

UNIVERSITY OF KWAZULU-NATAL

**THE MANAGERS' PERCEPTIONS OF IRREGULAR EXPENDITURE
IN THE KWAZULU-NATAL MUNICIPALITIES**

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degree
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DECLARATION

I, Amos Zungu, declare that:

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Signed:



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Date: 5 June 2018

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Dr Msizi Mkhize: Supervisor

Date: 11 July 2018

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- I am grateful to all the individuals and managers who participated in the study.

DEDICATION

This research is dedicated to my late mother, Busisiwe Qhoshi Zungu

ABSTRACT

Background: While the Municipal Finance Management Act (MFMA, 2003) requires accounting officers to prevent irregular expenditure, municipalities continue to incur such expenditure.

Aim: This study aimed to determine the managers' perceptions of irregular expenditure in the KwaZulu-Natal municipalities; their perceptions of councillors' oversight of such expenditure, and managers' views on the capacity of Municipal Public Account Committees (MPACs) to fulfil their oversight role.

Setting: The setting for this study is municipalities in KwaZulu-Natal.

Methods: A descriptive and analytical cross-sectional design using systematic sampling was employed. The responses of 52 managers were analysed.

Results: Managers agreed on the need for compliance with procurement processes and proper planning. They also concurred that irregular expenditure negatively impacts social transformation and wealth redistribution. The study respondents were of the view that irregular expenditure occurs due to manipulation and unfair practices, a lack of transparent supply chain management processes and politicians' interests in tenders. In their opinion, councillors fail to investigate liability for irregular expenditure as required by section 32(2) (a) and (b) of the MFMA. They reported that serious cases of irregular expenditure where there were allegations of fraud, theft and corruption had not been investigated. Furthermore, disciplinary proceedings were not instituted against those that did not act in good faith and committed serious financial misconduct that resulted in municipalities incurring financial losses.

Conclusion: Irregular expenditure harms municipalities' image and negatively impacts social transformation. Municipalities, Cooperative Governance and Traditional Affairs (CoGTA) and the South African Local Government Association (SALGA) should invest in capacity building, implement effective fraud prevention plans and enhance the capabilities of those in charge of oversight.

Contribution to the Study: The study makes a practical contribution towards understanding of the incidence of irregular expenditure and how it can be prevented. In addition, the study is the first to be undertaken in South Africa. This will serve as a foundation and source of reference for further studies.

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LIST OF ABBREVIATIONS

ACB: African Continental Bank

AG: Auditor General

ANC: African National Congress

BBBEE: Broad-based Black Economic Empowerment Act

CFO: Chief Financial Officer

CIDB: Construction Industry Development Board Act

GRAP: Standards of Generally Recognised Accounting Practice

ICPC: Independent Corrupt Practices Commission

IFRS: International Financial Reporting Standards.

MFMA: Local government: Municipal Finance Management Act

MFMA: Municipal Finance Management Act

NSPMC: Nigerian Security Printing and Minting Company

OECD: Organization for Economic Co-operation and Development

OGGO: Office of Greening Government Operations (OGGO)

PAJA: Promotion of Administrative Justice Act

PCCA: Prevention and Combating of Corrupt Activities Act

PDP: People's Democratic Party

PPPF: Preferential Procurement Policy Framework Act

RMAFC: Revenue Mobilisation Allocation and Fiscal Commission

SAMWU: South African Municipal Workers' Union

TAM: Turn-Around Maintenance

CHAPTER 1

OVERVIEW OF THE STUDY

1.1. Introduction and background

Section 1 of the Municipal Finance Management Act (MFMA, 2003) defines irregular expenditure as follows:

“Irregular expenditure”, in relation to a municipality, means—

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

A municipality incurs irregular expenditure when a transaction, condition or event linked to a transgression that has financial implications is recognised as expenditure in the Statement of Financial Performance in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) or the International Financial Reporting Standards (IFRS). Should the irregular expenditure relate to expenditure incurred that is not in accordance with the purpose of the main division/vote or results in overspending of the main division/vote, such expenditure is defined as unauthorised expenditure. Such transactions may not be recognised as both irregular expenditure and unauthorised expenditure.

Considering that irregular expenditure is defined as expenditure other than unauthorised expenditure, this means that unauthorised expenditure takes precedence over irregular expenditure.

For the purposes of determining whether irregular expenditure has been incurred, there must first be a transgression of a provision of:

- (a) the MFMA;
- (b) the Treasury Regulations;
- (c) Supply Chain Management (SCM) Policy; or
- (d) any other applicable legislation.

In applying the test to determine whether irregular expenditure has been incurred, any contravention must relate to how the transaction, condition or event was entered into and by whom as opposed to when the transaction, condition or event was entered into. For example, non-compliance with the requirement that an invoice should be paid within 30 days of receipt shall not be regarded as irregular expenditure unless the expenditure itself was incurred in contravention of relevant legislation or was not authorized by a duly delegated official.

Furthermore, in terms of the definition of irregular expenditure, it is clear that expenditure items that qualify as deviations in terms of Section 36 of the MFMA also cannot be classified as irregular expenditure as there is no contravention of legislation, the municipality's SCM policy or Treasury Regulations.

In terms of Section 217 of the Constitution, when government contracts for goods and services it must do so in a manner that is fair, equitable, transparent, competitive and cost-effective. Furthermore, the SCM system should enhance the advancement of persons or categories of persons disadvantaged by past discrimination.

1.1.1. Public procurement legislation in South Africa

- Local government: Municipal Finance Management Act 56 of 2003 (MFMA)
- Preferential Procurement Policy Framework Act 5 of 2000 (PPPF)
- Broad-based Black Economic Empowerment Act 53 of 2003 (BBBEE)
- Construction Industry Development Board Act 38 of 2000 (CIDB)
- Prevention and Combating of Corrupt Activities Act 12 of 2004

- Promotion of Administrative Justice Act 3 of 2000

1.1.2. Non-adherence to procurement legislation as reported by the Auditor General

Section 62 (1) the MFMA requires that the accounting officer of a municipality be responsible for managing the financial administration of the municipality, and take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented and that disciplinary or, when appropriate, criminal proceedings are instituted against any municipal official that has allegedly committed an act of financial misconduct. (MFMA, 2003: 74). According to the Auditor General's report on audit outcomes for local government 2015/16, 90% of occurrences of non-compliance with laws and regulations in municipal financial management are caused by non-compliance with SCM Regulations. Auditor-General Kimi Makwetu added that irregular expenditure is the main cause of non-compliance within SCM. He revealed that irregular expenditure had increased by just over 50% to R16.81 billion (Auditor General Report, 2015/2016). However, in KwaZulu-Natal (KZN), it increased considerably from R1, 6 billion in the 2014/15 financial year to R2, 4 billion in the 2015/16 financial year. Irregular expenditure levels remain high in this province primarily due to non-compliance with SCM Regulations (Auditor General Report, 2015/2016). Five of the 60 KZN municipalities recorded the highest levels of irregular expenditure, namely, uThukela District Municipality (R304 million); uMzinyathi District Municipality (R237 million); uMkhanyakude District Municipality (R272 million); Msunduzi Municipality (R218 million); and eThekweni Metropolitan Municipality (R208 million). The Auditor General highlighted that eThekweni Metro regressed from a clean audit to an unqualified audit opinion with findings on compliance as its routine monitoring of procurement processes was not sufficient to prevent repeat instances of irregular expenditure (Auditor General Report, 2015/2016). The researcher is attached to the Auditing Institution, and developed a keen interest in investigating managers' perceptions of irregular expenditure in KZN municipalities.

The transgressions listed above represent non-compliance with the laws and regulations governing financial management in the public sector, and are referred to as irregular expenditure. This study aimed to determine managers' perceptions of irregular expenditure within KZN municipalities. It focuses on general perceptions of irregular expenditure by managers and their views on whether councillors and Municipal Public Account Committees

(MPACs) fulfil their oversight responsibilities with regard to irregular expenditure as required by law.

At the time the study was conducted, the KZN province consisted of 60 municipalities and a sample of 52 managers participated in the survey. The results are summarised below.

1.2. Research problem

Some accounting officers in KZN municipalities do not implement internal controls to prevent irregular expenditure as required by Section 62 (1) of the MFMA.

According to Auditor General's report for 2013-14, the audit results pertaining to SCM regressed. The main reasons were that SCM policies were not properly reviewed and implemented, and timeous action was not taken to address the risks identified and the findings reported. The increase in such findings to 86% compared to 76% in the 2012/13 financial year can be attributed to municipalities not complying with SCM prescripts. This was the key contributor to irregular expenditure of R2,31 billion (2012-13: R1,78 billion) incurred in KZN.

According to 2014-15 Auditor General's report, a gradual improvement in SCM status was noted as 30 municipalities (49%) had material SCM findings in 2014-15 compared to 37 (61%) in 2010-11. Non-compliance with SCM regulations arising from unfair and uncompetitive procurement processes was the main contributor to the high levels of irregular expenditure. Irregular expenditure declined by 26% over a period of five years from R2,12 billion in 2010-11 to R1,57 billion in 2014-15. eThekweni Metropolitan Municipality, which contributed 62% of the irregular expenditure for 2010-11, has made great strides in this regard, reducing such expenditure by 84% from R1,32 billion in 2010-11 to R212 million in 2014-15. This was achieved by restructuring its SCM unit, strengthening internal controls to prevent and detect non-compliance, increased internal audit coverage and improvements in monitoring and oversight of the awarding of contracts. In contrast, the combined irregular expenditure of the Umzinyathi, Uthukela and Umkhanyakude district municipalities increased significantly from R51 million in 2010-11 to R796 million in 2014-15 due to failure to swiftly rectify gaps in the procurement process. The report applauds the six KZN municipalities (Uthungulu district, Ezingoleni, Imbabazane, Msinga, Umhlathuze and Umzumbe) that did not incur any irregular expenditure in 2014-15.

According to KZN MEC for Co-operative Governance and Traditional Affairs (CoGTA), Honourable Nomusa Dube's report on 2015/16 Local Government Outcomes, irregular expenditure incurred in 2015/16 amounted to R2.385 billion, a 23% increase on the previous year's R1.836 billion. The closing balance for irregular expenditure increased by 13% during the same period and the number of municipalities that incurred such expenditure increased from 45 to 53. The Auditor General's analysis of irregular expenditure reveals that it is primarily due to non-compliance with and contravention of SCM regulations. This calls for municipalities to focus on this aspect of their operations as they progress towards clean audit and improving municipal governance. CoGTA is in the process of training MPACs to enable these oversight bodies to play an active role in minimising and eventually eradicating irregular expenditure (Report on 2015/16 Local Government Outcomes by COGTA MEC) (Table 1).

Table 1.1: An analysis of KwaZulu-Natal municipalities' irregular expenditure

| Year end | R |
|-----------------|--------------|
| 2015/2016 | 2.39 billion |
| 2014/2015 | 1.57 billion |
| 2013/2014 | 2.31 billion |
| 2012/2013 | 1.78 billion |
| 2011/2012 | 1.56 billion |

Source: Auditor General's General Report (2015/16; 2014/15; 2013/14; 2012/13; 2011/12)

The Auditor General's report on local government audit outcomes for 2015-16 cited the following categories of non-compliance with SCM by KZN municipalities: Procurement without competitive bidding or quotation process, Non-compliance with procurement process requirements, and Non-compliance with legislation on contract management.

1.3. Rationale for the Study

The study's findings will offer valuable insights to KZN municipal councils; MPACs, the KZN Provincial Treasury (PT), KZN CoGTA (KZNCOGTA), SALGA, Audit Committees and Municipal Managers.

1.4. Research objective

The primary objective of the study is to determine the managers' perceptions of irregular expenditure in the KZN municipalities.

The secondary objectives are:

- To determine the managers' perceptions of irregular expenditure in the KZN municipalities.
- To determine the managers' perceptions of councilors' oversight responsibility with regard to irregular expenditure.
- To determine the managers' perceptions of MPACs' oversight responsibility with regard to irregular expenditure.

1.5. Research questions

- What are the managers' perceptions of irregular expenditure in the KZN municipalities?
- What are the managers' perceptions of councilors' oversight responsibility with regard to irregular expenditure?
- What are the managers' perceptions of MPACs' oversight responsibility with regard to irregular expenditure?

These questions will be answered in two ways, firstly by examining irregular expenditure and secondly by looking at groupings to determine differences.

1.6 Research hypotheses

Hypothesis 1:

H_0^1 : *There are no significant gender differences in relation to views and perceptions of issues on irregular expenditure.*

Hypothesis 2:

H_0^2 : *There are no significant differences between races in relation to views and perceptions on issues relating to irregular expenditure*

Hypothesis 3:

H_0^3 : *There are no significant differences between age groups in relation to views and perceptions on issues relating to irregular expenditure*

Hypothesis 4:

H_0^4 : *There are no significant differences between job levels in relation to views and perceptions on issues relating to irregular expenditure*

Hypothesis 5:

H_0^5 : *There are no significant differences between experience in management position groups in relation to views and perceptions on issues relating to irregular expenditure*

Hypothesis 6:

H_0^6 : *There are no significant differences between departments in relation to views and perceptions on issues relating to irregular expenditure*

1.7 Summary of chapters

The study is divided into the following chapters:

Chapter 1: Introduction and background

This chapter presents the background of the study, the statement of the research problem, significance of study, research objectives and questions, and outline of the chapters.

Chapter 2: Literature review

This chapter presents the literature review on procurement compliance and related supply chain management fraud and corruption. It presents the international, national and provincial perspectives.

Chapter 3: Research Methodology

This chapter outlines the research strategies adopted and the steps followed to gather accurate data that could be easily interpreted for this study. It highlights the research questions, information on the participants, the research instruments, data analysis, sampling and the sampling method, ethical considerations and the return of the questionnaire.

Chapter 4: Analysis and Discussion of Research Results

This chapter presents the empirical results of the quantitative data analysis. The study aimed to determine managers' perceptions of irregular expenditure in KZN municipalities. Its objectives were, firstly, to determine managers' views on irregular expenditure and secondly, to ascertain

whether their perceptions are determined by their characteristics. The chapter begins with the results of the internal consistency reliability tests followed by a description of the sample. It then addresses the validity of the instrument using exploratory factor analysis. Independent t-tests and ANOVA are used to determine whether the managers' socio-demographic status determines their perceptions. The relationship between the constructs is then assessed using the Pearson correlation coefficient. The chapter concludes with a brief summary of the results.

Chapter 5: Conclusions and Recommendations

This chapter draws conclusions and also makes recommendations

1.8 Conclusion

This chapter has clearly outlined the background to the study, the research problem, the purpose of study, and limitations to the study as well as the outline of the study.

The next chapter presents an extensive literature review on public procurement and irregular expenditure.

CHAPTER 2

LITERATURE REVIEW

2.1. INTRODUCTION

This chapter presents the literature review on procurement compliance and related supply chain management fraud and corruption. It presents the international, national and provincial perspectives as well as conclusion for each perspective.

2.2. INTERNATIONAL STUDIES ON PROCUREMENT AND NON-COMPLIANCE WITH PUBLIC PROCUREMENT LEGISLATION

Public procurement refers to “the acquisition of goods and services by government or public sector organizations” (Uyarra & Flanagan, 2010) and is one of government’s key economic activities (Thai, 2001). Despite its long history and significant scale, public procurement has only recently been the subject of considerable academic research (Trionfetti, 2000; Brulhart & Trionfetti, 2004). In terms of scale, recent estimates suggest that between 8 and 25% of the Gross Domestic Product (GDP) of Organisation for Economic Co-operation and Development (OECD) countries and 16% of those in the European Union (EU) is attributable to government purchases of goods or services (Afonso, Schuknecht & Tanzi, 2005; OECD, 2009).

2.2.1. The role of public procurement in fulfilling government’s socio-economic objectives

Government at all levels is facing increased scrutiny which, according to Cogburn (2003), is warranted and its performance has been identified as a prime area for reform (Gore, 1993). Public sector procurement professionals are expected to focus on the strategic aspects of procurement and less on routine transactions. Through public procurement, federal, state and local government use taxes and other sources of revenue to purchase goods, ostensibly for the public good.

When one considers that government purchases account for more than 20% of GDP in the US (Carter & Grimm, 2001), the importance and potential impact of public sector procurement professionals is obvious. Given that they control the disbursement of a significant proportion of annual government spend, their activities should be closely examined. A survey by the Oregon Public Purchasing Association (OPPA, 1997) found that nearly 40% of purchasing practitioners within government ranks did not possess college degrees. While the statistics on procurement officers and managers holding degrees tend to be higher, a recent study noted that, 12% of those in managerial ranks held only a high school diploma (Johnson, Leenders & McCue, 2003). Moreover, the Federal Acquisition Institute indicated that, in 2002, only 64% of internal appointments within the Federal government were college graduates (FAI, 2003a; 2003b).

In light of on-going environmental degradation, climate change, resource depletion, and persistent global poverty, the supply management profession is increasingly called upon to contribute to the broader organizational goal of sustainable development by including social and environmental criteria in procurement processes (Srivastava, 2007; Preuss, 2009).

Furthermore, given the scale and importance of public procurement and its capacity to directly and indirectly deliver social benefits by influencing private sector organizations' activities, it is important to examine how effective policy initiatives have been in encouraging public organizations to adopt sustainable procurement (SP) practices (McCrudden, 2004; Weiss & Thurbon, 2006).

2.2.2. Sustainable procurement

Sustainable procurement is defined by the United Kingdom (UK) SP Task Force (DEFRA, 2006: 108) as “a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment”. It embodies concern for the social, environmental and economic aspects of procurement decisions by government or public sector bodies (Preuss, 2009; Walker & Brammer, 2009).

2.2.3. Sustainable procurement policy frameworks around the world

The policy context of public procurement in the UK is based on a set of guiding principles, including transparency, competitiveness, accountability, efficiency, legality, and integrity, with the ultimate aim of supporting “best value for money” (HM Treasury, 2000).

Public procurement in the European Union (EU) is guided by national policy frameworks, coupled with an overarching European Union (EU) policy framework that is designed to open up the EU’s public procurement market to competition, outlawing “buy national” policies and promoting the free movement of goods and services. A study on national action plans for green or sustainable procurement in the EU (Steurer, Berger, Konrad & Martinuzzi, 2007) found that only a third of the 27 member states had adopted an SP action plan by April 2007, with a further five countries having a draft policy. Countries with relatively well-developed plans included The Netherlands, Denmark, and the UK, while those in the early stages of developing national action plans included Germany, Greece, the Slovak Republic, and Malta. In the EU, SP policy focuses on environmental rather than social issues. For example, in Italy, 30% of goods purchased by the public sector must comply with ecological criteria. Denmark, France, The Netherlands, and the UK have specific public procurement policies for wood and paper products, and Belgium has launched an initiative to ensure that 50% of government vehicles comply with specific environmental criteria.

Alongside environmental purchasing, SP policy frameworks in the US focus on avoiding discrimination and providing equal opportunities, in line with the constitution (McCrudden, 2004). Federal policies promote procurement from women and minority owned businesses as well as indigenous peoples. Non-discrimination also shaped US policies with regard to procurement from other countries and it placed pressure on the UK Government to stop religious discrimination in Northern Ireland, and on the former South African regime to end apartheid (McCrudden, 2004).

Like in Europe, Canada’s federal procurement policies are concerned with economic considerations, including promoting competition and value for money. However, they also seek to promote non-discrimination and provide opportunities to Aboriginal businesses. The Canadian federal government established the Office of Greening Government Operations (OGGO) in 2005, which developed its Policy on Green Procurement in 2006. The policy

requires all government bodies to set green procurement targets and all personnel responsible for procurement is trained in green procurement. Purchasers are provided with a decision making toolkit and a checklist is available on the OGGO's website to encourage them to consider sustainability.

Japan adopted a law in 2001 that compels all government bodies to develop and implement a green purchasing policy (European Coalition for Corporate Justice, 2007). In the democratic South Africa, public procurement is regarded an important policy lever. The black economic empowerment initiative encourages the public sector to buy from black-owned businesses in order to redress apartheid discrimination (Department of Trade and Industry South Africa, 2003). In Australia, local businesses are supported by state-based schemes such as "Buy Queensland" and an SP framework was developed to assist buyers.

2.2.4. Conclusion

Governments around the world have sought to promote sustainable development by leveraging their influence as major procurers of good and services. Leadership is of crucial importance. If government policy and legislation is supportive of SP, senior managers will incorporate it into planning, strategies and goal setting and the purchasing team will follow suit. However, financial considerations remain the most significant barrier to SP, with public sector procurer's resistant to pay more to buy sustainably. While the environmental aspects of SP are relatively well-established across regions, there are variations in other aspects of SP such as buying from diverse suppliers, supporting human rights and ensuring safe practices in the supply chain. Policy makers need to be mindful of the emphasis they place on the various aspects of SP, as different interpretations are apparent in different countries, and there is no single, correct way to approach this issue. Finally, sustainability practices are undergoing constant change and sharing learning across regions will benefit all.

2.3. FRAUD AND CORRUPTION IN INTERNATIONAL PUBLIC PROCUREMENT

What constitutes corrupt behaviour? the most prominent definitions share a common emphasis on the abuse of public power or position for personal advantage. A dictionary definition of the phenomenon refers to it as "an impairment of virtue and moral principles" Lewis (2006).

According to Heidenheimer and Johnston (1993), political corruption can be broadly understood as unethical behaviour, which violates the norms of the system of political order. Political corruption can be for private and group enrichment and for power preservation purposes. Often, these two forms of political corruption are connected. In fact, some of the larger and more serious political corruption scandals include both processes. Political corruption usually encompasses abuses by government officials such as embezzlement and cronyism, as well as abuses linking public and private actors such as bribery, extortion, influence peddling, and fraud, to mention but a few. In this regard, corruption threatens good governance, sustainable development, democratic process, and fair business practices

2.3.1. Facts and figures: An insight into corruption among the political leadership class in Nigeria

Corruption among the political leadership class in Nigeria can be traced back to the colonial era. The culture of corruption has been entrenched in Nigerian politics since the creation of modern public service administration. In 1956, the Foster-Sutton Tribunal of Inquiry investigated the Premier of the now defunct Eastern Region, Dr Nnamdi Azikiwe, for his involvement in the affairs of the African Continental Bank (ACB). The code of conduct for government officials stipulates that a government officer shall relinquish his holdings in private business when he assumes public office. The Tribunal found that Azikiwe did not sever his connections with the bank when he became Premier, but continued to use his influence to promote its interests (Report of the Foster-Sutton Tribunal of Inquiry, 1956: 42; Sklar, 2004: 185). Moreover, Azikiwe, his family, and the Zik Group of Companies were the principal shareholders of ACB. The Tribunal revealed that the bank loaned over £163,000 to the Zik Group of Companies at a low interest rate over an extended period, which meant that the Group did not have to repay the loans until 1971. Consequently, the ACB became distressed and in 1952, the Registrar of Banks refused to grant it a license of operation. Attempts to find partners for the bank in Britain failed because of its level of insolvency.

According to a colonial government official, “Where a UK minister to be involved in a series of transactions the result of which public funds were used to support an otherwise shaky institution in which he was directly interested, he would be forced to leave public life” (Okonkwo, 2007). The question is why the colonial government did not prosecute Azikiwe for his failure to observe the code of conduct for government officers? Correspondence reveals

that the colonial government supported the National Council of Nigeria and the Cameroons (NCNC) because it was regarded as the only party organized on a platform of national unity. Without Azikiwe, the NCNC would have collapsed. He was thus allowed to continue as the party leader in the national interest (Okonkwo, 2007; Sklar, 2004).

In 1962, Chief Obafemi Awolowo, the first Premier of the Western Region, was investigated and found guilty of corruption by the Coker Commission of Inquiry (1962). In 1954, the Western Region Marketing Board boasted reserves of £6.2 million. However, by May 1962, the corporation had to exist on overdrafts amounting to over £2.5 million. A loan of £6.7 million was made to the Western Region government-owned National Investment and Properties Co., Ltd. for building projects of which only £500,000 was repaid. The Western Region Finance Corporation and the Western Nigeria Development Corporation also received loans of millions of pounds. None of these loans was ever repaid. The Coker Commission of Inquiry found Chief Awolowo culpable for the travails of the Western Region Marketing Board, due to his failure to adhere to the standards of conduct required of persons holding public office (Coker Commission, 1962; Magid, 1976).

The 1994 Okigbo Panel Report on the Reorganisation and Reform of the Central Bank of Nigeria indicted former Military President, General Ibrahim Badamosi Babangida, former Head of State, late General Sani Abacha, and former Governor of the Central Bank of Nigeria, the late Alhaji Abdulkadir Ahmed, for mismanaging an estimated \$12.4 billion oil windfall between 1988 and 1994. A summary of the panel's report submitted to the Federal Government revealed that General Babangida's regime conspired with top officials of the Central Bank of Nigeria to squander the entire fortune on unproductive or dubious projects (Okigbo Panel Report, 1994). Even after Babangida relinquished power in August 1993, pillaging of the country's coffers by his successors through secret accounts and other means continued.

As indicated in the Okigbo Report, in 1988, General Babangida authorised that the proceeds of 65,000 barrels of crude oil per day be used to finance priority projects including the Ajaokuta Iron & Steel, Itakpe Iron Mining, and Shiroro Hydro-electric projects. The account was also to be used for external debt buy-back and the build-up of reserves. The quantity was subsequently increased to 105,000 barrels per day and in early 1994, to 150,000 barrels per day. In addition, a Stabilisation Account was opened for the windfall of oil proceeds from the Gulf War and a Special Account was authorised for Mining Rights and Signature Bonus. A total of \$12.4

billion was deposited in these accounts from 1988 to June 1994, all of which was frittered away on dubious projects leaving a balance of only \$206 million as at 30th June 1994 (Executive Summary of Okigbo Panel Report, 1994, item 0.38).

While there can be no doubt that corruption became endemic in the 1990s during the military regimes of Babangida and Abacha, a culture of impunity spread among the political class when democracy returned to Nigeria in 1999. Indeed, it overran Nigerian society and replaced the rule of law (Mallam N. Ribadu, interviewed by Reuters, 17 December, 2004). Civilian politicians, their allies in public institutions and collaborators in the private sector, particularly financial institutions received similar corruption ratings to those of Babangida, and Abacha.

A survey on the level of corruption in Nigeria carried out in 2003 by the Institute of Development Research at Ahmadu Bello University, Zaria ranked political parties in the country third among the thirty most corrupt public institutions (Adekeye, 2003). While political parties should be the backbone of civilian administration, in Nigeria, they have promoted corrupt practices through godfatherism and extortion, to mention but a few. It was alleged that the Obasanjo group offered a bribe of more than N1 billion to delegates at the 2003 Special Convention of the ruling People's Democratic Party (PDP), where the presidential flag bearer was chosen (Adekeye, 2003). A corrupt ruling party will undoubtedly produce a corrupt government; it is difficult to separate the legislators and executives at the federal, state, and local level from the ideology of their political parties.

If corruption in the 1990s was endemic, it has been legendary since the return to democracy in 1999. President Olusegun Obasanjo was in full charge of the petroleum ministry throughout his eight-year term of office and high-level corrupt practices took place with impunity. The over \$400 million invested in Turn-Around Maintenance (TAM) and repair of refineries failed to yield any positive results, and those awarded the contracts were never brought to book (Adekeye, 2003:). The records also show that the Nigerian National Petroleum Corporation (NNPC) is at the centre of major corrupt practices in the industry with regard to the operation of its finances, especially in respect of revenue from the sale of crude oil, and other petroleum resources, such as natural gas.

A report by the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) in 2003 indicated that 445,000 barrels of crude oil sold by the NNPC between January and July 2002 were not accounted for in its financial report. It added that revenue of N302 billion was not

declared over a seven month period. The request by Haman Tukur, Chairman of RMAFC, to the Presidency to compel Jackson Gaius-Obaseki, former Group Managing Director of NNPC, to refund this money to the government went unheeded. Moreover, the joint panel of the National Assembly set up to probe the matter was hindered by the Presidency and top officials of the PDP on the grounds that a probe would send negative signals abroad about corruption in Nigeria, especially since the Presidency directly oversees the petroleum ministry (Adekeye, 2003; Shettima, 2009).

During the first four years of Obasanjo's administration federal ministers allegedly stole more than N23 billion from public coffers. A report by Vincent Azie in the year 2003, acting Auditor-General of the Federation, showed that the amount resulted from financial fraud ranging from embezzlement, to payment for work not done, over-invoicing, double-debiting, and inflation of contract figures to release funds without the consent of the approving authority in ten major ministries. Rather than cautioning the ministers whose ministries were named in the fraud or inviting the Independent Corrupt Practices Commission (ICPC) to further investigate the alleged fraud, Azie was hastily retired by the Presidency for procedural offences (Adekeye, 2003; Haruna, 2009).

The National Identity Card scandal in the year 2001 is another case of high profile corruption perpetrated by the top echelon of political leadership. In 2001, the Obasanjo administration awarded the \$214 million contract for the National Identity Card project to SAGEM S.A., a French company, under controversial circumstances because the Nigerian Security Printing and Minting Company (NSPMC), which bid for the contract at a lower rate, was not appointed. It was alleged that seven prominent public servants collaborated with SAGEM S.A. to hijack the project. An investigation indicted Hussaini Akwanga, who until 4 December, 2003 was Nigeria's Minister for Labour and Productivity, Chief Sunday Michael Afolabi and Mahmud Shata, former Minister of Internal Affairs and Minister of State in the same Ministry, respectively, R. O. Akerele, Permanent Secretary of the Ministry of Internal Affairs, Okwesilieze Nwodo, former Governor of Enugu State and erstwhile secretary of the ruling PDP, Niyi Adelagun, a business partner of SAGEM S.A. in Nigeria and Jean-Pierre Delarue, the Regional Area Manager, Identification Systems of SAGEM S.A. History reveals that a large portion of the funds set aside for the project that was not fully executed was divided among the culprits (Asaju, 2003).

2.3.2. Public corruption in other countries

The political leadership class in Nigeria is not alone in engaging in corrupt practices. Many other developed and emerging countries confront this dilemma. Two examples are discussed. In the first case, that undermined the national economy of Indonesia, state banks channelled money to projects involving former President Suharto's family and friends. In the 1990s, Indonesian banks allowed arrears on loan repayments to mount unchecked and circumvented rules to prevent excessive foreign currency borrowing. Consequently, when the value of the Rupiah fell in 1997, the entire financial system began to collapse. Bankruptcies and massive layoffs were the order of the day and as many as half of Indonesia's over 200 million people were lunged into extreme poverty (Atwood, 2000). The second example involves Russia, a developed economy, where an oligarchy of financial-industrial groups together with the political leadership class has distorted privatisation, undermined economic reform, deterred trade and investment and eroded public confidence in state institutions (Atwood, 2000). It is worth noting that the weak nature of the Russian economy immediately after the collapse of communism, combined with ever increasing corruption among the political leadership class has given a substantial political boost to former communists and other opponents of reform.

2.3.3. Conclusion

This discussion focused on Nigeria because it is an African country. However, procurement related corruption is prevalent across the globe. Corrupt practices by political leadership, government officials and public sector fraud and collusion cause citizens to suffer.

2.4.NATIONAL STUDIES ON PUBLIC PROCUREMENT, SUPPLY CHAIN MANAGEMENT AND IRREGULAR EXPENDITURE

Public procurement refers to the process whereby public sector organisations acquire goods and services and commission development and construction projects from suppliers in local and international markets, subject to the general principles of fairness, equity, transparency, competitiveness and cost-effectiveness. It includes many activities that support service delivery by government entities, ranging from routine items to complex projects. It also directly or indirectly supports government's social and political objectives.

2.4.1. The state of public procurement in South Africa

Public procurement addresses a wide range of objectives (Uyarra & Flanagan, 2009). It has been used by governments to achieve socio-economic objectives such as stimulating economic activity; protecting national industries from foreign competition; improving the competitiveness of certain industrial sectors; and addressing disparities (Bolton, 2006; Thai, 2006). These objectives are achieved through various means, and it is regulated by legislation and rules (Arrowsmith, 2010).

Prior to 1994, the government procurement system in South Africa was geared towards large, established contractors that were predominantly white-owned. Newly-established and Black contractors thus found it very difficult to participate (Minister of Finance, 1997). Price was the overriding criterion and the company that submitted the lowest tender was only overlooked “when there was clear evidence that he did not have the necessary experience or capacity to undertake the work or was financially unsound” (Ministry of Finance and Public Works, 1997, clause 3.4.1). In other words, only if there was a high risk that the lowest tenderer would not complete the contract, was the tender awarded to another company.

In the democratic South Africa, government procurement has been recognised as a tool to redress past discrimination. State organs are now required to take a number of factors into account when awarding contracts. In particular, the notion of ‘empowerment’ plays an important role in determining whether or not a contract is awarded to a particular contractor. Supply chain management is an integral part of prudent financial management in the South African public sector (OGC, 2005). According to Hanks, Davies and Perera (2008), SCM operates within a regulatory framework set by the national government while provinces and local government bodies adopt specific policies, legislation and regulations.

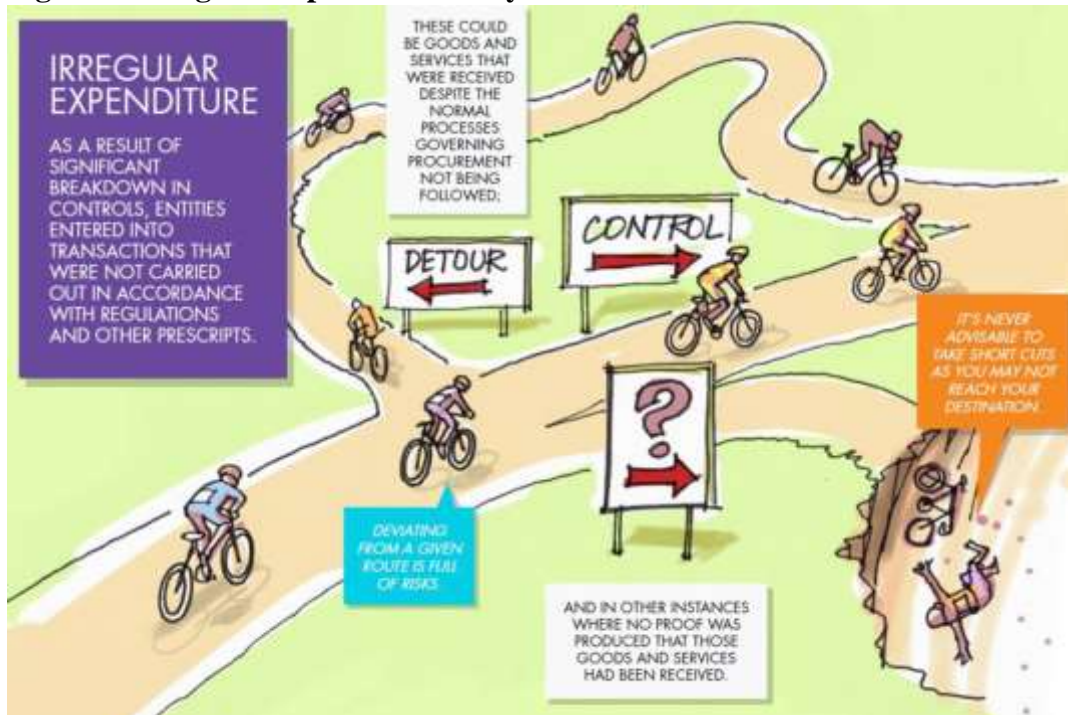
While SCM is guided by a number of policies and regulations (National Treasury, 2005), compliance is a problem. Matthee (2006) notes that a competitive process is not always used for both quotations and bids, and the preference points system is not always correctly implemented. Van Zyl (2006) also notes the use of improper bid committees; unqualified suppliers; utilisation of incorrect procurement processes in respect of thresholds; extension of

validity periods; and incorrect utilisation of the limited bidding process. Furthermore, bids are often passed over for incorrect reasons. Ambe and Badenhorst-Weiss (2011b) pointed to inadequate controls and procedures for the handling of bids; the appointment of bid committee members without regard for policy requirements; and insufficient motivation for deviations from SCM procedures.

According to the 2014/2015 Auditor General's general report, irregular expenditure does not necessarily mean that money had been wasted or that fraud has been committed. Rather, it is an indicator of non-compliance that needs to be investigated by the municipal council to determine whether it was an unintended error, negligence or done with the intention of violating the legislation. For example, the legislation requires that procurement should be fair, equitable, transparent, competitive and cost-effective. The council's investigation should also determine who is responsible for non-compliance as well as its impact. Based on the investigation, the next steps are determined. This can include condonement if the non-compliance had no impact and negligence was not proven. Alternatively, if negligence was proven, disciplinary steps can be taken, losses can be recovered from implicated officials, a contract could be cancelled or the matter could be reported to the police or investigating authority (Auditor General (AG) general report 2014/2015).

Figure 1 below illustrates that irregular expenditure can be the result of a 'detour', meaning that the transactions were not in accordance with legislation but goods and services were received and there were no losses or fraud. However, such non-compliance can be an indicator of more serious weaknesses.

Figure 1: Irregular expenditure analysis



(Source: Auditor General report: 2014/15)

2.4.2. Irregular expenditure in South Africa

Dlomo's (2017) study on the impact of irregular expenditure in South African public finance with specific reference to the National Department of Public Works, found that failure to appoint properly qualified officials and a high level of senior and experienced staff turnover had led to instability in the Department. Other challenges included the lack of capacity of the Internal Audit unit, as well as the lack of an independent Audit Committee to ensure compliance with financial management prescripts and SCM policies. He recommended the appointment of a highly qualified Chief Financial Officer (CFO) and other officials, capacitating the Internal Audit unit and ensuring that an independent Audit Committee is established. Mhlongo's (2014) research on transparency in SCM in eThekweni Municipality, noted that the municipality had not received a clean audit during the period of review from the 2009/2010 to 2011/2012 financial years. She identified a number of SCM irregularities, exceptionally high irregular expenditure (with a net regression of 12% in the financial year 2010/2011), abuse of contract deviations, the accounting officer's failure to give written reasons for irregular expenditure and non-compliance with applicable laws and regulations.

Migiro and Ambe's (2008) evaluation of SCM in the central district municipality in North West province, South Africa, revealed widespread non-compliance with SCM guidelines and policies amongst its municipalities (82%). Similar findings were reported by a study in the EU that showed that non-compliance with tender directives was a major problem (De Boer & Telgen, 1998).

A study on compliance with tender procedures among municipalities in The Netherlands found that non-compliance ranged from 77 to 83% (The Netherlands Ministry of Economic Affairs, 2004). Furthermore, orders were often split to avoid compliance with SCM guidelines and regulations (65% of the respondents). An inspection of vouchers submitted for payment with the Centralised Creditors Payment (CCP) office of the North West provincial government showed that over 90% of procurement by departments was below R200 000. Given that procurement below this limit is not subject to SCM guidelines for open tender or the preferential procurement system, this suggests that procurement was split to avoid these requirements. Officials often approve the lowest quote and this is one of the reasons for poor service delivery by municipalities. This finding concurs with Jones' (1997) study that found that public sector buyers prefer to renew tender contracts rather than issue new ones and research in Denmark (Konkurrencestyrelsen, 1997) that concluded that rules are being circumvented by public buyers through dividing contracts into smaller amounts in order to avoid advertisement.

In Migiro and Ambe's (2008) study, 69% of the respondents cited a lack of clarity on SCM procedures as the reason for non-compliance, while 72% stated that suppliers' lack of knowledge of SCM regulations and policies prevented them from complaining about irregularities. Lack of technical know-how was also cited as a cause of non-compliance with SCM procedures and guidelines (77%). Similar results were obtained by De Boer and Telgen (1998) in the EU.

2.4.3. Conclusion

One of the major objectives of procurement legislation in South Africa is to redress the economic exclusion of the majority of the population by the apartheid regime. However, this is undermined by a lack of enforcement of procedures and the fact that the procedures

themselves are not appropriately designed to address economic marginalisation. The requirements relating to black economic empowerment are extremely vague and there is a need for specific provisions relating to awards to black African female owned businesses and the youth. Furthermore, compliance should be evaluated through accountability linked to specific transformation indicators.

2.5.FRAUD AND CORRUPTION ALLEGATIONS WITH REGARD TO PUBLIC PROCUREMENT AND SUPPLY CHAIN MANAGEMENT IN SOUTH AFRICA

Camerer's (2000) study on corruption in South Africa, defines corruption as follows:

"the giving, offering, or agreeing to give a benefit to an official or agent and the receiving, obtaining or agreeing to receive or attempting to obtain a benefit by a public official or agent;

"the violation of formal rules governing the allocation of public resources by officials in response to offers of financial gain or political support;

"behaviour which deviates from the formal duties of a public role because of private regarding (personal, close family, private clique) pecuniary or status-gains; or violates rules against the exercise of certain types of private-regarding behaviour;

"the abuse of public roles or resources for private benefit;

"the abuse of power, most often for personal gain or for the benefit of a group to which one owed one's allegiance. While the term 'corruption' is most often applied to abuse of public power by politicians or civil servants, it describes a pattern of behaviour that can be found in virtually every sphere of life;

"a symptom of something gone wrong in the management of the state where institutions designed to govern the relationships between citizens and the state are used instead for the personal enrichment of public officials and the provision of benefits to the corrupt; and

" $C(\text{corruption}) = M (\text{monopoly power}) + D (\text{discretion}) - A (\text{accountability})$. In other words, the extent of corruption depends on the amount of monopoly power and discretionary power that officials exercise and the degree to which they are held accountable for their actions."

These definitions suggest that corruption is more than bribery (to which it is often reduced in legal definitions), and relates to various forms of mismanagement, abuse or misuse of mainly public authority, office, duties, trust or resources, for private, personal or sectorial interest, benefit or gain.

2.5.1. Accountability, fraud and corruption within the supply chain management environment

Accountability is a central pillar of public procurement (Soudry, 2007). Without transparent and accountable systems, the vast resources channelled through public procurement systems run the risk of being entangled with increased corruption and misuse of funds (Jeppesen, 2010). According to Mahlaba (2004), fraud and corruption cost South African taxpayers hundreds of millions of rand each year. Over the past few years, the impact of fraud has led to the promulgation of special legislation and improvement in existing legislation that led to the creation, among others, of the Hawks, the Asset Forfeiture Unit, the Public Protector, the Special Investigation Unit, Commercial Crime Units, Internal Audit Units, Special Investigation Units within departments, and the appointment of forensic consultants (Mahlaba, 2004).

According to Boateng (2008), since 1994, South Africa has enjoyed unprecedented social and infrastructural programmes. However, the majority of citizens that hoped that freedom would lead to socio-economic liberation and improvement are increasingly disillusioned as a result of perceived poor governance, service delivery failure, fraud and corruption and failed empowerment policies (De Lange, 2011). The Public Service Commission Committee (2011) noted that 7,766 corruption cases were reported to the National Anti-Corruption Hotline from its inception in September 2004 to June 2010. De Lange (2011) notes, that taxpayers were fleeced of R30 billion (3.675 billion USD) due to corruption, incompetence and negligence by public servants (De Lange, 2011). About 20% of government's procurement budget alone "went down the drain each year. This was because officials had their fingers in the till, overpaid for products and services or failed to monitor how money was spent" (De Lange, 2011). Among the government entities probed for procurement irregularities was the Tshwane Metro where about 65 municipal officials were investigated for striking business deals worth about R185 million with their own council (Pauw, 2011). The national and provincial governments and their entities notched up R21 billion in irregular expenditure in 2010, a 62% increase (R13

billion) over the previous year (De Lange, 2011). The Auditor General highlighted weaknesses in SCM, controls over information technology, human resource management, and capital assets and performance reporting during a briefing to Parliament's Standing Committee on Public Accounts (Smart Procurement, 2011).

2.5.2. Mbombela municipal manager fired over Afcon Tender irregularities

On 19 December, 2014, the municipal manager and community services director of Mbombela municipality were dismissed due to procurement irregularities during the hosting of the 2013 Africa Cup of Nations (Afcon). It was found that some of the tenders for the R35.5-million tournaments had been improperly handled. In 2008, another municipal manager of Mbombela was fired on charges of tender irregularities involving the construction of the R1.2-billion World Cup stadium in Nelspruit (Corruption watch, February 2015).

2.5.3. eThekweni investigates alleged R32 million fraud

The Integrity and Investigations Unit of eThekweni municipality investigated R30 million worth of tenders awarded to one of its employees through the controversial Section 36 regulation, which allows municipalities to circumvent regular tender processes if it is deemed "impractical to follow normal procurement processes". The alleged fraud, connected to the 2010 FIFA World Cup and apparently linked to the supply of taxi services, saw the employee, whose business partner was an employee of the KZN government, awarded five separate contracts to the value of R32.5 million.

2.5.4. Mopani District Municipal Manager suspended over R210 million theft

The municipal manager of Mopani district municipality was suspended on suspicion of stealing an estimated R210 million during his 17-year tenure. According to a council spokesperson, the municipal manager was suspended on full pay and was due to face several charges related to contraventions of sections of the MFMA.

2.5.5. Corruption, political interference, halt R4 billion Sedibeng sanitation scheme, claims community

The Sedibeng waste water project, that was meant to improve sewerage capacity in Johannesburg, Sebokeng, Emfuleni, Midvaal and the West Rand, is running four years behind schedule as residents of the Sedibeng district municipality complain of political interference, nepotism and corruption.

2.5.6. Report says Sekhukhune Acting Municipal Manager irregularly awarded Tenders worth R230 million

Fifteen contracts for water projects worth R230 million were irregularly awarded by the acting municipal manager of the Sekhukhune district municipality. According to the investigation report, the tender process was characterised by arbitrariness, gross irregularities and maladministration, including:

- meetings of the bid adjudication committee that did not have a quorum and incomplete bid evaluation processes;
- the awarding of a tender to a company whose bid was declared non-responsive in that it did not conform to the requirements outlined in the invitation to tender;
- no due diligence being exercised by the bid evaluation and adjudication committees, particularly in respect of CIDB registration and BBBEE credentials; and
- inconsistent application of evaluation criteria in assessing bids, particularly in respect of the submission of audited financial statements.

2.5.7. Conclusion

This review has shown that fraud and corruption are prevalent in municipalities across South Africa even though they have developed and implemented a code of conduct to promote professional ethics. Given the high levels of SCM fraud, development and implementation of a code of conduct is clearly not sufficient to fight fraud and corruption. The experts consulted by Camerer (2000: 6) ranked the following as effective anti-fraud strategies:

- Greater transparency in government tender processes

- Schools placing more emphasis on moral values
- Legal protection for whistle blowers
- Prosecution of high-profile individuals
- Barring corrupt officials from holding public office
- Greater financial controls/internal audits of government spending
- A national anti-corruption hotline
- Vigorous news media investigation of corruption

2.6. IRREGULAR EXPENDITURE IN KWAZULU-NATAL MUNICIPALITIES

“Municipalities must establish a supply chain management policy that is focused on integrity, efficiency and obtaining the best value for money. Furthermore, the policy must provide the details on the systems and procedures to be followed for supply chain management and must include the steps to be taken to combat fraud, corruption, and conflict of interest. This will secure public confidence that public funds are being spent prudently, on its behalf, and not for the personal benefit of public office bearers’ officials and their friends. Diligent care must be taken to establish controls in order to eliminate even the perception of fraud, or abuse, which can be just as destructive to the public trust as the real thing” (National Treasury, 2005: 102).

2.6.1. Examples of irregular expenditure

According to the MFMA (2003), examples of irregular expenditure include:

- if three written price quotations were not obtained, the reasons were not recorded and approved by the delegated official.
- the final decision on which a quotation was accepted was not made by an appropriately delegated official or committee.
- the service providers were not from the list of accredited prospective providers or, if not from the list, the service providers did not meet the listing criteria in the supply chain management policy.
- the procurement of goods/ works/ services was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the supply chain management policy/municipal supply chain management regulations.

- the total payments made under the quotation exceeded the original quoted amount and no appropriate approvals.
- the winning provider did not submit an original/valid certified copy of a tax clearance certificate certifying the tax affairs of that person to be in order. No certified copies – S45 (2) (c) of the MFMA of 2003.
- quotes were not evaluated in accordance with the preference point system as prescribed by the PPPF Act (incorrect calculation, incorrect level status used, etc.).
- the winning provider did not submit a declaration of interest declaring whether he/she is in the service of state or has been in the service of state for the previous twelve (12) months or have family members (spouse, child or parent) of the provider or a director, manager, shareholder or stakeholder of a provider who is a company or CC, is in the service of the state or has been in the service of the state for the previous twelve (12) months.
- councillor was a member of any committee evaluating or approving quotations, or attended any such meeting as an observer.
- deviation from competitive bids (s 36 of the MFMA of 2003, to be evaluated on case by case basis).
- the bid was advertised for a minimum period of not less than 30 days in the case of transactions over R10 million (VAT included) or of a long term nature, or 14 days in any other case – unless approved, valid reasons and evidence available, not poor planning. An urgent case would be if the early delivery of the goods/ services is of critical importance and if the time available will make it impractical or impossible to advertise for 21 days.
- the bid of the winning provider was not received before the closing date and time determined for the bid.
- the bid was not adjudicated by a bid adjudication committee (BAC) that consisted of at least 4 senior managers of the municipality, which included the Chief Financial Officer (CFO) or, if the CFO is not available, another senior manager in the budget and treasury office reporting directly to the CFO and designated by the CFO, at least one senior SCM practitioner who is an official of the municipality; and a technical expert in the relevant field who is an official of the municipality, if the municipality has such an expert, and officials from departments requiring the goods and services. If the bid adjudication committee (BAC) decided to award the bid to the bidder other than the one recommended by the bid evaluation committee (BAC), the accounting officer was notified before awarding the bid, and did not ratify the decision.

Table 2.1: Irregular expenditure incurred by KZN municipalities for 2015/2016 and 2014/2015

| Irregular expenditure | | |
|-------------------------------------------|----------------------|----------------------|
| Irregular expenditure per district | 2015/2016 | 2014/2015 |
| | R | R |
| Ugu district | 294 589 064 | 348 979 683 |
| UMgungundlovu district | 249 644 143 | 42 219 389 |
| UThukela district | 457 740 102 | 195 750 442 |
| UMzinyathi district | 480 963 979 | 252 870 119 |
| Amajuba district | 44 696 610 | 95 829 264 |
| Zululand district | 80 883 320 | 83 986 699 |
| UMkhanyakude district | 383 902 416 | 274 022 911 |
| UThungulu district | 45 010 364 | 52 361 003 |
| ILembe district | 226 291 428 | 100 561 578 |
| Provincial | 2 385 185 359 | 1 613 520 623 |

Irregular expenditure incurred was not investigated to determine if any person was liable for the expenditure, as required by section 32(2) (a) and (b) of the MFMA. Section 32 (6) of the MFMA also prescribes that the accounting officer must report all cases of alleged irregular expenditure that constitute a criminal offence to the South African Police Service. Serious cases of irregular expenditure where there are allegations of fraud, theft or corruption must be investigated. The municipal manager has a duty to investigate such matters either internally or may appoint a service provider to investigate the matter. Once the findings of the investigation are available, the municipal manager must report the findings to Council and must institute disciplinary proceedings against any person who did not act in good faith and was found liable for serious misconduct and responsible for the municipality incurring financial losses. All items of irregular expenditure must be recovered from the liable official or political office bearer concerned, unless the expenditure is certified by the municipal council, after investigation by a council committee, as irrecoverable and is written off by council. Expenditure that is written off by council is therefore condoned (Report to the KwaZulu-Natal Provincial Legislature by MEC Ms N Dube-Ncube; 19 May 2017).

While section 62 (1) of the MFMA requires an accounting officer of a municipality to prevent irregular expenditure, this was clearly not adhered to as municipalities in KZN incurred R2,4 billion in 2015/16 (2014/15: R1,6 billion) in irregular expenditure. None of the irregular expenditure incurred was investigated to determine if any person was liable for it, as required

by section 32(2) (a) and (b) of the MFMA. As a result, no consequences were applied (Table 2.1).

2.7. FRAUD AND CORRUPTION ALLEGATIONS REGARDING SUPPLY CHAIN MANAGEMENT IN KWAZULU-NATAL MUNICIPALITIES

According to the Guide to Municipal Finance Management for Councillors (National Treasury, 2005), the municipal manager must take all reasonable steps to ensure that proper procedures and separation of duties in SCM are in place to minimize the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

2.7.1. Richards Bay Mayor resigns, blames ANC interference in Municipal administration

The mayor of uMhlathuze municipality (Richards Bay) resigned on 30 April, 2015, apparently on the instruction of the African National Congress (ANC) because of his continued criticism of tender irregularities and political interference in the running of the municipality (SA Local Government Briefing, May 2015).

The mayor accused the ANC regional chairperson of planning to get rid of him because he (the ANC chairperson) had interfered in administrative matters to protect his wife from disciplinary proceedings dating back to 2013 (SA Local Government Briefing, May 2015).

Other matters raised by the mayor included a R115-million tender award, which was set aside by the provincial tender tribunal after being irregularly handled by the chairperson's wife and the former municipal manager. He also expressed concern about a R120 million rural sanitation tender which was found by the tribunal to have been irregularly awarded after being "cancelled to give companies preferred by municipal officials and some politicians a better opportunity" (SA Local Government Briefing, May 2015).

2.7.2. Msunduzi Municipality suspends its Municipal Manager

Two weeks after suspending its municipal manager pending an investigation into allegations of maladministration and corruption, the Msunduzi council implemented measures to curb fraud and corruption within municipal departments. On the day following the suspension of the

municipal manager, Pietermaritzburg detectives raided municipal offices based on information that implicated prominent officials in a R2-billion tender scandal (SA Local Government Briefing, March 2016).

The municipal spokesperson confirmed that the municipal manager's suspension related to his alleged misappropriation of funds meant for a failed R290 million infrastructure project. By this account, the Independent Development Trust (IDT) withdrew from a project in 2013 and had to repay the municipality more than R290 million. The municipality apparently received only approximately R2 million, giving rise to allegations that the municipal manager had pocketed the balance (SA Local Government Briefing, March 2015).

2.7.3. eThekweni Disaster Management Chief in R50 million corruption probe

In 2015, the head of the eThekweni municipality's disaster management and emergency control unit was investigated for alleged fraud and corruption totalling almost R50 million. The allegations were probed by the municipality's integrity and investigations department, the chief audit executive head, the city manager and the Public Protector (Corruption Watch: SA Local Government Briefing, March 2015).

Among the allegations are that over a five-month period he failed to comply with SCM policies, inflated the cost of contracts that resulted to the municipality being overcharged. In addition, it was reported that he awarded emergency contracts (which did not have to go to tender) to an unqualified company, and duplicated municipal orders to the value of R1.19 million for the installation of a new fibre cable route. It is also claimed that he overspent the annual CCTV capital budget of R2.7 million by 149% and replaced qualified professionals by creating "ghost work" for under-qualified staff (Corruption Watch: SA Local Government Briefing, March 2015).

2.7.4. South African Municipal Workers' Union (SAMWU) warns of "rampant corruption" in Umkhanyakude District Municipality

The union alleged that the Umkhanyakude municipal manager had ignored SCM processes by using fictitious Municipal Water Infrastructure Grant savings as a justification to appoint service providers for the Ngwavuma boreholes project. SCM procedures were flouted in order

to benefit specific service providers who had “inflated costs incurred during the drilling and rehabilitation of the Ngwavuma boreholes.” SAMWU said the boreholes had not produced any water. The union also accused the municipality’s head of technical services of colluding with the contractor to install cheaper pipes than specified, but invoicing the municipality for more expensive materials (Corruption Watch: SA Local Government Briefing, December 2015).

2.7.5. eThekwin Municipality report reveals collusion with construction firms to defraud housing project

A forensic investigation ordered by the council’s MPAC found that officials of eThekwin Municipality fraudulently colluded with a construction company to inflate the cost of 700 prefabricated structures used to house informal settlement residents displaced by a devastating shack fire. According to the report, the R31-million contract was awarded in July 2014 through the controversial Section 36 of the Municipal Supply Chain Management Regulations, without going to tender (Corruption Watch: SA Local Government Briefing, December 2015).

2.7.6. Conclusion

These cases suggest that fraud and corruption have been the order of the day in KZN municipalities. Financial mismanagement and financial misconduct have been committed by political leadership at the level of mayor, and staff from municipal managers, to senior managers and other municipal employees. Political interference has been used to influence staff appointments and awarding of contracts and tenders to certain suppliers. The investigations that have taken place have been carried out by either CoGTA or Provincial Treasury and other law enforcement agencies. Finally, it appears that councillors never ensured that cases of financial misconduct including fraud and financial losses were investigated as required by section 32 of the MFMA.

2.8.THE MUNICIPAL COUNCIL AND ITS OVERSIGHT RESPONSIBILITY WITH REGARD TO IRREGULAR EXPENDITURE

A municipal council has oversight responsibility to approve and adopt an integrated development plan (IDP) and budget; and to monitor and evaluate the implementation of the budget and policies by the municipal administration.

Table 2.2: Key oversight responsibilities of the municipal council

| Responsibility | Oversight responsibility |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Integrated Development Plan (IDP) | Review and approve an IDP for adoption |
| Budget preparation | Detailed discussion of a tabled draft budget in council and approval thereof |
| Budget and IDP implementation | Monitoring of budget and IDP implementation through consideration of monthly budget statements, quarterly and mid-year reports on the implementation of the budget, service delivery and the financial state of the municipality |
| Evaluation of budget and IDP implementation | Consideration of an annual report and preparation and adoption of an oversight report |

2.8.1. Findings from the Auditor General's 2015-16 general report

According to the Auditor General's general report for 2015-16, municipal councils did not provide the required financial, performance and compliance reports. This was due to the fact that technical knowledge of financial management and reporting, performance management and legislation is not a prerequisite for elected office-bearers. They therefore rely on information and guidance from the municipal manager and senior management.

2.8.2. Municipal councils' responses to irregular expenditure

The table below shows the legislative requirements to deal with allegations of financial misconduct that result in irregular expenditure within municipalities.

Table 2.3: Municipal councils' responses to irregular expenditure

| Irregular expenditure reported in previous year(s) | Legislation/Best practices |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Council must investigate all instances of irregular expenditure to determine if any person is liable for the expenditure. | MFMA 32(2)(b) Municipal Budget & reporting regulations 75 (1) |
| All cases of alleged irregular expenditure that constitute a criminal offence were reported to the South African Police Service. | MFMA 32(6)(a) MFMA 32(7) MFMA 102(2)(a) |

Source: National Treasury (2014b)

2.8.3. Conclusion

This section shows that councillors do not fulfil their oversight responsibilities. They lack technical knowledge of financial management and reporting, performance management and legislation and therefore rely on technical guidance from the municipal managers and senior management. They also do not always investigate irregular expenditure as required by the legislation.

2.9.THE MPAC'S CAPACITY TO FULFILL ITS OVERSIGHT ROLE ON IRREGULAR EXPENDITURE

2.9.1. Introduction

The MPAC is a committee of the municipal council established in terms of section 79 of the MSA to give effect to the requirements in section 129 of the MFMA; to assist the municipal council to consider the municipality's annual report; and produce an oversight report. The MPAC is thus expected to hold the municipal executive and the administration accountable for their implementation of policies and the budget (Good Practice Guide 2014: 39).

2.9.2. Key oversight responsibility

The MPAC prepares an oversight report on behalf of the municipal council following its consideration and consultation on the annual report. The oversight report contains the MPAC's

recommendations on the annual report and must include a statement on whether the municipal council (on the basis of MPAC recommendations):

- approves the annual report, with or without reservations;
- rejects the annual report; or
- refers the annual report back for revision of those components that can be revised.

An oversight report must be adopted by municipal council no later than two months from the date on which the annual report was tabled at the municipal council.

2.9.3. Findings from the Auditor General's 2015-16 general report

According to the Auditor General's KZN general report on local government 2015/16, overall, 66% of municipal councils and MPACs did not oversee officials and hold them accountable for verifying the credibility and reliability of financial and performance reports as well as compliance with SCM and other legislation. These findings re-occur each year as a result of the lack of oversight by MPACs.

2.9.4. Conclusion

Poor oversight by MPACs is of major concern. They should oversee the IDP process and ensure that municipal policies and budgets are informed by the IDP. The MPAC plays a critical role in evaluating a municipality's performance against its goals as presented in the annual report. Thus, if an MPAC is unable to read and interpret the financial statements, the auditor's report and the annual performance report, it is impossible for it to perform its oversight responsibilities. The next chapter presents research methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The study examines the managers' perception of irregular expenditure in the KZN municipalities. Specifically, the study sought to determine: managers' perceptions of irregular expenditure in KZN municipalities; managers' perceptions of councilors' oversight responsibility with regard to irregular expenditure; and managers' perceptions of MPACs' oversight responsibility with regard to irregular expenditure. This chapter outlines the research strategies adopted and the steps followed to gather accurate data that could be easily interpreted for this study. It highlights the research questions, information on the participants, the research instruments, data analysis, sampling and the sampling method, ethical considerations and the return of the questionnaire.

A quantitative methodology and techniques were employed to conduct field research among managers in KZN municipalities. A questionnaire was administered to gather information to answer the research questions and achieve the study's objective.

It is hoped that the study's results will inform decision-making. According to Dawson (2002), the following characteristics of research improve the quality of the information collected and thus decision making:

- The purpose of the research must be clearly defined
- The research process must be described in sufficient detail to permit another researcher to repeat the research
- The research design must be thoroughly planned so that the results are as objective as possible
- High ethical standards should be maintained. Ethical issues such as protection from harm, informed consent, right of privacy, and honesty should be taken into consideration
- The study's limitations should be frankly stated
- Detailed analysis must be provided to assist decision makers
- There must be justification for all conclusions made

3.2 Research questions

- What are managers' perceptions of irregular expenditure in KZN municipalities?
- What are managers' perceptions of councilors' oversight responsibility with regard to irregular expenditure?
- What are managers' perceptions of MPACs' oversight responsibility with regard to irregular expenditure?

These questions will be answered in two ways, firstly by examining irregular expenditure and secondly by looking at groupings to determine differences.

Table 3.1: Summary of the data corpus

| RQ | Unit of analysis | Data collection | Data collection instrument | Method of analysis |
|--------------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------|
| RQ 1 RQ2 RQ3 | <ul style="list-style-type: none">• Municipal managers | Likert scale type survey responses, Ranking scales, Closed ended questions | Questionnaires | <ul style="list-style-type: none">• Descriptive statistics• Inferential statistics (SPSS) |

3.3 Research design and methodology

3.3.1 Research Paradigm

The study is located in a positivist paradigm. According to Terre Blanche, Durrheim, and Painter (2006) a positivist paradigm is a system of interrelated ontological (aims to generalize truth to the entire population and test hypotheses), epistemological (objective, no contact and does not influence research) and methodological (quantitative) assumptions. A paradigm serves as a perspective that provides a rationale for the research and commits the researcher to particular methods of data collection, observation and interpretation. Paradigms are central to research design because they impact on both the nature of the research question and on the manner in which it is studied. The study did not use the interpretivist paradigm because this is a qualitative research design. It also did not employ the critical, transformative or pragmatic paradigms because it is not located in mixed methods.

3.3.2 Research Design

A research design is a plan or blueprint for how a researcher intends to conduct the research (Mouton, 2005). Given that the aim was to generalize the results to the entire population, a quantitative research design in the form of a survey was appropriate. Terre Blanche, Durrheim and Painter (2006) note that quantitative researchers collect data in the form of numbers and use statistical data analysis whereas qualitative researchers collect data in the form of written or spoken language, and analyze it by identifying themes. Examples of quantitative research designs include experiments, quasi-experiments, and correlational, explanatory, prediction, survey, cross-sectional, and longitudinal studies. Qualitative research designs include grounded theory, systematic, emerging, constructivist, ethnographic, realistic, and critical studies, case studies, narrative research, biographies and phenomenological studies (Galt, 2009). According to Gorard (2004:7), combined or mixed-methods research has been identified as a "key element in the improvement of social science, including education research". He argues that mixed method research "requires a greater level of skill"; "can lead to less waste of potentially useful information"; "creates researchers with an increased ability to make appropriate criticisms of all types of research" and often has greater impact. Many researchers argue that the use of multiple methods and techniques improves the quality of research. De Vos (1998) notes that triangulation is sometimes used to combine qualitative and quantitative methodologies and observed that the use of multiple methods increases reliability.

Quantitative research seeks explanations and predictions that can be generalized to other persons and places. The aim is to establish, confirm or validate relationships and to develop generalizations that contribute to theory. On the other hand, qualitative researchers seek a better understanding of complex situations. Their work is often exploratory in nature, and they may use their observations to build a theory from the ground up.

Quantitative research is not exclusively deductive, nor is qualitative research exclusively inductive. Researchers use both types of reasoning in a continual and cyclical fashion. Quantitative researchers formulate a theory by inductive reasoning and observing a few situations. They then seek to support their theory by drawing, and then testing the conclusions that follow logically from it.

Quantitative research uses methods that enable objective measurement of the variables of interest. The researcher remains detached from the research participants in order to reach

unbiased conclusions. He/she also seeks to maintain objectivity in the course of data analysis by employing statistical procedures and using objective criteria to evaluate the outcomes (Leedy & Ormrod, 2005:96).

The following questions should be considered when deciding whether to adopt a qualitative or quantitative approach:

- What is the research problem?
- Is one seeking to conduct an exploration, or a causal or predictive study?
- What is the objective?
- What kind of information does one want to obtain and what does one already have access to?

Two researchers with similar, or the same answers to these questions may still come to different conclusions as a cost-benefit calculation of the trade-off between the two options does not always provide an unambiguous answer.

3.3.3 Data collection tools

The study adopted a quantitative approach using a descriptive survey design. Data were collected by means of a self-administered questionnaire among 52 randomly selected managers from municipalities across KZN. Permission was obtained to conduct research at these municipalities and informed consent was obtained prior to data collection.

Given that the study revolved around managers' perceptions of irregular expenditure in KZN municipalities, a descriptive research design was deemed suitable as it describes and interprets an existing phenomenon. At the same time, a cross-sectional survey method was employed to gather data from subjects at one point in time to describe the phenomenon. A cross-sectional design involves once-off administration of the survey instrument among a sample. It thus yields data on the identified variables as they existed at the time of the survey.

However, questionnaires pose some disadvantages. The major shortcoming is that the quality and quantity of the information secured depends heavily on the respondents' ability and willingness to cooperate. Respondents may also interpret a concept differently from what was intended by the researcher. Finally, a respondent may intentionally mislead the researcher by providing false information (Cooper & Schindler, 2001).

Questionnaires were used to gather the data for this study. A questionnaire is a written list of questions, on which answers are recorded by respondents (Kumar, 2011). The aim is to acquire facts and opinions about a phenomenon from the participants (De-Voss, Strydom, Touchier, & Deport, 2010). Care was taken in the construction of the questionnaire in order to achieve a high measure of validity. The questionnaire that was sent to municipal managers (top, middle and lower) consisted of two sections. Section A gathered biographical data and Section B contained questions on perceptions of irregular expenditure in municipalities. Closed-ended, open-ended and Likert scale questions were posed.

3.3.3.1 Questionnaire formulation

According to Tustin (2006: 116), the questions should be as concise as possible. If a definitive response is required, the question must be definitive. Questions should be simple, avoid leading or embarrassing the respondent, and should not privilege one respondent over another. Questions that call for respondents to consult reference material should also be avoided and probing questions should be included. Tustin (2006) adds that clear instructions should be provided, the first question should be simple and interesting and the questions should appear in logical sequence. Sensitive questions or those on embarrassing subjects should be placed towards the end of the questionnaire.

3.3.3.2 Piloting the questionnaire

The questionnaire was pre-tested on a focus group of managers in eThekweni Municipality. Pre-testing is a rehearsal and an important measure that helps to detect and address any weaknesses in the questionnaire. The pilot test also assists the researcher to decide whether or not the study is feasible (Mkhize, 2010).

3.3.4 Sample and sampling method

Simple random sampling was used to select the participants. In this sampling method, every member of the population has an equal chance of being selected.

Sampling selects some of the elements in a population in order to draw conclusions about the entire population. Dening (2011) argues that sampling is better than a census as it enables superior testing; thorough investigation of missing, wrong or suspicious information, better supervision, and better processing than is possible with complete coverage.

The ultimate test of a sample is how well it represents the characteristics of the population it purports to represent. In terms of measurement, accuracy and precision should be taken into account (Blumberg et al., 2005). Accuracy is the degree to which bias is absent from the sample, while the precision of the estimate is the second criterion for a good sample design. No sample fully represents its population in all respects due to random fluctuations and the influence of chance in drawing the sample members.

3.3.4.1 Identifying a sufficient sample size

A hundred questionnaires were distributed among KZN municipalities.

Brynard and Hanekom (1997) argue that sample size not only depends on the size of the population, but also on its heterogeneity; the greater the heterogeneity, the larger the sample required to obtain a high level of validity. Huysamen (1994) states that if the population is relatively homogeneous, a smaller sample may be sufficient. Blumberg (2005:13) identifies the following principles that influence the sample size:

- The greater the dispersion or variance within the population, the larger the sample should be to ensure estimation precision
- The narrower the interval range, the larger the sample should be
- The higher the confidence level in the estimate, the larger the sample should be
- The greater the number of subgroups of interest within a sample, the greater the sample size should be, as each subgroup must meet minimum sample size requirements
- If the calculated sample size exceeds 5% of the population, the sample size may be reduced without sacrificing precision.

A total of fifty two (52) managers were thus selected for the study. Sampling is based on two premises. The first is that there is sufficient similarity among the elements in a population that a few of these elements will adequately represent the characteristics of the total population. The second premise is that while some elements in a sample underestimate a population value,

others overestimate this value. As a result, sample statistics such as the arithmetic mean are generally a good estimate of a population mean.

3.3.5 Analysis and interpretation of data

Once the fieldwork was complete, the data were analyzed. The researcher edited and assigned codes to the data and discarded spoilt questionnaires. Statistical Package for the Social Sciences (SPSS) version 21 was used to analyse the results. Descriptive statistics (mean; frequency) inferential statistics (T-test and ANOVA) were produced.

3.3.6 Descriptive statistics

Frequency distributions provide a pictorial view of a set of data. However, while helpful, they often do not provide enough or the right kind of information. A question is often asked, such as “What is the average Graduate Record Examination (GRE) score of this class?” or “How much money does the average football player make?” Many people are not aware that there is more than one ‘average’. There are three methods for computing an average: the mean, the median, and the mode.

3.3.6.1 Measures of central tendency

Measures of central tendency provide an average or typical score that describes the level (either high or low) of a set of scores. They are useful when comparing the level of performance of a group of individuals with that of another group (e.g. boys versus girls) or with some standard (e.g. before and after an intervention or treatment). The three main measures of central tendency are the mean, median, and mode.

3.3.6.2 Mean

The mean is the most often used measure of central tendency (central tendency is a statistical term that roughly means, ‘middleness’). The mean is the arithmetic average that is obtained by adding up all the scores and dividing by the number of scores.

3.3.6.3 Median

When scores are arranged in order, from highest to lowest (or lowest to highest), the median (Mdn) is the middle score. In other words, the median divides the frequency distribution in half. Fifty per cent of the total number of obtained scores fall above the median and 50% below. Suppose a test is administered to five people who score as follows: 113, 133, 95, 112, 94. To find the median, all the scores are arranged in numerical order and the score that falls in the middle is then calculated. Arranged from highest to lowest, these scores are 133, 113, 112, 95, 94. Hence, the Median = 112.

3.3.7 Inferential statistics

Inferential statistics involve the use of statistics to infer things about larger populations by studying smaller samples of those larger populations.

3.3.7.1 Probability

Almost every explanation of probability starts with a description of the process of flipping coins. Using a Canadian \$1 coin, generally known as “loony” because it has a picture of a loon on one side, the other side depicts the queen. So, instead of heads and tails, we talk about “loons” and “Queens”

If you flip the coin 600 times, how many times should you expect to come up looms? Half the time is 300 loons and 300 queens. Therefore, the probability of getting a loon is 50%, or .50. What if you are throwing a die instead of a coin? A die has six sides, and if it is a fair die, each side is equally likely to come up. So I would expect my 600 throws to yield 100 ones, 100 twos, 100 threes and so on.

3.3.7.2 Sample values and population values

It is often difficult or even impossible to measure an entire population and it thus makes sense to take a sample from that population and measure it. For example, a sample of ten year-olds is weighed to determine the average weight of ten year-olds. The means and standard deviations of samples like these are used to estimate the values in the populations from which they came.

3.3.8 The Null hypothesis

Researchers are interested in testing hypotheses on the relationship that exists between two variables, the differences between two groups or the characteristics of certain populations. Statistical procedures are required to test such hypotheses. However, with most statistical techniques, it is virtually impossible to demonstrate that something is true. Such techniques are much better at demonstrating that a particular hypothesis is false, i.e., that it is very unlikely that it could hold.

3.3.8.1 Analysis of variance (ANOVA)

Analysis of variance (ANOVA) tests for the statistical significance of the differences among the means of two or more groups. The test looks at the amount of variability (the differences) compared with the amount of variability among the individual scores in each group – that is, the variance between groups versus the variance within groups. ANOVA starts with the total amount of variability (i.e. variance) in the data and divides it (statisticians call this ‘partitioning’) into various categories. Eventually, the technique allows one to compare the variability among the group means with the variability that occurred by chance or error. In addition, the assumption of equal variance was tested using the Levene’s test for equality of variance.

3.3.8.2 Strength of association

With ANOVA, the overall F test tells us whether the means of the treatment groups were statistically significantly different. The overall F test does not, however, tell us anything about the strength of the treatment effect. With very large samples, there are often differences between means that are statistically significant but not very important in terms of practical significance. For this reason, when one finds a statistically significant overall F test, one also needs to determine the strength of association for the treatment effects.

3.3.8.3 Post hoc analysis

Post hoc analysis is used after ANOVA, and the null hypothesis of no difference among the means has been rejected. Consider a study of five different teaching methods. Five groups of students were taught a unit, with each group exposed to a different teaching method. The group

of students were then tested for how much they had learnt. Even if ANOVA were to show the differences among the five means to be statistically significant, we still would not know which of the pairs of means were significantly different.

3.3.8.4 T-Test

This is a direct extension of the one-sample t-test for a mean and should be used when a researcher wants to compare two groups on a variable measured at an interval (or ratio) level. The null hypothesis tested by the two-sample test is that the two population means are equal (i.e. $H_0: \mu_1 = \mu_2$), with the alternative hypothesis being that the means are not equal ($H_1: \mu_1 \neq \mu_2$).

3.3.9 Reliability and validity

Cronbach's alpha estimates internal consistency by determining how well all the items on the assessment relate both to one another and to the total test (Gay & Airasian, 2003). Cronbach's coefficient alpha is a popular reliability test that is used to establish the internal consistency of a multi-item measurement (Sekaran, 2003). A reliability coefficient less than 0.50 is unacceptable; between 0.5 and 0.60 is regarded as significant, and above 0.70 is regarded as good. In addition, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and the Bartlett's Test of Sphericity were used to determine the appropriateness of the factor analysis.

3.3.10 Ethical considerations

The researcher complied with the ethical requirements when dealing with human subjects. Ethical clearance was obtained from the UKZN Ethics Committee.

3.4 Conclusion

This chapter discussed the research design and methodology employed to conduct this study. It described the quantitative methodology and techniques adopted to conduct field research among managers in KZN municipalities and the questionnaire that was administered to gather information to answer the research questions and achieve the study's objective. The chapter also highlighted the sampling strategy, the data analysis approach and the ethical considerations taken into account in conducting this study.

The following chapter presents and analyses the data gathered to answer the research questions.

CHAPTER 4

ANALYSIS AND DISCUSSION OF RESEARCH RESULTS

4.1 INTRODUCTION

The previous chapter discussed the methodology employed to conduct this study. This chapter presents the empirical results of the quantitative data analysis. The study aimed to determine managers' perceptions of irregular expenditure in KZN municipalities. Its objectives were, firstly, to determine managers' views on irregular expenditure and secondly, to ascertain whether their perceptions are determined by their characteristics. The chapter begins with the results of the internal consistency reliability tests followed by a description of the sample. It then addresses the validity of the instrument using exploratory factor analysis. Independent t-tests and ANOVA are used to determine whether the managers' socio-demographic status determines their perceptions. The relationship between the constructs is then assessed using the Pearson correlation coefficient. The chapter concludes with a brief summary of the results.

4.2 Reliability

The internal consistency reliability of the instrument was assessed using Cronbach's alpha and the guidelines provided by Manerikar and Manerikar (2015) were used to determine the acceptable level of the reliability. The results are given in Table 4.1.

Table 4.1: Reliability results of the constructs

| Construct | No. of items | Cronbach's alpha | Acceptable level |
|----------------------------------------------------------------------------|---------------------|-------------------------|-------------------------|
| Irregular expenditure | 18 | .779 | Good |
| Council's oversight role with regard to irregular expenditure | 14 | .970 | Excellent |
| The MPAC's capacity to fulfill its oversight role on irregular expenditure | 4 | .736 | Good |
| Total | 36 | .837 | Good |

All constructs had reliability of more than .7 which is good in terms of Manerikar and Manerikar's (2015) guidelines. The overall reliability of the instrument was .837 indicating that the instrument was reliable.

4.3 Descriptive analysis of the sample

4.3.1 Characteristics of the respondents

The sample consisted solely of managers. Fifty-two managers completed the questionnaire. Frequency distribution and descriptive analyses were conducted on the respondents' gender, age, race, job level, experience in a management position and department. The results are tabulated in Table 4.2.

Table 4.2: Characteristics of the sample

| Variable | Category | Frequency | % |
|---------------|----------------|-----------|--------------|
| Gender | Male | 27 | 51.9 |
| | Female | 25 | 48.1 |
| | Total | 52 | 100.0 |
| Age | Below 30 years | 13 | 25.0 |
| | 31 – 40 years | 22 | 42.3 |
| | 41 - 50 years | 10 | 19.2 |
| | Above 50 years | 7 | 13.5 |
| | Total | 52 | 100.0 |
| Race | White | 3 | 5.8 |
| | Indian | 8 | 15.4 |
| | African | 41 | 78.8 |
| | Total | 52 | 100.0 |
| Job level | Director | 4 | 7.7 |
| | Senior manager | 3 | 5.8 |
| | Manager | 22 | 42.3 |
| | Supervisor | 6 | 11.5 |
| | Other | 17 | 32.7 |
| | Total | 52 | 100.0 |
| Experience in | 0 – 5 years | 18 | 34.6 |

| Variable | Category | Frequency | % |
|-----------------|-------------------------------|------------------|--------------|
| management | 6 – 10 years | 14 | 26.9 |
| | 11 – 20 years | 12 | 23.1 |
| | 21 – 30 years | 4 | 7.7 |
| | 31 years and above | 4 | 7.7 |
| | Total | 52 | 100.0 |
| Department | Finance department | 28 | 53.8 |
| | Technical department | 3 | 5.8 |
| | Human resources department | 13 | 25.0 |
| | Corporate services department | 3 | 5.8 |
| | Other | 5 | 9.6 |
| | Total | 52 | 100 |

The number of male and female respondents was almost equal with 51.9% (n=27) males and 48.1% (n=25) females. While positions of authority in companies and state institutions were previously dominated by men, this suggests that the situation is changing. Females seem to be slightly underrepresented in light of the fact that the Quarterly Labour Force Survey (Quarter 2: 2017) estimated that South Africa's national labour force was 50.6% female and 49.4% male. The respondents ranged in age from 18 to over 50. The largest percentage (42.3%, n=22) were aged between 31 and 40; about 25% (n=13) were below the age of 30; 19.2% (n=10) were aged between 41 and 50 and 13.5% (n=7) were over the age of 50. Thus, the majority of the respondents were middle aged.

The majority of the respondents (78.8%, n=41) were African; 15.4% (N=18) were Indian and 5.8% were white. These results are not in line with national figures. According to the Quarterly Labour Force Survey (Quarter 2, 2017), the composition of the labour force by race is 80.1% black African, 9.2% coloured, 8.1% white and 2.7% Indian/Asian. Indians are overrepresented in the sample which can be attributed to the fact that KZN has a fairly large Indian population.

In terms of managerial positions, 42.3% (n=22) of the respondents were managers; 11.5% (n=6) were supervisors; 7.7% (n=4) were directors; 5.8% were senior managers and 32.7% (n=17) occupied other positions of authority not mentioned above.

Furthermore, 34.6% (n=18) of the respondents had five years' experience, 26.9% (n=14) had 6 to 10 years, 23.1% (n=12) had 11-20 years and 15.4% (n=8) had more than 20 years' experience. Thus, the majority of the respondents had held managerial positions for more than five years.

Finally, about 53.8% (n=28) of the respondents worked in the finance department and 25% (n=13) worked in the human resources department. A few were employed in the technical, and corporate service departments and other departments not mentioned accounted for 9.6% (n=5) of the respondents.

4.3.2 Descriptive statistics on general issues relating to irregular expenditure

The managers were asked to give their views and perceptions on irregular expenditure on a 5 point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The constructs were presented using frequencies, proportions, means and standard deviations. The average of each item was used for ranking with the aspect at the top being the one with the highest average on all the constructs with more than one item. On average, a proportion of at least 50% means that the majority of the managers were in agreement or that there was a mean of at least 3.5. Eighteen questions were posed to assess general issues in relation to irregular expenditure. The results are presented in Table 4.3 below.

Table 4.3: Level of agreement on general issues relating to irregular expenditure

| Statement | Level of agreement | | | | | Mean | Std. dev |
|------------------------------------------------------------------------------------------------------|--------------------|---------------|--------------|--------------|-------------------|------|----------|
| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | | |
| B3. Non-compliance with procurement processes results in irregular expenditure. | 46.2% (24) | 46.2% (24) | 7.7% (4) | - | - | 4.38 | .63 |
| B10. Irregular expenditure has a negative impact on social transformation and wealth redistribution. | 38.5% (20) | 40.4% (21) | 15.4% (8) | 5.8% (3) | - | 4.12 | .89 |
| B1. Lack of proper planning and poor | 42.3% (22) | 38.5% (20) | 1.9% (1) | 15.4% (8) | 1.9% (1) | 4.04 | 1.12 |

| Statement | Level of agreement | | | | | Mean | Std. dev |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------|---------------|---------------|-------------------|------|----------|
| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | | |
| planning results in irregular expenditure. | | | | | | | |
| B13. Political interference and political pressure leads to irregular expenditure. | 34.6% (18) | 26.9% (14) | 34.6% (18) | 3.8% (2) | - | 3.92 | .93 |
| B9. The municipality has adopted a fraud prevention plan. | 21.2% (11) | 59.6% (31) | 11.5% (6) | 3.8% (2) | 3.8% (2) | 3.90 | .91 |
| B12. Irregular expenditure is a result of manipulation of Supply Chain Management processes. | 32.7% (17) | 34.6% (18) | 11.5% (6) | 21.2% (11) | - | 3.79 | 1.13 |
| B11. Irregular expenditure is a result of unfair, non-transparent Supply Chain Management processes. | 28.8% (15) | 38.5% (20) | 3.8% (2) | 28.8% (15) | - | 3.67 | 1.18 |
| B7. A fraud / ethics hotline or similar mechanism has been established for reporting allegations of financial misconduct. | 17.3% (9) | 51.9% (27) | 11.5% (6) | 17.3% (9) | 1.9% (1) | 3.65 | 1.03 |
| B15. Irregular expenditure occurs because certain politicians have an interest in tenders. This results in deviations from Supply Chain Management processes. | 25.0% (13) | 30.8% (16) | 28.8% (15) | 15.4% (8) | - | 3.65 | 1.03 |
| B14. Councillors have interests in companies that | 25.0% (13) | 23.1% (12) | 44.2% (23) | 5.8% (3) | 1.9% (1) | 3.63 | .99 |

| Statement | Level of agreement | | | | | Mean | Std. dev |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------|---------------|---------------|-------------------|------|----------|
| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | | |
| trade with the municipality, thus resulting in irregular expenditure. | | | | | | | |
| B4. Investigations into irregular expenditure are not effective. | 28.8% (15) | 26.9% (14) | 21.2% (11) | 19.2% (10) | 3.8% (2) | 3.58 | 1.21 |
| B6. Irregular expenditure is financial misconduct. | 17.3% (9) | 44.2% (23) | 19.2% (10) | 15.4% (8) | 3.8% (2) | 3.56 | 1.07 |
| B16. Irregular expenditure occurs because certain employees of the municipality have interests in tenders/quotations. This results in deviations from Supply Chain Management processes. | 17.3% (9) | 32.7% (17) | 26.9% (14) | 23.1% (12) | - | 3.44 | 1.04 |
| B17. Members of the Bid Committees have interests in certain suppliers, thus giving preference to pre-determined suppliers and deviating from SCM policies. | 17.3% (9) | 25.0% (13) | 28.8% (15) | 25.0% (13) | 3.8% (2) | 3.27 | 1.14 |
| B2. Irregular expenditure is caused by fraud and corruption. | 15.4% (8) | 28.8% (15) | 28.8% (15) | 19.2% (10) | 7.7% (4) | 3.25 | 1.17 |
| B8. The fraud/ethics hotline is effective in reporting and dealing with | 7.7% (4) | 25.0% (13) | 25.0% (13) | 36.5% (19) | 5.8% (3) | 2.92 | 1.08 |

| Statement | Level of agreement | | | | | Mean | Std. dev |
|-----------------------------------------------------------------------------------|--------------------|---------------|---------------|---------------|-------------------|------|----------|
| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | | |
| fraud within the municipality. | | | | | | | |
| B5. Irregular expenditure is a direct result of fraudulent activities. | 9.6% (5) | 25.0% (13) | 21.2% (11) | 34.6% (18) | 9.6% (5) | 2.9 | 1.18 |
| B18. The chairperson of the Bid Adjudication Committee is politically influenced. | 7.7% (4) | 17.3% (9) | 38.5% (20) | 28.8% (15) | 7.7% (4) | 2.88 | 1.04 |

About 92.4% of the managers who responded to the survey agreed that non-compliance with procurement processes resulted in irregular expenditure with a mean of 4.38 and a standard deviation of .63 ($M = 4.38$, $SD = .63$). This finding is consistent with the findings of Migiro and Ambe (2008) who cited noncompliance as the major cause of procurement irregularity. Using the empirical rule, about 68.26% of the participants had ratings between 4 and 5 (± 1 standard deviation from the mean). Close to 80% agreed that irregular expenditure has a negative impact on social transformation and wealth redistribution (78.9%, $M = 4.12$, $SD = .89$); lack of proper planning and poor planning results in irregular expenditure (80.8%, $M = 4.04$, $SD = .112$) and that the municipality had adopted a fraud prevention plan (80.6%, $M = 3.90$, $SD = .91$). Looking at the means, it can be noted that the managers tended to agree that there is a need for compliance with procurement processes and proper planning; that irregular expenditure tended to impact negatively on social transformation and wealth and that the municipality had put measures in place to prevent fraud.

About 71.5% of the managers agreed that political interference and political pressure lead to irregular expenditure with a mean of 3.92 and a standard deviation of .93 ($M = 3.92$, $SD = .93$). Close to 70% also agreed that irregular expenditure is a result of manipulation of SCM processes (67.3%, $M = 3.79$, $SD = 1.13$); and unfair, non-transparent SCM processes (67.3%, $M = 3.67$, $SD = 1.18$) and that a fraud / ethics hotline or similar mechanism had been established to report allegations of financial misconduct (69.2%, $M = 3.65$, $SD =$

1.03). Using the empirical rule, 68.26% of the issues had ratings between 3 and 5. It can be noted that the managers were of the view that irregular expenditure occurs due to manipulation and unfair, non-transparent SCM processes and that the municipality had set up a fraud/ethics hotline for the public to report allegations of financial misconduct. This findings is consistent with the findings of Jeppsen (2014) who found that without transparent and accountable systems, the vast resources channelled through public procurement systems run the risk of being entangled with increased corruption and misuse of funds

About 55.8% of the respondents agreed that irregular expenditure occurs because certain politicians have an interest in tenders and that this results in deviations from SCM processes with a mean of 3.65 and a standard deviation of 1.03 ($M = 3.65$, $SD = 1.03$); 55.7% agreed that investigation of irregular expenditure is not effective with a mean of 3.58 ($M = 3.58$, $SD = 1.21$) and 61.5% agreed that irregular expenditure represents financial misconduct with a mean of 3.56 ($M = 3.56$, $SD = 1.07$). The respondents were of the opinion that, politicians' interests in tenders and ineffective investigations into irregular expenditure tend to be the cause of irregular expenditure.

Close to 50% of the managers agreed that councillors have interests in companies that trade with the municipality, resulting in irregular expenditure (48.1%, $M = 3.63$, $SD = .99$) and that irregular expenditure occurs because certain employees of the municipality have interests in tenders/quotations, resulting in deviation from SCM processes (50.0%, $M = 3.44$, $SD = 1.04$). This suggests that there is no degree of certainty that councillors and employees have interests in trade and tenders/quotations that can result in deviations from SCM. These are the issues where the managers were not in complete agreement but were on the borderline.

Other issues where, on average, the managers neither agreed nor disagreed were that members of the Bid Committees have interests in certain suppliers, thus giving preference to pre-determined suppliers and deviating from SCM policies ($M = 3.27$, $SD = 1.14$); that irregular expenditure is caused by fraud and corruption ($M = 3.25$, $SD = 1.17$); that the fraud/ethics hotline is effective in reporting and dealing with fraud within the municipality ($M = 2.92$, $SD = 1.08$) and that irregular expenditure is a direct result of fraudulent activities ($M = 2.90$, $SD = 1.18$). All the means were close to three, indicating that the respondents neither agreed nor disagreed and were thus neutral.

4.3.3 Descriptive statistics on council's oversight role with regard to irregular expenditure

Fourteen items in the questionnaire assessed the council's oversight role with regard to irregular expenditure. These were measured on a five point Likert scale and the mean was used to rank them with the issues with the highest mean being on top. The findings are tabulated in Table 4.4.

Table 4.4: Level of agreement on aspects of council's oversight role with regard to irregular expenditure

| Statement | Level of agreement | | | | | Mean | Std dev |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------|---------------|---------------|-------------------|------|---------|
| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | | |
| C10. Irregular expenditure was only written-off as irrecoverable after being certified by council as irrecoverable based on the results of an investigation. | 1.9% (1) | 38.5% (20) | 26.9% (14) | 19.2% (10) | 13.5% (7) | 2.96 | 1.10 |
| C5. Investigations into irregular expenditure included the following criteria: Terms of reference of the investigations were approved. | 1.9% (1) | 26.9% (14) | 36.5% (19) | 23.1% (12) | 11.5% (6) | 2.85 | 1.02 |
| C2. Council only writes off irregular expenditure as irrecoverable after proper investigation into the causes of irregular expenditure. | 1.9% (1) | 26.9% (14) | 25.0% (13) | 30.8% (16) | 15.4% (8) | 2.69 | 1.10 |
| C9. If an investigation determined that an official was liable for the irregular expenditure, the resultant loss was recovered or is in the process of being recovered from | 1.9% (1) | 28.8% (15) | 23.1% (12) | 26.9% (14) | 19.2% (10) | 2.67 | 1.15 |

| Statement | Level of agreement | | | | | Mean | Std dev |
|---------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------|---------------|---------------|-------------------|------|---------|
| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | | |
| the official, unless if certified by the council as irrecoverable. | | | | | | | |
| C14. All cases of alleged irregular expenditure that constitute a criminal offense were reported to the South African Police Service. | 1.9% (1) | 17.3% (9) | 42.3% (22) | 21.2% (11) | 17.3% (9) | 2.65 | 1.03 |
| C3. Irregular expenditure investigations were properly conducted. | 1.9% (1) | 15.4% (8) | 36.5% (19) | 26.9% (14) | 19.2% (10) | 2.54 | 1.04 |
| C1. Council investigated all instances of irregular expenditure to determine if any person was liable for the expenditure. | 1.9% (1) | 17.3% (9) | 26.9% (14) | 34.6% (18) | 19.2% (10) | 2.48 | 1.06 |

Table 4.4 shows that none of the items assessed in this construct was rated positive. All the means were close to three, indicating that the managers neither agreed nor disagreed except for the issue “council investigated all instances of irregular expenditure to determine if any person was liable for the expenditure” with a mean close to two. The managers were thus neutral on this issue. However, close to 50% disagreed that council only writes off irregular expenditure as irrecoverable after proper investigation into the causes with a mean of 2.69 ($M = 2.69$, $SD = 1.10$); if an investigation determined that an official was liable for the irregular expenditure, the resultant loss was recovered or is in the process of being recovered from the official, unless if certified by the council as irrecoverable with a mean of 2.67 ($M = 2.67$, $SD = 1.15$) and irregular expenditure investigations were properly conducted with a mean of 2.54 ($M = 2.54$, $SD = 1.04$). Thus, the views and perceptions of the managers were not clear on these issues.

On the other hand, about 53.8% of the managers that participated in the survey disagreed that council investigated all instances of irregular expenditure to determine if any person was liable

with a mean of 2.48 ($M = 2.48$, $SD = 1.06$). This suggests that the managers were of the opinion that the council did not investigate issues relating to irregular expenditure.

4.3.4 Descriptive statistics on the MPAC's capacity to fulfil its oversight role with regard to irregular expenditure

Four scale items were used to measure the MPAC's capacity to fulfil its oversight role with regard to irregular expenditure on a five point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The proportions are presented in Table 4.5 below with the aspect with the highest mean on the top.

Table 4.5: Level of agreement on the MPAC's capacity to fulfil its oversight role with regard to irregular expenditure

| Statement | Level of agreement | | | | | Mean | Std dev |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------|---------------|---------------|-------------------|------|---------|
| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | | |
| D2. There is a good working relationship between the MPAC, Internal Audit and Audit Committee, in that the MPAC reviews irregular expenditure reports after they have been confirmed and attested to by internal audit and the audit committee. | 15.4% (8) | 42.3% (22) | 21.2% (11) | 19.2% (10) | 1.9% (1) | 3.50 | 1.04 |
| D1. The MPAC is properly constituted and capacitated. | 11.5% (6) | 40.4% (21) | 21.2% (11) | 19.2% (10) | 7.7% (4) | 3.29 | 1.14 |

| Statement | Level of agreement | | | | | Mean | Std dev |
|---------------------------------------------------------------------|--------------------|---------------|---------------|---------------|-------------------|------|---------|
| | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | | |
| D3. The MPAC is trained to manage irregular expenditure. | 5.8% (3) | 32.7% (17) | 30.8% (16) | 26.9% (14) | 3.8% (2) | 3.10 | 1.00 |
| D4. The MPAC has the capacity to investigate irregular expenditure. | 3.8% (2) | 21.2% (11) | 26.9% (14) | 34.6% (18) | 13.5% (7) | 2.67 | 1.08 |

In terms of averages, only the item “*there is a good working relationship between the MPAC, Internal Audit and Audit Committee, in that the MPAC reviews irregular expenditure reports after they have been confirmed and attested to by internal audit and the audit committee*” was rated as a positive item for the construct with an average of 3.50 which is close to four ($M = 3.50$, $SD = 1.04$) and 55.7% of the managers agreed with this statement.

About 51.9% of the respondents agreed that the MPAC is properly constituted and capacitated with a mean of 3.29 ($M = 3.29$, $SD = 1.14$) while 38.5% agreed that it is trained to manage irregular expenditure with a mean of 3.10 ($M = 3.10$, $SD = 1.00$), 30.8% were neutral and 30.7% disagreed. Thus, no proportions were dominant.

Close to 50% of the managers disagreed that the MPAC has the capacity to investigate irregular expenditure with a mean of 2.67 (48.1%, $M = 2.67$, $SD = 1.08$) while 26.9% were neutral and 25% agreed. It can be concluded that overall, the managers were not sure whether the MPAC has the capacity to investigate irregular expenditure.

4.4 EXPLORATORY FACTOR ANALYSIS ON MANAGERS’ PERCEPTIONS OF IRREGULAR EXPENDITURE

Exploratory factor analysis using principal component analysis with a varimax rotation was employed to group the variables on views and perceptions of irregular expenditure that are highly correlated into a group and which had relatively small correlations with variables in a different group. In this case a construct was represented by a group of variables. There were

three constructs, namely, general issues on irregular expenditure, council's oversight role with regard to irregular expenditure and the MPAC's capacity to fulfil its oversight role with regard to irregular expenditure. The aim was to determine whether the factor solution loaded each item in its respective construct.

Factor loadings greater than ± 0.50 were regarded as significant. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and the Bartlett's Test of Sphericity were used to determine the appropriateness of the factor analysis. A KMO of greater than .5 would signify that the correlations were adequate for factor analysis and a significant Bartlett's Test of Sphericity would indicate that there were sufficient correlations. The latent root criterion was used to determine the number of factors where all factors with eigenvalues more than one were retained. Most of the variables should have communalities of .6 and above (Hair, Black, Babin & Anderson, 2014). The robustness of the factors analysis was determined using the criterion that a factor solution is robust if it explains 50% of the total variance (Pallant, 2013).

The factor solutions resulted in the following items having factor loadings less than .5 and were dropped from the analysis.

- B1. Lack of proper planning and poor planning results in irregular expenditure
- B3. Non-compliance with procurement processes results in irregular expenditure
- B6. Irregular expenditure is financial misconduct
- B7. A fraud/ethics hotline or similar mechanism has been established for reporting allegations of financial misconduct
- B8. The fraud/ethics hotline is effective in reporting and dealing with fraud within the municipality
- B10. Irregular expenditure has a negative impact on social transformation and wealth redistribution
- D1. The MPAC is properly constituted and capacitated

Item "*B18. The chairperson of the Bid Adjudication Committee is politically influenced*" was dropped due to the fact that it was loading significantly on two factors, that is, cross loading. Thus, in total 28 items were used in the final factor solution. A KMO of .775 and a significant Bartlett's Test of Sphericity with a chi-square value of 1 458.87 and a p-value less than .001 were obtained indicating the appropriateness of the factor solution. Most of the communalities were above .6. A three factor solution was obtained as presented in Table 4.6.

Table 4.6: Factor solution on managers' perceptions of irregular expenditure

| Factor 1 – Council's oversight role with regard to irregular expenditure | Factor 2 – General issues on irregular expenditure |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| C8. Investigations complied with the municipality's policies with regard to independence and qualification/ position (.921). | B15. Irregular expenditure occurs because certain politicians have an interest in tenders. This results in deviations from Supply Chain Management processes (.837). |
| C6. The scope of the investigation addressed the allegations (.911). | B16. Irregular expenditure occurs because certain employees of the municipality have interests in tenders/quotations. This results in deviations from Supply Chain Management processes (.809). |
| C7. The recommendations/ findings were relevant to the allegations (.902). | B13. Political interference and political pressure lead to irregular expenditure (.773). |
| C5. Terms of reference of the investigation were approved (.894). | B12. Irregular expenditure is a result of the manipulation of Supply Chain Management processes (.738). |
| C4. The investigation was commissioned/ approved at the appropriate level (.869). | B2. Irregular expenditure is caused by fraud and corruption (.733). |
| C9. If an investigation determined that an official was liable for the irregular expenditure, the resultant loss was recovered or is in the process of being recovered from the official, unless if certified by the council as irrecoverable (.867). | B11. Irregular expenditure is a result of unfair, non-transparent Supply Chain Management processes (.719). |
| C11. When approving the write-off, the council committee considered: Measures already taken to recover the expenditure (.857). | B17. Members of the Bid Committees have interests in certain suppliers, thus giving preference to pre-determined suppliers and deviating from SCM policies (.715). |
| C10. Irregular expenditure was only written-off as irrecoverable after being certified by council as irrecoverable based on the result of an investigation (.824). | B14. Councillors have interests in companies that trade with the municipality, thus resulting in irregular expenditure (.675). |

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| C12. When approving the write-off, the council committee considered: Cost of the measures already taken to recover such expenditure (.817). | B5. Irregular expenditure is a direct result of fraudulent activities (.643). |
| C2. Council only writes off irregular expenditure as irrecoverable after proper investigation into the causes of irregular expenditure (.765). | |
| C3. Irregular expenditure investigations were properly conducted (.754). | |
| C1. Council investigated all instances of irregular expenditure to determine if any person was liable for the expenditure (.688). | |
| C14. All cases of alleged irregular expenditure that constitute a criminal offense were reported to the South African Police Service (.669). | |
| Factor 3 – Capacity of MPAC to fulfill oversight role on irregular expenditure | |
| D3. The MPAC is trained to manage irregular expenditure (.855). | B9. The municipality has adopted a fraud prevention plan (.569). |
| D2. There is a good working relationship between the MPAC, Internal Audit and Audit Committee, in that the MPAC reviews irregular expenditure reports after they have been confirmed and attested to by internal audit and the audit committee (.784). | D4. The MPAC has the capacity to investigate irregular expenditure (.530). |
| B4. Investigations into irregular expenditure are not effective (R*) (.575). | |

All 14 items on the council's oversight role with regard to irregular expenditure were loaded on the first factor with an eigenvalue of 10.26 and the factor solution explained 36.7% of the total variation. The factor loadings ranged from .669 to .921. The factor was named "*on the council's oversight role with regard to irregular expenditure*". These are aspects where the managers neither agreed nor disagreed on the council's role.

The second factor consisted of nine of the 18 items on general issues on irregular expenditure. Seven of the items were dropped from the factor solution due to insignificant factor loadings or cross loading. The eigenvalue was 5.6 and explained 20% of the total variance. The factor loadings ranged from .643 to .837. It was named “*general issues on irregular expenditure*”.

The third factor contained the remaining three items on the MPAC’s capacity to fulfill its oversight role with regard to irregular expenditure and the items “investigations into irregular expenditure are not effective” and “the municipality has adopted a fraud prevention plan”, respectively. The factor loadings ranged from .550 to .855. The factor explained 10.2% of the total variance with an eigenvalue of 2.85. The factor was named “*capacity of MPAC to fulfill oversight role on irregular expenditure*”. It consisted of the items on how MPAC is equipped and is handling irregular expenditure.

The three factors accounted for 66.8% of the total variation and thus the solution was robust. Finally, the factor analysis confirmed the three constructs which are:

- General issues on irregular expenditure,
- Council’s oversight role with regard to irregular expenditure, and
- The capacity of the MPAC to fulfill its oversight role on irregular expenditure.

4.5 INDEPENDENT T-TESTS TO DETERMINE MEAN DIFFERENCE ACROSS CATEGORIES OF SOCIO-DEMOGRAPHIC VARIABLES

The independent t-test was used to determine whether the managers’ views and perceptions on irregular expenditure differed by gender and race. Composite variables were calculated by averaging all the items in a construct. The following composite variables were obtained:

- General issues on irregular expenditure
- Council’s oversight role with regard to irregular expenditure
- The MPAC’s capacity to fulfil its oversight role with regard to irregular expenditure

The assumptions of the independent t-test which are independence of observations and that the data was from a population that is normally distributed were met. Independence of observations was met since the managers were randomly selected and the central limit theorem was used to achieve normality. Since the number of observations was more than 30 (in this case 52) according to the central limit theorem the data will be normally distributed. The test of homogeneity of variance was performed on each test and where the variances were equal,

statistics under *equal variances assumed* were presented and where the variances were not equal, statistics under *equal variance not assumed* were presented. The test was performed at the 5% level of significant and a p-value of less than .05 was used to reject the null hypothesis of equal means. The test was highly significant if the p-value was less than .01. The independent t-tests are presented in the following sub-sections.

4.5.1 Independent t-test to determine mean difference by gender

An independent t-test was used to determine whether the ratings of the respondents differed by gender. The hypothesis to be tested was:

Hypothesis 1:

H₀¹: There are no significant gender differences in relation to views and perceptions of issues on irregular expenditure.

The hypothesis aimed to determine whether males and females have different views and perceptions of irregular expenditure at municipalities. The assumption of equal variance was tested using the Levene's test for equality of variance. All p-values were greater than .05 indicating that the variances of males and females were equal across each construct and thus the statistics under equal variances assumed were used.

The independent t-tests for equal means resulted in all constructs having p-values of more than .05 as tabulated in Table 4.7.

Table 4.7: Independent t-test to determine mean difference by gender

| Group Statistics | | | | | Levene's Test for Equality of Variances | | T-test for Equality of Means | | |
|-----------------------------------------|--------|----|-------|---------|-----------------------------------------|------|------------------------------|---------|--------------------------|
| Indicator | Gender | N | Mean | Std Dev | F | Sig | Equal Variances | t-value | Sig (2 – tailed p-score) |
| General issues on irregular expenditure | Male | 27 | 3.490 | .467 | 1.021 | .317 | Assumed | -.522 | .604 |
| | Female | 25 | 3.560 | .504 | | | Not | -.521 | .605 |

| | | | | | | | | | |
|---------------------------------------------------------------------------|--------|----|-------|------|------|------|---------|-------|------|
| Council's oversight role with regard to irregular expenditure | Male | 27 | 2.884 | .885 | .110 | .742 | Assumed | 1.071 | .289 |
| | Female | 25 | 2.614 | .928 | | | Not | 1.069 | .290 |
| The MPAC's capacity to fulfill an oversight role on irregular expenditure | Male | 27 | 3.130 | .905 | .937 | .338 | Assumed | -.091 | .928 |
| | Female | 25 | 3.150 | .677 | | | Not | -.092 | .927 |

There was no significant difference in mean ratings for general issues on irregular expenditure for males ($M = 3.49, SD = .47$ and females ($M = 3.56; SD = .50$) and $t(50) = -.522, p = .60$, two tailed). The magnitude of the difference in the means (mean difference = $-.07$, 95% CI: $-.34$ to $.20$) was small and a very small eta squared = $.01$ was obtained. The amount of variation in general issues on irregular expenditure accounted for by gender was 1%. For the variable council's oversight role with regard to irregular expenditure the mean and standard deviations were ($M = 2.88, SD = .89$) for males and ($M = 2.61; SD = .93$) for females and $t(50) = 1.071, p = .29$, two tailed) indicating that they were not statistically significantly different. The magnitude of the mean differences for council's oversight role with regard to irregular expenditure was (mean difference = $.27$, 95% CI: $-.24$ to $.77$) with a very small eta-square of $.02$. Only 2% of the variation in council's oversight role with regard to irregular expenditure is explained by gender. The composite variable "*the MPAC's capacity to fulfil its oversight role on irregular expenditure*" had a mean and standard deviations of ($M = 3.13, SD = .91$) for males and ($M = 3.15; SD = .68$) for females and $t(50) = -.091, p = .93$, two tailed). The magnitude of the difference in the means (mean difference = $-.02$, 95% CI: $-.34$ to $.20$) was small and a very small eta squared = $.00$ was obtained. Thus, no variation in the MPAC's capacity to fulfill its oversight role on irregular expenditure /risks was accounted for by gender.

It can be concluded that the views and perceptions of irregular expenditure were interpreted in a similar way by males and females. Gender was not a determinant in distinguishing managers' views and perceptions.

4.5.2 Independent t-test to determine mean difference by race

Race was divided into two groups, Non-African and African. Non-Africans included Indians and whites. The independent t-test was conducted to test the hypothesis that:

Hypothesis 2:

H_0^2 : *There are no significant differences between races in relation to views and perceptions on issues relating to irregular expenditure*

The aim of the hypothesis was to determine whether race determined managers' views and perceptions on issues relating to irregular expenditure. The results of the test of homogeneity of variances, that is, Levene's test showed that all p-values were greater than .05 and thus statistics under equal variances assumed were discussed. The results of the test on equality of means are shown in Table 4.8.

Table 4.8: Independent t-test to determine mean difference by race

| Group Statistics | | | | | Levene's Test for Equality of Variances | | T-test for Equality of Means | | |
|------------------------------------------------------------------------------------|-----------------|----|-------|------------------|-----------------------------------------------|------|------------------------------|---------|---------------------------------|
| Indicator | Gender | N | Mean | Std deviation | F | Sig | Equal Variances | t-value | Sig (2 – tailed p- score) |
| General issues on irregular expenditure | Non- African | 11 | 3.616 | .477 | .023 | .881 | Assumed | .715 | .478 |
| | African | 41 | 3.499 | .486 | | | Not | .723 | .480 |
| Council's oversight role with regard to irregular expenditure | Non- African | 11 | 2.961 | .773 | 2.106 | .153 | Assumed | .849 | .400 |
| | African | 41 | 2.699 | .941 | | | Not | .953 | .353 |
| The MPAC's capacity to fulfil its oversight role on irregular expenditure | Non- African | 11 | 2.727 | .876 | .484 | .490 | Assumed | -1.990 | .052 |
| | African | 41 | 3.250 | .746 | | | Not | -1.810 | .092 |

There was no significant difference in the mean ratings for general issues on irregular expenditure for Non-African ($M = 3.62, SD = .48$ and African ($M = 3.50; SD = .49$) and $t(50) = .715, p = .48$, two tailed). The magnitude of the difference in the means (mean difference = .12, 95% CI: -.21 to .45) was small and a very small eta squared = .01 was obtained. About 1% of the total variation in general issues relating to irregular expenditure, was explained by race. The construct council's oversight role with regard to irregular

expenditure had mean and standard deviations for Non-African of ($M = 2.96, SD = .77$) and for African of ($M = 2.70; SD = .94$) and $t(50) = 849, p = .40$, two tailed) indicating that they were not statistically significantly different. The magnitude of the mean differences for council's oversight role with regard to irregular expenditure was (mean difference = .26, 95% CI: -.36 to .88) with a very small eta-square of .01. Thus, 1% of the variation in council's oversight role with regard to irregular expenditure is explained by race.

The construct on the MPAC's capacity to fulfil its oversight role on irregular expenditure had mean and standard deviations for Non-African of ($M = 2.73, SD = .88$) and African of ($M = 3.25; SD = .75$) and $t(50) = -1.990, p = .05$, two tailed). The magnitude of the difference in the means (mean difference = -.52, 95% CI: -1.05 to .00) was small and a small eta squared = .07 was obtained. Thus, about 7% of the variation in the MPAC's capacity to fulfil its oversight role on irregular expenditure/risks was explained by race. Race did not impact the views and perceptions on irregular expenditure issues among Non-African and African respondents and the constructs were interpreted in similar ways.

4.6 ANOVA TESTS TO DETERMINE MEAN DIFFERENCES ACROSS CATEGORIES OF SOCIO-DEMOGRAPHIC VARIABLES

Analysis of variance (ANOVA) was performed to determine whether the demographic factors of age, job level, experience in management position and department had an impact on views and perceptions on issues of irregular expenditure. The three constructs were used and the assumptions were tested as in the Independent t-tests. In this case where the ANOVA tests of equality of means was significant, Scheffe post hoc tests were used. The test was also performed at the 5% level of significance and a p-value of less than .05 led to the rejection of the null hypothesis of equal means.

4.6.1 ANOVA test to determine mean difference by age

Age was classified into the categories below 30 years, 31-40 years, 41-50 years and above 50 years old. The hypothesis to be tested was:

Hypothesis 3:

H_0^3 : *There are no significant differences between age groups in relation to views and perceptions on issues relating to irregular expenditure*

The Levene's test of equality of variances resulted in all tests having p-values of more than .05 indicating that the variance across the age groups was equal. The results of the ANOVA tests are shown in Table 4.9.

Table 4.9: ANOVA test to determine mean difference by age

| | | Sum of squares | Df | Mean square | F | Sig. |
|---------------------------------------------------------------------------|----------------|----------------|-----------|-------------|------|------|
| General issues on irregular expenditure | Between Groups | .393 | 3 | .131 | .550 | .651 |
| | Within Groups | 11.430 | 48 | .238 | | |
| | Total | 11.823 | 51 | | | |
| Council's oversight role with regard to irregular expenditure | Between Groups | .388 | 3 | .129 | .149 | .930 |
| | Within Groups | 41.596 | 48 | .867 | | |
| | Total | 41.984 | 51 | | | |
| The MPAC's capacity to fulfil its oversight role on irregular expenditure | Between Groups | .722 | 3 | .241 | .366 | .778 |
| | Within Groups | 31.579 | 48 | .658 | | |
| | Total | 32.302 | 51 | | | |

There was no statistically significant difference in the mean scores between age groups for the constructs general issues on irregular expenditure ($F(3,48) = .550, p = .651$), council's oversight role with regard to irregular expenditure ($F(3,48) = .149, p = .930$) and the MPAC's capacity to fulfil its oversight role on irregular expenditure ($F(3,48) = .366, p = .778$)). The rating of the views and perceptions on issues of irregular expenditure were thus not dependent on age. It can be concluded that age did not have an effective impact on views and perceptions on issues of irregular expenditure.

4.6.2 ANOVA test to determine mean differences by job level

Job level (position) was divided into four groups, namely, director/senior managers, managers, supervisors and other. The hypothesis to be tested was:

Hypothesis 4:

H_0^4 : *There are no significant differences between job levels in relation to views and perceptions on issues relating to irregular expenditure*

The assumption of equality of variance was not violated across all groups and thus job level had equal variances. Table 4.10 shows that, all p-values were greater than .05 indicating that, the job levels are homogeneous with regard to the three constructs.

Table 4.10: ANOVA test to determine mean difference by job level

| | | Sum of squares | Df | Mean square | F | Sig. |
|---------------------------------------------------------------------------|----------------|----------------|-----------|-------------|-------|------|
| General issues on irregular expenditure | Between Groups | 1.127 | 3 | .376 | 1.686 | .182 |
| | Within Groups | 10.696 | 48 | .223 | | |
| | Total | 11.823 | 51 | | | |
| Council's oversight role with regard to irregular expenditure | Between Groups | 1.683 | 3 | .561 | .668 | .576 |
| | Within Groups | 40.300 | 48 | .840 | | |
| | Total | 41.984 | 51 | | | |
| The MPAC's capacity to fulfil its oversight role on irregular expenditure | Between Groups | 3.611 | 3 | 1.204 | 2.014 | .125 |
| | Within Groups | 28.691 | 48 | .598 | | |
| | Total | 32.302 | 51 | | | |

The construct general issues on irregular expenditure showed that there was no statistically significant difference ($F(3,48)= 1.686, p=.182$) by job level. This was also observed for the constructs council's oversight role with regard to irregular expenditure ($F(3,48)= .668, p=.576$) and the MPAC's capacity to fulfil its oversight role on irregular expenditure ($F(3,48)= .2014, p=.125$)). The rating of the views and perceptions on issues of irregular expenditure were the

same among the job levels. It can thus be concluded that job level did not have an effective impact on the views and perceptions on issues of irregular expenditure.

4.6.3 ANOVA test to determine mean difference by experience in management position

The composite experience in management position was categorised into four groups, namely, 0-5 years, 6-10 years, 11-20 years and 21 years and above. The hypothesis to be tested was:

Hypothesis 5:

H₀⁵: There are no significant differences between experience in management position groups in relation to views and perceptions on issues relating to irregular expenditure

The Levene's test of equality of variances resulted in all constructs having p-values greater than .05. Thus the variance was equal across the groupings of experience in management position. The ANOVA test for equality of means is presented in Table 4.11.

Table 4.11: ANOVA test for mean difference by experience in management position

| | | Sum of squares | D f | Mean square | F | Sig. |
|---------------------------------------------------------------------------|----------------|----------------|-----------|-------------|-------|------|
| General issues on irregular expenditure | Between Groups | 1.041 | 3 | .347 | 1.544 | .215 |
| | Within Groups | 10.783 | 48 | .225 | | |
| | Total | 11.823 | 51 | | | |
| Council's oversight role with regard to irregular expenditure | Between Groups | 1.020 | 3 | .340 | .398 | .755 |
| | Within Groups | 40.964 | 48 | .853 | | |
| | Total | 41.984 | 51 | | | |
| The MPAC's capacity to fulfil its oversight role on irregular expenditure | Between Groups | 1.056 | 3 | .352 | .541 | .657 |
| | Within Groups | 31.245 | 48 | .651 | | |
| | Total | 32.302 | 51 | | | |

There was no statistically significant difference in mean scores between categories of experience in management position for the constructs general issues on irregular expenditure ($F(3,48) = 1.544, p = .215$), council's oversight role with regard to irregular expenditure ($F(3,48) = .398, p = .755$) and the MPAC's capacity to fulfil its oversight role on irregular expenditure ($F(3,48) = .541, p = .657$). The rating of the views and perceptions on issues

of irregular expenditure were not dependent on experience in management position. It can thus be concluded that experience in management position had no impact on the views and perceptions on issues of irregular expenditure.

4.6.4 ANOVA test to determine mean differences by department

The departments were categorised into three, namely, finance and technical departments, human resource and corporate service departments and other.

The hypothesis to be tested was:

Hypothesis 6:

Ho⁶: There are no significant differences between departments in relation to views and perceptions on issues relating to irregular expenditure

The assumption of equality of variance was not violated for all constructs as supported by p-values of more than 0.05 which were .056, .628 and .641 for general issues on irregular expenditure, council's oversight role with regard to irregular expenditure and the MPAC's capacity to fulfill its oversight role on irregular expenditure, respectively. Table 4.12 shows that, the means were different on the construct council's oversight role with regard to irregular expenditure.

Table 4.12: ANOVA tests to determine mean difference by department

| | | Sum of squares | Df | Mean square | F | Sig. |
|---------------------------------------------------------------|----------------|----------------|-----------|-------------|-------|------|
| General issues on irregular expenditure | Between Groups | .359 | 2 | .179 | .767 | .470 |
| | Within Groups | 11.464 | 49 | .234 | | |
| | Total | 11.823 | 51 | | | |
| Council's oversight role with regard to irregular expenditure | Between Groups | 8.040 | 2 | 4.020 | 5.803 | .005 |
| | Within Groups | 33.944 | 49 | .693 | | |
| | Total | 41.984 | 51 | | | |
| The MPAC's capacity to fulfil its | Between Groups | .574 | 2 | .287 | .443 | .645 |
| | Within Groups | 31.728 | 49 | .648 | | |

| | | Sum of squares | Df | Mean square | F | Sig. |
|-----------------------------------------|--------------|----------------|-----------|-------------|---|------|
| oversight role on irregular expenditure | Total | 32.302 | 51 | | | |

There was no statistically significant difference in mean scores between the categories of departments for the constructs general issues on irregular expenditure ($F(2,49) = .767, p = .470$) and the MPAC's capacity to fulfil its oversight role on irregular expenditure ($F(2,49) = .443, p = .645$). The rating of managers' views and perceptions on general issues on irregular expenditure and the MPAC's capacity to fulfil its oversight role on irregular expenditure was thus not dependent on department.

There was a statistically significant difference between the departments on the construct council's oversight role with regard to irregular expenditure as determined by the one-way ANOVA ($F(2,49) = 5.803, p = .005$). Thus views and perceptions on council's oversight role with regard to irregular expenditure differed by department. A small effect size of .19 was obtained and thus 19% of the variance among the scores can be attributed to the department. A Scheffe post hoc test revealed the two homogeneous groups shown in Table 4.13.

Table 4.13: Scheffe post hoc homogeneous group for council's oversight role with regard to irregular expenditure by department

| Scheffe ^{a,b} | | | |
|----------------------------------------------------|----|-------------------------|--------|
| A6. Department: | N | Subset for alpha = 0.05 | |
| | | 1 | 2 |
| Other (specify) | 5 | 1.5857 | |
| Human resources and corporate services departments | 16 | | 2.7366 |
| Finance and technical departments | 31 | | 2.9516 |
| Sig. | | 1.000 | .844 |

Other had the lowest mean of 1.59 ($M = 1.59, SD = .85$) while the finance and technical departments had the highest mean of 2.95 ($M = 2.95, SD = .88$). A Scheffe post hoc test

revealed that the views and perceptions of managers on council's oversight role with regard to irregular expenditure were statistically significantly higher for the finance and technical departments ($2.95 \pm .88, p = .005$) and human resources and corporate services departments ($2.74 \pm .73, p = .034$) compared to other departments ($1.59 \pm .85$). There was no statistically significant difference between the finance and technical departments and human resources and corporate services departments ($p = .405$). This is supported by the overlapping of the two groups shown in Figure 4.1.

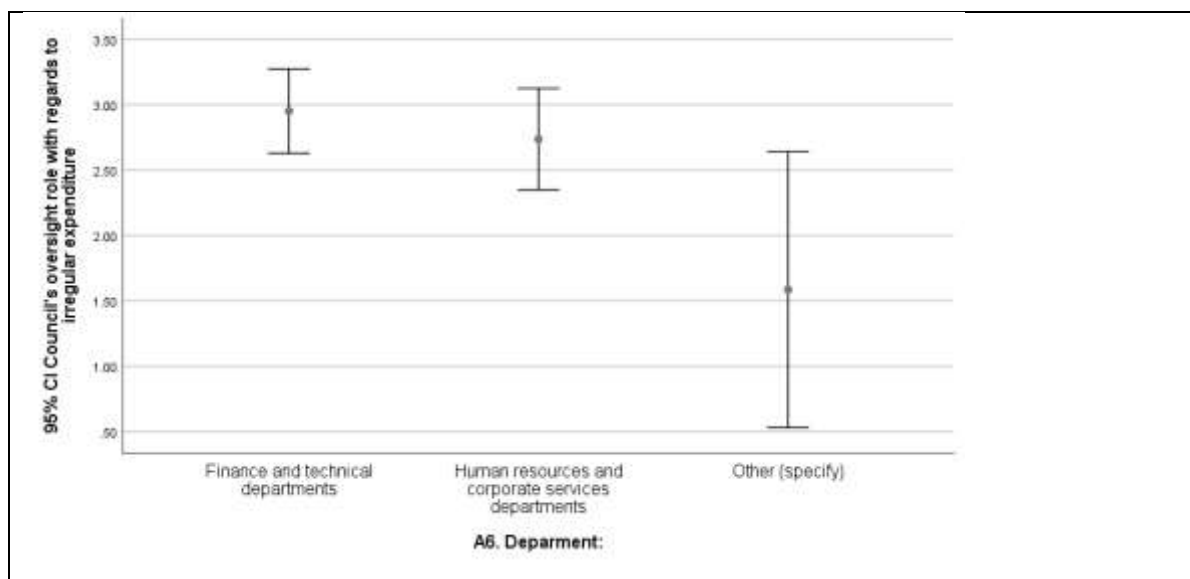


Figure 4.1: Confidence interval error bars for council's oversight role with regard to irregular expenditure by department

Those in other departments had ratings significantly lower than the finance and technical and human resources and corporate service departments. Other departments had a mean close to two, indicating that the managers did not agree on issues relating to council's oversight role with regard to irregular expenditure. The finance and technical and human resources and corporate service departments had means close to three, indicating that they neither agreed nor disagreed and were thus neutral.

4.6.5 Relationships between the constructs

The degree of the relationship between the constructs was measured using the Pearson correlation coefficient using guidelines provided by Salkind (2018). As noted in chapter three, Salkind (2018) used the “eyeball method” to propose that an $r = .0$ and $.2$ was very weak; $.2$ and $.4$ weak; $.4$ and $.6$ moderate; $.6$ and $.8$ strong; and $.8$ and 1.0 very strong. In this case, the test was conducted at the 5% level of significance and the results are shown in Table 4.14.

Table 4.14: Pearson correlation coefficient of the constructs

| Construct | Mean | Std dev | 1 | 2 | 3 |
|-------------------------------------------------------------------------------|------|---------|-------|--------|---|
| 1. General issues on irregular expenditure | 3.52 | .48 | - | | |
| 2. Council’s oversight role with regard to irregular expenditure | 2.75 | .91 | -.237 | - | |
| 3. The MPAC’s capacity to fulfill its oversight role on irregular expenditure | 3.14 | .80 | -.220 | .425** | - |

Table 4.14 shows that, council’s oversight role with regard to irregular expenditure is significantly and positively correlated to the MPAC’s capacity to fulfil its oversight role on irregular expenditure ($r = .425$; $p < .001$). The relationship is moderate. Thus, high scores in council’s oversight role with regard to irregular expenditure are associated with high scores in the MPAC’s capacity to fulfil its oversight role on irregular expenditure.

General issues on irregular expenditure had no statistically significant correlation with council’s oversight role with regard to irregular expenditure ($r = -.237$; $p > .05$) and the MPAC’s capacity to fulfil its oversight role on irregular expenditure ($r = -.220$; $p > .05$).

4.7 SUMMARY OF THE FINDINGS

4.7.1 Introduction

The study’s objectives were to determine managers’ perceptions of irregular expenditure among KZN municipalities, focusing on general perceptions of irregular expenditure, perceptions of council’s oversight role with regard to irregular expenditure, and perceptions on the MPAC’s capacity to fulfil its oversight role with regard to irregular expenditure. These objectives were achieved by means of a literature review that provided insights into managers’

perceptions of irregular expenditure as well as an empirical survey using structured questionnaires.

4.7.2 Managers' perceptions of general issues of irregular expenditure

- Non-compliance with procurement processes results in irregular expenditure.
- A lack of proper planning and poor planning result in irregular expenditure.
- Irregular expenditure has a negative impact on social transformation and wealth redistribution.
- Irregular expenditure occurs due to political interference and political pressure to award bids to certain suppliers.
- Irregular expenditure is a result of manipulation of SCM processes.
- Irregular expenditure is a result of unfair, non-transparent SCM processes.
- Irregular expenditure and deviations from SCM processes are motivated by politicians' interests in tenders.
- There are no effective investigations into irregular expenditure.
- Irregular expenditure is financial misconduct.
- A fraud/ethics hotline or similar mechanism has been established for reporting allegations of financial misconduct.
- Municipalities have adopted fraud prevention plans.
- Irregular expenditure does not necessarily mean that money has been wasted or that fraud has been committed.
- The failure to appoint properly qualified officials and high level of senior and experienced staff turnover in SCM units result in irregular expenditure.
- Inadequate capacity of internal audit units, as well as the lack of independent audit committees to ensure functional and effective internal audit units and compliance with financial management prescripts and SCM policies results in irregular expenditure.
- Lack of clarity on SCM guidelines is a reason for non-compliance with procurement procedures, resulting in irregular expenditure.
- Suppliers' lack of knowledge of SCM regulations and policies prevents them from lodging formal complaints about irregularities perpetrated by SCM officials.

4.7.3 Managers' perceptions of council's oversight role with regard to irregular expenditure

- Managers are of the opinion that councillors did not investigate irregular expenditure to determine if any person was liable for it, as required by section 32(2) (a) and (b) of the MFMA.
- Serious cases of irregular expenditure where there were allegations of fraud, theft and corruption were not investigated.
- Disciplinary proceedings were not instituted against those that did not act in good faith and committed serious financial misconduct that resulted in municipalities incurring financial losses.
- Financial losses were not recovered from liable officials and political office bearers.
- Municipal managers did not report allegations of irregular expenditure that constituted criminal offences to the South African Police Service as required by section 32 (6) of the MFMA.
- Some irregular expenditure was certified by councils as irrecoverable without having conducted an investigation to determine its recoverability, in contravention of section 32(2)(a)(ii) and 32(2)(b) of the MFMA.
- Councillors have poor technical knowledge of financial statements, financial management, Generally Recognised Accounting Practices (GRAP) reporting requirements, performance management systems and applicable municipal legislation, and therefore rely on technical guidance from municipal managers and senior management. This results in them being unable to hold the administration accountable.
- Some councillors interfered in the appointment of employees, and awarded contracts to certain individuals and businesses in contravention of SCM policies.
- Some municipalities had to be placed under section 139 of the Constitution and dissolved due to corruption and procurement irregularities committed by councillors.

4.7.4 Managers' perceptions of the MPAC's capacity to fulfil its oversight role on irregular expenditure

Managers were not sure whether the MPAC has the capacity to investigate irregular expenditure.

4.7.5 Conclusion

Compliance with SCM regulations remains a problem due to inadequate controls. Fraud and corruption are committed by some in the administration and political leadership, making it difficult for councillors to exercise their oversight responsibilities as some councillors are part of the problem. Poor formal education levels amongst councillors are a major contributor to their inability to fulfil their oversight role.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSION OF THE STUDY

The study found that Irregular expenditure harms municipalities' image and negatively impacts social transformation. Municipalities, Cooperative Governance and Traditional Affairs (CoGTA) and the South African Local Government Association (SALGA) should invest in capacity building, implement effective fraud prevention plans and enhance the capabilities of those in charge of oversight.

5.2 RECOMMENDATION ONE: FRAUD AND CORRUPTION WITHIN SUPPLY CHAIN MANAGEMENT

In order to deal with SCM fraud and corruption, the following are recommended:

5.2.1 Awareness, access and use of corruption agencies

Corruption agencies must be capacitated to perform their mandatory tasks. Members of the local communities and non-profit-organisations must be aware of their mandates, access and the use of the reports and services of the following institutions in order to get information about fraud and corruption and to report fraud and corruption happening at their municipalities:

- Office of the Auditor-General
- Office of the Public Protector
- Office of the Public Service Commission
- Independent Complaints Directorate
- South African Police Service Commercial Crime Unit
- South African Police Service Anti-Corruption Unit
- National Prosecuting Authority
- The Hawks
- Asset Forfeiture Unit

- Special Investigating Unit
- Department of Public Service and Administration
- National Intelligence Agency
- South African Revenue Services
- National Anti-Corruption Forum

5.2.2 Political will and commitment

This study has shown that some councillors colluded with administrative staff to engage in fraudulent and corrupt activities. The literature confirms that political will and commitment are crucial to any serious attempt to fight supply chain management fraud and corruption. Political will refers to the demonstrated, credible intent of political actors to take supply chain management fraud and corruption seriously. Poor collective political leadership has resulted in the supply chain management fraud and corruption; nepotism and maladministration entrenched in municipalities, and this has eroded public resources and public trust. It is recommended that politicians and councillors take a leadership role, and commit to ethical leadership to stop supply chain management fraud and corruption and this will restore the public trust.

5.2.3 Fraud risk management

Municipalities perform annual fraud risks assessments, the results of which must be used to develop and implement internal control systems to prevent and detect fraud and corruption. However, the annual fraud risks assessments performed has not helped to prevent fraud and corruption. Therefore, fraud risks assessments are done for compliance purposes than to actually prevent and detect supply chain management fraud and corruption, and catch up fraudulent and corrupt politicians and officials within the municipalities. Municipalities must implement robust and appropriate fraud risk management strategies to ensure that supply chain management fraud and corruption is prevented and detected.

5.2.4 Internal auditing of compliance with supply chain management regulations

Wrong doings and non-compliance with supply chain management regulations happen in the presence of Internal Auditors employed by municipalities. Internal Audit professionals have access to all the supply chain management transactions at their municipalities, yet they cannot raise the alarm, the question is why? The problem is caused by the fact Internal Auditors are hired and paid by municipalities, as a result, their independence is compromised and they only serve as stooges of fraudulent and corrupt politicians and municipal managers. Therefore, it is recommended that supply chain management is audited by Internal Auditors hired and paid by either the KZN Cogta or Provincial Treasury. This will ensure the independence and due care of the Internal Auditors on supply chain management auditing.

5.2.5 KZN Cogta, Provincial Treasury and local communities in the fight against supply chain management fraud and corruption

The majority of councillors are not in possession of appropriate education qualifications to be able to take full ownership of the effective running of the municipalities, including the development and monitoring of the implementation of the anti-fraud and corruption policies and fraud prevention plans. It is recommended that local communities desist from voting into municipal councils poorly educated councillors and political leaders. This is because poorly educated councillors will not help solve the problem of fraud and corruption within the supply chain management units at municipalities, instead they will serve to give the voting numbers during council meetings to fraudulent and corrupt politicians to perpetuate supply chain management fraud and corruption in their presence without them identifying supply chain management manipulations. The role of councillors is to develop anti-fraud and corruption policies and to oversee the implementation of those policies. Without appropriate skills by majority of councillors, compliance with supply chain management regulations at municipalities remain exposed and vulnerable.

It is recommended that KZN Cogta or Provincial Treasury should develop and administer fraud whistle blowing and fraud hotline for each municipality. Members of the community should be empowered to have awareness and access to whistle blowing and fraud hotline for reporting any suspected fraudulent and corrupt activity. KZN Cogta or Provincial Treasury, must

develop, encourage and implement whistle blowing mechanisms, which include measures to protect persons from victimisation where they expose corrupt and unethical practices.

5.3 RECOMMENDATION TWO: COUNCILORS AND MPAC OVERSIGHT RESPONSIBILITIES

Councilor's have the oversight responsibility to review and approve the integrated development plan (IDP), approval of the municipal budget, monitoring of budget and IDP implementation through the Service Delivery and Budget Implementation Plan (SDBIP), consideration of an annual report and adoption of an oversight report. All these are all complicated documents for councilors to consume and understand. Councilors find it difficult to understand these documents, as a result, they are unable to perform their oversight responsibilities. These important documents get voted and approved at council meetings without the level of scrutiny and robust debate that they deserve, thus councilors doing disservice to the communities that they represent and serve. It is recommended that councilors and members of MPAC are assisted and empowered through a formal education programme on oversight, this will enable them to exercise their oversight responsibilities and to serve their communities better.

5.3.1 Key components of the annual report

An annual report of a municipality outlines the performance of a municipality against goals, objectives and budget as approved by council. The annual report is the key accountability instrument of the municipality; and councilors are expected to exercise oversight responsibility over the annual report. Key components of the annual report as provided by section 121 (3) of the MFMA are:

- financial statements of the municipality;
- the audit report of the Auditor-General;
- the annual performance report of the municipality;

The financial statements of a municipality are prepared and presented to councilors in terms of Generally Recognized Accounting Practices (GRAP), the Auditors report is presented based on International Auditing Standards (ISAs) and the Annual Performance Report is prepared using National Treasury (NT) reporting guidelines. Given the educational backgrounds of councilors, it is difficult for them to understand the GRAP compliant financial statements, the

Auditors Report prepared based on International Auditing Standards and the Annual Performance Report prepared on National Treasury guidelines. It is recommended that a new simpler accounting framework must be developed to prepare financial statements for municipalities, the Auditors Report should be simplified even further, and National Treasury should develop and implement a simpler annual reporting template using the language understandable by most of the local communities in each of the municipality. Therefore, simpler and easy to understand financial statements, Auditors report and annual report are recommended for councilors.

5.3.2 Councillor's and MPAC oversight responsibility regarding irregular expenditure

An analysis of the irregular expenditure in KZN municipalities in the 2015/2016 financial year showed that irregular expenditure incurred was not investigated to determine if any person was liable for the irregular expenditure, as required by section 32(2) (a) and (b) of the MFMA. Section 32 (6) of the MFMA prescribes that the accounting officer must report to the South African Police Services all cases of alleged irregular expenditure that constitute a criminal offence. This study shown that the all the municipalities where there were serious cases of irregular expenditure and allegations of fraud, theft and corruption, these were not investigated and reported to SAPS. This study also shown that some councils certified irregular expenditure as irrecoverable without having conducted investigations to determine the recoverability of the irregular expenditure, in contravention of section 32(2)(a)(ii) and 32(2)(b) of the MFMA. This is a clear sign that councillors and MPACs did not do what they were supposed to do, the question is why? The answer is conflict of interest, this study has shown that councillors were involved in the manipulation of tenders and contributed to non-compliance with laws and regulations, how must the very same councillors who broke the law investigate themselves?

The findings above show that politicians, majors and councillors are involved in the fraud, corruption, nepotism and theft allegations that are happening at the municipalities. It is therefore difficult for councillors to institute investigations where they are involved in the corruption at the municipalities. It is recommended that KZN Cogta or Provincial Treasury take over from councillors section 32 of the MFMA responsibility and perform investigations relating to non-compliance with supply chain management processes and irregular expenditure in terms of section 32 of the MFMA.

5.3.3 Findings on council's and MPACs capacity with regards to irregular expenditure

This study has confirmed that councillors possess poor technical knowledge of the financial statements, financial management, and GRAP reporting requirements, performance management systems and applicable municipal compliance legislation, and therefore they rely on the technical guidance from the municipal managers and senior management. As a result, their capacity to exercise oversight is compromised because they get technical advice on matters of financial and compliance reports prepared for them to approve. Basically, the municipalities are run by officials with councillors approving their decisions without the scrutiny and oversight responsibilities exercised over the transactions.

According to KwaZulu-Natal Cooperative Governance and Traditional Affairs MEC Nomusa Dube-Ncube, in her budget speech on 3 May 2018, a large percentage of the councillors elected in 2016 has no post-matric qualification and some councillors have had no schooling at all. The MEC cited low education levels among councillors as one of the reasons that some municipalities were at risk of collapse. "When addressing issues of capacity building, it is important to note that amongst the 2016 intake of 1 846 councillors in KZN, 322 only had matric and 238 had no matric, while four of the latter had no schooling at all," said Dube-Ncube. She conceded that despite conducting orientation workshops for councillors, low education levels were evident in the way that oversight was conducted. There have been concerns that some municipalities in KZN are getting bad audit opinions because councillors are not properly equipped to adequately read documents from municipal officials which provides room for corrupt and other maladministration practices to occur. She added that in response to this finding, the department had put the brakes on some appointments at municipalities where candidates were not properly qualified. "We have to date made decisions nullifying seven full-time applications and 33 acting applications for the appointments of the municipal managers and senior managers not qualifying in municipalities," the MEC continued. Poor education levels amongst councillors are a cause for concern.

Given the poor education levels of councillors and members of MPACs, it is recommended that KZN Cogta and SALGA commission a research study to find solutions into problem at hand, where councillors have low education levels yet expected to exercise oversight over complicated documents and reports. This results of the recommended study have the potential to bring back the dignity and credibility of the provincial government institutions and

municipalities. The recommended research study must find solutions to enhance the oversight abilities of the councillors and whether the municipal financial management reports, performance management and compliance reports should be written in the local official language of isiZulu etc.?

5.4 RECOMMENDATIONS FOR FURTHER STUDY

The limitation of the study is that the results of the study will not be the same if it is conducted in the other provinces. This opens the following avenues for further study:

- The researcher recommends that a further study should be conducted on the topic that could include the whole of South Africa be conducted
- A study on the methods to prevent and detect supply chain management fraud and corruption at municipalities.
- There have been no consequences for financial misconduct by councillors and officials at municipalities, a study is recommended on the implementation of consequence management at municipalities.
- As recommended above, a study to enhance the oversight abilities of members of council and MPAC given their low education levels
- A study to investigate the impact on oversight if the financial statements, Auditors Report and the annual report is written in isiZulu
- The researcher further recommends that a study should be conducted on the impact of the amendments to the definitions of irregular expenditure. Irregular expenditure should be classified as expenditure that does not respond to South Africa's socio-economic challenges, for example expenditure on tenderers not addressing youth and woman employment and empowerment.

It is envisaged that the current study will prompt further research to deal with issues of irregular expenditure

5.5 FINAL REMARK

It is trusted that this study will be of value particularly to the municipal councillors, SALGA and KZN Cogta

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APPENDIX 1: LETTER REQUESTING PERMISSION

APPENDIX 3

LETTER REQUESTING PERMISSION – KWAZULU NATAL MUNICIPALITIES

House number 61
Isipepe way
Lindelani Township
Ntuzuma

22 June 2018

Ms Joey Krishnan
Chief Director: Municipal Finance
Department of Co-operative Governance and Traditional Affairs: KZN
330, Langalibalele Street
Pietermaritzburg
3200

Dear Joey

RE: REQUEST FOR PERMISSION TO CONDUCT AN EDUCATIONAL REASERCH

I am registered with the University of KwaZulu-Natal (UKZN) doing a Master's in Accounting.

I hereby request for your authorization to carry out a study for educational purpose. The tittle of my dissertation is the perceptions of irregular expenditure in the KwaZulu Natal municipalities

I propose to carry out my field work as follows:
Questionnaires will be sent to a sample of managers in the KwaZulu Natal municipalities. The research will be conducted during the months of November and December 2017 and January 2018

Thanking you in advance for your support.

Yours faithfully

Amos Zungu

APPENDIX 2: PERMISSION

APPROVAL/PERMISSION GRANTED FOR EDUCATIONAL RESEARCH

I... HEYSYOTHI BIKSHU KRISHNAN hereby confirm that permission and approval is granted to conduct educational research in the KwaZulu Natal municipalities. The conditions and clauses are stated below.

CONDITIONS ATTACHED

The following conditions/ clauses accompany this approval and permission: *A copy of dissertation to be made available to the Chief Directorate: Municipal Finance in the Department.*

SIGNATURE AND POSITION

DATE

[REDACTED]

CHIEF DIRECTORATE

2018-07-13

MUNICIPAL FINANCE

CHIEF DIRECTOR



APPENDIX 3: Questionnaire for municipal managers

STRICTLY CONFIDENTIAL

QUESTIONNAIRE

for

KwaZulu Natal Municipalities:

Top managers;
Middle managers; and
First-line managers

Purpose of the research/study

The purpose of the research is to determine the managers' perceptions of irregular expenditure in the KZN municipalities. The researcher is affiliated to UKZN or Individuals who work for organizations that are tightly aligned with the university. The gatekeeper's letter and informed consent has been attached.

Instructions for the completion of the questionnaire

- You are requested to answer all the questions carefully and honestly.
- Your responses will be treated confidentially and will be valuable to the study.
- Your name should not appear on the questionnaire.
- You are kindly requested to indicate your reply by placing a cross, **X**, in the appropriate box which best represents your view.
- Where written responses are required, space is provided.
- You may write additional comments whenever you wish to do so.

Kindly return the completed questionnaire to: amoszungu6@gmail.com, **Attention: Amos Zungu**.

Thank you very much for your co-operation.

Researcher: Mr. A Zungu (074 331 5254) (Student number: 2170800176)

Supervisor: Dr. M Mkhize (082 777 9437)

Faculty: Accounting, Economics and Finance (UKZN)

Year study conducted: 2017

SECTION A (Personal and Company details)

A1 Gender

| | |
|------|---|
| Male | 1 |
|------|---|

| | |
|--------|---|
| Female | 2 |
|--------|---|

A2 Age (years)

| | |
|--------------------|---|
| Below 25 | 1 |
| 25 - 30 | 2 |
| 31 - 40 | 3 |
| 41 - 50 | 4 |
| 51 - 60 | 5 |
| Above 60 | 6 |
| (Refuse to answer) | 7 |

A3 Race

| | |
|----------|---|
| White | 1 |
| Indian | 2 |
| African | 3 |
| Coloured | 4 |
| Other | 5 |

A4 Job level (position)

| | |
|------------------|---|
| Director | 1 |
| Senior Manager | 2 |
| Manager | 3 |
| Supervisor | 4 |
| Other (specify): | 5 |

A5 Experience in management position

| | |
|--------------------|---|
| 0 – 5 years | 1 |
| 6 – 10 years | 2 |
| 11 – 20 years | 3 |
| 21 – 30 years | 4 |
| 31 years and above | 5 |
| Not applicable | 6 |

A6 Department

| | |
|-------------------------------|---|
| Finance department | 1 |
| Technical department | 2 |
| Human resources department | 3 |
| Corporate services department | 4 |
| Other (specify): | 5 |

SECTION B

IRREGULAR EXPENDITURE

B. Indicate below your views and perception of irregular expenditure. Please rate each point on the following scale.

B1 General questions on irregular expenditure

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Not sure |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|----------------|--------------|-----------------------|-----------------|
| B1. Lack of proper planning and poor planning results in irregular expenditure. | 1 | 2 | 3 | 4 | 5 | 6 |
| B2. Irregular expenditure is caused by fraud and corruption. | 1 | 2 | 3 | 4 | 5 | 6 |
| B3. Non-compliance with procurement processes result in irregular expenditure. | 1 | 2 | 3 | 4 | 5 | 6 |
| B4. Investigations into irregular expenditure are not effective. | 1 | 2 | 3 | 4 | 5 | 6 |
| B5. Irregular expenditure is a direct result of fraudulent activities | 1 | 2 | 3 | 4 | 5 | 6 |
| B6. Irregular expenditure is a financial misconduct | 1 | 2 | 3 | 4 | 5 | 6 |
| B7. A fraud / ethics hotline or similar mechanism has been established for reporting allegations of financial misconduct | 1 | 2 | 3 | 4 | 5 | 6 |
| B8. Fraud/ethics hotline is effective in reporting and dealing with fraud within the municipality | 1 | 2 | 3 | 4 | 5 | 6 |
| B9. The municipality has adopted a fraud prevention plan. | 1 | 2 | 3 | 4 | 5 | 6 |
| B10. Irregular expenditure has a negative impact on social transformation and wealth redistribution | 1 | 2 | 3 | 4 | 5 | 6 |
| B11. Irregular expenditure is a result of unfair, not transparent Supply Chain Management processes | 1 | 2 | 3 | 4 | 5 | 6 |
| B12. Irregular is a result of the manipulation of the Supply Chain Management processes | 1 | 2 | 3 | 4 | 5 | 6 |
| B13. Political interference and political pressure leads to irregular expenditure | 1 | 2 | 3 | 4 | 5 | 6 |
| B14. Councillors have interests in companies that trades with the municipality, thus resulting in irregular expenditure | 1 | 2 | 3 | 4 | 5 | 6 |
| B15. Irregular expenditure occurs because certain politicians have an interest in tenders | 1 | 2 | 3 | 4 | 5 | 6 |

| | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|---|---|---|
| and this result in deviations to Supply Chain Management processes | | | | | | |
| B16. Irregular expenditure occurs because certain employees of the municipality have interests in tenders/quotations and this result in deviations to Supply Chain Management processes | 1 | 2 | 3 | 4 | 5 | 6 |
| B17. Members of the Bid Committees have interests in certain suppliers, thus giving preference to pre-determined suppliers and deviate from SCM policies. | 1 | 2 | 3 | 4 | 5 | 6 |
| B18. The chairperson of the Bid Adjudication Committee is politically influenced | 1 | 2 | 3 | 4 | 5 | 6 |

C. Council's oversight role with regards to irregular expenditure

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Not sure |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|----------------|--------------|-----------------------|-----------------|
| C1. Council investigated all instances of irregular expenditure to determine if any person was liable for the expenditure. | 1 | 2 | 3 | 4 | 5 | 6 |
| C2. Council only writes off irregular expenditure as irrecoverable after proper investigations into the causes of irregular expenditure. | 1 | 2 | 3 | 4 | 5 | 6 |
| C3. Irregular expenditure investigations were properly conducted. | 1 | 2 | 3 | 4 | 5 | 6 |
| C4. The investigations into irregular expenditure included the following criteria: <ul style="list-style-type: none"> The investigation was commissioned/ approved at the appropriate level | 1 | 2 | 3 | 4 | 5 | 6 |
| C5. The investigations into irregular expenditure included the following criteria: <ul style="list-style-type: none"> Terms of reference of the investigations were approved | 1 | 2 | 3 | 4 | 5 | 6 |
| C6. The investigations into irregular expenditure included the following criteria: <ul style="list-style-type: none"> The scope of the investigation addressed the allegation | 1 | 2 | 3 | 4 | 5 | 6 |
| C7. The investigations into irregular expenditure included the following criteria: <ul style="list-style-type: none"> The recommendations/ findings were relevant to the allegations | 1 | 2 | 3 | 4 | 5 | 6 |
| C8. The investigations into irregular expenditure included the following criteria: <ul style="list-style-type: none"> Investigations complied with the municipality's policies with regards to independence and qualification/ position | 1 | 2 | 3 | 4 | 5 | 6 |
| C9. If an investigation determined that an official was liable for the irregular expenditure, the resultant loss was recovered or is in the process of being recovered from the official, unless if certified by the council as irrecoverable | 1 | 2 | 3 | 4 | 5 | 6 |
| C10. Irregular expenditure was only written-off as irrecoverable after being certified by council as irrecoverable based on the result of an investigation | 1 | 2 | 3 | 4 | 5 | 6 |

| | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|---|---|---|
| C11. When approving the write-off, the council committee considered: • Measures already taken to recover the expenditure | 1 | 2 | 3 | 4 | 5 | 6 |
| C12. When approving the write-off, the council committee considered: • Cost of the measures already taken to recover such expenditure | 1 | 2 | 3 | 4 | 5 | 6 |
| C13. When approving the write-off, the council committee considered: • Estimated cost and likely benefit of further measures that can be taken | 1 | 2 | 3 | 4 | 5 | 6 |
| C14. All cases of alleged irregular expenditure that constitute a criminal offence were reported to the South African Police Service | 1 | 2 | 3 | 4 | 5 | 6 |

D. The capacity of the Municipal Public Account Committee (MPAC) to fulfill its oversight role on irregular expenditure

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Not sure |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|----------------|--------------|-----------------------|-----------------|
| D1. MPAC is properly constituted and capacitated. | 1 | 2 | 3 | 4 | 5 | 6 |
| D2. There is a good working relationship between MPAC, Internal Audit and Audit Committee, in that MPAC reviews irregular expenditure reports after it has been confirmed and attested to by internal audit and the audit committee. | 1 | 2 | 3 | 4 | 5 | 6 |
| D3. MPAC is trained to manage irregular expenditure. | 1 | 2 | 3 | 4 | 5 | 6 |
| D4. MPAC has the capacity to investigate irregular expenditure. | 1 | 2 | 3 | 4 | 5 | 6 |

ANY OTHER COMMENTS:

Thank you very much for your time and assistance in completing this QUESTIONNAIRE.

APPENDIX 4: Ethical clearance certificate



13 September 2017

Mr Amos Zungu 217080176
School of Accounting, Economics and Finance
Westville Campus

Dear Mr Zungu

Protocol reference number: HSS/1623/017M

Project title: The perceptions of irregular expenditure in the eThekweni Municipality

FULL APPROVAL – No Risk/Exemption Application

In response to your application received 8 September 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has 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)
Humanities & Social Sciences Research Ethics Committee

/pm

cc Supervisor: Dr Msizi Mkhize
cc. Academic Leader Research: Dr Harold Ngalawa
cc. School Administrator: Ms Nondumiso Mfungeni

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

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Telephone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4008 Email: ximber@ukzn.ac.za / snymadm@ukzn.ac.za / mohunp@ukzn.ac.za

Website: www.ukzn.ac.za



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Westville

APPENDIX 5: Ethical Clearance Certificate (Amendment)



19 December 2017

Mr Amos Zungu (2170800176)
School of Accounting, Economics & Finance
Westville Campus

Dear Mr Zungu,

Protocol reference number: HSS/1623/017M

New project title: The managers' perceptions of Irregular expenditure in the KwaZulu-Natal municipalities

Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 13 December 2017 has now been approved as follows:

- Change in Title

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an 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 period of 3 years from the date of original issue. Thereafter Recertification must be applied for on an annual basis.

Best wishes for the successful completion of your research protocol.

Yours faithfully

Dr Shenuka Singh (Chair)

/ms

cc Supervisor: Dr Msizi Mkhize
cc Academic leader Research: Dr Colette Muller
cc School administrator: Ms Seshni Naidoo