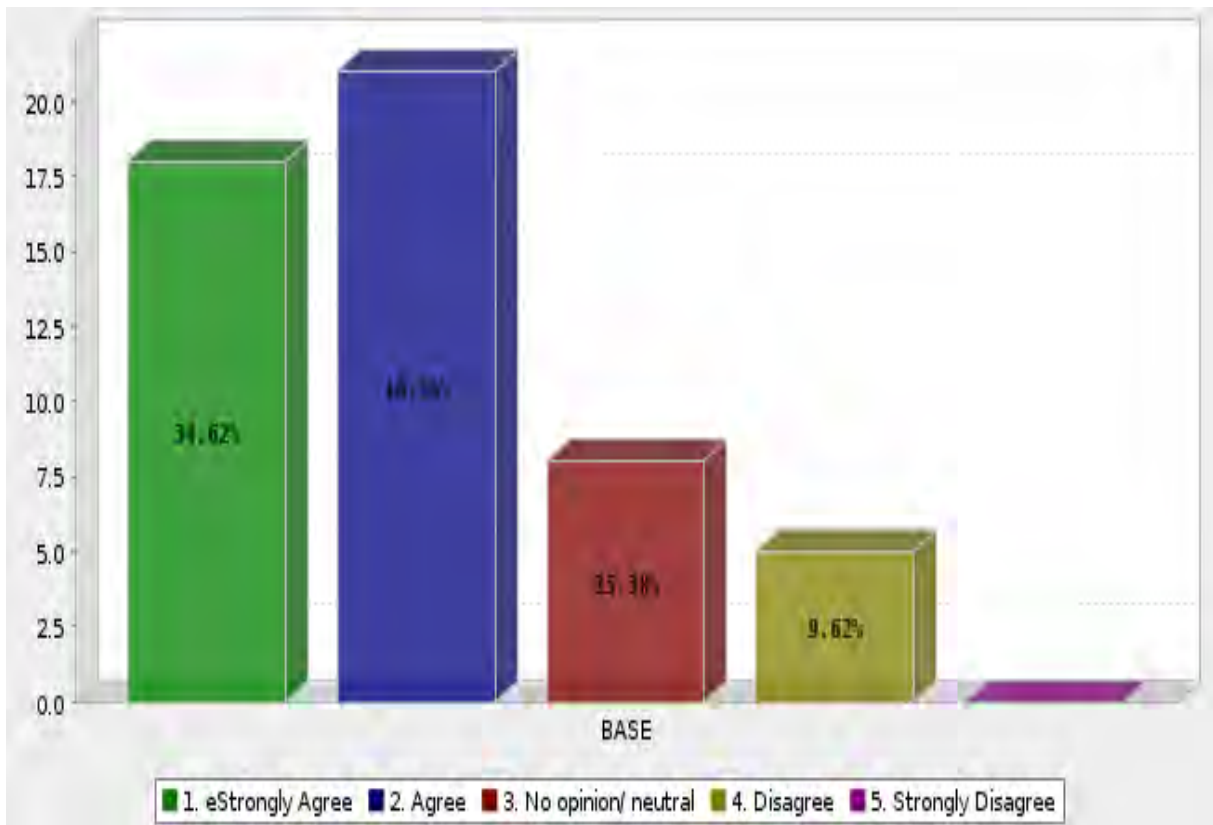
Figure 4.15: The audit committee produces a report on the internal audit function

The majority of the respondents (74.98%) highlighted that the audit committee does in fact generate a report on the internal audit function (Figure 4.15). Since the audit committee does produce a report on the internal audit function, all stakeholders should be able to analyse the report. This means that management and the executive committee members should be able to interrogate audit outcomes long before the auditor general makes his audit opinion.

Y (Number of Respondents)
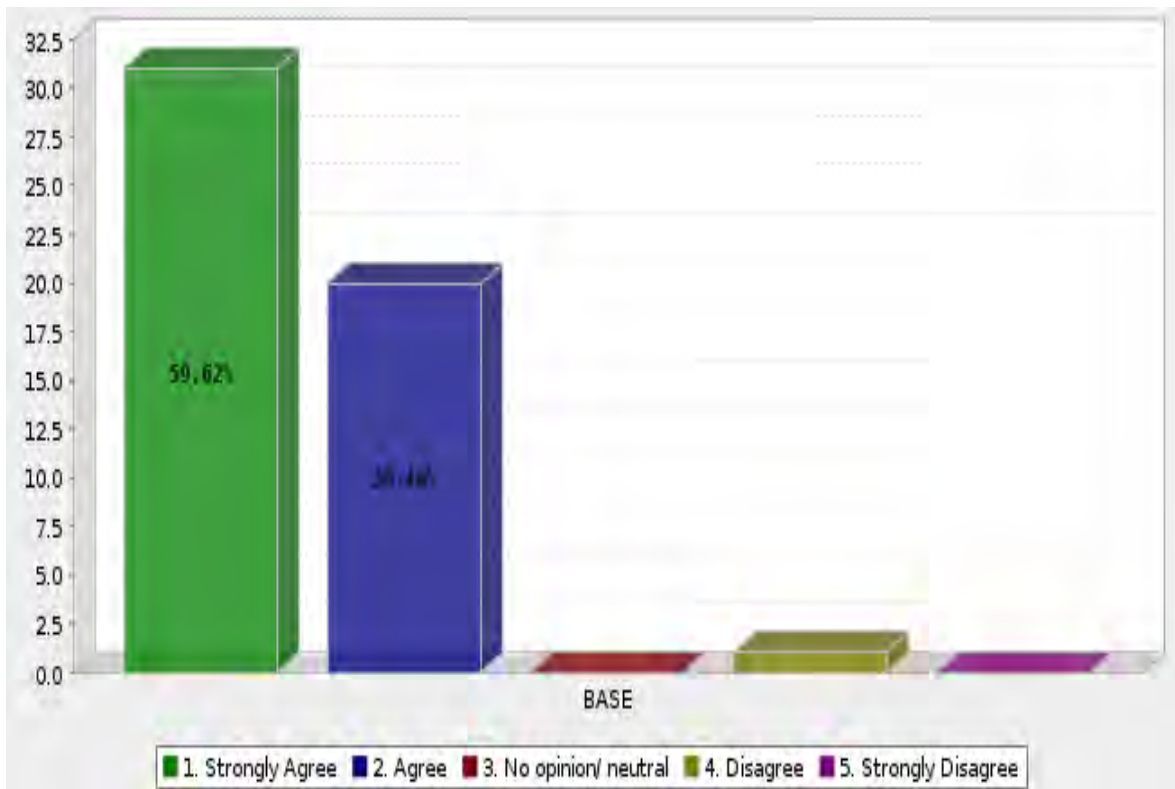
Figure 4.16: It is mandatory to prepare an internal audit plan

Almost all the respondents (98,8%) agreed to the statement that it is mandatory to prepare an internal audit plan (Figure 4.16). The fact that it is obligatory to prepare an internal audit is indicative that the eThekwini Municipality understands what is required of them in order to enforce financial control. The internal audit assist when there's a clear reporting line within the organization which ensures also that it is able to function with sufficient independence and able to utilize a risk based approach when developing and executing the internal audit plan.

Y (Number of Respondents)
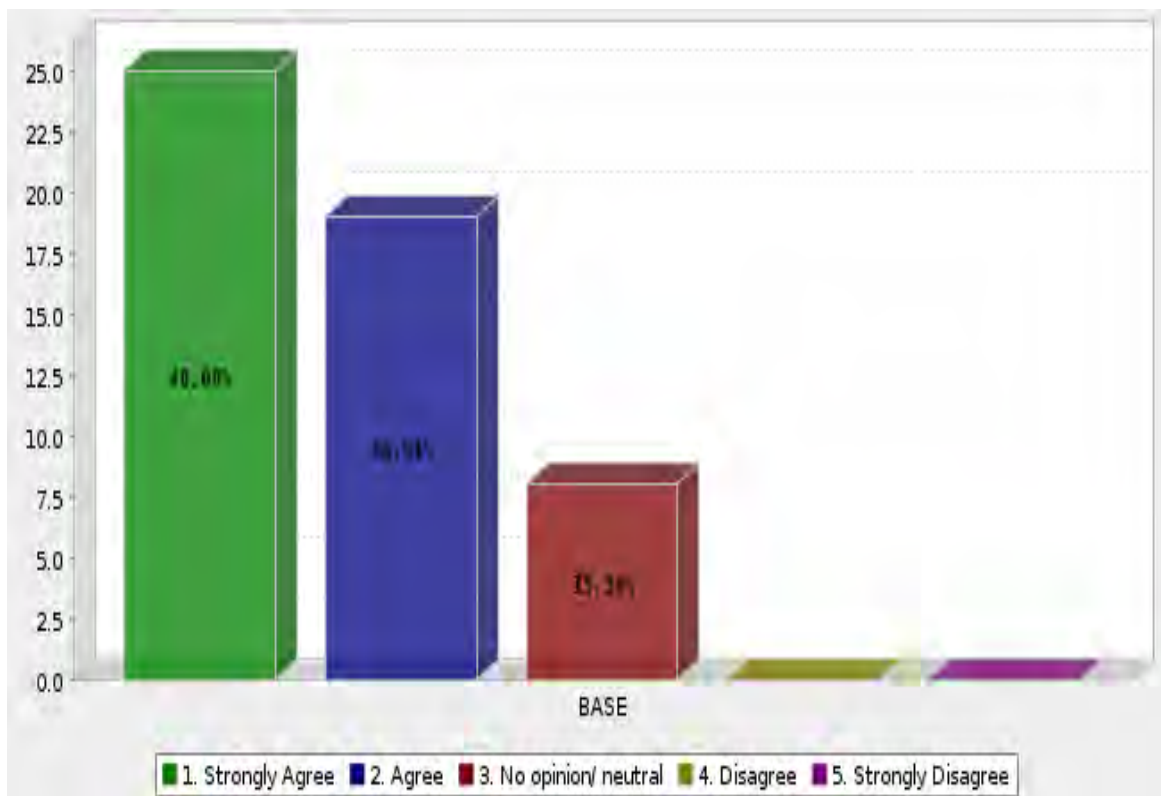
Figure 4.17: The internal audit plan get reviewed on an annual basis

Figure 4.17 reveals that the majority of the respondents (84.62%) agreed to the statement that the internal audit plan is reviewed yearly. It was also noted that none of the respondents disagreed with the statement with only 15.38% of the respondents having no opinion which may be indicative that it is only those who are not aware or have no knowledge about internal audit plan.
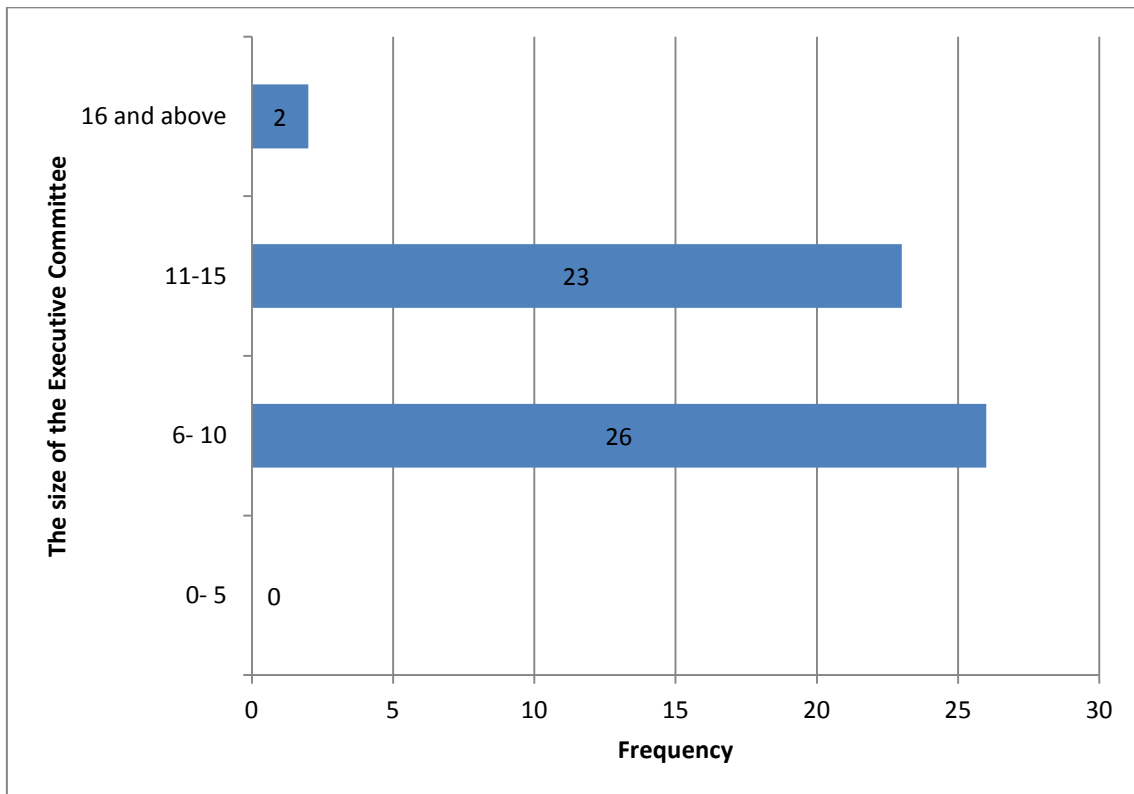
Figure 4.18: The size of the executive committee

When asked about the size of the committee, almost all the respondents (96%) mentioned that the executive committee members are between six and 15 members (Figure 4.18). The size and composition of the executive committee is determined as per section 43(2) of Local Government Structures Act (De Visser,2005).
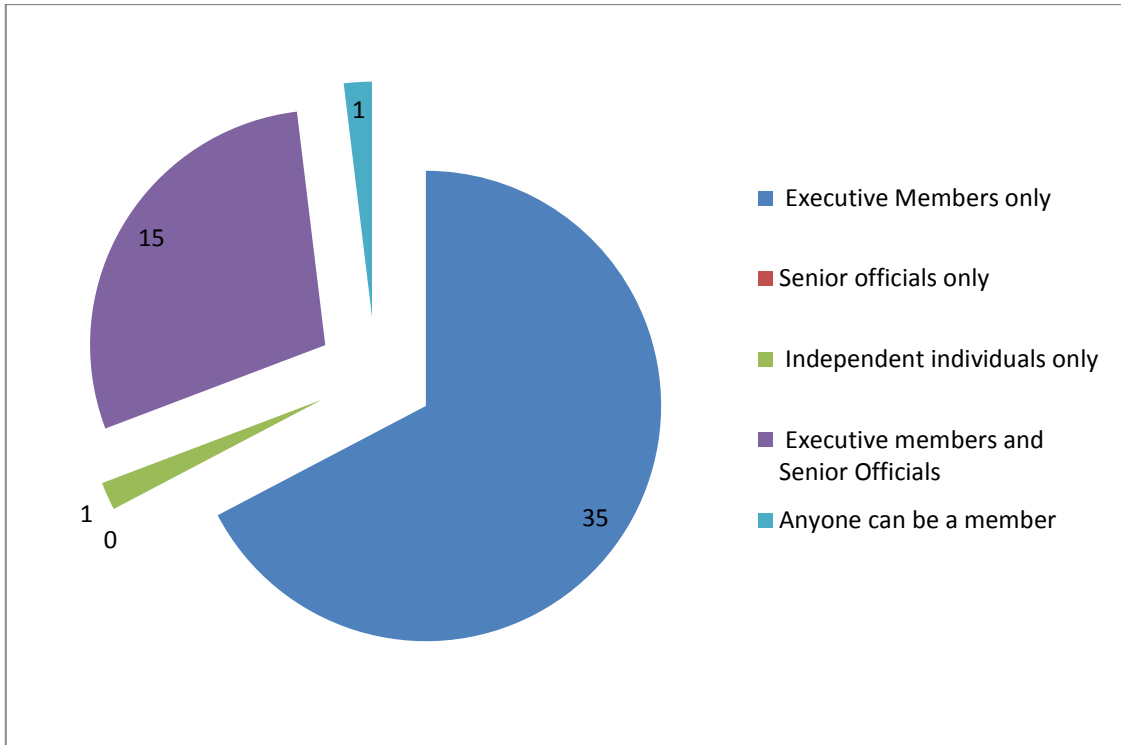
Figure 4.19: Composition of the executive committee

Two thirds of the respondents reported that the executive committee composed of executive members only followed by executive members and senior officials (29%) (Figure4.19). The composition of the executive committee is important since its performance depended on expertise needed to accomplish necessary responsibilities.

Y (Number of Respondents)
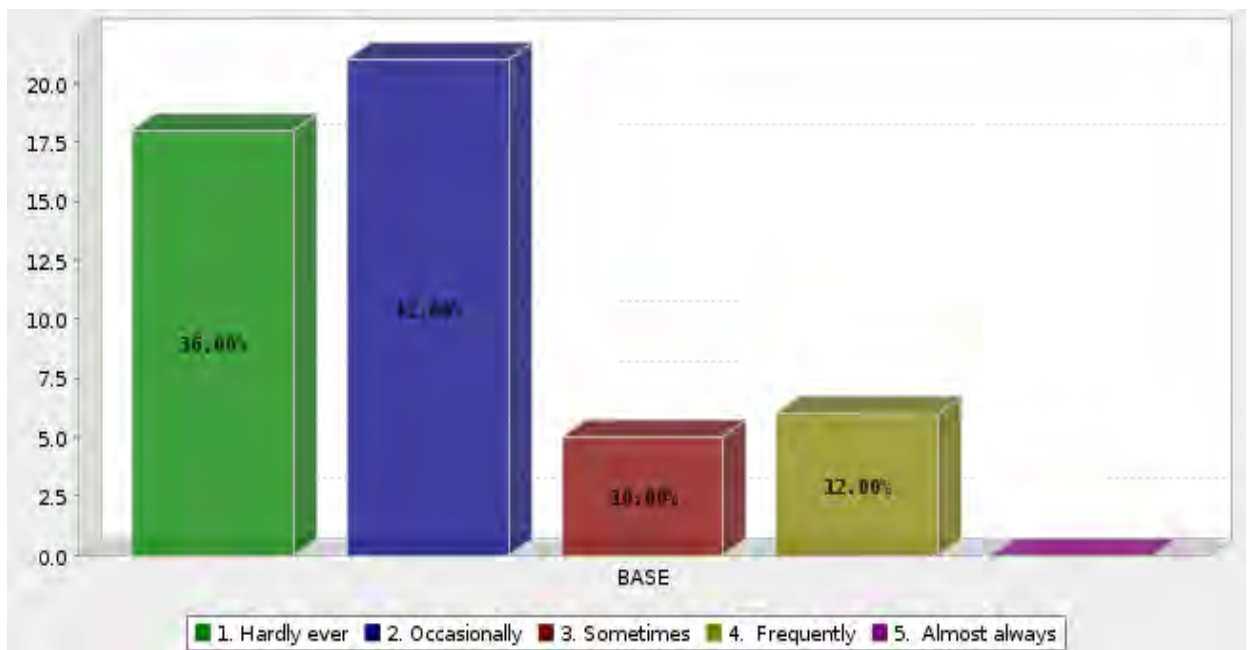
Figure 4.20: Frequency of rotation of executive members

More than a third of the respondents (36%) indicated that the executive members hardly ever rotate and while (42%) of respondents said it rotates occasionally (Figure 4. 20). It was noted that 10% of respondents said sometimes and 12% believed executive members rotate frequently.

Y (Number of Respondents)
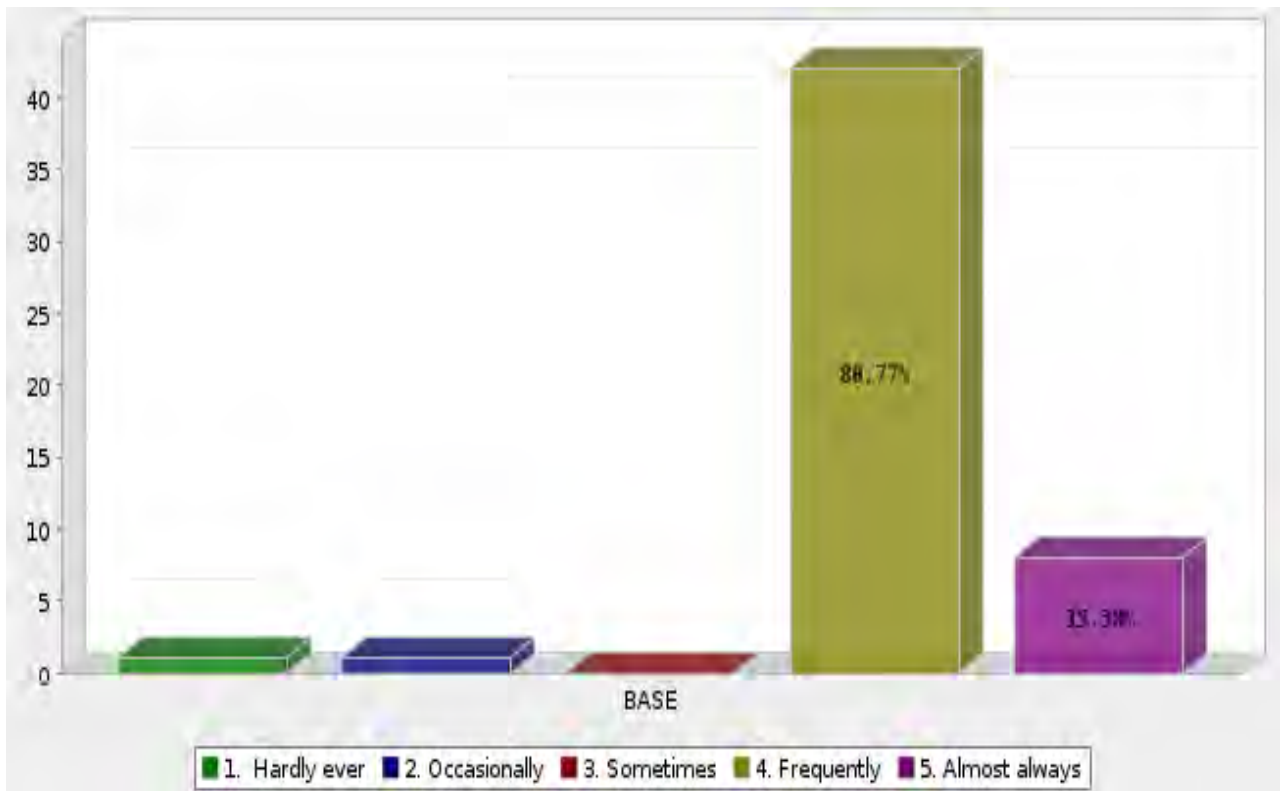
Figure 4.21: Frequency of executive committee and sub-committees conduct meetings

The majority of the respondents (80.77%) mentioned that the executive committee frequently conducts meetings (Figure 4.21). The frequency of meeting is important since the executive committee has a responsibility of running the day to day function of council. The council more specifically as a shareholder has a responsibility to make capital available and to approve the most important transactions. The executive committee as the board of directors are selected by shareholders (council) in order to oversee the management of the municipality. In addition the senior executives in the municipality are responsible for the daily activities. The more sub committees meet the better it is as this means that issues are not left till late without interventions being put in place.

Y (Number of Respondents)
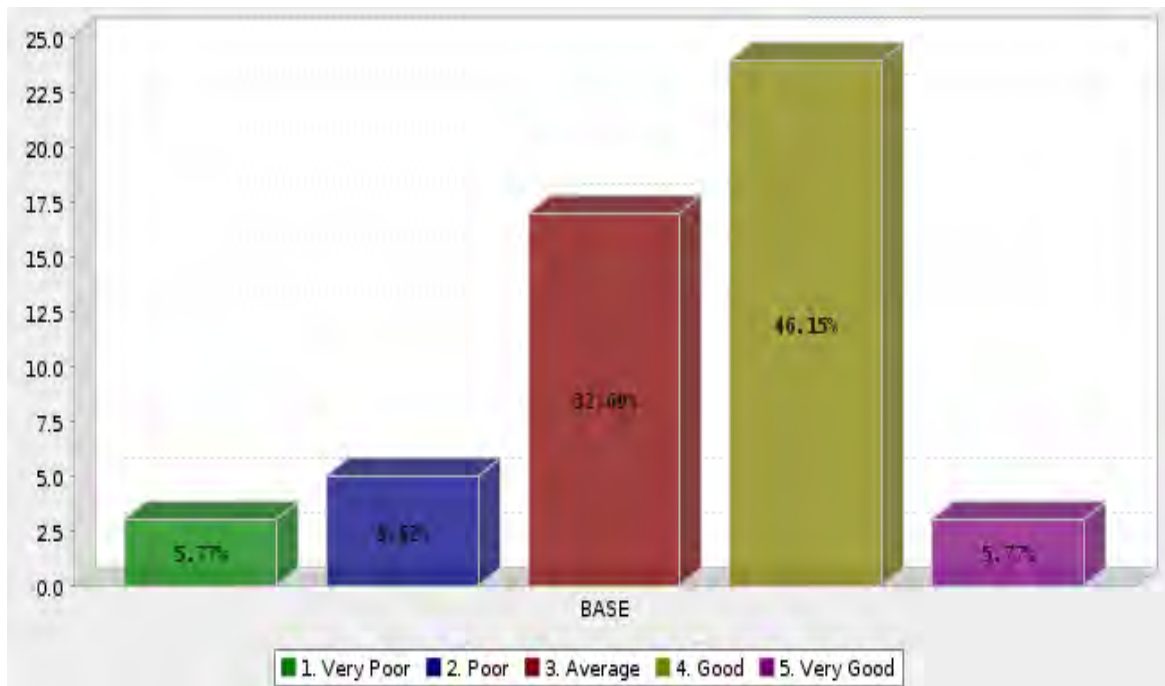
Figure 4.22: EThekwini Municipality's communication and sharing of information with the public

A third of the participants (32.69%) indicated that eThekwini Municipality's communication and sharing of information with the public was average (Figure 4.22). This was a concern since transparency becomes a key to corporate governance. However it was noted that 51.92% of the respondents stated that it was good/very good. Only 15.39% of the respondents stated that it was very poor/poor. It is also possible that those who indicated that communication and sharing of information with public was average (32.69%) do not really believe that eThekwini Municipality was doing enough but also not indicating that it was not at all.

Y (Number of Respondents)

25.0
22.5
20.0
17.5
15.0
12.5 — 50,00%
10.0
7.5
5.0 — 9,62%   21,15%
2.5   11,54%
0.0   5,77%
            BASE

■ 1. Strongly Agree ■ 2. Agree ■ 3. No Opinion ■ 4. Disagree ■ 5. Strongly Disagree ■ 6. Other
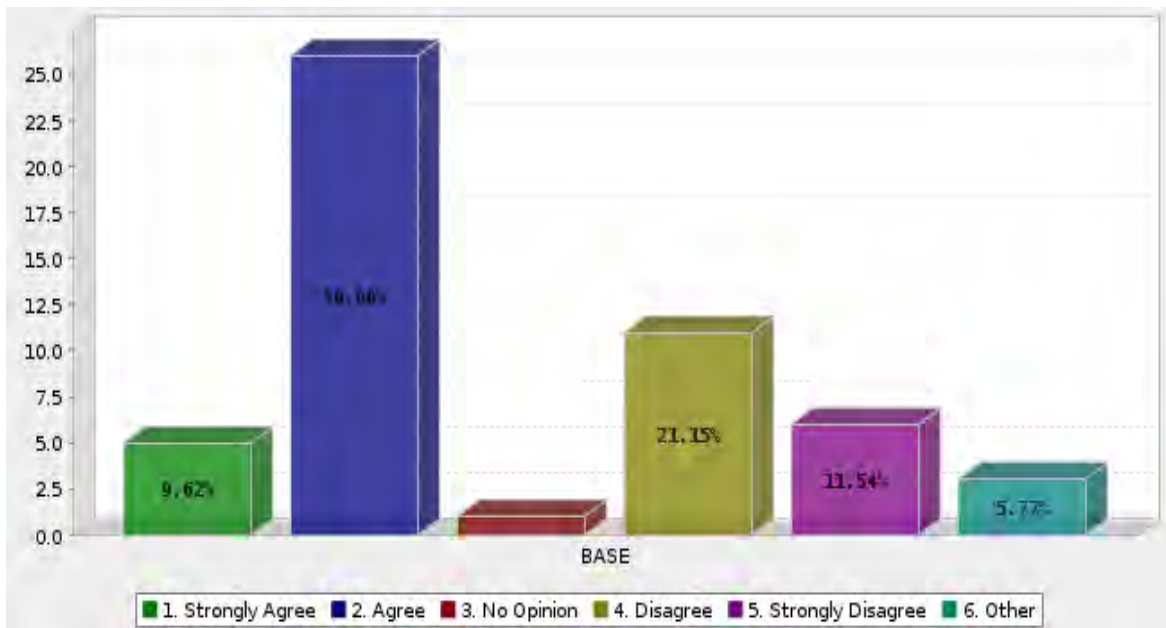
Figure 4.23: Any information can be disclosed to the public by using the information disclosure policy

The findings have revealed that a third of the respondents (32.69%) disagreed/strongly disagree with regards to the statement that any information can be disclosed to the public by using the information disclosure policy (Figure 4.23). Although this revealed that there were some challenges within the eThekwini Municipality regarding transparency but it was worth noting that the majority (59.62%) agree/strongly agree that any information can be disclosed to the public by using the information disclosure policy. The results show that transparency was not a major problem within the Municipality.
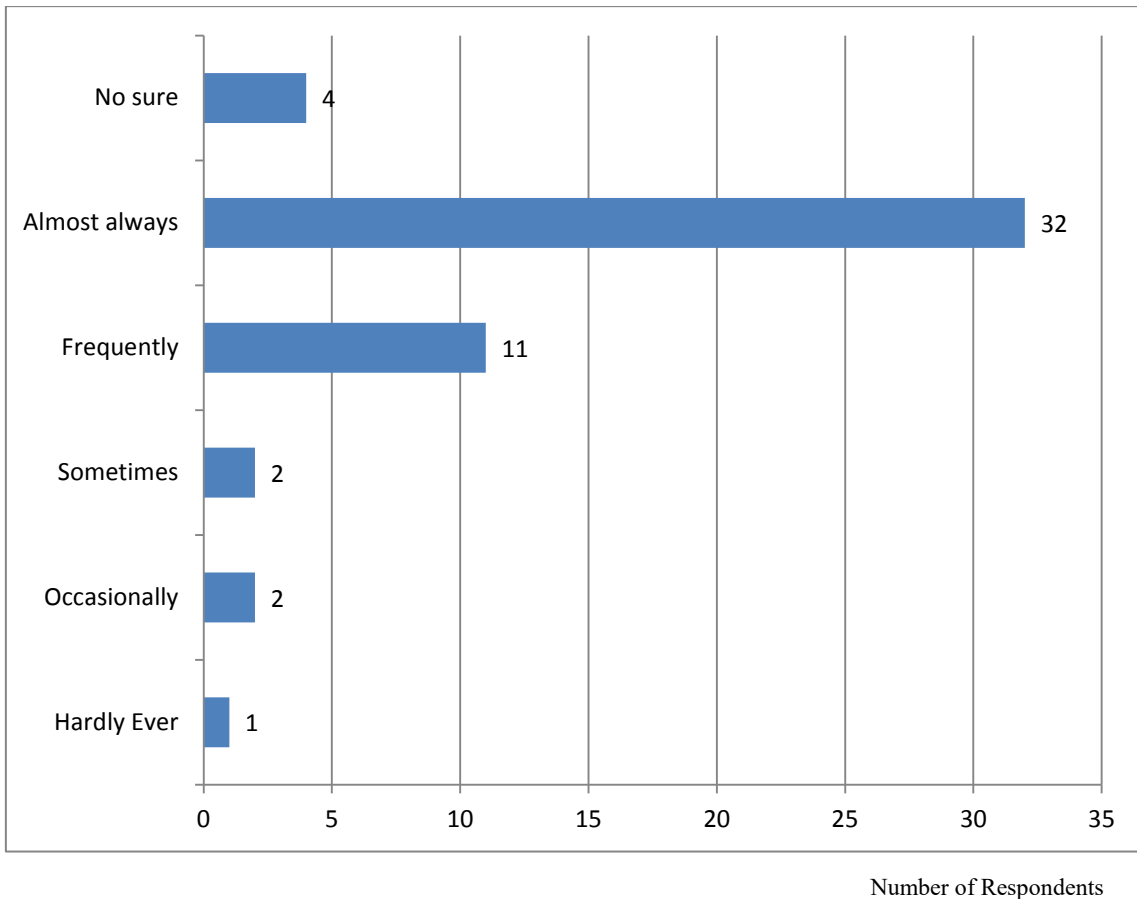
Figure 4.24: Agenda items are provided to the executive members in advance of the executive meetings

The majority of the respondents (83%) reported that frequently or almost always that agenda items are provided to the executive members in advance of the executive meetings (Figure 4.24). The results were favorable because it meant executive members were given enough time to prepare for meetings.

Y (Number of Respondents)
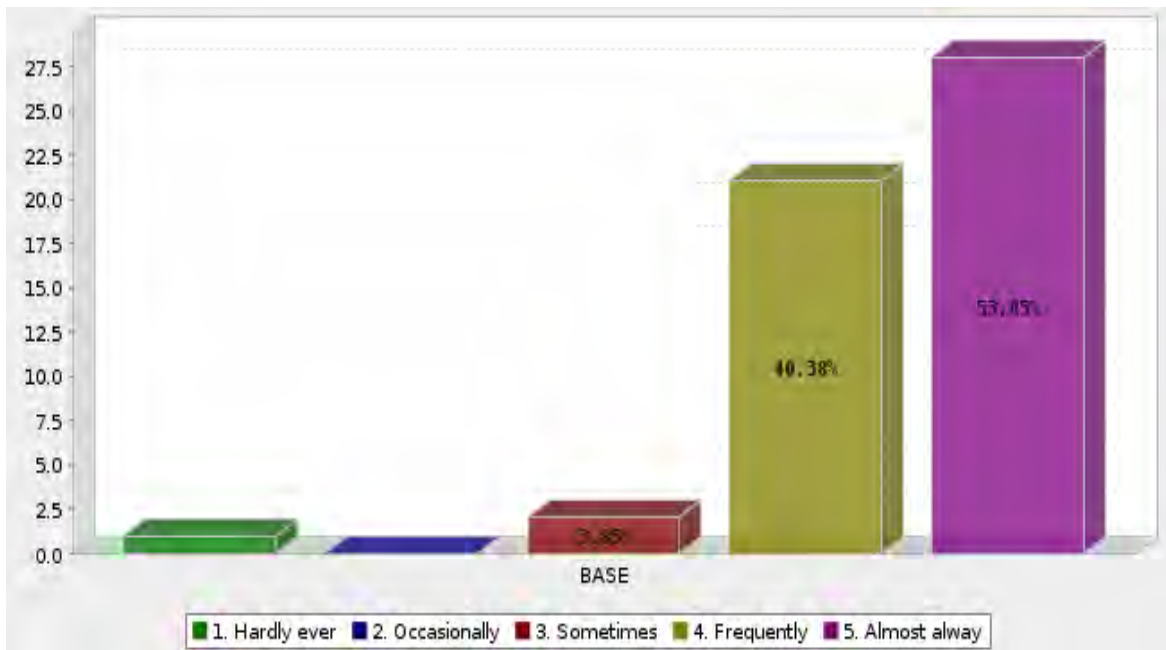
Figure 4.25: The minutes of the previous meeting are approved at the following meeting

With regards to the minutes of the previous meeting being approved at the following meeting, 53.85% of the respondents reported almost always, while 40.38% indicated frequently (Figure 4.25). The findings are indicative that the executive committee members are kept informed about the happenings at the municipality and that means they should able to make informed decisions based on facts that arise out of the meetings.

Y (Number of Respondents)
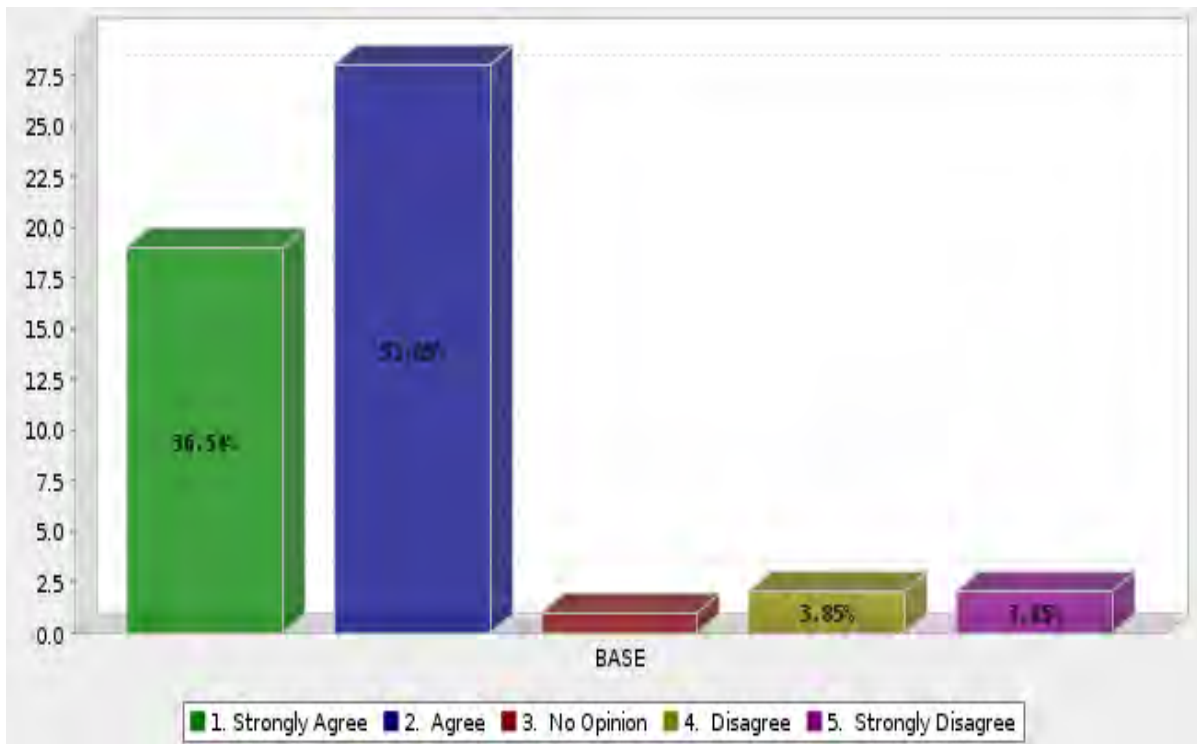
Figure 4.26: The responsibility for action is clearly indicated in the minutes

The majority of respondents agrees/strongly agree (90.39%) that the responsibility for action is clearly indicated in the minutes (Figure 4.26). This should allow all relevant stakeholders within the municipality to understand or know what is expected of them.

Y (Number of Respondents)
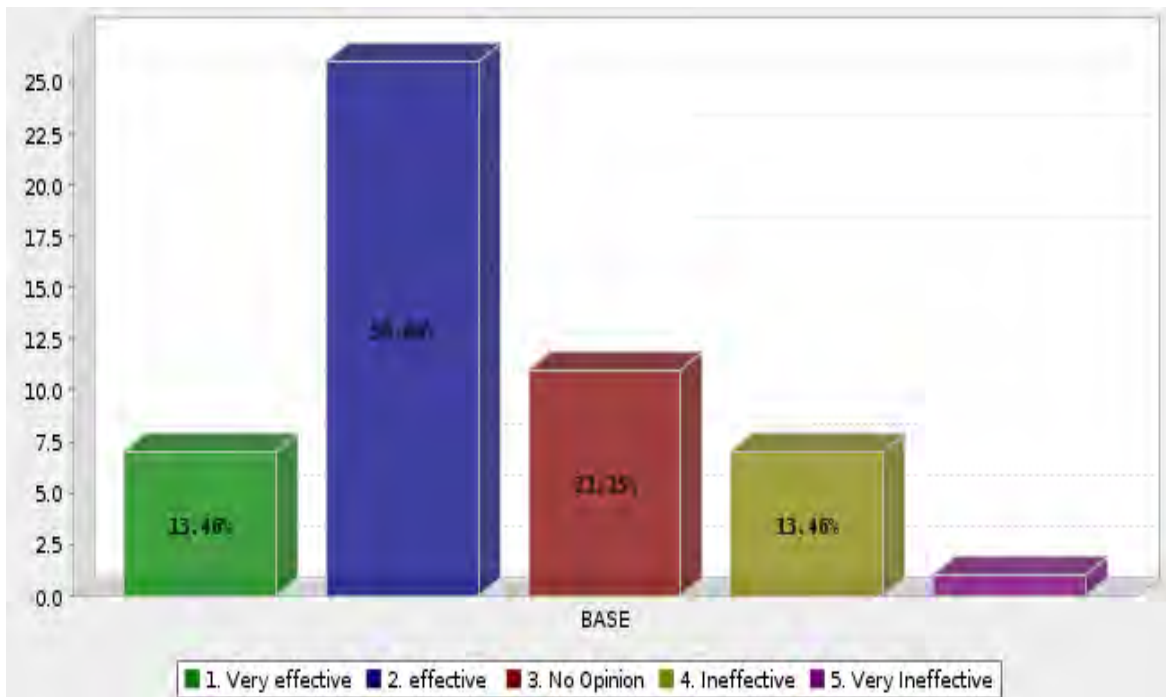
Figure 4.27: Effectiveness of the current framework of rules and practices that council uses to ensure accountability, transparency and good governance

It was found that 13.46% of the respondents highlighted that the current framework of rules and practices that the council uses to ensure accountability, transparency and good governance are ineffective, which was equal to those saying it was very effective (Figure 4.27). Concern is noted that a further 21.15% of the respondents did not have an opinion of the above statement, however, 50% of the respondents did indicate that the current framework of rules and practices that council uses to ensure accountability, transparency and good governance are effective. Accountability becomes the key to the foundation of good governance. It was therefore good to note that 63.46% of the responded by saying it was effective/very effective.

Y (Number of Respondents)
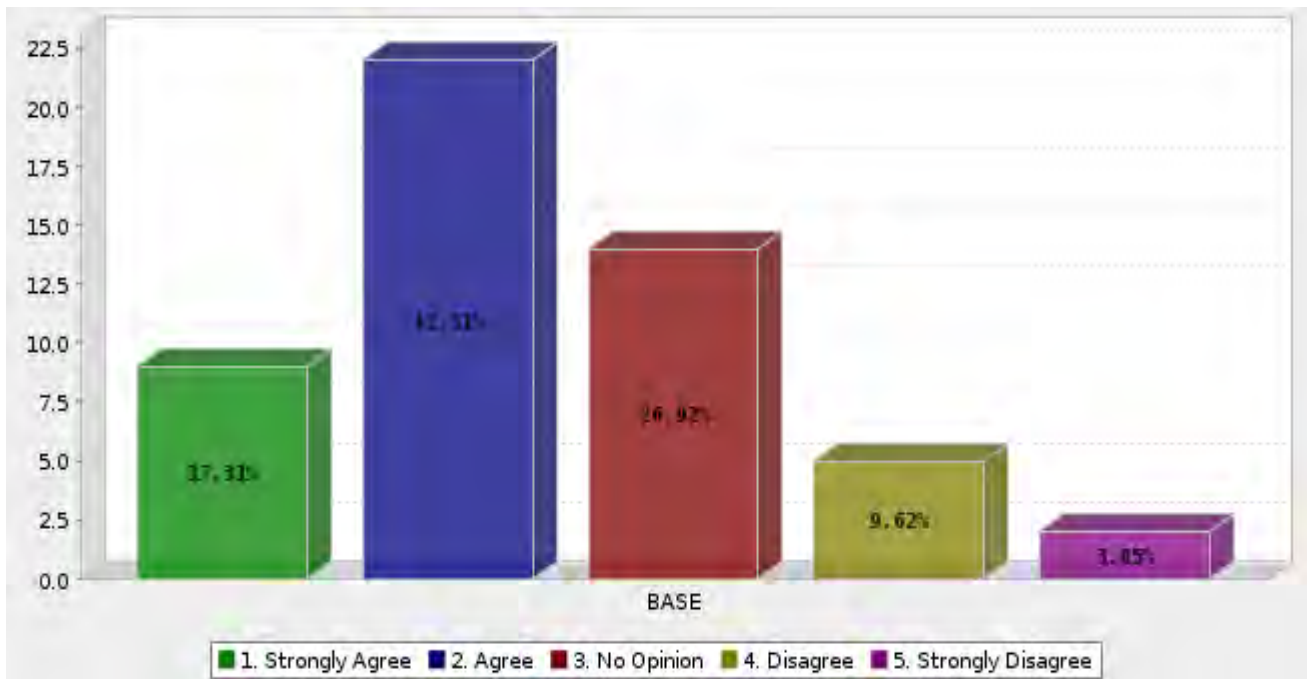
Figure 4.28: Political oversight committees perform their responsibilities

Figure 4.28 show that more than half of the respondents strongly agree/agree (59.62%) positively reported that political oversight committees perform their responsibilities. It was noted that 26.92% of respondents have no opinion which might mean they are not aware about the role of oversight committees and its function. Very few respondents (13.47%) disagree/strongly disagree with the statement that political oversight committees perform their responsibilities.

Y (Number of Respondents)
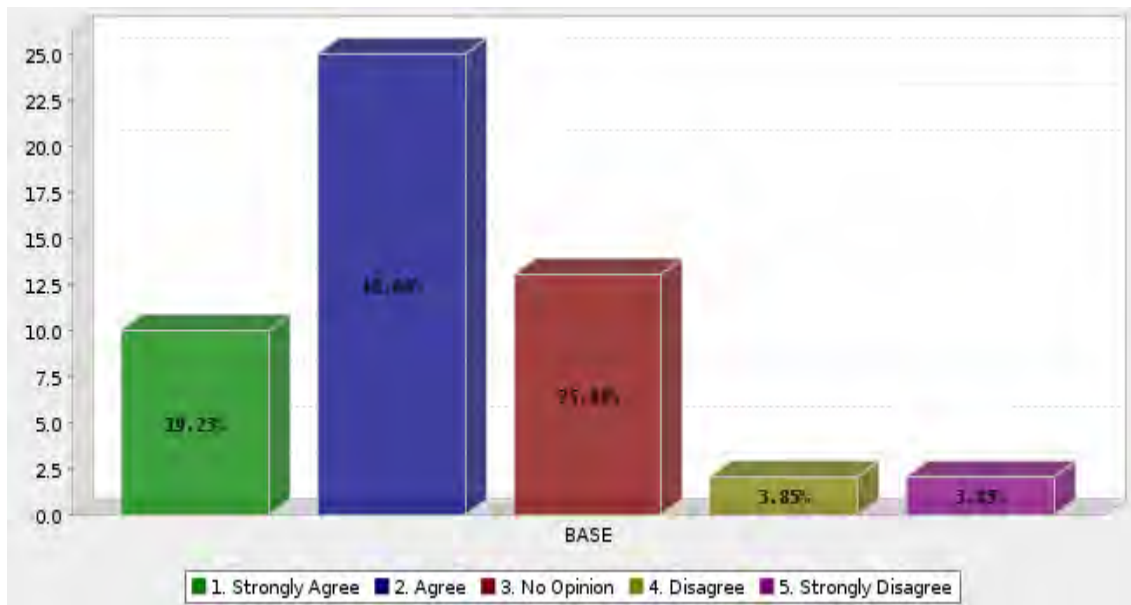
Figure 4.29: The council conforms to King III integrated reporting standard

When asked about conforming to the King III integration, two-thirds of the participants (67.31%) answered positively with strongly agree/agree (Figure 4.29). It was also noted that 25% of respondents had no opinion, which might mean that they are not sure whether the council conforms to the King III integrated reporting standards or not.
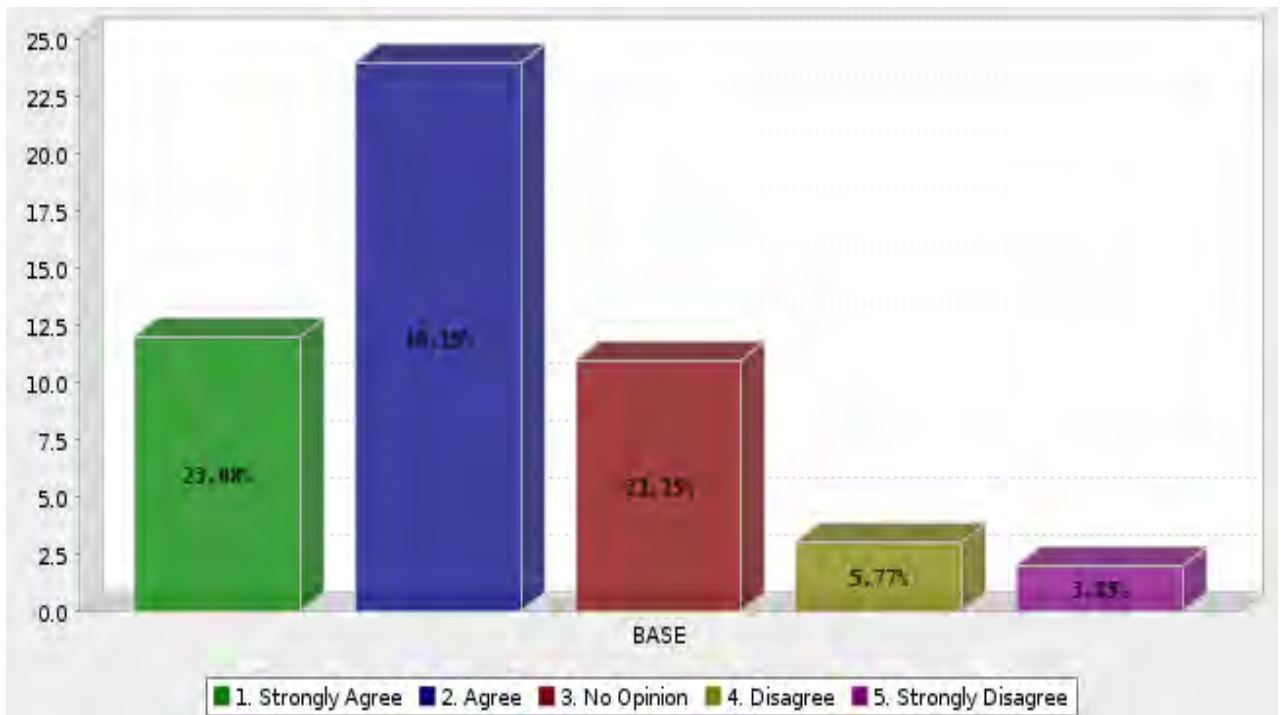
Figure 4.30: The political interference compromise ethical conduct of senior council officials

Figure 4.30 shows that more than two-thirds of the respondents (69%) agreed or strongly agreed to the statement that the political interference compromise the ethical conduct of senior council officials. It was also noted that 21.15% of the respondents had no opinion, which might mean that those who are not working directly with politicians or are not really sure if the politicians do compromise their ethical conduct of senior council officials. Only 9.62% disagree/strongly disagree which means that they are working with politicians but do not believe that ethical conduct can be compromised by political interference.

4.4 Summary

This chapter deals mainly with study survey conducted for the purpose of this research. The questionnaire had 30 items, 24 questions and demographic variables. Cronbach Alpha was used to estimate the proportion of variance that was systematic or consistent in a set of test scores. The reliability analysis showed that the data was reliable as the Cronbach's Alpha value was 0.732, meaning that the test was 73.2% reliable.

The first 6 items from the questionnaire were only based on demographics of the sample. The results showed that 17.31% of respondents are above the age of 57 years which means that they are close to retirement age while there were no respondents between the ages of 18 to 25 years. There is also a big gap between male (67.31%) and female (33.69%) in terms of gender balance within the municipality decision makers. The education level was not a problem since the majority of respondents had a bachelor or higher level of education than a bachelor's degree (94.23%).

The first four questions of the survey dealt with roles and responsibilities of executive committee and top management. The responses are positive in a way that it shows they are clear and understood. The audit committee is one of the important oversight committees as it keeps updating stakeholders of the possible risks and areas of improvement. In addition all respondents (100%) confirmed that it does exist in eThekwini Municipality. The survey also revealed that eThekwini Municipality makes use of external and internal audits and reports are tabled before the executive committee.

It also became clear from this survey that the executive committee was able to hold meetings frequently with 80.77% of respondents indicating accordingly. The more executive meetings are convened, the more it will be able to play its oversight role and hold officials accountable. Transparency is the key to corporate governance. It was noted that a third of the respondents (32.69%) indicated that eThekwini Municipality's communication and sharing of information with the public was average while it was noted that 51.92% stated that it was good/very good.

While there can be different views over transparency, the results show that transparency is not a major problem within the Municipality as 59.62% of the respondents agreed/strongly agreed that any information can be disclosed to the public by using the information disclosure policy.

The survey also reveals that more than two-thirds of the respondents (69%) agreed or strongly agreed to the statement that the political interference compromise the ethical conduct of senior council officials. This has been identified as a biggest issue facing eThekwini Municipality and recommendations on how council can resolve the problem are made in the next chapter. The next chapter also brings the study to a conclusion.

CHAPTER FIVE: RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

This chapter brings this study to a conclusion. The collected data during a survey is summarised and presented below. Recommendations are suggested in order to improve the current problem that is experienced with the continuous failure of eThekwini Municipality in order to obtain a clean audit opinion from the Auditor General. Recommendations for further research are also presented in this chapter.

5.2 Has the problem been solved

The findings have revealed that the problem has been solved. The main objective for this study was to identify gaps and challenges within the institution that hinder progress and result in the council's failure to obtain a clean audit. The study was able to identify one possible gap and a challenge that hinder eThekwini Municipality from obtaining clean audit w. The challenge was clearly around ethics as far as principles of corporate governance.

The survey revealed that more than two-thirds of the respondents (69%) agreed or strongly agreed to the statement that the political interference compromise the ethical conduct of senior council officials. The researcher was able to identify political interference as the biggest issue facing eThekwini Municipality based on this finding. There was some consistency in almost all questions and this shows that many key areas of corporate governance have been addressed by eThekwini Municipality. Starting from qualifications and experience the results showed that the majority of top management had a bachelor or higher level of education than a bachelor's degree (94.23%). With such high levels of education, one would expect high levels of responsibility which is one the principles of corporate governance.

The experience add value with the majority within the sample having saved more than 5 years and only 15.38% have been with eThekwini Municipality for less than 5 years. Keeping employees in the system assist by creating a long term value, looking towards the future and being able to have sustainable growth. The other important foundations (principles of corporate governance) are accountability and transparency as discussed in detail in the literature review of Chapter 2.

The study was able to reveal that there's some level of accountability and transparency within the institution (eThekwini Municipality). It revealed than two-thirds of the participants (71%) mentioned that the members of the executive committee understand their responsibilities and that 73% positively highlighted that executive committee members and top management responsibilities are clearly set out in writing.

The survey also revealed that eThekwini Municipalities decisions and actions are open to scrutiny since the municipality makes use of external and internal audits and reports are tabled before executive committee for accountability. There was no gap or challenge when it came to the question on the audit committee as 100% of respondents confirmed that it does exist.

The lack of transparency in most organisations becomes the problem as far as corporate governance is concerned. However, the results show that transparency is not the major challenge in eThekwini Municipality. It was noted that only a third of the respondents (32.69%) indicated that eThekwini Municipality's communication and sharing of information with the public was average while it was noted that 51.92% of the respondents stated that it was good/very good. The results further reveal that 59.62 % of the respondents agreed/strongly agreed that any information can be disclosed to the public by using the information disclosure policy.

5.3 Implications of this research

While many scholars have written and discussed corporate governance, very few have focused on corporate governance within the public sector.

A search of literature revealed that it was difficult to find authors who defined or explained corporate governance from a government perspective. However, most cases on corporate governance were writing about the private sector. The study of corporate governance in eThekwini Municipality is the first of its kind and this study will be used for future references in scholarship.

The primary findings indicate the challenge of political interference with administrations and this enables all relevant stakeholders to revisit the issue of separation of powers. Any stakeholder concern will be able to use the results/recommendation and apply them in practice. In this case, the study shows that eThekwini Municipality should enforce or review its policy regarding separation of powers between the municipality as local government sphere and political party. It highlights the importance of fairness and equitable treatment of all stakeholders and more also because equitable treatment is one of the principles of corporate governance. The study will assist both officials and politicians to understand that the main challenge within eThekwini Municipality is around ethical conduct.

5.4 Recommendations

After the analysis of the findings of this study, the following recommendations are suggested in order to solve the research problem:

- As stated in chapter 1 under the problem statement, the auditor general mentioned that reasonable steps were not taken to prevent irregular expenditure as required by section 62(1)(d) of the MFMA. It is recommended that the eThekwini Municipality attempts to address the issue of political interference that compromise ethical conduct of senior council officials that are expected to make decisions.
- The audit report also mentioned the issue of tender awards continuously made to providers who are persons in the service of the municipality in contravention of section 112(j) of the MFMA and MSCMR 44. This also talks to the ethical dilemma within eThekwini Municipality.

It is recommended that the eThekwini Municipality attempts to obtain a system that can verify directors of companies using ID numbers with any possible relationship with council employees.

- Any person found guilty of contravening section 112(j) will be fired from the eThekwini Municipality and the company involved should be blacklisted from doing business with the municipality or government institutions elsewhere.

- It is recommended that every municipal document or information be made accessible by members of the public unless it is critical to keep it confidential.

- All municipal tenders should be made public and processes must be transparent. Although the study shows that eThekwini Municipality has some level of transparency but few still view it as average. Transparency on procurement processes will ensure responsibility and accountability and address ethical issues and irregular expenditure identified as indicated by the auditor general in various repeated reports.

- It is recommended that progress on identified risks by audit reports be discussed by the executive committee at least once a month and a workshop should be arranged for all politicians. The workshop should able to emphasise what councillors can do and what they cannot do in order to avoid them from compromising officials.

- It is recommended that the eThekwini Municipality develop a framework that protects senior officials from being abused by politicians who are driven by unethical conducts.

5.5 Recommendations for future studies

The following recommendations that could make for future research are presented below:

- The study focussed on principles of corporate governance and the research clearly shows that ethics is a major problem. It is highly recommended that the future research focuses on the ethical dilemma in the eThekwini Municipality and separation of powers between the political party and the state institution.

- The current study methodology used was only the quantitative method and it is important to give participants an opportunity to explain their views and beliefs on certain study questions. The qualitative method can be used in order to obtain an in-depth understanding on a study of this nature. It would have helped in understanding views of those saying no opinion or average when responding to some questions.
- The study looked at population and sample with only decision makers, executive committee members and senior officials. A truly representative sample would sample even those affected by decisions or customers in this case (ratepayers and eThekwini residents).

. Future research should also be considered from the following areas of study:

- Appointment of executive committee members;
- Skills and qualifications audit of eThekwini officials;
- Impact of politically deployed officials;
- Lack of political will to address irregularities; and
- The relationship between getting the clean audit and budget spending towards service delivery.

5.6 Summary

The main objective of this study was to establish reasons, gaps and challenges that cause the eThekwini Municipality to continuously fail to obtain a clean audit. The study therefore reveals that the eThekwini Municipality conforms to most principles of corporate governance and there was a high level of consistency from responses. The reliability analysis showed that the data was reliable as the Cronbach's Alpha value was 0.732, meaning that the test was 73.2% reliable.

The study however reveals that ethics as one of the principles of corporate governance is a major challenge. The survey revealed that more than two-thirds of the respondents (69%) agreed or strongly agreed to the statement that the political interference compromise the ethical conduct of senior council officials.

This clearly means eThekwini Municipality needs to look closely on a relationship between politicians and senior officials. It is also recommended that future studies need to be conducted specifically to look into this issue and with possible solutions to address it. One of the objectives of this research was to measure the extent to which political interference affect service delivery and ethical conduct of senior employees. This study shows that this was a challenge and an actual gap that lead to eThekwini Municipalities failure to obtain a clean audit.

This study was broad since it had to look at all six principles of corporate governance namely: accountability, responsibility, transparency, vision to create long term value, equitable treatment and lastly ethics. However now that the research conducted shows that ethics was singled out as a reason that create gaps and challenges that hinder eThekwini Municipality from getting a clean audit's study on ethical dilemma would be recommended in future studies.

The study was able to prove without reasonable doubt that eThekwini Municipality have frameworks of rules and practices that can be used to ensure transparency, accountability and good governance. While this looks positive from the results of this survey, it is also worth to note that there's still a room for improvement since some small fraction from the sample had no opinion and some responded with 'average'. Since the frameworks and rules are in place eThekwini Municipality need to address issues or areas of concern that always get highlighted by the auditor general. The matter of accountability should be able to address the continuous material under spending of conditional grant and capital budget as those responsible should be held accountable.

Transparency does not seem to be the issue based on the study results. This means that it can be used to address the concern around ethics. eThekwini Municipality should try in all cases to be transparent when it comes to tender awards and the entire supply chain processes, as stated in Chapter 1 (research objectives). The contravention of supply chain processes has been one of the major concerns raised in audit reports.

The fact that oversight committees like the audit committee does exist and produce reports based on study findings it would be recommended that they look closely on the issue of irregular expenditure. It was mentioned as an issue that was raised by the previous audit reports and warrant attention as it was likely caused by political interference on senior council employees. The study revealed that stakeholders within the eThekwini Municipality clearly understand their roles and responsibilities.

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Annexure A: Permission to conduct the study

OFFICE OF THE CITY MANAGER

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Dr Pixley KaSeme Street, Durban, 4001
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09 March 2015

To whom it may concern

REQUEST FOR PERMISSION TO CONDUCT RESEARCH IN SCHOOLS

Zwakele Mncwango, an MBA student at the University of Kwazulu Natal in Durban has been granted permission to do research for his Master's dissertation on *Corporate Governance in EThekwini Municipality*. This project will be conducted under the supervision of Dr Abdul Kader.

Consent to conduct the study within eThekwini Municipality and able to do interviews with relevant council officials has been granted.

Yours sincerely,

Mr Sbusiso Sithole
CITY MANAGER
EThekwini Municipality

Annexure B: Questionnaire

12/15/2015 Corporate Governance In Ethekwini Munipality | Online Survey Software

http://www.questionpro.com/a/loadResponse.do?editMode=true&print=true 1/6

Questions marked with an * are required

Hello:

You are being invited to consider participating in a study that involves research Corporate Government in EThekwini Municipality. Theresearch will look deeply at critical information about system of rules and processes that exist within eThekwini Municipality which are used to direct and control the institution. The study will make recommendations on policy frameworks and practices that need major focus and implementation in order for the council to achieve clean audit opinion.

The study is expected to enroll 80 Participants (Executive Committee Members and Senior Managers) ,This is an online survey and I guarantee that your responses will not be identified with you personally. Your participation is voluntary and there is no penalty if you do not participate in the study. The questionnaire will take approximate 8 minutes to complete. This survey is anonymous. The record of your survey responses does not contain any identifying information about you.. If you used an identifying token to access this survey, please rest assured that this token will not be stored together with your responses. It is managed in a separate database and will only be updated to indicate whether you did (or did not) complete this survey. There is no way of matching identification tokens with survey responses.

Your information will be coded and will remain confidential. If you have questions at any time about the survey or the procedures, you may contact Zwakele Mncwango at 0828620360 or by email at zwakelem@gmail.com

Thank you very much for your time and support. Please start with the survey now by clicking on the Continue button below.

I Agree

Section A

Age *

18 - 25

26 - 33

34 - 41

42 - 49

50 - 57

> 57

Race *

Black

White

Indian

Coloured

Other

Gender *

Male

Female

Highest Academic Certification / Qualification *

Matric

Diploma

Bachelor's Degree

Honours Degree

Master's Degree

Doctorate

None of the Above

Years of Service *

0 - 5 Years

6 - 10 Years

11 - 15 Years

16 - 20 Years

21 - 25 Years

> 25 Years

Which department / cluster do you work for ?

*

Executive committee member

City Manager

Deputy City Manager

City Treasurers Department

Head of Department within the municipality

Other

Section B

1. Members of the Executive Committee understand their responsibilities *

Strongly Agree

Agree

No opinion/no sure

Disagree

Strongly Disagree

2. Executive Committee members and management staff responsibilities are clearly set out in writing. *

Strongly Agree

Agree

No opinion/ not aware

Disagree

Strongly Disagree

3. I can clearly differentiate between what the Executive Members can do, and what senior Managers and employees of the Municipality

12/15/2015 Corporate Governance In Ethekwini Munipality | Online Survey Software

http://www.questionpro.com/a/loadResponse.do?editMode=true&print=true 3/6

can do *

Strongly Agree

Agree

No opinion/ neutral

Disagree

Strongly Disagree

4. The Executive Committee and the relevant sub-committees have clearly defined roles *

Strongly Agree

Agree

No opinion/ neutral

Disagree

Strongly Disagree

5. Ethekwini Municipality has an Audit committee *

Strongly Agree

Agree

No opinion/ neutral

Disagree

Strongly Disagree

6. Ethekwini Municipality make use of external auditors *

Strongly Agree

Agree

No opinion/ neutral

Disagree

Strongly Disagree

7. There is an independent internal audit function within the Municipality *

Strongly Agree

Agree

No opinion/ neutral

Disagree

Strongly Disagree

8. There are provisions in the Municipalities Articles of Association mandating Rotation of external auditors
*

Strongly Agree

Agree

No opinion/ neutral

Disagree

Strongly Disagree

9. The Audit Committee produce a report on the internal audit function *

Strongly Agree

Agree

No opinion/ neutral

Disagree

Strongly Disagree

10. It is mandatory to prepare an internal audit plan *

Strongly Agree

Agree

No opinion/ neutral

Disagree

Strongly Disagree

11. The internal audit plan get reviewed on an annual basis *

Strongly Agree

Agree

No opinion/ neutral

Disagree

Strongly Disagree

12. The size of the Executive Committee is

0- 5

6- 10

11-15

16 and above

13. What is the composition of the Executive Committee ?

Executive Members only

Senior officials only

Independent individuals only

Executive members and Senior Officials

Anyone can be a member

14. How often are Executive members rotated?

Hardly ever

Occasionally

Sometimes

Frequently

Almost always

15. How often do Executive Committee and sub-committees conduct meetings? *

Hardly ever

Occasionally

Sometimes

Frequently

Almost always

16. EThekwini Municipality's communication and sharing of information with the public is *

Very Poor

Poor

Average

Good

Very Good

17. Any information can be disclosed to the public by using Information disclosure policy *

Strongly Agree

Agree

No Opinion

Disagree

Strongly Disagree

Other

18. Agenda items are provided to the Executive members in advance of the EXCO meetings *

Hardly Ever

Occasionally

Sometimes

Frequently

Almost always

No sure

19. The minutes of the previous meeting are approved at the following meeting *

Hardly ever

Occasionally

Sometimes

Frequently

Almost alway

20. The responsibility for action is clearly indicated in the minutes *

Strongly Agree

Agree

No Opinion

Disagree

Strongly Disagree

12/15/2015 Corporate Governance In Ethekwini Munipality | Online Survey

Software

http://www.questionpro.com/a/loadResponse.do?editMode=true&print=true 6/6

21. The current framework of rules and practices that council use to ensure accountability, transparency and good governance are *

Very effective

effective

No Opinion

Ineffective

Very Ineffective

22. Political oversight committees perform their responsibilities *

Strongly Agree

Agree

No Opinion

Disagree

Strongly Disagree

23. The council conform to King III integrated reporting standard *

Strongly Agree

Agree

No Opinion

Disagree

Strongly Disagree

24. The political interference compromise ethical conduct of senior council officials *

Strongly Agree

Agree

No Opinion

Disagree

Strongly Disagree

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Annexure C: Ethical Clearance

UNIVERSITY OF ™
KWAZULU-NATAL

INYUVESI
YAKWAZULU-NATALI

21 October 2015

Mr Zwakele Maxwell Mncwango (213569761)
Graduate School of Business & Leadership
Westville Campus

Dear Mr Mncwango,

Protocol reference number: HSS/1184/015M
Project title: Corporate Governance in the eThewkini Municipality

Full Approval – Expedited Application

In response to your application received on 19 August 2015, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

....
Dr Shenuka Singh (Chair)

/ms

Supervisor: Dr Abdul Kader
Academic Leader Research: Dr Muhammad Hoque
School Administrator: Ms Zarina Bullyraj

Annexure D: Turnitin Report

Corporate Governance in Ethekwini Municipality   by Zwakele Mncwango   turnitin

From Chapter 1 (Dissertation 2015)

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paper text:

CHAPTER ONE: INTRODUCTION 1.1 Introduction EThekwini Municipality was one the eight metropolitan in South Africa with an annual budget of R39 billion. The size of the budget calls for strong leadership and clear policy frameworks in order to enforce transparency and good governance. According to the previous auditor general's report eThekwini Municipality has been unsuccessful in obtaining a clean audit opinion (AGSA, 2013). A well-coordinated and clear corporate governance can assist the Executive Committee to enforce compliance and accountability. According to the Municipal Finance Management Act (MFMA) the council has the responsibility to perform an oversight over municipal finances and are accountable for any irregular expenditure that occurs (Ha, 2003). The fact that council continuously fails to obtain a clean