



**Evaluating the effectiveness of expenditure management in
reducing budget deficits:**

A case study of eThekweni Water and Sanitation.

By

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DECLARATION

I, Comfort Mziwoxolo Bhane, declare that:

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ABSTRACT

The escalating budget deficits within the Water and Sanitation Unit of eThekweni Municipality has become a fast-growing concern as it reflects certain grave inefficiencies in the budget and expenditure management within the unit. This study attempts to evaluate the effectiveness of the management of expenditure, illustrating this by use of the case of eThekweni Municipality Water and Sanitation Department. The fundamental purpose of the study was to evaluate the effectiveness of the expenditure management within the unit and its correlating expenditure management approaches that would assist the unit in eradicating the prevalent budget deficits. The study employed a mixed methods approach to gather information. A total of thirty (30) participants were nominated to contribute to the quantitative study. The researcher purposively selected four participants to participate in the qualitative research, where the semi-structured, in profundity interviews were conducted. The participants indicated that there was little involvement of the technical managers in the preparation of the budget, which means that they have no knowledge of the monies being allocated to them at the beginning of the financial year. This was mainly executed by the finance section and the head of the department with the exclusion of the line managers. Line managers commence the financial year unaware of what their budget allocation is. Lack of investment in the rehabilitation of infrastructural assets was also mentioned by the participants as one of the primary causes of budget deficits, since most funds are utilised in the restoration of the ageing infrastructure. Lack of planning and coordination of the operations were also highlighted since most of the expenditure incurred is on a reactive basis rather than on a proactive basis. The internal control deficiencies were also highlighted as one of the factors contributive to the futility of the expenditure management. It was recommended that the zero-based budgeting be adopted, technical managers enroll for minimum competency training on financial management and technical managers review and analyse financial report on a regular basis.

Key words: Expenditure management, budget deficit, eThekweni Municipality, Water and Sanitation.

TABLE OF CONTENTS

Contents

CHAPTER 1 INTRODUCTION TO THE STUDY

1.1 Introduction	1
1.2. Background	2
1.3. Research Problem Statement	3
1.4 Aim of the Study	4
1.5. The Research Objectives	4
1.6 Research Questions	5
1.7. Significance of the Study	5
1.8. Limitation to the study.....	5
1.9. Structure of the dissertation	6
1.10 Chapter Summary.....	7

CHAPTER 2 LITERATURE REVIEW

2. 1 Introduction	8
2.2 Theoretical Framework.....	9
2.3 Literature Review	10
2.3.1 Understanding the Budget which informs the expenditure	10
2.3.2 Budget reforms to curb over expenditure	11
2.3.3 Budget funding	12
2.3.4 Municipal expenditure management.....	13
2.3.5 Implementing the Budget through expenditure	14

2.4 Municipal expenditure cycle.....	15
2.4.1 Preparation.....	15
2.4.2 Execution.....	16
2.4.3 Evaluation.....	17
2.5 Unacceptable types of expenditure	17
2.6 Pattanayak’s frawork for expenditure control.....	18
2.7 Multi dimensionality of municipal expenditure management.....	20
2.7.1 Ethics	20
2.7.2 Code of conduct.....	21
2.7.3 Stakeholder Engagement	21
2.7.4 Good Governance	22
2.7.5 Accountability	23
2.7.6 Risk Management	25
2.8 Mechanism of measuring good expenditure magement.....	26
2.9 Monitoring and evaluation.....	28
2.10 Budget deficits	28
2.11 The Impact of Covid-19 on Municipal Finances	29
2.12 Chapter Summary	31

CHAPTER 3 METHODOLOGY

3.1 Introduction.....	32
3.2 Research paradigm.....	32
3.3 Research design	33
3.4 Methodological Approach to Research Study.....	35
3.4.1 Mixed Method approach.....	35
3.5 Study Location and its Population	35
3.5.1 Target Population	36

3.6 Sampling	36
3.6.1 Probability Sampling Method.....	36
3.6.2 Non-Probability Sampling Method.....	36
3.6.3 Sample size	37
3.7 Data Collection Instrument.....	38
3.7.1 Composition of the questionnaire	38
3.7.2_Composition of the interview schedule	39
3.7.3 Validity and Reliability of Research Instrument.....	39
3.7.4 Trustworthiness of qualitative data.....	40
3.8. Ethical Considerations.....	40
3.9 Thematic Analysis.....	40
3.10. Chapter Summary.....	40

CHAPTER 4 DATA ANALYSIS

4.1 Introduction.....	42
4.2 Results derived from the quantitative study.....	42
4.2.1 Response rate	42
4.2.2 Profile of the respondents and scope of Expenditure Management.....	43
4.2.3. Evaluation of the expenditure management within Water and Sanitation.....	46
4.2.4 Summary of the participant's responses.....	57
4.2.5 Other issues that were identified by the participants relating to the subject matter.....	57
4.3 Qualitative Data Presentation.....	59
4.3.1 Participant’s role in the unit.....	59
4.3.2 Approaches currently adopted by the participants in managing expenditure	60
4.3.3 How the Technical Managers view the expenditure management function in their duties. ...	61
4.3.4 Factors that contributes to the budget deficits within Water and Sanitation unit	63
4.3.5 The best expenditure management approaches to be adopted	65

4.3.6 Areas of Expenditure management that need improvements.....	67
4.4 Discussion of results.....	68
4.5 Thematic Analysis.....	78
4.6 Chapter Summary.....	79
 CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS	
5.1 Introduction.....	79
5.2 Key Findings.....	81
5.3 Recommendations.....	82
5.4 Limitation to the study.....	84
5.5 Areas of further research.....	84
5.6 Conclusion.....	85
Reference list.....	86
APPENDIX A : ETHICAL CLEARANCE CERTIFICATE.....	91
APPENDIX B: GATEKEEPER’S LETTER	92
APPENDIX C: INFORMED CONSENT LETTER	93
APPENDIX D: RESEARCH QUESTIONNAIRE.....	95
APPENDIX E: ELECTRONIC RESPONSES RECIVED.....	98
APPENDIX F: TURNITIN REPORT.....	99
APPENDIX G: EDITOR’S LETTER.....	100
APPENDIX H: SUPERVISOR PERMISSION TO SUBMIT.....	101

List of Acronyms

AG (SA) – Auditor General of South Africa

AFS- Annual Financial Statements

DORA- Division of Revenue Act

EWS - eThekweni Water and Sanitation

IDP- Integrated Development Plan

ISDP-Integrated Sustainable Development Plan

IT- Information Technology

JDE - JD Edwards (Accounting System used by EWS)

MEM-Municipal Expenditure Management

MFMA - Municipal Finance Management Act (Act 56 of 2003)

MSA - Municipal Systems Act (Act 32 of 2000)

NEMA- National Environment Management Act (Act 107 of 1998)

SCMP- Supply Chain Management Policy

UIFW- Unauthorised Irregular Fruitless and Wasteful

List of Tables:

Table 1.1 Trends of budget deficits	2
Table 4.1 Summary of findings from responses.....	56

List of Figures:

Figure 1.2 Graph on budget Deficits.....	3
Figure 4.1 Gender of participants.....	42
Figure 4.2 Participants number of years in service	43
Figure 4.3 Qualifications of Participants.....	44
Figure 4.4 Management level of participants.....	44
Figure 4.5 Involvement in expenditure management.....	45
Figure 4.6 Efficacy of current expenditure management approaches.....	46
Figure 4.7 Effective in planning the future.....	46
Figure 4.8 Efficacy in controlling operations.....	47
Figure 4.9 Regularity of comparison of budget and expenditure.....	48
Figure 4.10 Regularity of corrective measures taken.....	48
Figure 4.11 Degree of involvement in expenditure management.....	49
Figure 4.12 Disregard of Expenditure management.....	50
Figure 4.13 Sufficiency of Budget and manageability of deficits.....	50
Figure 4.14 Lack of planning.....	51
Figure 4.15 Mismanagement of budget.....	51
Figure 4.16 Service delivery over expenditure management.....	52
Figure 4.17 Improvement in current expenditure management approach.....	53
Figure 4.18 Stakeholder engagement.....	54
Figure 4.19 Unnecessary expenditure.....	55
Figure 4.20 Ethical and good governance	55

CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 Introduction

The primary mandate of eThekweni Water and Sanitation (EWS) is the distribution of water within its boundaries as stipulated by Section 27 of the South African Constitution (1996). The unit needs to self-sustain, which means that it must source its operating expenditure from the funds derived from water sold to eThekweni Metro residents. It is essential that these monies be disbursed in line with the available budget. Unfortunately, however, over the years the unit has failed to align the control of its expenditure with its available budget.

According to Khalo (2017), the definition of budget is a monetary plan for a period in which a value of the funds is allocated for a specific period. Moeti (2017) disagrees with Khalo's definition of budget and states that it is a standard basis of income, anticipated revenue, as well as expenses during a certain period. In turn, Visse and Erasmus (2002) claim that budgeting is merely paper classifying and upholding purpose with its related expenditure in line with company objectives. All these authors agree however that budgets are a fundamental, formal documents that enforce the expenditure management within an organisation.

In theory the unit under study is producing budgets that are credible on paper but in practice it has always encountered issues when it comes to the execution and control of the budget. Notably, for the past five years, the unit has always run over budget during the financial year, causing a disruption in service delivery. The Municipal Finance Management Act (MFMA) (2003) stipulates that Municipality budgets must be fully funded from the truthfully projected revenues.

The Water and Sanitation unit suffered a budget deficit of around R197 million during the fiscal year ending 30 June 2016. This deficit increased to just over R693 million in 2020, translating into the fact that EWS could not meet 60% of their yearly target (eThekweni, 2016). In view of these significant budget deficits, the objective of this study is to *evaluate the effectiveness of expenditure control in reducing the budget deficits* within EWS. The study will begin with a brief background of the unit. Thereafter, the motivation for the study and the problem statement are discussed in some depth. The research objectives and questions guiding the study are then outlined before the research methodology used to carry out the study is explained. Finally, the chapter presents a consideration of the limitations of the study.

1.2. Background

The unit under investigation is a *Trading Service Unit*, meaning that it must fund its operating expenditure from the revenue generated by the sale of water to consumers. This revenue should comprise almost 99% of the available budget (eThekweni Municipal Annual Report, 2020). However, over the last five years, this unit has failed to break even let alone produce profits.

As mentioned in the previous section, the deficits reported in the annual financial statement of R197 million in 2016, escalating to R693 million as of 30 June 2020, indicate that the unit was unable to meet 60% of its yearly targets in those financial years. Despite a noticeable reduction in the budget deficit in the financial year ending 30 June 2021, the Annual Financial Statements (AFS) for the reporting period 30 June 2021, however showed a slight improvement as the unit reported a reduced budget deficit of R121 million.

As a result of the unit's failure to meet its yearly budget targets, the provision of services to eThekweni Metro residents was frequently interrupted, at times resulting in violent community protests.

Table 1.1: Trends of the budget deficits over the past 5 years

Budget and Expenditure Performance over the 5-year Period					
	2016/17	2017/2018	2018/2019	2019/2020	2020/21
	R'000	R'000	R'000	R'000	R'000
Original Budget	5,817,000	6,258,000	7,155,000	8,366,000	8,679,000
Operating Expenditure	6,014,000	6,879,000	7,563,000	9,059,000	8,800,000
Variance	(197,000)	(621,000)	(408,000)	(693,000)	(121,000)

* Adapted from the eThekweni Water and Sanitation Income Statement 2016- 2021.

The extent of the above budget deficits is illustrated below.

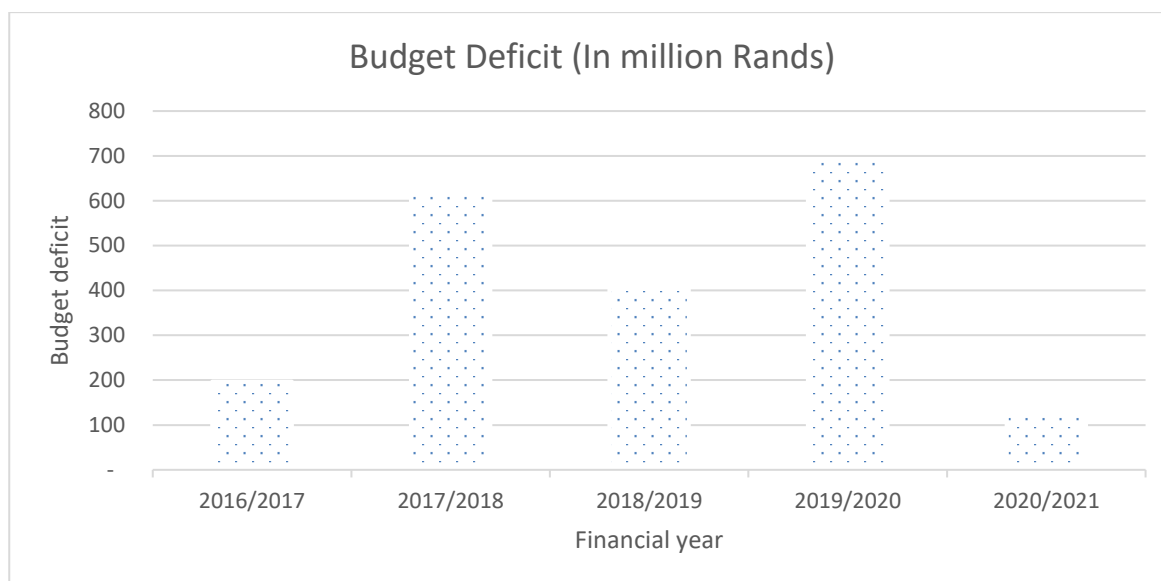


Figure 1.1: Graph on trends of the budget deficits over the past 5 years

Figure 1.1 depicts the extent of the deficits over the past five financial years. Table 1.1 highlights the fact that the deficits have ballooned from R197 million in the reporting period 30 June 2016 to R621 million in the year ending 30 June 2018, there was noticeable decline in the year ending 30 June 2019, however these increase to R693 million during the year ending 30 June 2020. There was a remarkable decrease in the year ending 30 June 2021, as the unit reported a shortfall of only R121m. On average the unit has recorded R408 million per annum on budget deficits over the five-year period.

1.3. Research Problem Statement

Section 78 of the Municipal Systems Act (MSA) requires that municipalities develop a strategy through which the provisioning of municipal services can be cost-effectively carried out. This act prescribes the way municipalities should set their tariffs, how they should draw up a balanced budget, as well as the processes that should be followed to ensure that spending is kept within the allocated budget (Local government: Municipal Systems Act, 32 of 2000 & regulations, n.d.). In accordance with the eThekweni Municipality's Annual Report (2020), the key challenge faced by the unit in the recent fiscal periods have been budget overruns. This has rendered the unit

ineffective in terms of executing some of its operational budget needs. This in turn has resulted in the unit sustaining unauthorised expenditure, interruptions of service delivery, community protests as well as service provider's protests, all of which have culminated in the inability of the unit to pay some of its key stakeholders. The above corroborates that there is indeed a problem with the way the unit is currently managing their budget and expenditure.

If the unit can continue with its current method of expenditure control (or lack thereof), the budget deficits will also continue to grow as will the negative consequences for all stakeholders. This makes it imperative that the existing expenditure control measures, and the subsequent budget shortages are scrutinized. It is believed that developing more conversant expenditure control approaches could aide in eradicating these historical budget shortage challenges. As such, the study seeks to overtly evaluate the effectiveness of expenditure control measures within EWS, which have resulted in the budget deficits that have culminated in unlawful expenditure, service delivery interruptions, and remonstrations (often violent) by communities as well as service providers. As presented in the annual report (2020), the unit has failed to attain its annual goals. The effect of this questionable expenditure management has detrimentally impacted on both the unit's performance as well as deterioration of water provisioning to the metro's residents.

1.4 Aim of the Study

This study aims to evaluate the effectiveness of expenditure management in reducing the budget deficits within the eThekweni Water and Sanitation (EWS) Department.

1.5. The Research Objectives

Based on the discussion and issues outlined above the objectives of this study are to:

1. Evaluate the effectiveness of the current Expenditure Management Methods adopted by EWS to reduce budget deficits.
2. Assess the impact of the prevailing budget deficits on EWS and all other stakeholders.
3. Advance strategies and expenditure management methods that will improve the financial management of the unit, thereby reducing future budget deficits.

1.6 Research Questions

In line with the objectives above, the research questions guiding the study are as follows:

1. How effective is the expenditure management of EWS?
2. What is the wider impact of the prevailing budget deficits for all stakeholders?
3. What approaches and expenditure management tactics can be practically implemented to reduce the budget deficits in EWS?

1.7. Significance of the Study

It is hoped that the resultant findings from this study on expenditure control will aid those involved in the management of expenditure in the EWS unit to re-evaluate the existing expenditure management approaches and financial administration controls. It is envisaged that the discoveries emanating from this study will foster more effective implementation of the current expenditure management strategies thereby reducing budget deficits and possibly improving service delivery.

1.8. Limitations of the Study

The main challenge of this study lies in the fact that the focus was only on one unit, EWS, within an entire governmental organisation, namely eThekweni Municipality. As such, the results are not able to be generalised across other such units or the organisation at large. It would thus be beneficial to investigate other units in the same sector to provide a broader perspective. Another challenge was the time constraints, compounded by COVID-19, meaning that participant responses were constrained resulting in a tediously long lead time to finish. Furthermore, the outcomes of the study cannot be tested as the study is open-ended and partakers are therefore mostly in control, the participants only provided the information they wanted to provide, since the investigator had to prompt further to get more insight into the subject matter.

Additionally, it is important to note that the research methodology chosen was labour-intensive and involved intense scrutinising techniques such as cataloguing. The researcher was also faced

with the difficulty of exploring interrelations between members of an organisation where he is also employed. The study needed deliberated groundwork to ensure that the achieved outcomes were detailed. Further challenges reflect that qualitative facts cannot be analysed arithmetically meaning that this study is founded merely on personal opinions. It must be noted that the study is based on insight with rejoinders not being measurable.

1.9. Structure of the Dissertation

Chapter 1 – Introduction to the Study

This chapter examined the background to and motivation for the study. The problem statement and resultant research objectives and questions were outlined, followed by a brief discussion of the significance of the study and its limitations. Finally, a summary of the structure of the dissertation was presented.

Chapter 2 – Literature Review

This section will provide a review of the relevant literature where the findings of studies that have been conducted on expenditure management and different frameworks on this subject will be considered, with a focus on South African case studies. The explicit aspects affecting expenditure and budget management will be discussed in detail, as well as the inclusion of factors that can contribute positively to the implementation of effective expenditure management.

Chapter 3 – Research Methodology

This chapter will discuss the methodology adopted for this study. The mixed methods research approach that was adopted will be considered in terms of the motivation for both qualitative and quantitative methods necessary for gaining unpublished and/or sensitive information relating to the expenditure management within EWS. The chapter will then outline how the study was planned and how the sample was selected using a purposive snowball sampling method. The chapter concludes with a deliberation on all ethical measures followed by the investigator to safeguard participants' privacy and obscurity at all phases of the study.

Chapter 4 – Presentation of Findings

This chapter will firstly provide a thorough synopsis of the findings of the research according to the themes and equivalent sub-themes recognised in the data analysis process. It will begin with a consideration of EWS management's view of the existing expenditure management approaches before proceeding to a discussion on the expenditure management approaches that participants believe should be adopted by EWS to eliminate the prevailing budget deficits within the unit.

Chapter 5 – Discussion of Findings and Recommendations

This section will present a discussion on the main findings of the research by deliberating these in relation to the pertinent literature reviewed in Chapter Two to contextualise the study. The main themes identified in the presentation of the findings of the study will be scrutinized and will be compared to the findings of previous research. It will also discuss the recommendations to management of EWS base of empirical findings of the study.

1.10 Chapter Summary

This chapter has introduced the research study and highlighted the concept of expenditure management in budget setting. The motivation for the study and its aims and research questions were outlined as well.

The next chapter will clarify the perspectives of the main features of this research by conceptualising the terms Budgeting, Budget Control, Budget Reforms and Expenditure Management, utilising relevant literature. It will also introduce readers to the Municipal Finance Management Act, which is directly applicable to this this study.

CHAPTER 2: LITERATURE REVIEW

2. 1 Introduction

This Chapter provides a perspective on the main features of this research by conceptualizing the terms ‘Budgeting’, ‘Budget Control’ and ‘Expenditure Management’. It will outline and evaluate existing literature related to the topics. It will further clarify the research problem posed by the study at hand and then proceed with a discussion on the introduction to the ‘Municipal Finance Management Act, 2003’ and Budget Reforms.

This chapter will start by discussing the theoretical framework, which encompasses, the prevailing knowledge and formerly designed notions about the intricate phenomena, it also discusses the investigators epistemological characters, and finally, a lens and logical diagnostic method.

The next part of this chapter will be discussing the budgets which is used as yardstick to measure the effectiveness of expenditure management, since the effective expenditure management will result in the expenditure that is less or equal to the allocated budget. The next section will discuss the Budget reforms which were introduced by the National Treasury to assist municipalities to better manage their expenditure.

The municipal expenditure cycle will outline the stages that are involved in the Municipal Expenditure Management (MEM) often springs from the cyclical budget process of preparation, execution, monitoring, and evaluation. This will be followed by the discussion of the types of the unacceptable expenditure, including, unauthorized, irregular, fruitless and wasteful expenditure.

Pattanayak’s Framework for Expenditure management will be discussed, this sets out the basis for the formulation of effective expenditure management across all industries, as well as multidimensionality of expenditure management, which means desired outcomes may not be achieved by concentrating solely on the growth of the skills and capabilities of personnel (Osborne, 2017). Practices and behaviors that exhibit and promote good ethics, accountability, sound governance, and risk management are critical for contributing to the overall efficiency of

MEM (Rabotapi, 2018), and lastly the impact of COVID-19 on the municipal expenditure management will be discussed

2.2 Theoretical Framework

According to Putnam (2000), a theoretical research framework encompasses the following attributes:

- Prevailing knowledge and formerly designed notions about intricate phenomena.
- The investigator's epistemological characters; and
- A lens and a logical diagnostic method.

It is believed that the use of these attributes or mechanisms portrays theory as an invaluable instrument for the reliability and penetration of the study. Even though occasionally the investigative nature of the study dominates the benefits of a theoretical framework, there is no research that is devoid of theory. The intrinsic part of the researcher's work is to unearth the deepest precognitions and operating principles for their study. The idea that preconceived philosophies do not exist nor affect the study, is in fact, a theoretical temperament (Jordan, 2018).

The critical role of deductively expressing the philosophies of Galileo and Newton were imperative in the knowledge construction process. This emotional historic illustration was used to highlight the precarious balance between the role of philosophy and supposition and beginning with information. Moving from natural disciplines to social disciplines and qualitative study, we recognize and reflect progressive deliberations about how philosophy can be made. For instance, Timmermans and Tavory (2016:34) built on Peirce and Hanson (2014) "to move past the inductive/deductive debate to contemplate abduction in grounded philosophy in order to improve the probable aptitude for study to lead to groundbreaking theories. Abduction is the artistic progression of creating new philosophies based on "astonishing study evidence," which eventually leads an investigator away from old philosophies to new intuitions implicit in theory" (Timmermans & Tavory, 2016).

2.3 Literature Review

2.3.1 Understanding the Budget which informs the expenditure

Various scholars have attempted to analyse and conceptualise the concept of budgeting. According to Khalo (2017) a budget is a monetary plan for a period where a value of the funds is assigned for a certain period. In contrast, Moeti (2017) contends that the definition of a budget is a standard basis of revenue, anticipated revenue, and expenses during a certain period. Visse and Erasmus (2002) state that a budget is just a paper classifying and upholding purpose with the related expenditure, related to company objectives. Regardless of the specific definition, Budgets are fundamental documents that enforce the expenditure management within an organisation.

Madue (2009) asserts that municipal budgets in SA are separated into five fundamental parts:

- a) Scheduling - this should be realised in line with pre-emptive planning.
- b) Organising - the core objective of the budget is to impose harmonious associations between different sections within the company to realise common goals.
- c) Communication - this contains the interrelating budget in terms of money, which in turn aids the achievement of the organisational goal.
- d) Control – the budget tool is useful in assisting employees to implement the exploitation of resources for intended purposes.
- e) Inspiration – a budget inspires employees to stay alert so that they can achieve the organisational purposes.

The SA Constitution (1996) declares in section 153 that a municipality should gather and organise its administration, financial planning, and advance actions. It should give precedence to the basic requirements of the public service delivery whilst at the same time approve economical and community development. The budget is the principal tool in achieving the strategic objectives of the city.

Moreover, Fourie (2017) explains that the budget is paramount to breathing life into a municipality's service provision tactics. It is imperative that the metro affirm that their budget is outcomes-focused and that the proposed consequences are affiliated with the service provision

tactics and purposes. Visser and Erasmus (2017) nevertheless, disagrees and believes that management and a city's budget is the pivotal financial tactic for executing the Integrated Development Plan (IDP) on a daily and annual basis. It must assign transparent, anticipated funds to achieve the distinct performance points in a real-world way. Further to this he attests that the budgets are communal programmes presented in financial terms. In accordance with this statement, Visser and Erasmus (2017) declare that budgets line up political ideas with financial provisions.

The Municipal Systems Act 32 (MSA) (2000) in section 25, affirms that "Each municipal council must, within, a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality." The strategy must align the city's funds and proficiencies with the implementation and must form the basis on which budget must be instituted. Effective expenditure management can only be achieved if the sound financial administration values are recognised. However, authors have argued sketchily on the philosophies of good administration of Municipal Finance.

Vyas-Doorgapersad and Ababio (2016) uphold that values embrace a real legitimate context, effectual accountability, and budgeting system as well as reasonable code of conduct. Furthermore, Fourie (2016) emphasises that metropolitan budgets must be cautiously and preemptively genuine, as well as broadminded in the administration and delivery of service superiorities and goals set in the council's IDP. Fourie and Opperman (2017) attest that the council's budget is prepared based on accrual accounting ideologies thus suggesting that accounting documentation records dealings when they arise, rather than when monies are actually paid or received, ultimately resulting in accounting discrepancies.

2.3.2 Budget Reforms to Curb Over expenditure

The SA government finance administration is facing changes because of budget reforms. This is especially evident in the local government's budget management, decision-making, policy making, and financial dealings which are unconventional without the necessary bookkeeping and reporting system (Fourie, 2016). Budget Reforms based on an accrual basis of accounting need record-keeping that will integrate revenue management, expenditure management and asset

management (Jordan, 2018). There was a deliberate move from compliance to output driven operational efficiency. This steered the reporting to be conducted on the full financial position of the municipality (Jordan, 2018).

The outdated financial accounting system based on cash, coupled with the lack of financial planning, could provocatively impact the balance sheet of a Municipality (Siswana, 2017). Management Financial Systems promote and compel the management and inspection of expenditure, which mitigates the risks and promotes long-standing decision-making. The financial systems are critical in municipalities to effectively compare spending patterns against pre-set targets. It enforces the spending within the approved budget-related votes.

Siswana (2017) claims that computerised financial systems assist with the internal reporting and outline details of expenditure and management of expenses against available budget. Applying a computerised financial management system could bring the underspending and overspending to acceptable levels (Siswana, 2017). Unfortunately, however, a substantial number of employees either lack the necessary knowledge or have no access to such technology, despite the availability of computerised financial systems.

2.3.3 Budget Funding

The municipal budget can be funded from three sources of funding, namely, internally generated income, which is derived from municipal services revenue, for example, property rates, water sales, and electricity sales. The other source of municipal funding is through the government grants, this funding is outlined in the Division of Revenue Act (DORA). This is revised on an annual basis based on the National Treasury's allocation of available funds and impacts the budget allocations of the provincial governments as well as the local governments (Municipalities).

Djurovic-Tedorovic and Djordjevic (2017) contend that municipal finances dwell with the residents rather than with government and as such municipal officials are obliged to be responsible, open, straightforward, accountable, and ultimately steered by outcome and

execution. In eThekweni Municipality this is achieved through the community participation which is held during each budget cycle.

2.3.4 Municipal Expenditure Management (MEM)

Finances are at the core of municipal administration in SA. It is the President's responsibility to steer the direction of financial management, which he highlights in the state of the nation address. It is also here that he outlines the government's plans to deal with service delivery backlogs and related issues as well as proposed solutions to deal with fundamental challenges such as employment creation and economic growth (Siswana, 2017).

The national budget needs to consider the national key primacies as outlined by the president in the address to the nation as well as national departments, for instance, Department of Water Affairs and provincial governments. Important components of the budget are that it must be a credible, funded, and transparent policy document that spells out exactly how municipal departments intend to use the available resources in the specified period. Municipal Budgets are adjusted annually with a council review and approval of the budget and tariffs before the start of each financial year (Fourie, 2016).

2.3.4.(a) The Objectives of Municipal Expenditure Management (MEM)

Each element of SA municipal finance serves a specific purpose, while concurrently making for credible and sound finance management. The primary aim of finance management systems and MEM is to deliver basic services in an efficient and productive way (Rabotapi, 2018). Secondary to this is to ensure that finances are available, designated and allocated in a manner that is just and equitable (Siswana, 2017), and thirdly, to exercise command over the use of funds to bring balance in the economy.

The tenets and standards of ethical governance in the municipality revolves around service delivery output, effective performance, organisational vision, risk management, organisational values, transparent decision-making, consultation, and engagement (Rabotapi, 2018). These tenets and standards are critical for improved budget and financial administration, financial responsibility and financial duty. In fact, they endorse responsibility relative to the usage of

municipal finances (World Bank, 1999). Adherence to these accounting practices assists with the municipality's responsibility since the Annual Financial Statements (AFS) are prepared in line with the requirements of generally accepted accounting practices.

2.3.5 Implementing the Budget through Expenditure

Previously the budgets used to be prepared independently from the municipal strategy, currently the municipality are required to prepare and IDP, which will inform their five year strategic plan, they are then required to break down the five year plan to manageable annual projects, this will then inform the budgetary requirement for each of these financial years, in line with the IDP priorities, the shift of the municipal administration model from an old tactic of the novel concept of municipal management, has prompted the necessity to change the approach in a direction of Finance Management, the notion of which necessitates the advancement of expenditure and budget management directed by a tactical strategy (Jadranka & Marina, 2019). As alluded to by Brooke (2017), previous tactics would require the stressing of management accountability and outlining of the operative internal control measures, which must go with growth and use of operative accounting systems prior to the creation of integrated financial administration schemes.

Given the gap between the general SA public's increasing demand for necessities and basic services versus the lack of municipality resources to meet this demand, the effectiveness of Municipal Expenditure Management (MEM) is vital for enhancing the streamlining of the often-meager municipal resources (Fabrizio & Ashoka, 2016). Achievement of MEM can be accomplished through three interrelated goals, namely: fiscal discipline, efficient resource allocation, and good operational management.

Fiscal or economic discipline refers to ensuring that finances are used to achieve the objectives for which they were intended. It calls for monitoring and obedience with pertinent guidelines and legislation, with policies that guide direction towards meeting socio-economic priorities (Blondal, 2010). Efficient distribution of resources improves the effectiveness of economic discipline on the premise that it forces compliance and observance of the prescribed budget

(Pearson, 2002). By the same token, efficacy and proficiency can be measured by proper operational management (Hourou & Taliencio, 2009). The relevant apparatus is put in place to reduce wastage and decrease the cost of achieving activities which are vital for reinforcing municipal expenditure management. The efficiency of municipal finance management is also impacted by the fiscal transparency (Abelin, 2012) which is gauged by the lucidity of roles and responsibilities pertaining in accordance with how expenditure is to be incurred (Hou, 2016). More than the importance of the current and future use of funds, is that of obtaining applicable information. This must be accompanied by open and transparent procedures for preparation, implementation, and reporting (Hou, 2006). Transparency is also determined by the overall integrity of the MEM process; this analysis may evaluate the level to which the procedure is subjected to auditing (Coetzee & Lubbe, 2018). MEM normally undertakes cyclical procedures that are also associated with the recurrent budget process of preparing, implementing, and monitoring and evaluation (Shah & Von Hagen, 2007).

2.4 Municipal Expenditure Cycle

Founded upon SA national planning and as mentioned above, the procedure for MEM often springs from the cyclical budget process of preparation, execution, monitoring, and evaluation (Jandraka & Marina, 2009). As such, this cycle demands interrogation.

2.4.1 Preparation

Budget preparation is not only concerned with the critical priorities that are detailed in the tactical plans, but also with the relative monetary resources necessary for funding the execution of critical activities for delivery of these vital priorities (Hourou & Taliencio, 2002). It improves the extent to which the budget is relative to the municipal plans and it is during this budget preparation that line managers can ascertain whether there is sufficient funding for the implementation of key projects (Blondal, 2010).

Stakeholder involvement and consultation is critical in ensuring that the budget being prepared is comprehensive (Mannya, 2017) and must be indicative of required funds for the execution of

various programmes within various sections in the municipality. In addition, it must reflect the legal authorisation of the expenditure as funding sources (Premchand, 2017).

2.4.2 Execution

Budget implementation refers to the process of disbursing the funds to finance relevant departments and socio-economic projects (Rajaram & Krishnamurthy, 2017). It is not only about the agreed-upon budgets, but also the fact that some of the budget should be kept aside to respond to new, unexpected, and emerging changes. Liveness is necessary for an easy integration of different levels of the municipality, as well as different departments within the municipality. This flexibility however must never undermine the role of MEM. It is essential that the municipality put in place the appropriate accounting system to ensure an adequate control system is in place (Hashim & Piatti-Funfkirchen, 2017). Moreover, this system must assist with the tracking and verification of transactions, commitments, and payments as they unfold.

Pakkies (2016:51) asserts that to improve allocative efficiency, the budget execution process must release funds timeously to ensure the timely execution of programmes. Initiatives to avoid cash rationing must also be put in place. Although budget transfers are permitted during the year, these must not be used for altering priorities that have been allocated specific budgets (Costello, Petacchi & Weber, 2017). It is critical that measures be put in place to execute effective monitoring and evaluation despite the existence of regularities and controls (Pearson, 2002).

Investing in Information Technology (IT) systems is vital for boosting the overall efficiency of controlling and processing of payments (Groenewald & Okanga, 2019). These ingenuities must be conveyed by the formation of cash management and control systems, to assist aggregation in relation to monitoring of spending and budget execution which is either effective or efficient (Schick, 1999:23). It also comprises reasonable reduction of financing requirements and assists in the optimisation of the yields on deposits and municipal monetary investments. A budget execution that upholds the advancement of efficient accounting and reporting tools, is a vital antecedent for grasping effective municipal funds management, policy making and accountability.

2.4.3 Evaluation

Sporadic monitoring and evaluation are crucial for detecting and amending deviations that could impact on the execution of the budget plan (Rajaram & Krishnamurthy, 2017). This can be implemented by either the internal or external auditors. The budget implementation plan can be impacted by political, supply chain and governance risks that need to be mitigated through the risk management framework of the municipality (Premchand, 2017). This may affect the degree to which the execution of a budget plan could improve the accomplishment of the necessary socio-economic outcomes. In addition, it is imperative to develop an efficient internal accounting system to provide for the processes of bookkeeping, recording of expenditure and revenue dealings together with the organisation of expenses according to their economic and functional categories (Forzzard & Foster, 2016).

To improve accountability and transparency, the strategy of reporting systems should enhance the efficient use by all treasury, public, legislature, and budget managers. This view supports Pattanayk's (2016) assertion regarding a framework for expenditure management, specifically that expenditure management is the key element for an efficient finance management system.

2.5 Unacceptable Types of Expenditure

Any amount that is spent in the municipality must be done so in line with all relevant laid-out legislation and applicable policies, for instance, Municipal Finance Management Act (MFMA) (2003), as well the Supply Chain Management Policy (SCMP). Any expenditure that is incurred that contravenes or does not conform to the MFMA and Municipal SCMP may culminate in either "Unauthorized Irregular Fruitless or Wasteful" (UIFW)) expenditure (MFMA, 2003:143). These three types of unacceptable expenditure are defined by the MFMA (Act 56 of 2003) as follows:

- Unauthorized expenditure - "Overspending of the total amount appropriated in the municipality's approved budget vote and department."
- Irregular expenditure - "Spending that is incurred by the municipality in infringement of the requirements of MFMA (Act 56 of 2003), Municipal Systems Act (Act 40 of 2002),

Public office Bearer's Act (Act 20 of 1998), or spending incurred by the city in infringement of the SCMP of the municipality.”

- Fruitless and wasteful spending - “Expenditure made in vain and that would have been avoided had reasonable care been exercised.”

It is worth noting that the definition of UIFW does not necessarily mean that the services were not received. The underlying driver of a portion of the expenditure can be situated in the acquisition and procurement framework (Mamogale, 2014). The Auditor General uses these expenditures to paint a clear picture of the financial management in municipalities, and government departments, since it is perceived that a decrease in these unaccepted expenditures represents an improved financial management in the municipality.

2.6 Pattanayak's Framework for Expenditure Control

Pattanayak (2016) asserts that, although efficient control and management of municipal expenditure is a vital antecedent for achieving sound financial management system, it is often difficult to efficiently control the expenditure since, revenue collection is often carried through a central system, and spending is done in a disaggregated system (Shah & Van Hagen, 2007). This makes it difficult to develop and apply the effective municipal expenditure control and management as the financial system is not viewed holistically.

To develop an efficient expenditure control system, it is imperative to comprehend both its key requirements as well as the specific control requirements of each phase and at the same time specify the roles of those responsible for enforcing the controls. Pattanyak (2016:34) also stresses the importance of concentrating on *ex ante* controls concerning expenditure, as divergent to concentrating on *Exposit* controls, which are normally carried out at the payment phase of the cycle. These initiatives must be accompanied by the emphasis of controls of accumulated liabilities, rather than cash expenses.

Dzuke (2017) contends that the adoption of such an expenditure management approach must be accompanied by comprehension and application of the seven phases of the expenditure management framework. These include authorization, reservation, apportionment, verification,

commitment, payment order, and actual payment. A clear comprehension of these seven phases of expenditure management assists with understanding the aims and control systems to be applied at each stage.

Authorisation is one of the sustaining principles of municipal finance management, which necessitates the usage of the existing revenue to ascend from some approvals, which are contained in certain legislation and laws (Steyn, 2014). These budget regulations normally define the time, purpose, budget limits, and section of the organisation that is responsible for this expenditure. Authorization restricts the waste of municipal funds and is normally followed by the apportionment.

Apportionment is the procedure of allocating finances to the relevant spending business units, this not only improves culpability, but also improves the ingenuities for ensuring that the assigned funds are spent on the appointed objective (Kusek & Rist, 2004). Reservation is the process of putting aside the allocated budgets. It enhances the ingenuities of ensuring that the allocated funds are used only when required. It also assists in upholding government's pledge to involve service providers with the understanding that the payment will eventually be made.

Verification influences the effectiveness of the expenditure management by improving the systematic scrutiny of whether the expenditure is authorised and incurred for its planned purpose and projects (Premchand, 2017). The purpose of verification is threefold; it evaluates expenditure authorization, the quality and standard of the service being delivered, and ensures that goods and services are within the prescripts of the contract (Erickson, 2017). This assists in minimising the risks associated with unethical practices and corruption within the public servant arena.

It is, however, also important to pay attention to the kinds of controls and institutional factors influencing the efficient municipal expenditure control. This analysis is crucial for mitigating and descending weaknesses within the expenditure system. These controls involve appropriation, total cash, regularity, and accounting controls (Pakkies, 2016) and are frequently exercised at centralised and decentralised points.

Centralised points result in fewer risks associated with inconsistent interpretation of expenditure management principles, from one department to another (John, 2016). Centralisation can prevent the originality and creativity of the structures that are lower, on how the scarce monetary resources can efficiently be used to influence the execution of much of a range of various municipal programmes.

It is not the expenditure control system solely that can impact the administration of municipal expenditure but rather the competencies and skills of the managers to apply these controls that can influence the municipal expenditure control (Hou, 2016).

2.7 Multidimensionality of Municipal Expenditure Management (MEM)

The notion of MEM is a multidimensional paradigm. As such it means desired outcomes may not be achieved by concentrating solely on the growth of the skills and capabilities of personnel (Osborne, 2017). Practices and behaviors that exhibit and promote good ethics, accountability, sound governance, and risk management are critical for contributing to the overall efficiency of MEM (Rabotapi, 2018).

2.7.1 Ethics

The efficacy of MEM is impacted by the ethical tenets adopted by the municipal finance officials and not just their fundamental competencies and skills. (Sandel, 2009). Immoral practices cause occurrences where finances are diverted from the set budget proposal (Morse, 2014). This impacts the degree to which budget execution can influence the accomplishment of the anticipated socio-economic results.

Ethics refers to the aptitude of distinguishing between wrong and right and the ability to constantly sustain good ethical values. Lack of these ethical values affects the personnel's moral judgement, which renders them more likely to engage in actions like corruption, theft of municipal funds, and fraud (Fourie, 2017). In a study conducted into the development of ethical capability in municipal officials, it was discovered that the development of ethical capabilities is key for strengthening public confidence in the municipality (Whitton, 2016). This discovery rendered the need for training and development of municipal workers on ethical competencies

such as moral cognition, moral decision-making, moral sympathy, and moral focus. These ethical competencies are crucial for municipal servants to realise to circumvent incidents or situations that could result in immoral behaviours or fraud (Bazerman & Tenbrusel, 2011).

2.7.2 Code of Conduct

The effects of an engrained unethical culture are frequently aggravated by poor governance and lack of communication between employees and managers. This affects the degree to which municipal finance management personnel are held accountable. As the essential proficiencies of the personnel are being enhanced, some scholars suggest that it is imperative to develop workers by constantly upholding good governance and moral behaviour (Bazerman & Tenbrunsel, 2011). In order to develop a good ethical atmosphere, managers must develop codes of conduct that endorse the development of good financially principled behaviours. These go together with the formation of instruments to encourage and inspire good ethical behaviour, while, at the same time, detect unethical behaviours (Cumbo, 2009). Nevertheless, even if such ingenuities are in place, in some cases, restraints that impact the municipal expenditure management have frequently emerged from ineffective stakeholder management.

2.7.3 Stakeholder Engagement

In the SA context, poor stakeholder engagement renders some municipal finance officials more susceptible to pressure from political powers that be, since the political representatives seek to impress their constituencies and may be tempted to over-promise (Cumbo, 2009). This results in a situation where some items are entered into the budget plan despite funding being incapable of accommodating them. Integration of such factors is crucial to determine how municipal finance officials should deal with such circumstances for leveraging an operative MEM (Fourie, 2017). Additionally, the investment in technologies is imperative for reinforcing the effectiveness of MEM (Darcy, 2010). Investing in technologies like municipal accounting IT systems improves the ease of data collection, storage, gathering and analysis, while at the same time assists with detecting areas with challenges. It enhances the ability of municipal finance management officials to complete different tasks that cannot be done manually. This means that, even if the

employees have relevant skills and competencies, the effectiveness of municipal finance management can still be undermined if there are no key technologies in place.

2.7.4 Good Governance

Good governance is integral for strengthening the entire effectiveness of municipal finance management (Helao, 2015). It assists with the allocation of responsibilities, which identifies the use of municipal resources to achieve different goals at different levels. In the case of deviations, it is these designated responsibilities and roles that improve the affluence of analysis to improve the recognition of areas where challenges could have emanated (Osborne, 2017). As different responsibilities and roles are allocated to different employees, good governance is also inclined to foster the degree to which the employees will carry the due diligence to ensure that municipal finances are proficiently and excellently used to accomplish the desired objective (Pollit & Bouckaert, 2001). Furthermore, good governance also impacts the culpability and accountability of the employee's involved with the municipal finance management.

Good governance advances the extent of planning for the equitable distribution of resources and can respond to the essential socio-economic needs and wants of the residents. This is because principles of good governance not only accentuate the need for culpability and responsibility, but also the participation of relevant shareholders in the budgeting and planning of how key municipal funds should be used (Fourie, 2017). In effect, the involvement and consultation of various stakeholders during the tactical processes of budget and planning, influences the integration of the community's key socio-economic necessities amongst the primacies that must be incorporated into the budget. This integration of crucial socio-economic projects improves the inclusive efficiency of municipal expenditure control to impact the attainment of the perceived socio-economic outcomes.

As a result of contending needs however, the municipality is frequently unable to address all the socio-economic wants of the community (Lyn, Heinrich & Hill, 2011). The municipality is usually able to identify the needs of the communities through improved information sharing and public engagement processes. This forms the outline that the municipality needs to focus on to leverage the overall success of service delivery (Pollit & Bouckaet, 2004).

Good governance also improves the checks and balances by the municipal structures and committees with reference to how the municipal finance employees are using the allocated budget to influence the attainment of the required outcome (Cheema, 2004). This means that assessing municipal expenditure must not only focus on the accounting measures like budget and how the available finances have been used but must also evaluate the compliance ingenuities carried out by municipal officials to observe the good ethical practices (Moore, 1995). Even if good governance encourages improvement in municipal finance management employees, the operative accountability instrument is required to leverage full MEM efficacy (Moore, 1995).

2.7.5 Accountability

The presence of the efficient accountability mechanism refines the general effectiveness of MEM (Ryan & Walsh, 2010). Culpability denotes the degree to which the municipal officials are expected to explicate the progress and encounters relating to the achievement of the activities they have been assigned with. In relation to municipal expenditure control, accountability is believed to improve the degree to which financial management officials responsible for expenditure control utilise the funding designated in the budget. According to Campos (1997), accountability impacts upon the degree to which the municipal finance officials who are charged with expenditure control can provide eloquent clarification to the powers that be, regarding how the budget municipal funds have been utilised. This improves the degree to which the management responsible for expenditure control can make sure that the budget is utilised for funding the projects designated in the budget.

Nevertheless, for accountability to positively impact the effectiveness of MEM, it is imperative that internal and external instruments for culpability be put in place. These may contain internal reporting instruments (Hughes, 2018) and may also include the procedure for filling prescribed financial reports to either authorities or committees. These financial reporting processes are vital for discerning if the municipal funds have been used in a prescribed manner according to the budget (Brooke, 2017) and should enable authorities to detect any irregularities.

Another common internal instrument of accountability within the municipalities are the committees who are provided with the progress reports on the utilisation of the allocated funds (Hughes, 2018). Irrespective of how effective the internal mechanisms are, municipalities are still subjected to the internal and external audit analyses. This boosts the overall veracity of the municipal finance management and the expenditure control (Forzzard & Foster, 2016). Internal and external auditing improves the methodological scrutiny and identification of mistakes, which could have arisen from the processing of the transactions in the allocated budgets.

In addition to the internal mechanisms, effective external accountability instruments exist such as law enforcement agencies, opposition political parties, civil society organisations and media (Keita, 2014). These structures influence the scrutiny of how the municipal funds are utilised. Where there are identified deviations, they improve the degree to which the responsible officials are held to account (Neale & Anderson, 2000). Regardless of whether deviations are identified or not, these watchdogs are an effective deterrent to unscrupulous municipal officials and ensure that the designated municipal budgets are utilised for attaining the outcomes specified in the budget plan.

Khan (2016) adds that another ingredient for successful MEM control is that the officials must observe certain basic philosophies of good governance, including clarity on their designated responsibilities and roles, performance prospects, balancing expectations with competences, and importance of the authenticity of reporting (Neale & Anderson, 2000). In a similar vein, Pattanayak (2016) accentuates the necessity for certain general and precise norms to be implemented. Such general criteria involve the utilisation of results-driven culpability, integration of financial management matters in the decision-making progressions, culpability for the accepted financial decisions, and convenience of financial management information, and integrated financial management systems.

Khan (2016) further emphasizes the essential criteria that calls for assessment of accountability for the financial management and procurement measurement system. Additional measures for evaluating the effectiveness of culpability include the assessment of the prevalence of current regulations, legislation, and guidelines on accountability. In addition, the efficacy of the oversight bodies, consistent assessment of budget performance, alignment of personal goals with

the organisation's goals, and usefulness of audit systems all enhance accountability (Pearson, 2003). Even though accountability impacts the MEM, its effectiveness is also determined by the degree to which it is integrated into the applicable risk management framework (Hughes, 2018).

2.7.6 Risk Management

Risk management leverages the effectiveness of MEM by enhancing the recognition and vindication of the occurrences that can hinder the efficacy of MEM control (Henriksen & Uhlefeldt, 2006). This translates into the notion that attainment of the required socio-economic results can only be realised if coupled with appropriate risk management measures in place. The presence of risk can result in non-conformity to the municipal expenditure from the hitherto prescribed budget plan (Coetzee & Lubbe, 2018), which can incur unnecessary expenses.

Proactive risk scrutiny, recognition, and extenuation of risks are key for accentuating the effectiveness of MEM. They assist contingent preparation to determine the additional resources that could be required to deal with a condition should a risk occur. Risk predicts the probabilities of an occurrence that may hinder the effectiveness of the procedure regarding the attainment of or execution of a certain proposal (Liebenberg & Hoyt, 2018). Risk is the process of planning, shaping, directing, and leading the constant and systematic procedure of risk recognition and vindication. Risk management necessitates the application of a four-stage process: risk scrutiny, recognition, gauging, and control. Risk analysis requires assessment of trends in the external environment that may reveal socio-political/economic, ecological, and technological threats, which may impact the overall shape of the MEM (Visser & Erasmus, 2017).

Municipal finance management personnel must determine the degree to which they have the financial resources in place to respond to changes (Liebenberg & Hoyt, 2018). Should there be shortages of funds, these changes could necessitate the need to look for alternative funding sources. They may also call for an analysis of the current expenditure plan to find areas of less precedence which may need to be conceded in favour of the key projects. Even if there are no risks emanating from political inclinations, they may arise from the economic inclinations (Vladut, 2014). This is because changes in fiscal variables, like price increases or changes in the interest rates, have the potential to affect the costs of goods and services.

Although there is an official Adjustment Budget in place in SA, these adjustments can impact the execution of the budget plan. With regards to the unfolding of societal tendencies, risks may arise from the development of community pressure groups that are demanding the distribution of services in a certain manner (Wood, 2011). Unless these threats are proactively recognised and alleviated in the budget planning process, they can impact the execution of the budget as well as the MEM. These risks are also intensified by technological risks that may ensue from technical deviations or ecological threats that manifest in natural disasters (Tadewald, 2014).

In addition to these external risk sources, others may emanate from the inner environment of the municipality. Internal risks could be a result of technical failures, labour conflict, policy catastrophes, supply chain risks, and cultural risks, which could impact the efficiency of the MEM (Woods, 2019). Identification of internal risks should be conveyed by risk measurement with the view of assessing the probable bearings of such risks, should they happen. This analysis may necessitate the use of SWOT (Strength, Weaknesses, Opportunities, and Threats) analysis, scenario assessment, risk measurement questionnaire, cost-benefit analysis, as well as decision trees (Henriksen & Uhlefeldt, 2006).

Other methods may also call for the use of risk grading, planning, and the application of tornado charts. These analyses improve the acumen of contingent plans that can be used to alleviate the effects of these risks. It can also improve the application of risk reduction measures such as avoidance, reduction, sharing, and acceptance of risk (Coetzee & Lubbe, 2018). In the case of MEM, the risks that may impact the usefulness of municipal expenditure control are usually easily manifested from the financial and audit reports, and the AFS (Woods, 2019).

2.8 Mechanisms of Measuring Effective MEM

Firstly, it must be noted that the budget is a momentous record of obliging financial-related data pertaining to municipal expenditure needs, planning, policy approach costing, expenditure projects, and projects' benefits. The information contained in the budget is vital for reporting lucidity and financial culpability (Djokovic *et al.*, 2009). A financial budget needs to have data on the expected revenue, and probable expenditure, and the purposes and tenacities of the

expenditure. This is because without this information, the financial budget tends to be fragmented and unable to meet fiscal policy standards policy (Siswana, 2017).

There are six main approximations of reasonable financial performance control and budgetary implementation in SA. These are standard in the Municipal Expenditure and Financial Culpability (Municipal Financial Management Performance Measurement Framework, 2005). Firstly, a credible budget is dictated by the practical predicted revenue and clear project of implementation. Secondly, monetary budgets must be transparent to the public and understood. Thirdly, budgets must be in line with policies and tactics and instituted on a policy framework demonstrating government strategy in economic terms. Fourthly, the budget must be plausible with clear, consciously systematic controls concerning its implementation (Djurovic *et al.*, 2017). Fifthly, there must be clear record-keeping of the transactions and accurate, detailed reports for effective decision-making. Lastly, the external and internal audit each evaluation and measure the expenditure of projects and any confinements that lie within the budget records (Asian Development Bank, 2001).

Additional to the audits, reviews and assessments provide the public with confirmation that the budget was implemented in line with the mentioned primacies and needs of the municipality. Rabotapi (2018) asserts that the expenditure administration as a control tool is useful for screening the implementation plan through the expenditure patterns. The budget cannot be isolated from the use of funds, which is what expenditure involves. The World Bank (1999) signposts that some elements may enhance expenditure management. The “Political Will” and the commitment to underspend, in explicit segments, assures unimpeded spending on the planned precedence projects of the municipality. There must be procedures set up to collect the projected revenue to guarantee a funded budget plan. According to the World Bank (2009) it is believed that appropriate MEM promotes the financially related endurability of the municipality and assists local governments to provide certainty to their communities thereby enhancing the heretical organisational implementation.

2.9 Monitoring and Evaluation

In general, SA municipalities struggle to gauge productivity and output despite references made to efficient, effective, and economical use of funds (Hughes, 2018). Abrahams (2015) refers to the evolution of monitoring and evaluation in municipalities with particular emphasis on national government, which has one of the most dedicated monitoring and evaluation departments in the world. Mamogale (2014) believes that a municipality's finance implementation should use the annual budget summaries as their yard stick to determine the general situation of the municipality. This is supported by the AG (SA)'s opinion on the municipal financial situation.

The most understood evaluation methods for project assessment are implementation, observation, and net effect assessment. The former tracks the complete results and the latter evaluates the esteem throughout the involvement (Eberts & Olearny, 2004). Managers in the Municipality have an obligation to build up anticipated implementation results, make funds towards the attainment of those results, and constantly measure these fairly to make amendments that enhance organisational adequacy and productivity (Nolan & Wong, 2004).

2.11 Budget Deficits

A budget deficit arises when an organisation's expenses exceed the available budget during a fiscal year. The MFMA (2003) stipulates that municipalities and trading services are only allowed to forecast incomes that are equivalent to or larger than total expenses (*Local Government: Municipal Finance Management Act, 56 of 2003*). These deficits arise because of actual expenditure exceeding the approved and available budget. As previously stated, EWS is a trading service, which means that their budget should be funded from the revenue that the unit generates from the sale of water and other related services.

Another requirement of the trading services is creating adequate revenue to self-sustain. If the unit can do so, then it becomes vitally important that expenditure management incurred by the unit is aligned to the available budget. Failure to adhere to both the regulations and procedures could result in budget deficits. The municipality should therefore preserve an operative system

of expenditure management, through executing control with regards to approval, authorisation, drawing, and payment of monies to approved contractors.

Section 65(e) of the MFMA (2003) stipulates that a municipality must pay their contractors within a thirty-day period after receipt of the invoices, to avoid incurring unnecessary interest and penalties. Section 65(f) of the MFMA (2003), further mentions that a municipality must always incur spending acquired through the normal Supply Chain Management Policy to ensure that goods and services are acquired at cost-effective and competitive prices.

2.12 The Impact of COVID-19 on Municipal Finances

The worldwide COVID-19 pandemic has had a massive impact globally. From the viewpoint of charitable organisations and municipalities who are accountable for the provision of finances, this pandemic is unprecedented and extraordinary. The researchers contextualise circumnavigating the economic effects of COVID-19 and are dependent on current studies to evaluate the response approaches of municipalities and charitable establishments, they find that that municipalities are, basically attempting to reconsider their fiscal state moving into the next budgeting period (Madue, 2021).

With the mounting pressures of monetary deficits, this has become the most perilous time for municipalities and government to sustain services. The conditions reflect an instantaneous demand for services to guard the community from the spread of the pandemic and to counter the fiscal tremor felt globally. The municipalities are required to undertake drastic action to cope with the effects of the COVID-19 pandemic. This undertaking has proven to be a challenging and uncertain exercise since it is not known how long this pandemic will persist (Madue, 2021). Cash flow, financial capacity, the resistance of revenue portfolios, revenue variety, and portfolios are crucial aspects in organisational pliability (Carroll & Stater, 2009; Prentice, 2016). Due to fluctuations in funding the bases of revenue, municipalities are impacted differently by the pandemic.

COVID-19 has had an enduring impact not only on the macro-level economies, but similarly severely affected municipalities. Authorities in nations where the epidemic blowout was most prevalent, took what they considered the necessary actions. These unfortunately resulted in adverse fiscal effects on the economy through reduced monetary development, job losses resultant of termination of manufacturing in several businesses and the hospitality and tourism industry, etc. As a result, economists conservatively project that the unemployment rate will rise to 350 million worldwide. The pandemic outburst had other paraphernalia on the fiscus. For instance, it encouraged corporations to deport their supply chains, thus hurtling the redirection of manufacturing of goods. Moreover, the inception of home-based offices for workers and the online corporate conferences has shaped a massive space for subcontracting services.

Since COVID-19 created the requirement for stay-at-home instructions, it swiftly became ostensible that several income sources at the municipality would be unfavorably affected. Nevertheless, the impact was anticipated to be felt most sturdily at the local government sphere, where most authorities rely on revenue from water, electricity, refuse removal and property rates. The municipality relies mainly on property rates and thus service charges instantly felt the impact once employment and consumption decreased. Even though the impact on property rates may lag, demand for property declined, and property rates declined in the short term, resulting in reduced municipal revenue. This ultimately resulted in the shortages of funding and further adversely affected the municipal budget.

eThekwini Municipality derives a significant portion of its revenue from tourism activities, predominately from restaurants, lodges, outlets where guests eat in, under strict health protocols. Hotels, fast food, bed and breakfasts, coffee shops, timeshare facilities, resorts, and guesthouses also benefit from these revenue incomes. The emergence of COVID-19 and the introduction of different levels of lockdowns meant that these facilities could not operate to their full capacity resulting in lost revenue. Some companies closed permanently whilst other companies chose to adopt remote working resulting in the municipality losing additional revenue in the form of water revenue, electricity, and rates (eThekwini Municipality, 2020).

2.13 Summary

This chapter discussed the literature pertinent to the research area as well as the theoretical framework supporting this study. The key components of budget and expenditure management, including the budget, budget reforms, budget funding, municipal expenditure management, and municipal expenditure management objectives, unacceptable expenditure types, multidimensionality of expenditure, mechanism of measuring effective MEM, and the lastly the impact of COVID-19 on the effectiveness of MEM were discussed. The ensuing chapter describes the methodology implemented for the study.

CHAPTER 3: METHODOLOGY

3.1 Introduction

The previous chapter presented a comprehensive literature review of the works of several scholars who have examined various perspectives on expenditure management and large-scale organisational budgeting over the years. Drawing on this review, Chapter 3 broadly describes and justifies the mixed method approach selected for this study. Firstly, the research paradigm underpinning this study will be discussed followed by the actual design of this study. The researcher will then deliberate on the sampling methods and data collection techniques employed, in terms of their suitability for the target population of this study. The data collection instrument will then be described in relation to its development, validity, and reliability for analysing the data generated by the study. Limitations and ethical considerations will also be reviewed.

3.2 Research Paradigm

Firstly, it is crucial to understand the different research paradigms that will determine the research design, approach and methods that are used in a study. A research paradigm is a set of traditionally thought principles and conventions within a research society with reference to ontological, epistemic, and procedural apprehensions. A study paradigm responds to ontological interrogations regarding the nature of truth, the objects that exist, as well as how these are connected and interrelate with one other. The questions that a researcher aims to investigate inform the paradigm in which the research study will be designed and this in turn provides direction for the methodology that will be used. This means that the scholar will adopt the most suitable methodology, founded on the research study questions expected responses to and the objectives anticipated to be fulfilled by the study (Mackenzie & Sally, 2016).

The three paradigms in research are positivism, interpretivism and pragmatism. Positivism underlines the quest for the impartial reality (Creswell, 2014 & Scotland, 2014). This radical, objective paradigm accentuates the application of an experimental method based on its

assumption that “there is already an existing reality, which is driven by incontrovertible laws” (Guba, 2020: 37). The paradigm also suggests that in learning the actual truth, there is a desire to “put queries straight to nature and let it answer back” (Guba, 2020:41). Researchers grounded in a positivist worldview use deductive reasoning to support their studies and adopt experimental strategies for their research. The explanation of positivism thus clearly stresses the use of a quantitative research methodology.

The interpretivist paradigm is directly contrary to positivism, since interpretivism, by its very definition, supports the survival of multiple ways of interpreting a phenomenon. The paradigm proposes that reality includes different viewpoints and subjective experiences, therefore, certainty is socially interpreted (Neuman, 2011).). This implies that the interpretivist perception views knowledge as if it were collected by means that “respect the differences amongst individuals and items of natural science and therefore necessitates the social experts to clench the independent sense of the social behaviors” (Bryman, cited in Grix, 2004:64).

The third paradigm, sometimes referred to as post-positivism, is pragmatism, which supports the mixture of methodologies. This paradigm posits that there is a degree of incongruity between qualitative and quantitative methodologies, therefore the two methodologies need to be joined by means of a common research objective to support each other.

With all three paradigms however, the common issue is that even if there is one objective “truth”, the mind of a human being is not fully fledged with the objectivity required to discover this knowledge (Creswell, 2014). In this instance, the deductive and the inductive logic are both essential, whereas subjectivity and objectivity balance each other. The ontological hypothesis is that the globe is not a complete entity, hence, all knowledge is both socially construed (subjective) and empirical (objective) (Creswell, 2014). In this sense, pragmatism is deemed the most suitable paradigm in which to design the research method and instruments for this study.

3.3 Research Design

A research design is informed by the research paradigm and provides a clear direction for the study. If the investigator is opting for a quantitative design, one end of the series signifies a strategy where the variable star is not measured but only pragmatic. Connections between variables are only defined. On the other hand, designs which comprise close control of variables

and associations between those variables are plainly recognised. There is also a range, which occupies the middle of the spectrum, and these are discussed below (Neuman, 2011).

A descriptive study aims to analyse the current situation of an identified variable. These studies are intended to provide methodical data about a phenomenon. The investigator does not habitually start with a theory but is likely to advance one after assembling data. The scrutiny and fusion of the data offer the test of the theory. Organised gathering of data entails cautious collection of the components considered and cautious dimension of each variable involved.

A correlational study aims to determine the degree of connection between two or more variables by means of arithmetical data. With this design, relations between and amongst a numeral fact are pursued and construed. This kind of study will identify tendencies and shapes in information but will not provide an analysis to demonstrate sources of these detected patterns. Cause and effect are not the basis of this kind of experimental study. The facts, associations, and dispersals of variables are merely considered. Variables are not manipulated; only recognised and contemplated as they ensue in a 'normal' or common situation (Creswell, 2014; Scotland, 2012).

A causal comparative/quasi-experimental study attempts to determine cause and effect associations between the variables. This design is extremely comparable, with certain modifications, to true experimentations. An independent variable in the experiment is recognised but not manipulated, and the effects variables are measured. The investigator does not arbitrarily select groups but rather uses the ones that are naturally designed or employs already prevailing groups. Acknowledged control groups exposed to the treatment variable are examined and compared to groups that are not exposed. When these are dissected and deductions are made, careful identification of the origins must be undertaken, since the other variables could still impact the result.

An experimental study, frequently named true trialing, applies the systematic technique to determine the cause-effect association between a group of variables that form part of the study. Despite being frequently known as laboratory research, it in fact has nothing to do with a laboratory setting. This method describes any study where an exertion is made to find and impose control over all variables exclusive of one. An autonomous variable is deployed to find the effects on the reliant variables

This study employed the case-oriented method, exploring the case of budget deficits within EWS. The case study method allowed for in-depth scrutiny and comprehension of the expenditure management under review. The selection of the case study method was based upon Neuman (2011), who asserts that many activities and factors in one area calls for cavernous comprehension, insight, and knowledge. Considering this, the proceeding sections will define the process of data gathering for the study, starting with an explanation of the mixed methods approach.

3.4 Methodological Approach to Research Study

3.4.1 Mixed Methods Approach

A mixed methods approach refers to the “combination of quantitative and qualitative methods in most phases on the research process” (Creswell & Plano Clark, 2014:71). The approach refers to the assortment, analysis, and incorporation of both quantitative and qualitative data within a single study. The idea is to integrate the strengths and non-overlying shortfall of either of these methods. The fact is that not all research problems can be passably addressed by only one technique of enquiry, therefore, using mixed methods becomes important. Putnam (2000) notes that common truth is both casual and contextual, therefore, the mixed methods approach is best suited to this research study. Considering this reasoning, the researcher first gathered quantitative data, which assisted in isolating participants who would be best placed to respond to in the in-depth qualitative enquiries. The main aim was to allow the qualitative data to assist elucidating the quantitative data in an in-depth manner (McMillan & Schumacher, 2018).

3.5 Study Location and Population

The sample of participants in this study comprised the top management of EWS as well as management who are directly involved in the financial management or expenditure management within the unit. More specifically, it was composed of Deputy Heads, Senior Managers and Operational Managers who actively manage operating expenditure projects.

3.5.1 Target Population

The target population is a group of individuals to whom the investigator wants the study results to apply (Marson, 2017). Target populace is characterised as the whole crowd or group of people that the investigator is engaged with (Kothari, 2017). The target population in this research are employees of EWS, specifically management. The management of the unit under study comprises 1 Head, 7 Deputies, 24 Senior Managers, 4 Strategic Executives and 13 Divisional Managers, totaling a target population of 50 members. Of the total, 30 of the management team or 60% were randomly selected as the study sample from the population considered. The expected response rate was 20 responses, which translates to a 67% response rate.

3.6. Sampling

Sampling includes differentiating and selecting a small number of participants from the sum of an entire population for study purposes. The rationale is that the selected sample will represent the views and opinions of the whole population under study. Two common ideologies or categories of sampling are probability and non-probability sampling.

3.6.1 Probability Sampling Method

Probability sampling is a method that applies a certain degree of subjectivity in terms of choice of the populace who are vital for the study (Trochim, 2016). Under probability sampling, the populace is made aware beforehand of the chance to be involved in the sample. This does not apply in non-probability examining (Gray & Guppy, 2014). Since the populace is nominated capriciously under probability investigation, this decreases inclination rendering this examining scheme likely to be more enlightening than non-probability sampling. Mason (2012) adds that there are various types of probability sampling, such as stratified sampling, random sampling, cluster sampling and systematic sampling.

3.6.2 Non-Probability Sampling Method

This sampling method suggests that the description of a populace in an asymmetrical way is often the view of the investigator, who does not contemplate a component of chance in the

determination of the populace. As cited by Saunders, Thornhill, and Lewis (2017), the selection of a populace in non-probability sampling is through the independent choice of the investigator who decides whom to include in the study investigation. Examples of non-probability scrutinizing techniques include convenience, purposive, snowball and expectant sampling.

Convenience sampling means nominating anyone in close proximity to the investigator to participate in the study, regardless of their suitability (Saunders *et al.*, 2017). Snowball sampling often grows out of convenience sampling as an exploratory process that works on the foundation of a referent context whereby the investigator appeals that a participant refers another participant to take part in the study (Saunders *et al.*, 2017). This study acknowledges the use of purposive sampling, which is a non-probability sampling strategy.

Creswell *et al.* (2014) describes purposive investigative sampling as a method that is regularly applied as a part of a qualitative study for the discernable proof and fortitude of data-rich cases for the extreme consumption of constrained resources. This method of sampling was applied to select participants for the interview portion of this study. For the sampling frame, the researcher purposively selected 4 managers from the operations section of EWS to be interrogated. These 4 managers are directly involved in expenditure management daily and were selected because they were accessible during the data gathering phase, thus, convenience sampling was also applied. It is worth noting that sample size must be large enough to permit valid extrapolations to be made about the partakers thus ensuring adequate answers to the research questions whilst simultaneously acknowledging the limitations of the phenomenon under examination (Creswell, 2014).

3.6.3 Sample Size

Morse (2014) asserts that the magnitude of the sample is reliant on various aspects, namely: data class; scope and focus of the study; the dimensions of treasured information sourced from each participant via the qualitative method; and the specific study strategy adopted. One must consider the following: How constant or assorted is the population being explored? What are the selection circumstances? How much funding is assigned for study?

As explained in the target population section above, the sample comprised a total of 34 participants from the third-tier management of eThekweni Water and Sanitation, 30 of whom were involved in the quantitative study while 4 participated in the qualitative study. It is believed that the chosen population will allow for a thorough examination of the features that speak to the study questions, and enable hypothetical classes of consideration to be distinguished, which confirms the probability that satisfactory results have been collected to draw relations between hypothetical associations and categorize discrepancy in procedures, and achieve the predictions that opposing cases and created opposing cases have been exposed in the collected evidence (Glaser and Strauss, 2017).

3.7 Data Collection Instruments

There are various methods of data collection that can be used to generate data for a study. In this study the data was collected electronically by means of an email link sent to the selected participants who were requested to open the link and answer the questions. The justification for this method of data collection was to observe the existing COVID-19 protocols by eliminating physical human contact. This allowed the partakers to exercise their right to participate, while observing the social distancing protocol. On completion of the questionnaire, it was automatically sent back to the researcher via the web link. Online interviews were conducted with 4 of the management team who were purposively nominated.

3.7.1 Composition of the Online Questionnaire

The quantitative inquiry form for this study was divided into two parts:

- A. The initial demographical section, comprising work experience, job grade, marital status, race, date of birth, ethnic group, gender, and level of qualification.
- B. The subsequent section included questions or statements that required a hierarchical response on a measure of 1-5. The questions related to the study objectives and the literature review, and their statistical analysis led to the intuitions on the effectiveness of expenditure management in reducing budget deficits within EWS.

3.7.2 Composition of the Interview Schedule

Four operational managers were selected from the management team of EWS to participate in the study. These four managers were selected because they were greatly involved in the daily management of the procurement process, since they are operational managers involved in dealing with the water leaks and sewer burst daily, the investigator believed that these four managers will give a reliable information, since the management of plumber contractors formed a great part of their daily operations and involved a lot of expenditure planning and management.

Through these interviews the researcher wanted to find out from the operational managers: their roles in relation to the function of expenditure management, how the operational managers view the function of expenditure management in relation to their other technical functions, what do the technical managers view as the main causes of the budget deficits, that have been prevalent in the EWS unit, and what do the technical managers view should be the best approaches to be adopted in order to eradicate these prevalent budget deficits.

The interviews were held with each operational technical manager, one hour interviews were held on the online platform, these were recorded on the online platform and transcribed into text format, printed, labelled and filed, these interviews were held in a dialogue format, where the researcher was interviewing the participants, since this was a semi-structured interviews the participants were offered an opportunity to give their views on each question posed by the researcher, and also to provide additional information they believed it was relevant to the study, even if the researcher had not asked that question.

3.7.3 Validity and Reliability of the Research Instruments

Validity is defined as the indication that the chosen investigation method and instrument will be in line with the intended purpose (Sekaran & Bougie, 2016). Upon receiving ethical clearance, the researcher conducted preliminary research to assess the practicability and reasonableness of the instrument and concluded that it was appropriate for the study objectives.

3.7.4 Trustworthiness of qualitative data

The researcher used triangulation; this method involves the use of different sources of data/information. A key strategy is to categorize each group or type of stakeholder for the program that you are evaluating. Then, be certain to include a comparable number of people from each stakeholder group in the evaluation study.

3.8 Ethical Considerations

The concealment of study participants' identities is a hefty burden on a researcher (Creswell, 2014). Confidentiality is the secure possession of material and identities collected through partakers' participation in the study. Saunders (2017) explains confidentiality as a mission by a researcher to ensure the information is safeguarded and made unidentifiable to other parties to protect partakers against being targeted. This study has guarded the confidentiality of participants' evidence by utilising controlled entry to keep it away from unauthorised individuals. Furthermore, partakers were requested not to label any document or discrete particulars in any of the research documents.

3.9 Thematic Analysis

Thematic analysis is a method for analyzing qualitative data that entails searching across a data set to identify, analyze, and report repeated patterns (Braun and Clarke, 2006). It is a method for describing data, but it also involves interpretation in the processes of selecting codes and constructing themes. A distinguishing feature of thematic analysis is its flexibility to be used within a wide range of theoretical and epistemological frameworks, and to be applied to a wide range of study questions, designs, and sample sizes. While some scholars have described thematic analysis as falling within the realm of ethnography or as particularly suited to phenomenology. Braun and Clarke (2006) argue that thematic analysis can stand alone as an analytic method and be seen as foundational for other qualitative research methods. Indeed, the principles of thematic analysis of how to code data, to search for and refine themes, and to report findings are applicable to several other qualitative methods such as grounded theory and discourse analysis (Watling & Lingard, 2012). Because of this flexibility. Braun and Clarke (2006) refer to thematic analysis as a method, as opposed to a more tightly prescribed methodology.

Thematic analysis is an appropriate and powerful method to use when seeking to understand a set of experiences, thoughts, or behaviours across a data set, since it is designed to search for

common or shared meanings, it is less suited for examining unique meanings or experiences from single person or data item (Braun and Clarke, 2006).

What is a theme?

It is vital to define what the term *theme* means in an analysis method. A theme is a ‘partnered response or meaning (Braun & Clarke 2006, p. 82) derived from the data that informs the research questions. Clarke and Braun (2017) focus on the six-step method of analysis, which has become widely adopted within the qualitative literature, which includes: step 1: familiarising yourself with the data, step 2: generating initial codes, step 3: searching for themes, step 4: reviewing themes, step 5: defining themes and lastly, step 6: producing the report or manuscript.

3.10 Chapter Summary

This chapter deliberated on the theoretical underpinnings that guided the study, as well as the research design and mixed methods approach that was employed to gather and analyse the data used to generate the findings of the study. The sampling techniques were explained, and the target population was defined. The development of suitable data collection instruments was outlined and the ethical concerns regarding securing the anonymity of the study participants was considered. The following chapter will present, analyse, and then discuss the data collected.

CHAPTER 4: DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction

In the previous chapter, the methodology adopted to elicit data from the study's research questions was discussed. The aim of this chapter is to present and analyse the discoveries of the research, based on the assembled data. The analysis will therefore attempt to depict how participants have responded to each of the research questions to draw conclusions regarding the study objectives. This chapter therefore outlines the key findings of both the quantitative and qualitative sections of the study.

The chapter begins with the quantitative presentation of the findings in graphical and narrative format. Following the quantitative presentation, the qualitative findings will be put forth using selected excerpts from the participant interviews to highlight the key developing themes pertinent to the study objectives. It is important to mention that the discoveries from the semi-structured interviews are presented and examined concurrently for ease of reference when discussing participants' responses.

4.2 Results Derived from the Quantitative Study

4.2.1 Response Rate

Attaining the anticipated quantity of responses necessitates the correct sampling methods. It is imperative to attain both the correct number of individuals to participate in the survey as well as to communicate with them convincingly regarding the purpose and significance of the study and their participation, failing which the anticipated number of responses might never be achieved. Distributing the survey efficiently is also imperative (Creswell, 2014). Considering Creswell's (2014) explanation, an electronic Microsoft Form questionnaire was emailed to 30 participants who were randomly selected from the target population of 50 members of the unit's management team. A total of 21 participants responded, which translates to a 70% response rate. This response rate was accomplished by sending through follow-up emails, friendly reminder telephone calls to participants, as well as personal visits to the participants' offices (whilst observing the

COVID-19 protocol of social distancing), encouraging them to respond to the survey. This personal approach was enabled by the fact that the researcher had identified colleagues for the study, which assisted in obtaining a satisfactory response rate. The possibility of bias however cannot be excluded when participants are familiar with the researcher, as they may feel it necessary to tailor their responses to maintain good relations with the researcher.

4.2.2 Profile of the Respondents and Scope of Expenditure Management

The survey included demographical questions and as such this section of the chapter provides details on gender, management level, years of experience and the degree of participants' involvement in the unit's expenditure management. As previously mentioned, the participants included the head of the unit, deputy heads of the departments, senior managers, technicians, and engineers within EWS.

The statistical data on the gender of the participants is presented in Figure 4.1 and reflects that 43% of the respondents are female and 57% male.

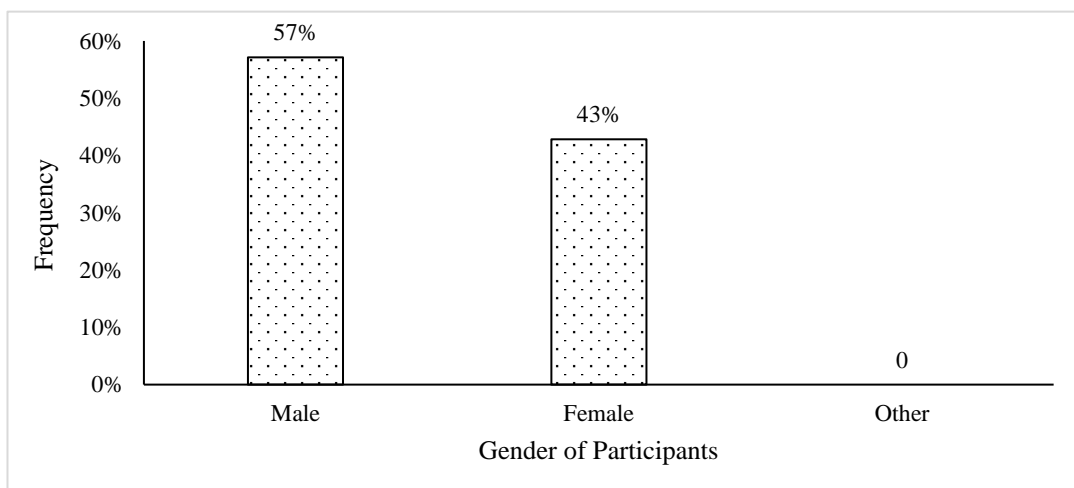


Figure 4.1: Gender of participants

Figure 4.2 depicts that most participants (57%) have worked for EWS for more than 10 years. 10% of the participants have been employed by the unit for 8 to 10 years, 19% between 4 to 7 years, and 14% having worked in the unit for 0 to 3 years. This suggests a positive reflection of

the experience of the participants because it meant that the research would likely be gaining a deeper, more insightful contribution to the study from the people who possess long-standing institutional knowledge.

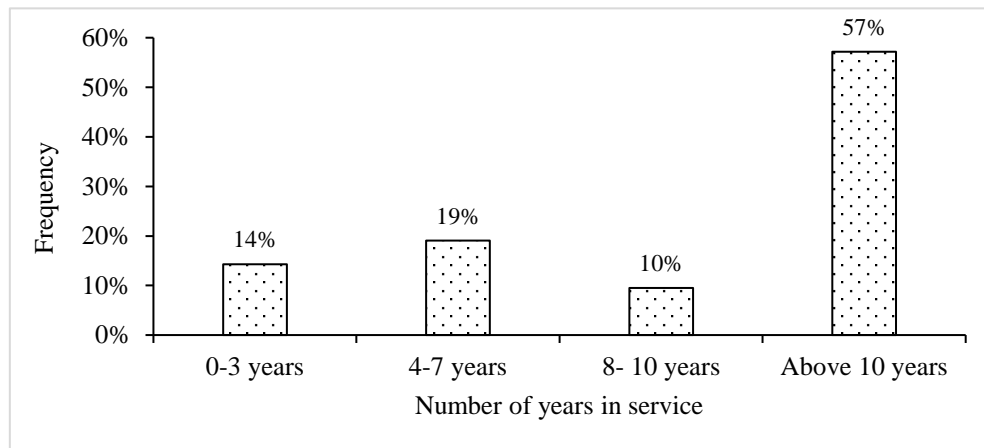


Figure 4.2: Participants' number of years in service

Figure 4.3 below exhibits the level of education of the participants. Most of the participants (48%) are in possession of a bachelor's degree, followed by 28% who hold an honour's degree/postgraduate diploma. 19% of the participants hold a master's degree, while 5% of the participants hold a doctorate. It is worth noting then that 100% of the participants have a university education. The assumption therefore seems to be that the more formally educated the management personnel are, the more effective the operations in the organisation are.

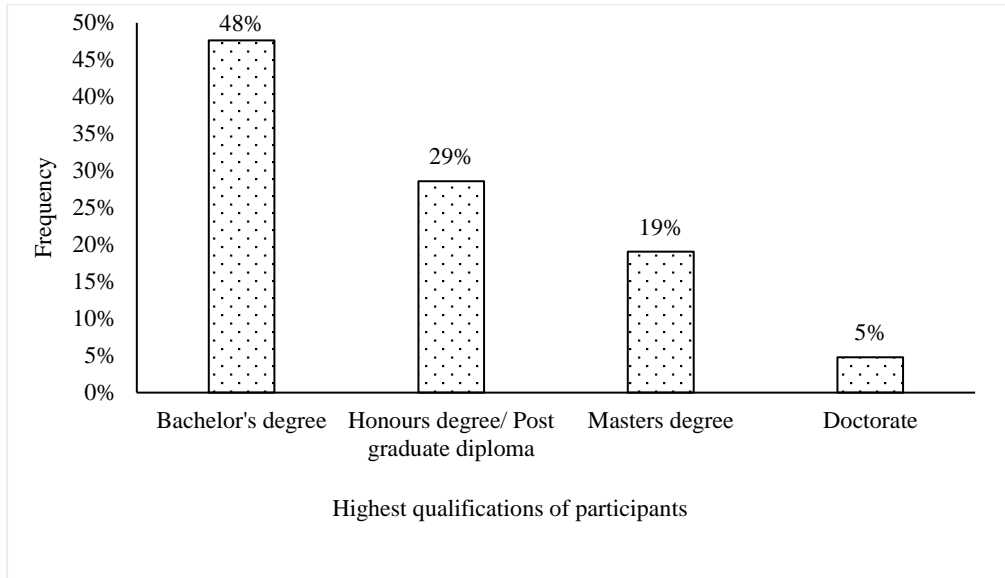


Figure 4.3: Highest qualifications of the participants

Figure 4.4 below shows that 43% of the participants hold a middle management position within EWS, while senior management was represented by 24%, and supervisor level represented by 19%. Junior management positions are held by 5% of participants with 10% in the executive management.

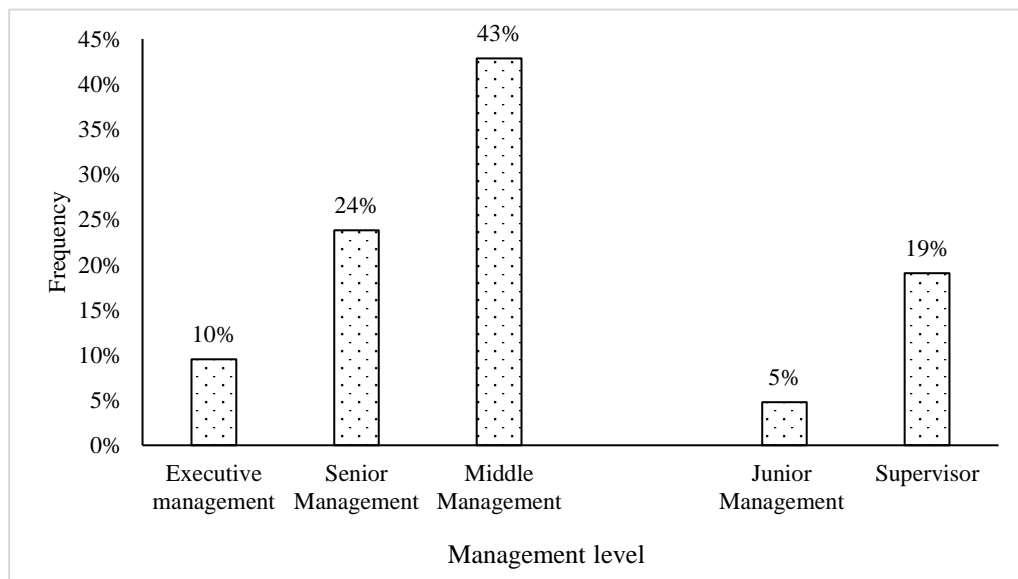


Figure 4.4: Management level of the participants

Figure 4.5 below illustrates the results of the question regarding the extent of each participant's involvement in the expenditure management within the EWS unit. It is evident that 95% of the participants are involved in the expenditure management process to some degree, with 52% partially involved and 43% actively involved. These statistics indicate that most respondents have a comprehensive insight on the subject matter at hand.

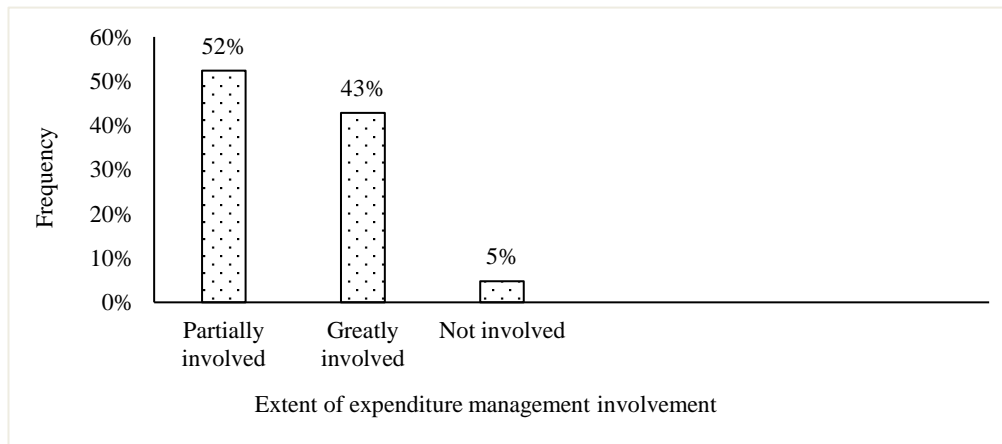


Figure 4.5: Extent of participant's involvement in expenditure management

4.2.3 Evaluation of the Expenditure Management within EWS

To evaluate the effectiveness of the existing expenditure management systems (EMS), the researcher crafted specific questions on this topic. These results are presented in Figures 4.6 to 4.11 below.

Figure 4.6 denotes the results of the participants' responses to the question regarding their opinion that EWS currently has effective EMS in place. From the responses received 19% agreed that the unit has effective EMS with 10% strongly agreeing, bringing the total in agreement to 29%. A large portion (38%) of participants took a neutral stance on this question, while only 3% of participants disagreed. These statistics may depict the element of bias inherent in the fact that although the responses were anonymous, the participants know the researcher in the work context. This highlights a potential limitation of the study.

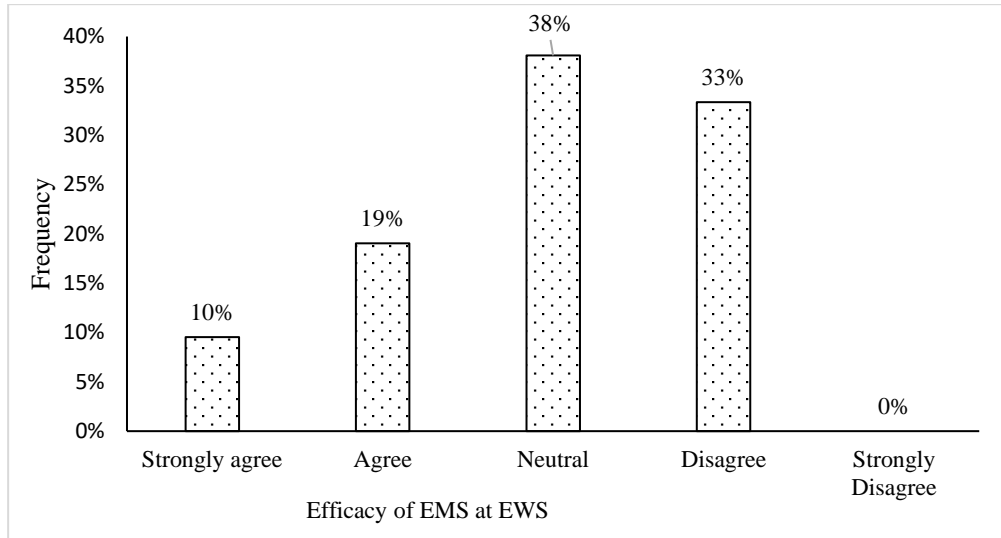


Figure 4.6: The efficacy of current expenditure management approaches

Figure 4.7 illustrates the results of participants' responses to the question of whether the current EMS are effective in planning for the future. 38% of participants agreed and 14% strongly agreed that that the current EMS are effective in planning for the future. This equates to a total of 52%, more than half the respondents. 29% of participants disagreed with the question and 10% of the participants strongly disagreed, while 9% of participants felt neutral. In summary then, most participants reported satisfaction with the forecasting ability of the current EMS. Once again, the element of bias needs to be considered with this question.

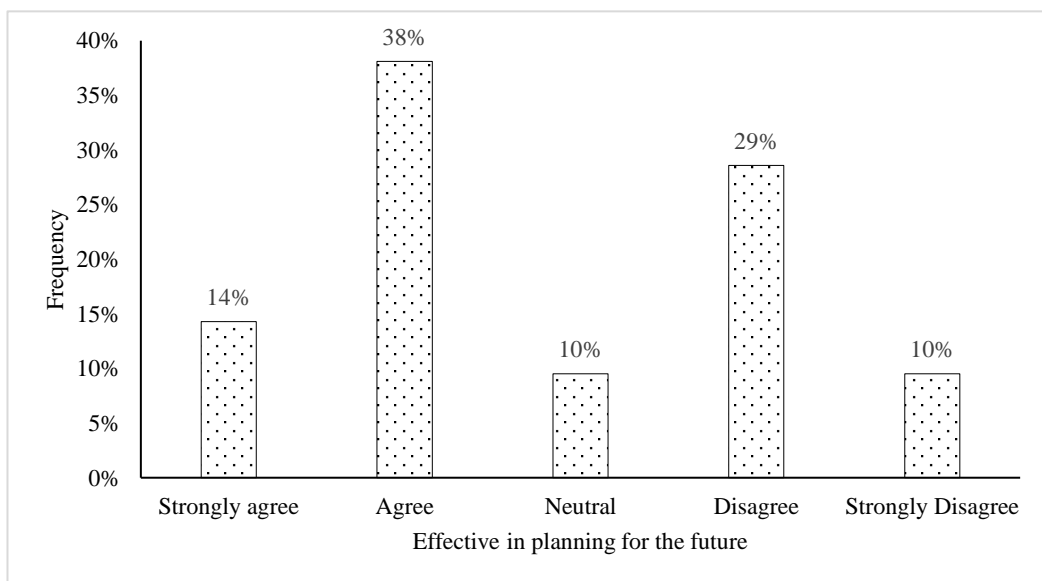


Figure 4.7: Effective in planning for the future

Figure 4.8 shows the results of the participants' responses to the question on whether current EMS are effective in controlling operations. 48% of respondents agreed with 14% strongly agreeing, bringing the total in agreement to a majority of 62%. The question elicited a total of 24% of participants who disagreed with the question while 14% took a neutral stance.

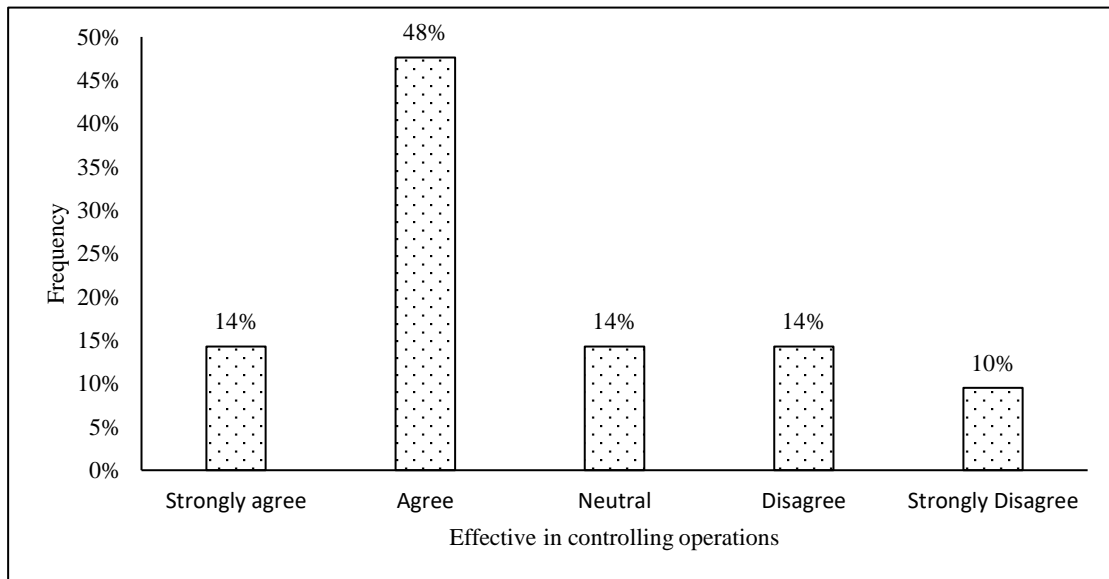


Figure 4.8: The efficacy in controlling operations

Figure 4.9 below displays the results of participants' responses to the question of whether management currently compares expenditure against the budget (i.e., variance analysis), on a regular basis. Once again, a majority of 62% agreed that management regularly checks expenditure against the budget, with 24% disagreeing and 14% opting for a neutral response. These statistics are identical to those elicited by the previous question, alluding to the possibility that the same participants answer either positively, negatively, or neutrally.

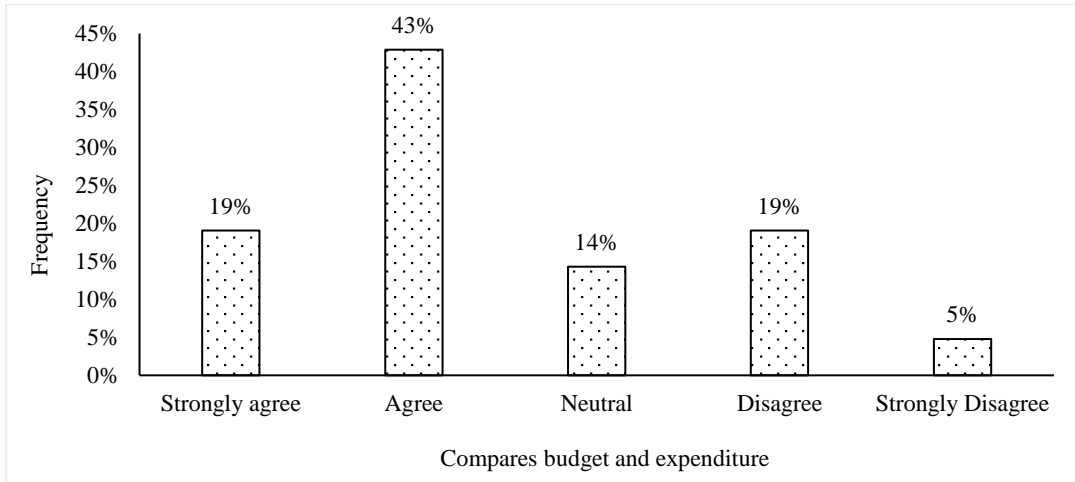


Figure 4.9: Management’s regularity of comparison of expenditure against the budget

Participants’ views regarding whether corrective measures are taken whenever there are anticipated budget deficits are graphically illustrated in Figure 4.10. Most participants (39%) agreed that corrective measures are taken on a regular basis, but a high percentage (38%) chose a neutral response to this question, indicating a possible insecurity on this subject matter. As per the previous two questions, 24% of participants once again disagreed with the question.

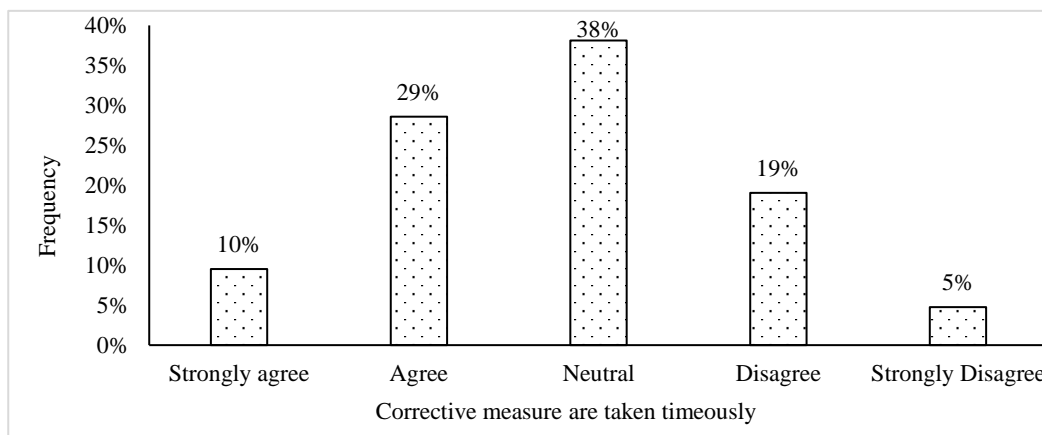


Figure 4.10: Regularity of corrective measure taken when budget deficits anticipated

Figure 4.11 below illustrates the results of participants responses to the question of whether expenditure management is the role of all members in the organisation. There appears to be two extremes to the responses for this question, with 38% strongly agreeing and 24% strongly disagreeing. However, a further 38% of participants agreed to the question and 0% disagreed so

the result was 76% who believe expenditure management is the role of all employees versus only 24% who believe it is not. Neutral responses totalled 10%.

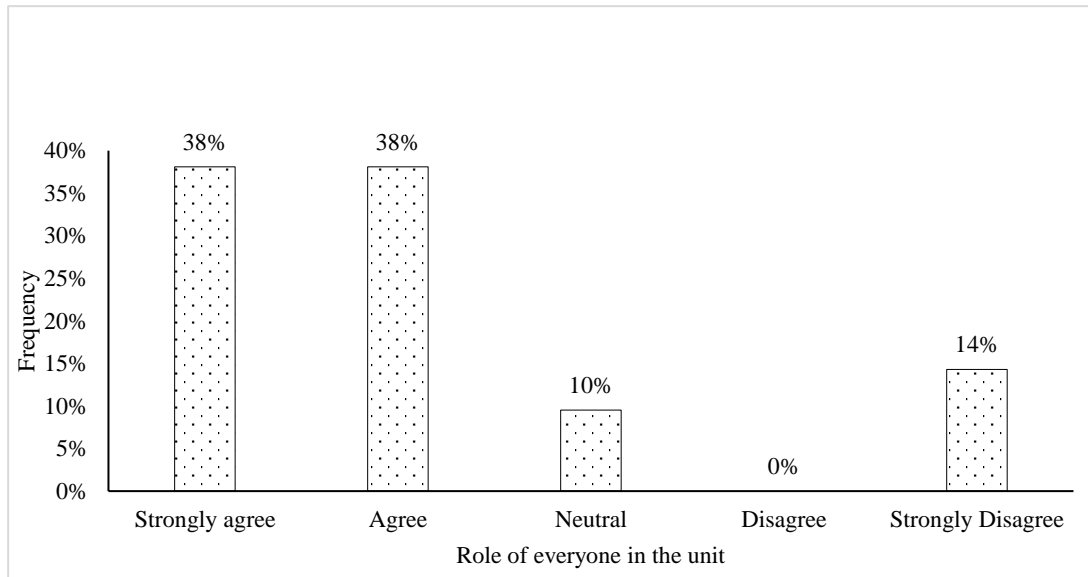


Figure 4.11: Degree of involvement of management in expenditure management.

The objective of the questions relating to Figure 4.6 to Figure 4.11 above was to assess how the participants viewed the expenditure management system of the unit as they are currently. The following section will present the participants' responses to the questions related to what participants believe are *the causes of budget deficits* within EWS.

Figure 4.12 below illustrates the results of the participants' responses to the question of whether they believe that EWS management disregards current expenditure management systems. The responses to this statement yielded 57% in disagreement with the statement and 20% in agreement. A fairly large number of participants (24%) chose to remain neutral, possibly indicating some insecurity regarding the repercussions of this statement.

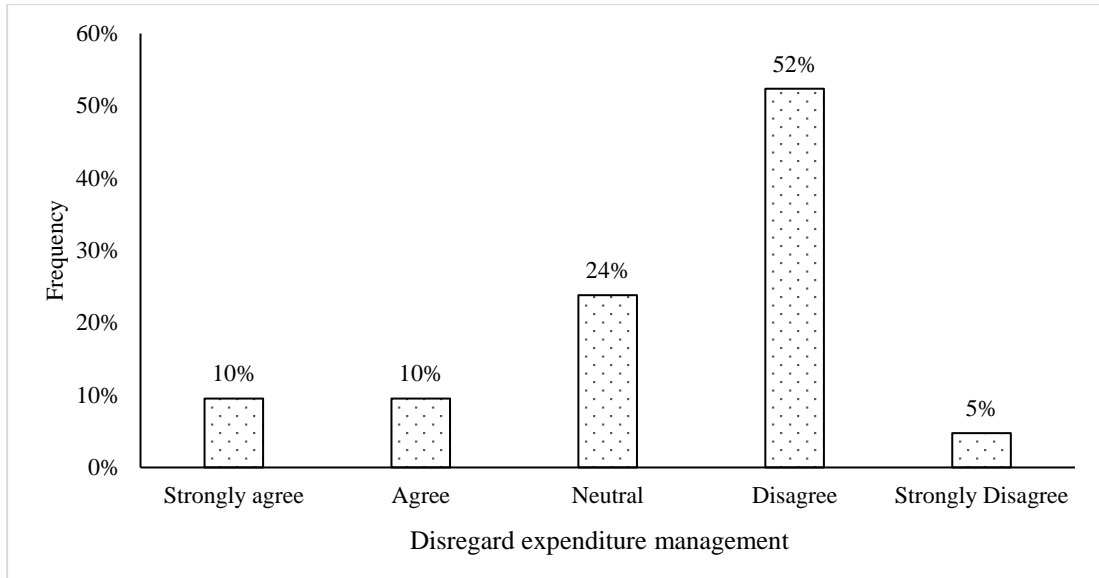


Figure 4.12: Management’s disregard of expenditure management

Participants were also asked to respond to the question of whether they believe that if allocated budgets are sufficient, and if expenditure is properly managed, then budget deficits could be effectively managed. Figure 4.13 shows that more than a third of participants (66%) believe that the budget allocations are not sufficient. 29% indicated that they are satisfied with the current budget allocations and 5% chose not to respond.

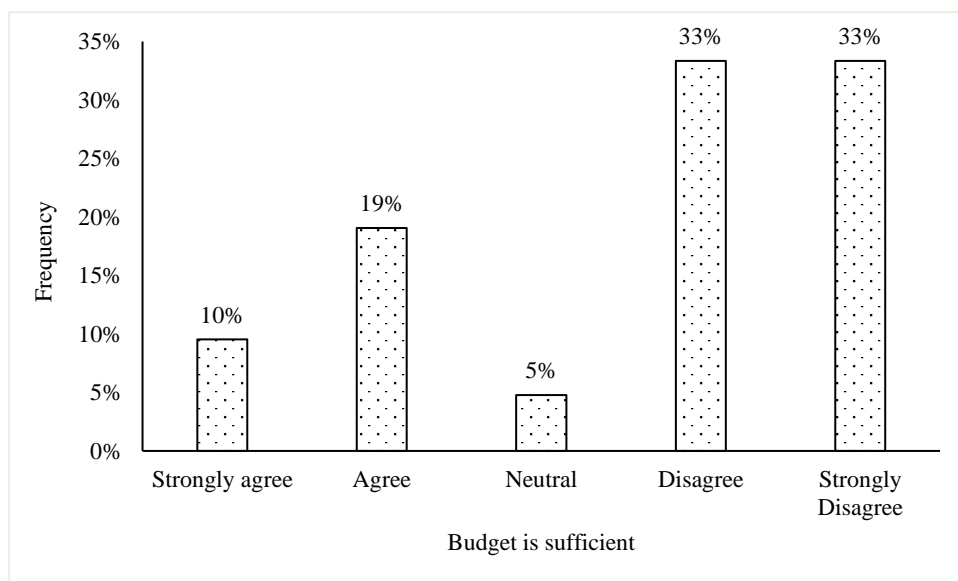


Figure 4.13: Sufficiency of budget allocation and manageability of budget deficits

Figure 4.14 illustrates the participants' responses to the statement of whether lack of planning and coordination contribute to budget deficits. In this case, almost all participants (90%) acknowledged the validity of this statement with only 10% in disagreement.

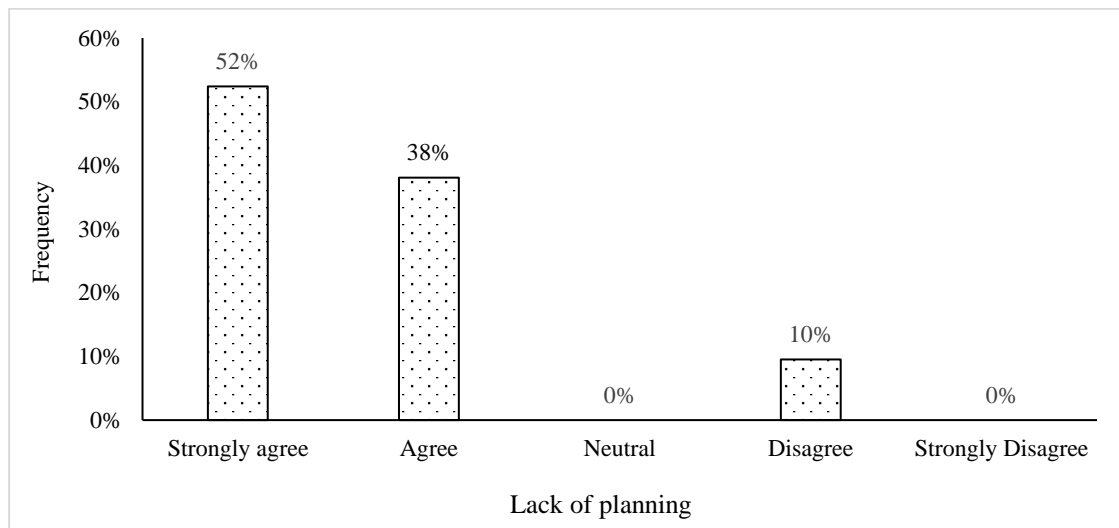


Figure 4.14: Lack of planning contributing to the budget deficits

Building on the previous statement above, Figure 4.15 depicts the results of participants' responses to the statement of whether the mismanagement of available budget contributes to budget deficits. The results show that the vast majority (81%) of participants agreed that budget mismanagement is a contributing factor to the budget deficits. Only 5% disagreed but 14% chose to remain neutral, which is possibly indicative of a guarded response on this matter.

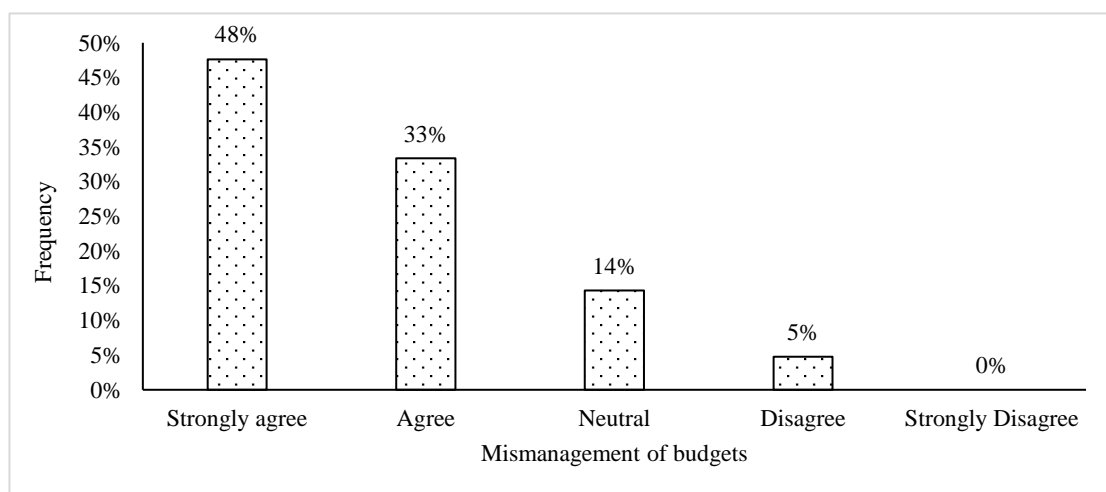


Figure 4.15: Contribution of budget mismanagement to the problem of budget deficits

Figure 4.16 below illustrates results of participants' responses to the statement of whether the prioritisation of service delivery over expenditure management contributes to budget deficits. Most participants (76%) agreed that service delivery was being prioritised over expenditure management, 19% were neutral, while the balance of 5% disagreed with the statement.

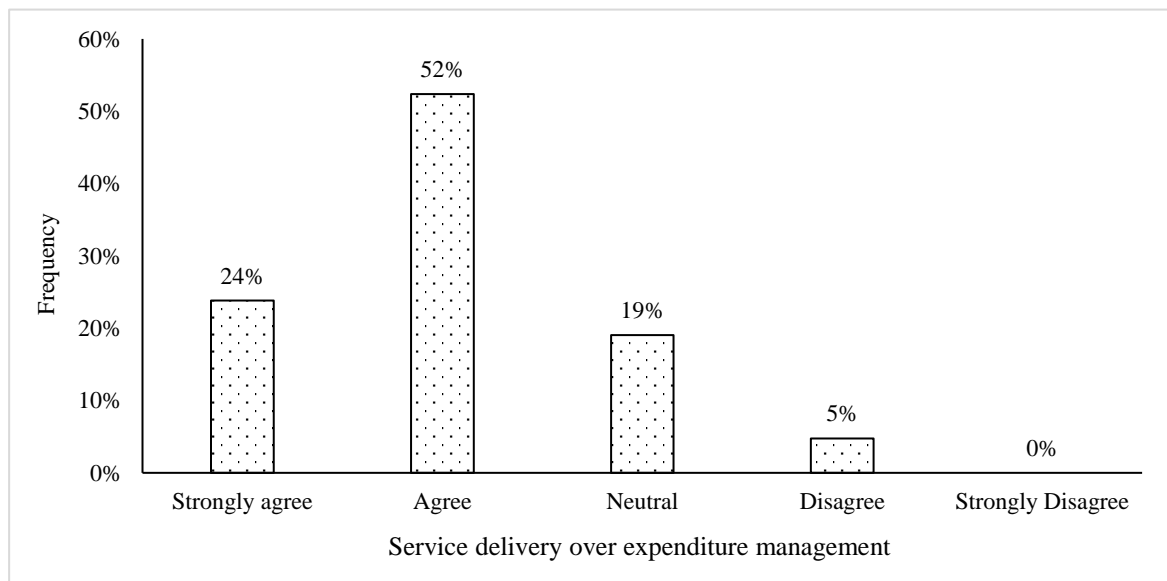


Figure 4.16: Contribution of the prioritisation of service delivery over expenditure management to budget deficits

Figure 4.1 to Figure 4.11 in the preceding section illustrate the results of the participants' responses relating to the survey questions regarding current EMS within EWS.

In the following section, Figure 4.12 to Figure 4.16 represent the responses to questions surrounding what could be the major causes of budget deficits within EWS. Figure 4.17 to Figure 4.21 will convey the results of the participants' responses to questions or statements dealing with *approaches that can be adopted to improve expenditure management thus reducing budget deficits within the unit.*

Figure 4.17 presents the results to the query of whether the current EMS approaches could be improved, which would eventually lead to a reduction in the budget deficits within the unit. An overwhelming 86% of participants agreed that improving the current expenditure approaches

can reduce the budget deficits, with only 5% in disagreement. 9% of participants were neutral on this statement.

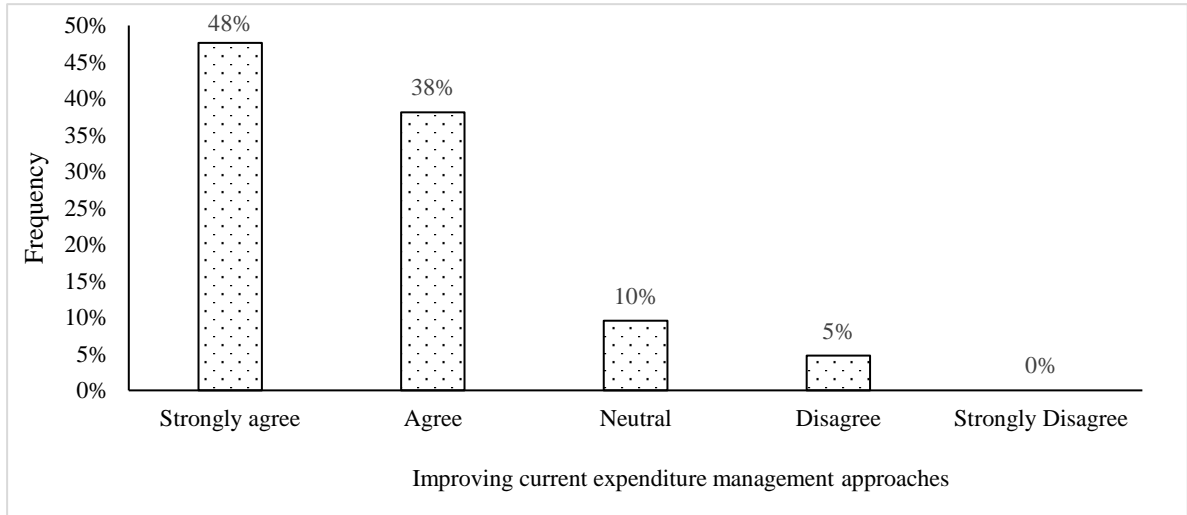


Figure 4.17: Attitudes towards the improvement of EMS approaches

Figure 4.18 below illustrates the results of the participants to the statement that greater stakeholder engagement could reduce the budget deficits. Again, most participants (90%) agreed that the enhanced stakeholder engagement could improve the budget deficits. 5% of participants were neutral, while the balance of 5% disagreed with the statement.

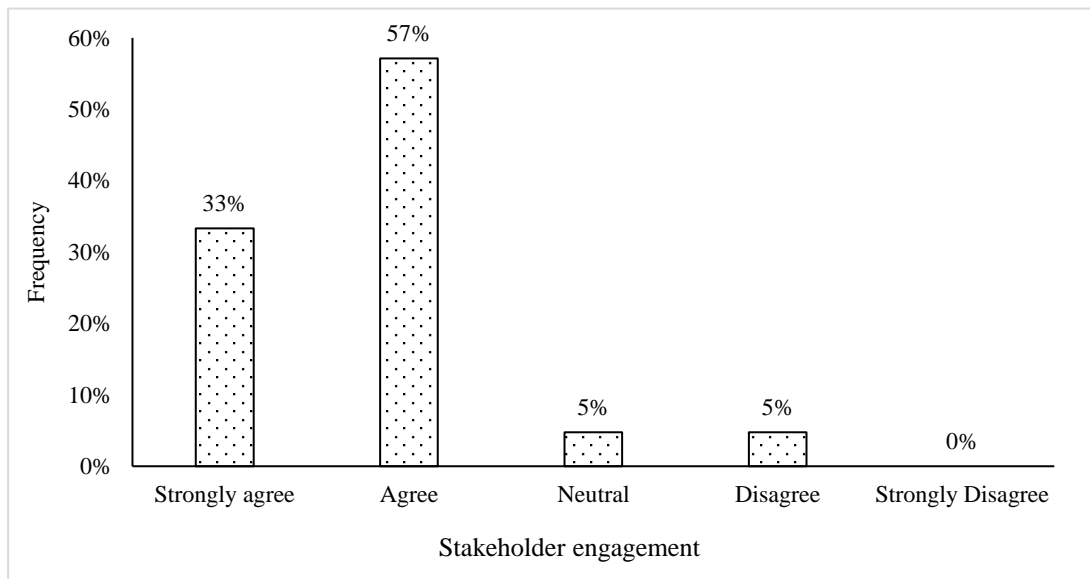


Figure 4.18: The enhancement of stakeholder engagement's contribution to the reduction of budget deficits

In Figure 4.19, the participants' responses to the statement that technical management's involvement in expenditure management could reduce budget deficits is demonstrated. All participants agreed with this statement.

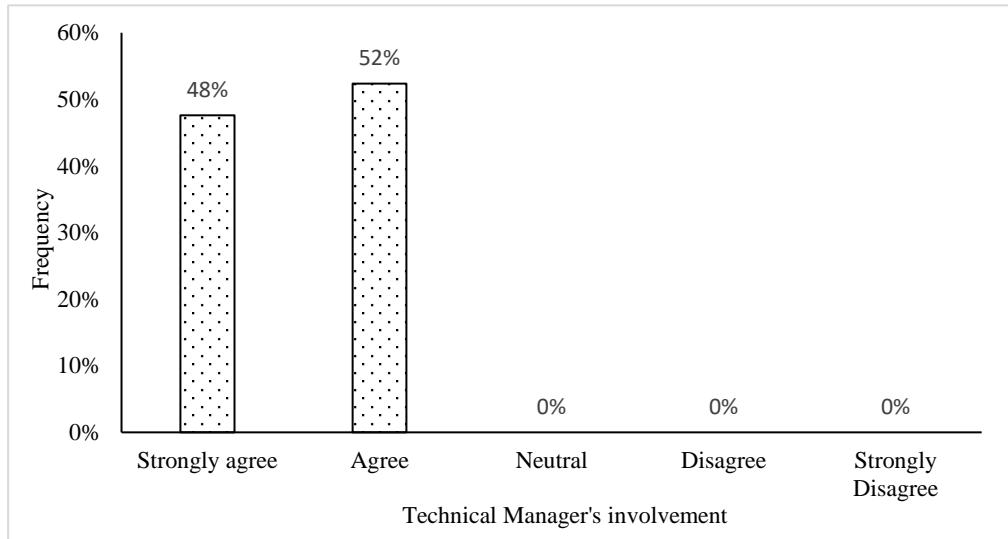


Figure 4.19: Degree of technical management's involvement in the contribution to the reduction in budget deficits.

Figure 4.20 illustrates the responses of the participants to the statement that the avoidance of unnecessary expenditure can reduce budget deficits. Once again there was a consensus on this issue with 100% of participants in agreement.

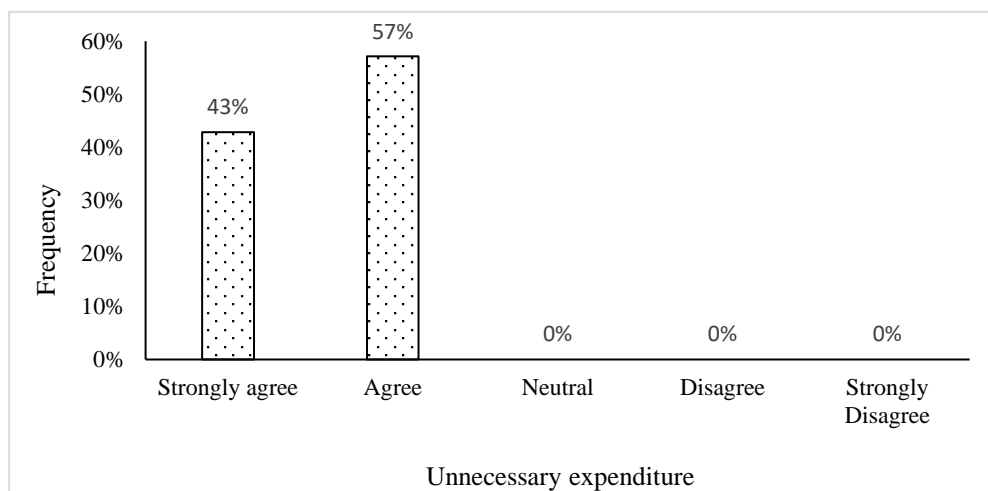


Figure 4.20: Avoidance of unnecessary expenditure to reduce budget deficits

Figure 4.21 illustrates the results of the participants' responses to the final survey statement that promoting ethical and good governance results in reducing budget deficits. There were no disagreements to this statement and only 5% who chose to remain neutral. This means that 95% of participants agree that promoting ethical and good governance can reduce budget deficits.

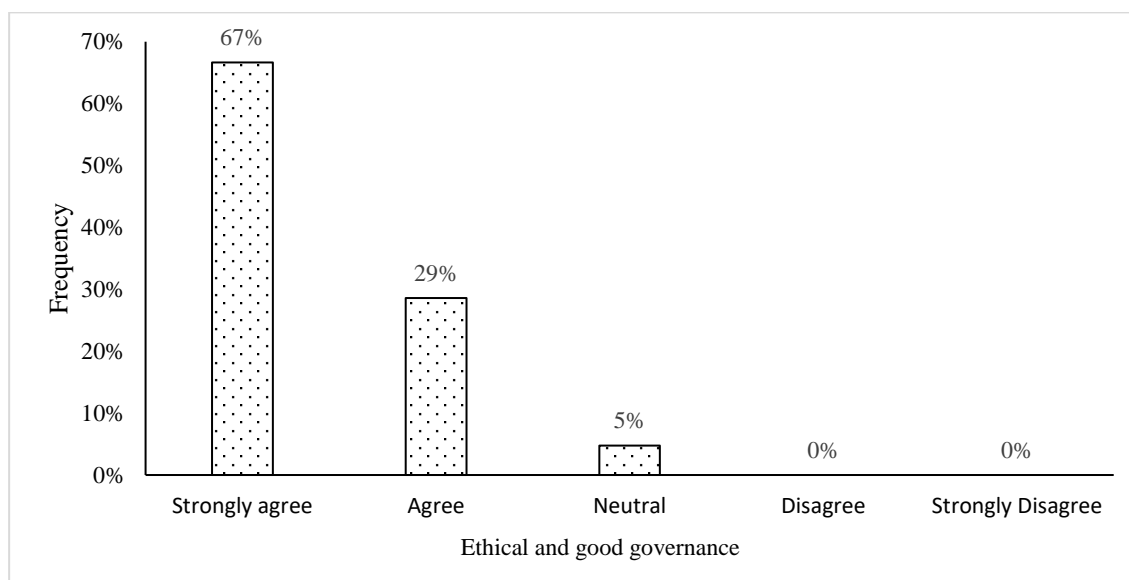


Figure 4.21: Contribution of ethics and good governance towards reduction of budget deficits

4.2.4. Summary of the Participants Responses

A summary of the participants' responses to all the survey questions regarding expenditure management within EWS is laid out in tabular format below for ease of reference and comparison.

Table 4.1: Summary of the 21 participants' responses to the online survey questionnaire

Based on Expenditure Management Control Systems	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Unit has effective expenditure management control	0%	33%	38%	19%	10%
Expenditure management system is effective in planning the future	10%	29%	9%	38%	14%
Management is effective in controlling operations	10%	14%	14%	48%	14%
Unit compares budget against actual expenditure on a regular basis	5%	19%	14%	43%	19%

Corrective measures are taken regularly on anticipated budget overruns	5%	19%	38%	29%	9%
Expenditure management is the role of all managers within the unit	14%	0%	10%	38%	38%
Based on the Causes of Budget Deficits	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Disregard of expenditure management	5%	52%	24%	10%	9%
Budget is sufficient, budget deficits can be managed	33%	33%	5%	19%	10%
Lack of proper planning and coordination	0%	10%	0%	38%	52%
Mismanagement of allocated budgets	0%	5%	14%	33%	48%
Prioritisation of service delivery over expenditure management	0%	5%	19%	52%	24%
Based on the Approaches to Reduce Budget Deficits	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Improving the expenditure management approaches	0%	5%	9%	38%	48%
Enhancing stakeholder engagement	0%	5%	5%	57%	33%
Technical managers involvement in expenditure management not just finance managers	0%	0%	0%	48%	52%
Avoiding unacceptable expenditure	0%	0%	0%	57%	47%
Promoting ethical and good governance	0%	0%	5%	28%	67%

4.2.5 Other Issues Identified by Participants Relating to the Subject Matter

In the endeavour to gain greater insight into exactly what participants deemed key issues relating to the subject matter at hand, the researcher requested the participants to provide any other relevant information that was not covered by the questionnaire circulated. The following issues emerged from the 21 survey participants:

4.2.5(i) A need for proper planning and coordination

It was evident from the additional information provided by the participants that there is a significant need for the improvement of planning and coordination of activities within the unit. This is to ensure that the implementation of projects is in line with the requisite expenditure management:

“Expenditure management needs to be a team effort between Finance and Line. In as much as Line need to close gaps on the technical side, Finance also needs to be better equipped with reports and resources to provide Line with a higher level of support.”

4.2.5 (ii) Additional funding requirements

The general feeling amongst the participants was that the allocated funding is not sufficient. The participants felt that additional funding should be made available to allow for the effective management of budget and expenditure in the unit. The following are what two participants said with regards to the need for additional funding:

“I believe that because of the conclusive low revenue stream to Water, causes the massive budget cuts which is causing the issue with expenditure management as there is not enough funding to cater for new infrastructure and continuous re-active maintenance which does not allow for affective expenditure management.”

“Insufficient budgets lead to deficits. Service delivery expectations must be aligned to budget allocation.”

4.2.5 (iii) Replacement of ageing infrastructure to ease burden of maintenance costs

According to the Annual Financial Statements (AFS) published at the end of the financial year ending 30 June 2020, the unit spends around R800 million on repairs and maintenance. The participants believe this is mainly due to the ageing infrastructure, which frequently encounters bursts and failures due to their life span. This then calls for an investment in the replacement of infrastructure. A variety of similar responses to the below came from several participants in the study:

“Replacement of infrastructure can assist in curbing of operating budget expenditure, e.g., reduction repairs and maintenance expenditure.”- anonymous

The additional issues above highlight the importance of cooperation between the budget owners, who are the technical managers, and the financial division, who prepare the budget and conduct regular reviews and updates of the budgeting and expenditure plan. The issue of proper budgeting also presented itself as a major concern since this should be the first step in any expenditure management strategy.

4.3 Qualitative Data Presentation and Thematic Analysis

This section will present the results of the qualitative data from the semi-structured interviews. The emergent themes related to the key subject matter will be concurrently elucidated using interview transcription excerpts as justification for the researcher's discussion.

4.3.1 Interviewees' Roles in the Unit

The researcher purposively selected four participants, the reason for selecting these four participants is that they were at heart of the operation for EWS, hence selecting them would have given the researcher most out of the smallest population for the qualitative part of the research or interviewees from the operations department who occupied different management positions within EWS. Below are the participants' descriptions, in their own words, of their roles and responsibilities and how these relate to the issue of expenditure management.

Interviewee 1: *"I am a senior manager water network, I basically oversee the operations and maintenance of water supply infrastructure within the city, and this is starting from the point of saying where we get supply of our water to sell to the various consumers and communities that we supply. So, in obviously in doing this work one needs to have adequate budgets to be able to execute the required work in terms of the operation of the system and the maintenance of the infrastructure to ensure that our delivery of service is always optimal. So, this I am involved in budget and expenditure management. Without budget I'm unable to undertake my work. and if budget is not adequate, or gets depleted, it affects the service delivery. As a we are the frontline service provider within the water and sanitation unit. So, the management of expenditure in line with the approved budget is very important to ensure a continuous provision of services to the communities."*

Interviewee 2: *"I am a senior manager in water and sanitation, customer services technical department, we are responsible for the maintenance of water meters across the municipality, my work in relation with the expenditure management, is that I'm an involved in water and sanitation project for installation of meters in all four regions, so we have capital projects that we do, and we also have the operational and maintenance projects that we deal with so part of the duties of the project management is to manage expenditure."*

"I'm an area manager in water networks in the South region, which covers an area from Amanzimtoti to Mkhomazi in the South and the West Mbumbulu areas, and former Umkhambathini area. My job is to manage the water networks. It means the pipe networks some pumpstation. The water network which allows water to be transferred to our customers. A- team which maintains the water networks, will attend to burst and leaks, and valves."

“With regards to expenditure management, I am involved in the expenditure management, firstly I have people reporting to me, I must ensure that there is sufficient budget for the staff, including the overtime budget, I then must ensure that the spending on these items, is in line with the allocated budget, I also need to ensure that the expenditure on items like uniforms and tools for staff are procured in line with the available budgets. There is expenditure of materials, that we require for maintenance, we also need to make sure that, these are in line with the budget.”

Interviewee 3: *“We also engage, the external plumbers to carry some work, this is one of the key expenditure items within our section, I only have 16 staff members who are plumbers, so I frequently need the external service providers to assist with the emergency bursts and leaks, we operate in the areas which are generally, high risk, so we spend a lot of money in the security costs, we have a duty then, to ensure that we keep this expenditure item, within the budget*

Interviewee 4: *“I am senior manager for wastewater treatment works. In the sanitation operations, my role is more operational, we basically manage 2427 treatment works, they treat wastewater and we also managed 5 water treatment works, I think the issue around budgeting is critical in that operation, and we run these plans 24/7 and it is a costly exercise for the municipality, and we must manage the expenditure quite carefully between, so we deliver on our mandate, to the customers and consumers of it, I mean. Or like basically that is my role.”*

From the excerpts above, it is apparent that the function of the expenditure management is key to ensuring that operations and service delivery are not get interrupted. Given the nature of the work of EWS and the requirement to comply with the Water Services Act (WSA) as well as the National Environment Management Act 107 of 1998 (NEMA), it becomes very crucial that all managers are cognizant of the management of their expenditure. The four interviewees displayed a sense of consciousness that expenditure management is vitally important.

4.3.2 Approaches Currently Adopted by Interviewees in Managing Expenditure

After the researcher had gathered the information regarding the interviewees’ (participants’) roles and responsibilities, and how these relate to the subject matter of expenditure management, the researcher proceeded to ask the participants about the key issues for consideration in the management of expenditure.

Use of monthly financial reports

The investigator wanted to ascertain the extent of the technical managers’ involvement in the management of expenditure and the EMS approaches that they were currently utilising. From

the narratives describing their roles and responsibilities, it was clear that the selected participants are all involved in the management of expenditure to varying extents. It must be noted, however, that they all appear to be using different EMS methods. Some managers are keeping track of their expenditure using a spreadsheet, whilst other managers rely on the finance section to provide them with the updates on the budget and expenditure.

Interviewee 1: *“I am managing expenditure to a certain extent, we are managing expenditure by basically just observing the financial figures every month from the financial report that come from our finance section which gives a breakdown of what is the budget and how much we have spent by the end of that month”.*

Some technical managers are not involved in the budget and expenditure management

The excerpts also alluded to the notion that the technical managers are not actively involved in the preparation of the budget, which creates a problem because they are not appraised of the allocated budget at the beginning of the financial year. This makes it difficult for the technical managers to implement an effective expenditure management during the financial year.

Interviewee 2: *“Technical managers are not very close to the budgeting process and not putting more efforts into ensuring that they have adequate budgets through execute their work, the managers are not involved in the preparation of their budgets, they leave things to finance, to decide how to reprioritize budgets. Operations managers must also take responsibility for budget and expenditure, and understand that every manager is a financial manager, and they need to be aware of the finances. Some managers don’t even know how much their budgets are”*

The narrative above highlights the importance of technical managers involvement in the expenditure management function. It also calls attention to the different issues identified as pertinent in ensuring a proper management of expenditure, as well as spotlighting the fact that some of technical managers are not very active in the preparation of budget. This makes it challenging for them to manage the expenditure effectively since some managers only worry about the management of expenditure when they realize there is a looming problem eminent. Should managers fail to adhere to strict expenditure control it should then become a mandatory part of the technical managers’ daily duties.

4.3.3 How Technical Managers View their Expenditure Management Duty

Water and Sanitation is a highly technical environment. As such, technical managers are primarily interested in executing their technical duties. For this reason, the researcher wanted to

find out to what extent the technical managers are involved in the function of expenditure management as part of the execution of their duties.

Expenditure management is important in planning operations

As opposed to the past where the function of financial management was the sole responsibility of the finance section of the organisation, currently the management of expenditure is supposed to be the responsibility of all managers within EWS. As such, technical managers are now also expected to effectively manage their divisional budgets and project allocations. It is for this reason that technical managers are now required to possess some level of financial management skills, which includes budgeting and EMS in their key performance indicators. There appears to be no doubt that effective EMS allows for an efficient planning of operations.

Interviewee 1: *It's extremely important, it's beyond important because you know and, this is what I am also learning and capacitating myself with or daily, I cannot do my work without effective expenditure management, it's extremely important and it ensures accountability for the work. Also, value for money on that work done, so, one can capture the essence of expenditure management. It allows me to effectively plan how am I going to implement the projects on the ground “*

Expenditure management is important in the acceleration of service delivery

At the beginning of each financial year, the municipality and the unit draft the Integrated Sustainable Development Plan (ISDP). This plan outlines how the unit is going to translate the budget into tangible service delivery deliverables. In the case of EWS, the unit is allocated a specific amount to install a certain number of water connections across the municipal boundaries. If management is not effectively managing the budget expenditure, the budget will likely be depleted meaning that delivery targets are not met. It is therefore important that expenditure is managed effectively to ensure that the budget and the deliverables are aligned.

Interviewee 2: *“Expenditure management is extremely important for us to be able to manage expenditure properly, because in a way we are providing the service delivery to the customer's, our project that we are doing are on the tail end of a water and sanitation operation so, we are servicing the customers directly, so whatever we do has a direct impact to the community, so, the function of expenditure management is extremely important in ensuring that the services are rendered to the communities”.*

Interviewee 3: *“Expenditure management is extremely important, because everything we do, depends on how we manage expenditure and manage the budget, its contractors’, it's a security*

guard, contractors, uniforms, all these are expenditure items which one must monitor on continuous basis to ensure that we don't run over budgets”.

Interviewee 4: *“It's extremely important, we can't do anything without money, everything we do., is it has an impact on the budget, and we always must look at how much we must spend, so that we don't find ourselves in a situation where we must seize our operations because of lack of funds, we must diligently always check on our expenditure to, ensure continuity of business”.*

The positive that can be drawn from the conversation above, is that four interviewees indicated that they had a high regard for the expenditure management function. They expressed that as part of their duties, this provides a more effective foundation to begin rolling out the efficient expenditure management function to all involved in the supply chain management value chain within the organisation. They further acknowledged that efficient EMS assists them to better understand the importance of skilled expenditure management as well as how this would assist the unit in reducing the prevailing budget deficits.

4.3.4 Factors that Contribute to the Budget Deficits within EWS

The Operational Technical Managers are the ones who are responsible for utilising monies while executing their projects. As such they are directly affected if there are budget deficits. To ascertain the causes of budget deficits, the research asked the operational managers to provide their views on what contributes to budget deficits. Their responses were as follows:

The use of incremental budgeting

The unit currently uses the incremental budgeting system when preparing their multiyear budgets. This creates a problem for managers to effectively manage their budgets however because incremental budgeting does not cater for the previous year's inefficiencies in expenditure management and resultant deficiencies in the budget. This means that the new financial year will start on a back foot, since the new budget would first need to address the prior year's inefficiencies, significantly reducing the budget for the current year. The participants therefore believe that zero-based budgeting is the more favorable budgeting method, since it gives managers the opportunity to re-align their budgets with the operational requirements to address the challenges that are currently facing the unit, as opposed to the multiyear method of just adding a percentage onto the previous year's expenditure.

Interviewee 1: *“budgeting from historical budgets in the way we budget, we may not take a lot of changing factors that are out there in the work. that's it that is being done. The issue of incremental budgeting makes us to budget for inefficiencies of the past. The budget must be informed by the facts, for instance, we need to look at the value of our assets, compile an asset maintenance plan, now the maintenance budget is not informed by anything, except the incremental budget amounts, which does not consider any planned expansions to the infrastructure”.*

Insufficient budget allocations to the unit

The interviewees are of the view that the budget allocated to the unit is not sufficient. This is considering the vital service that the unit is supposed to provide, the uninterrupted supply of water and sanitation services to residents of eThekweni Municipality. Water and sanitation services are not optional. Without them communities and the economy would collapse.

Interviewee 2: *“Is also important and we need to take into consideration the ever-changing environment that we find ourselves in, the allocated budgets are to a certain extent insufficient which make the expenditure management to be a challenge”.*

Allocation of the budget as a block sum

One of the other issues that was identified by the interviewees is the fact that when the budgets are allocated, they are not distributed to various divisional managers for control and management. Instead, they are allocated as a block sum, which makes it difficult for the line managers to control and take accountability for expenditure. Ideally each line manager should be allocated the budget for their section so that they are able to monitor and control it, as well to take accountability for the budget and expenditure management in their sections.

Interviewee 3: *“The only challenge that we have picked up is the issue of centralization of budgets. The other departments ran out of their budget, but because of the issue which we are using one pot, and we ended up losing our funding as well. Even if the other sections are controlling their expenditure, they will still be affected by the budget shortfalls in the other sections, some section might not have tight controls in place, but this ends up affecting everyone, even those who have control in place for their sections. Each of the line managers must be given his budget to control and be held accountable for any budget deficits that occur in their section”*

Budget constraints

Emanating from the interviews with the participants, it was reported that budget constraints is a major issue that causes a significant challenge with regards to expenditure management. Participants stated that as the population continues to grow, the needs of communities and businesses also increase, yet the unit must contend with limited resources.

Interviewee 4: *“There is no infinite supply of money. In the city that we can do with and spend at will. So, we must manage our expenditure, and make sure that the operations continue because if we don't, when the money runs out, we certainly will have a problem. And it has happened in the past. So, we manage our expenditure through in conjunction with finance Department”.*

The reflection from the above raised very pertinent issues that relate to factors contributing to the budget deficits, and what role proper expenditure management can play in reducing the budget deficits. The two issues that almost each participant raised, were firstly the issue of budget decentralization, where each manager would be responsible for managing their budget and secondly the issue of internal control, where it was evident from the discussions that there were obvious internal control deficiencies.

4.3.5 The Best Expenditure Management Approaches to be Adopted

It is evident from the discussions above that the expenditure management approaches currently being used by various managers within the unit are different. As such, the interviewer asked participants what they believe the best expenditure management approaches are that the unit could adopt to improve the budget deficit situation. The following responses emerged:

Change from incremental budgeting to zero-based budgeting

As previously discussed, the unit currently uses the incremental budgeting approach, which has been criticized for not considering the current changing socio-economic and environmental developments. The shortfalls in the incremental budgeting method necessitates the need for the unit to move away from incremental budgeting to zero-based budgeting.

Interviewee 1: *“It might comprise a lot of work, but I strongly believe the zero-based budgeting is the way to go. It is key because with a zero budgeting you get to the finer details of the item that you want to make a financial provision for, whereas with the incremental budgeting you may find that you end up over budgeting in some items, or under budgeting for some, so, a zero balancing is best, but I know it may come with a lot of work that need to be done to get it correctly”.*

Interviewee 4: *“I think it must start with the budgeting process, Like I'm seeing if it can be split to each region by looking at their needs, I'm saying my needs might be less on one item and more on the other, so if you can be allowed to do that and say these are the resource and the sum for the year. As opposed to saying this is the budget put in a factor that increase at the end of the financially”.*

Enhancing the expenditure management tools

There is an urgent need for the current expenditure management tools to be reviewed since it has been reported that they are largely ineffective as they have not assisted the unit in improving their deficit position. From the interviews conducted it is evident that greater involvement of technical managers in EMS would assist the unit in reducing budget deficits.

Interviewee 2: *“I think in the simple one is to have the spreadsheet like on your monthly expenditure that shows how you had spent and then versus what is left in the Kitty and then you can manage from there and maybe as well with the quarterly meetings or budget review. I've seen that working very well as well because you can shift your forecast from every three months. You can review and see you would see if you are still using your budget properly, and then have the continuous review to see whether that is still relevant. Or maybe like you may shift and prioritize accordingly”.*

Proper budgeting for asset management

One line item that has been most consistently and drastically affected by the budget shortfalls is repairs and maintenance. Due to the magnitude of the issue as highlighted previously by the ageing infrastructure, this budget allocation always falls short. The unit is not investing sufficiently in the rehabilitation and replacement of old infrastructure, which then becomes a burden on the operating budgets, since the assets often need to be repaired several times in the financial year. It is for this reason that the Interviewee 4 believes that proper budgeting for asset management would assist the unit in expenditure management.

Interviewee 4: *“most of our operating expenditure is spent on Infrastructure that is literally crumbling and resulting in the high expenditures in maintenance. So, to counter that you must obviously increase the capital outlay on infrastructure which requires an increase in your capital budget side, to start really dealing with the root cause of the problem, so as a municipality in general, we really need to start focusing on the infrastructure rehabilitation, our infrastructure is old and really needs to be rehabilitated or replaced which will result in less maintenance and lessen the burden on the operating expenditure*

Each participant noted several times their strong belief in the benefits of zero-based budgeting as opposed to incremental budgeting. They argued that budgets should be prepared every year as though the entity were a startup organisation. The issue of increasing the capital budget to ease the burden on the operating maintenance budget was also a very pertinent point raised by the respondents.

4.3.6 Areas of Expenditure Management that Need Improvements

As illustrated in Table 1 and Figure 1 in Chapter 1, the unit has been incurring budget deficits for the past five years. This shows that there are issues with the way in which either the budgets are being prepared or the way in which the expenditure is being managed. The researcher asked the participants which areas of expenditure management need improvement.

Improve collaboration between finance and technical divisions

There was a general feeling from the interviewees that the interaction between the finance and technical divisions, as far as the budget preparation and expenditure management is concerned, needed some improvements. The technical managers felt that this would allow them the opportunity to provide their valuable input from the beginning when the budgets are being drafted, and as a result will reduce the risk of under or over budgeting, subsequently improving expenditure management within the unit.

Interviewee 1: *“The coordinated approach to budgeting, which incorporates the technical managers, as well as the phasing in of the zero-based budgeting while, maintaining the incremental budgeting in a short run”.*

Enhancement of the internal controls

Internal control is key to the success of business processes in any organisation. Organisations have standard operating procedures that employees need to follow. Any transgression from the laid down processes will produce adverse results. If internal controls are tightened, then the unit is likely to have a more effective EMS in place. This, in turn, will ensure that the unit does not incur budget deficits again.

Interviewee 2: *“The main thing that is affecting our budget deficit are internal controls. The other challenge facing the unit is the controls with regards to the management of the contractor performance. Sometimes the contractors do a sub-standard work, and the unit does not have a system in place where it will assess the work done by the contractors, prior to releasing the payments, this sometimes results in a job that could be completed once, to be done more than one time, because of the substandard work of the contractors”.*

Linking of the budget to the procurement plan

The budget must be linked to a procurement plan that must be monitored to ensure that it is implemented effectively. There should also be a clear identification of roles within the unit, and it should be made clear who manages the maintenance of buildings and infrastructure and how

much is allocated for each of these items. Once this is assessed only then can a procurement plan be developed.

Interviewee 3: *“The Procurement Plan is currently being done for capital expenditure, it must be done for the capital expenditure as well, and if someone cannot spend, then he can accept defeat and give the budget to others. There is a plan if it's human resource related, there should be a plan. To appoint people. And if it's material it related, they should be contracts to make sure that we spend and for pipes and fittings must have a contract in place”.*

Budgeting for asset management

With regards to asset management and the budgeting system, the maintenance budget should be informed by what condition the assets are in and what is required to ensure that they are well-maintained and operated. This would go a long way towards curbing the overspend on operational maintenance.

Interviewee 4 *“we should be budgeting for replacement of infrastructure on the capital side, based on, the aging of the assets that we have that we need to deliver services with. So, until we look at our asset management and use that as the basis of our budgeting for our operational maintenance, the asset manager must tell us this is the state of our assets, this is what we require to replace them, then we can use that as the basis of our budget that's one aspect, I think we seriously need to focus on”.*

Participants felt strongly on similar issues of internal controls, such as decentralisation of budgets, increasing capital outlay and developing proper asset maintenance plans that will inform the operating repairs and maintenance budgets. It appears that these issues play a pivotal role in ending the enduring budget deficits that the unit suffers on a yearly basis.

4.4 Discussion of Results

This section discussed the discoveries elicited from participants that were presented in the above quantitative and qualitative data sections of the chapter. This is accomplished by discussing each research objective in terms of relative literature reviewed to ascertain the extent to which the objectives have been realised.

Objective 1: To evaluate the effectiveness of the current expenditure management method adopted by eThekweni Water and Sanitation in reducing the budget deficits.

Considering the findings presented in Figure 4.6 to Figure 4.10 above, this section will discuss, in detail, the results that emerged from the query: “How effective is the current expenditure management of eThekweni Water and Sanitation”? Factors will include the accuracy of budget allocation, the management of available resources, and the implementation of remedial actions where possible budget deficits have been detected. Surprisingly, the findings of the study, stand in contrast to Cumbo (2016) and revealed that a large portion (40%) of the participants were neutral on this question, meaning that they were likely unsure of whether the EMS was effective or not. This is concerning since all the participants are part of the management team within the unit with some of their duties including the management of budget and expenditure in their respective business units. The second highest percentage depicted that many of the participants (35%), believed that the current expenditure management is not effective in curbing the prevailing budget deficits. This is reflected by the number of participants who disagreed. Some participants (25%) believed that the existing expenditure management was effective. Rabotapi (2018) asserts that expenditure management, as a control tool, is used to screen the implementation plan through the spending patterns. The budget cannot be detached from the use of funds, which is what expenditure involves.

When queried if participants believed that expenditure management is effective in planning the future of the organisation, only 50% believed that this is key in planning for the future. 30% of participants disagreed, while 10% were either neutral or strongly disagreed. This is pivotal for the service delivery unit, which is charged with the responsibility of providing water to the citizens of eThekweni. Since any resultant failure in expenditure management leads to budget deficits this affects the provision of basic needs to residents. This policy is firmly entrenched in the constitution of the country.

With regards to the question of whether expenditure management is effective in controlling the operations, the results of this enquiry were identical to those of the above query, with 50% in agreement, 30% in disagreement, and 10% either neutral or strongly disagreed. From the above responses it can be noted that these were identical to the two queries, which reflect a direct relationship to the participants’ views of the future planning, and current operations of the unit.

15% of participants strongly agreed that the unit management is conducting regular annual comparisons of the expenditure against the allocated budgets, as well as termed budget and expenditure variance analysis. 35% of participants agreed that the variance analysis was being performed, while 10% were neutral and 40% disagreed, meaning that the majority did not believe that the management was performing budget and expenditure variance analysis on a regular basis.

When queried on whether the participants believed that management within EWS was swift in taking corrective actions when there are anticipated budget shortfalls, surprisingly 38% of the participants were mute to this enquiry. A further 38% of the participants agreed, while the balance of the participants not believing that corrective action was being taken swiftly if there are anticipated deficits, this figure being composed of 19% who disagreed and 5% who strongly disagree. EWS Executive Management should be concerned with these findings. Managers are charged with the duty to manage the budget and expenditure in their respective business units. If 38% of participants are unsure if the unit is taking corrective actions swiftly against anticipated budget deficits, it leaves one to wonder how managers are dealing with the prevalent budget deficits within their business units or areas of responsibilities.

With regards to the query of whether the expenditure management function is the responsibility of all managers in the unit, 40% of participants strongly agreed and 35% of participants agreed, totalling a majority of 75%. Neutral participants stood at 10% while a further 15% disagreed. These results showed that the unit is heading in the right direction, since 75% of the participants understand and admit to their responsibility, which is related to expenditure management. Most of the managers admitted to the fact that the unit could easily implement their turnaround strategy, which could assist the unit in improving expenditure management, thus reducing the budget deficits in the future.

With the evolution of the accounting world that we live in, gone are the days when financial management was solely the responsibility of the accountants. Modern society dictates that every line manager is allocated a budget and is responsible for the management and reporting on the allocation within their business unit. The heads of the unit are the accounting officers for their departments and are now required to prepare, manage, and report on their budget to various

stakeholders within the municipality. These include but are not limited to the Municipal Council, the Standing Committee, the Municipal Accounts Committees, as well as the Audit Committee. It is therefore important that the non-financial managers, who in this case are the technical managers, participate to a greater degree in expenditure management in the areas they are responsible for.

To achieve this, municipal expenditure management is usually shifted towards the accomplishment of three corresponding goals of efficient resource allocation, these being fiscal discipline, and good operational management. Fiscal discipline refers to ensuring that finances are used for the objectives for which they are allocated. It calls for monitoring and compliance with applicable regulations and legislation, as well as policies to ensure that finances are directed towards the anticipated socio-economic priorities (Blondal, 2010). Additionally, efficient distribution of resources improves the effectiveness of economic discipline on the premise that it forces compliance and observance of the prescribed budget (Pearson, 2002), although the efficacy and proficiency are measured by proper operational management (Hourou & Tarlierchio, 2009).

Objective 2: Assess the impact of the prevailing budget deficits on EWS and all other stakeholders

The second objective of the study was to assess the impact of budget deficits on EWS and all stakeholders. The main objective of the EWS unit is to provide water to the citizens of eThekweni in line with section 27 (b) of the constitution which states “everyone has a right to sufficient food and water; it is for this reason that EWS need to ensure that they manage their expenditure effectively. There are few stakeholders that are interested in the wellbeing of the EWS unit, some of these stakeholders play an advisory role, while some play an oversight role over the unit’s ability to provide water to the citizen of eThekweni, as entrenched in the constitution.

Stakeholder engagement refers to the process whereby organisations interconnect and can distinguish between their stakeholders. By doing so the organisation better comprehends what and when the stakeholders want, how engaged they are, and how they will be affected by the organisation’s goals and plans (Stakeholder Engagement - Meaning, Definition and Strategies, 2021). Rendezvous is a parasol term, which covers the full series of an organisation’s exertions

to comprehend and include stakeholders in its events and pronouncements. It can assist the administration in meeting strategic and premeditated needs emanating from information gathering. In addition, it aids in detecting tendencies that could affect their actions to refine transparency and revive the trust of the groups or individuals whose backing is key to an organisation's long-term achievement of growing the invention and structural change necessary to encounter new encounters and opportunities (Stakeholder Engagement - Meaning, Definition and Strategies, 2021).

In line with Cumbo's (2009) assertion, when queried whether the participants believed that enhanced stakeholder engagement could reduce budget deficits, 90% provided positive responses with only 5% disagreeing and the remaining 5% being neutral. Poor stakeholder engagement renders some municipal finance officials more susceptible to pressure from the political powers that be, since the political representatives seek to impress their constituencies and may be tempted to over-promise (Cumbo, 2009). This results in a situation where some items are added to the budget plan despite funding not being available to accommodate them. Integration of such factors is crucial to determine how municipal finance officials should deal with such circumstances to leverage an operative municipal EMS (Moore *et al.*, 2014).

The main external stakeholder for EWS is Umgeni Water, which is an authorised water board to sell water to the municipality, EWS accounts for more than R3.5 billion of the Umgeni Sales (AFS, 2021), therefore if EWS is not effective in management of their expenditure and runs out of budget, Umgeni Water will be out at detriment. According to the Annual Report 2019-20, EWS had more than five hundred customers in their books who are getting water formally, with a balance of customers getting water through the informal ways, including community taps, and stand pipes, this means that if EWS is ineffective in the management of their expenditure and run out of budget during the financial year, they would not be able pay Umgeni water and will also not be able to supply water to the citizens of eThekweni, which will be in contravention of section 27(b) of the South African Constitution.

The other stakeholders that would be affected by the ineffective expenditure management, which ultimately leads to budget deficits would be the contractors, ineffective management of expenditure would render the unit not being able to pay for the service providers, According to the annual report 2019-2020, there are areas with eThekweni which still do not have permanent

supply of water, these areas are therefore serviced by the water tankers, which are paid a fee on a monthly basis, if the unit runs out of budget then, it will not be able to pay these service providers which could lead to supplier stopping their services, which will ultimately lead to community protest and unrest.

It is very important for the unit to maintain good relationship with their stakeholders, as alluded by Cumbo (2009:32) that Poor stakeholder engagement renders some municipal finance officials more susceptible to pressure from the political powers that be, since the political representatives seek to impress their constituencies and may be tempted to over-promise.

Another much important stakeholders are internal stakeholders, which included various sections within the unit including executive management, technical staff, engineers, SCM and Finance. The executive managers have performance contracts which outline what their Key Performance Areas (KPA) are, for the executive to achieve their KPA's for each financial year they require funding, without funding they would not be able to achieve their annual targets, which then affects their performance. Finance on the other hand need to produce monthly management accounts for the financial performance and position of the unit, if the unit is not managing the expenditure effectively, finance produces a negative report to different reporting structure.

Objective 3: Advance strategies and Expenditure Management methods that will enhance the financial management of the unit.

The third objective of this study was to develop strategies and expenditure management methods that will enhance the financial management within EWS, thus reducing the budget deficits. The information presented in Figure 4.12 to Figure 4.21 presents participants' views regarding the best expenditure management methods that the unit should adopt to reduce budget deficits. The improvement of existing expenditure management approaches is discussed as some of these can be implemented to reduce budget deficits. A total of 85% of the participants were of the view that improvement on the current approaches could reduce the budget deficits; 50% of participants strongly agreed while a further 35% agreed.

Pattanayak (2016) asserts that, although efficient control and management of municipal expenditure is a vital antecedent for achieving a sound financial management system, it is often

difficult to efficiently control the expenditure. This is because revenue collection is often carried through a central system and spending is done in a disaggregated system (Shah & Van Hagen, 2007). This makes it difficult to develop and apply effective municipal expenditure controls and management. To develop efficient expenditure control systems, it is vital to comprehend the key requirements of an efficient expenditure control system, specific control requirements for each phase, and specification of roles for those charged with enforcing the controls. Pattanayak (2016) also stresses the importance of concentrating on *ex ante* controls concerning expenditure as divergent to concentrating on *Exposit* controls, which are normally carried out at the payment phase of the cycle. These initiatives must incorporate accumulated liabilities rather than cash expenses (Shah & Van Hagen, 2007).

Regarding the assertion that technical managers should be directly involved in expenditure management, there was a 100% consensus, with 50% of the participants strongly agreeing and a further 50% of the participants agreeing. In this regard the research was dealing with the conflicting interests of an organisation, specifically the technical managers or engineers who are more interested in seeing the project through at ground level and who are less concerned about management of the budget. The finance and treasury management are more interested in ensuring that there is adherence to the available budget when projects are being executed. For expenditure management to be more effective there should be an integration of the interests of these two managerial groups within the unit.

Finance is commonly associated with the study of funds. In secular terms it is stated as the “*Discipline of money management*” Dzuke (2017). Every person encounters money management in their daily life, whether it be for personal reasons or for making business decisions. Finance is therefore a dynamic facet that everyone must comprehend if they wish to make an expressive input to their organisation’s success. In the 21st century finance is not just the account’s personnel to balance the books. There are high prospects for a non-finance person to scrutinize financial work sheets, actualities, and statistics at a certain point of time to maneuver and plan objectives in accordance with the available information (Kumar, 2022).

When queried whether the avoidance of unnecessary expenditure could reduce the budget deficits, 55% of participants strongly agreed and 45% agreed. In total then, 100% of participants agreed with this statement.

Any amount that is spent in the municipality must be undertaken in line with all the relevant legislation and applicable policies. For instance, the Municipal Finance Management Act (Act 56 of 2003:16) and the Municipal Supply Chain Management Policy. Any expenditure that is incurred contravening or not in conformity with the MFMA and SCM policy may result in either “unauthorized expenditure”, “fruitless and wasteful expenditure”, as well as “irregular expenditure” (UIFW). *These three types of unacceptable expenditure are defined by the MFMA (Act 56 of 2003:23) as follows:* Unauthorized expenditure is defined as – “overspending of the total amount appropriated in the municipality’s approved budget vote and department.” Irregular expenditure is defined as - “expenditure that is incurred by the municipality in contravention of the requirements of MFMA (Act 56 of 2003), Municipal Systems Act (Act 40 of 2002), Public Office Bearer’s Act (Act 20 of 1998), or expenditure incurred by the municipality in contravention of the requirements of the Supply Chain Management Policy of the municipality. Fruitless and wasteful expenditure is defined as – “expenditure made in vain and that could have been avoided had reasonable care been exercised.”

It is worth noting that the definition of UIFW does not necessarily mean that the services were not received. The underlying driver of a portion of the expenditure can be situated in the acquisition and procurement framework (Mamogale, 2014). The Auditor General uses these expenditures to paint a clear picture of the financial management in municipalities and government departments, since it is perceived that a decrease in these unaccepted expenditures represents improved financial management in the municipality.

It is also important to note that 67% of participants strongly agreed that promoting good ethical governance can reduce budget deficits, with another 28% just agreeing and 5% of the participants were neutral. Good governance is vital for the strengthening of the holistic efficacy of municipal finance management (Hossain & Helao, 2008). It assists with the allocation of responsibilities, which identify the use of municipal resources to achieve different goals at different levels. In the case of deviations, it is these designated responsibilities and roles that improve the ability of

analysis to ratify the recognition of areas where challenges could have emanated from (Osborne, 2017). As different responsibilities and roles are allocated to different employees, good governance also fosters the degree to which employees will carry out due diligence to ensure that municipal funds are efficiently and effectively used to accomplish the designated objective (Pollit & Bouckaert, 2001). Furthermore, it impacts the culpability and accountability of the employee's charges with municipal finance management.

Good governance also advances the extent to which planning for resource allocation can respond to the most essential socio-economic needs of residents. This is because principles of good governance do not only accentuate the need for culpability and responsibility, but also the participation of relevant shareholders in the budgeting and planning of how key municipal funds must be utilised (Fourie, 2017). In effect, the involvement and consultation of different stakeholders during the tactical processes of budget and planning influences the integration of the community's key socio-economic necessities amongst the key primacies, which must be incorporated into the budget. This integration of crucial socio-economic projects improves the inclusive efficiency of the municipal expenditure control and impacts the attainment of the perceived socio-economic outcomes.

As a result of the contending needs of residents, the municipality is frequently unable to respond to all the socio-economic needs of their communities (Lyn, Heinrich & Hill, 2011). The municipality is usually able to identify the needs of the communities through the improved information sharing public engagement processes, the outline of which the municipality needs to focus on to leverage the overall success of service delivery (Pollit & Bouckaet, 2004).

Efficient governance also improves the checks and balances of the municipal structures and committees with reference to how the municipal finance employees are utilising the allocated budget to influence the attainment of the required outcomes (Cheema, 2004). This means that assessing municipal expenditure must not only focus on the accounting measures like budget and how the available finances have been used. Instead, such performance assessments must also evaluate the compliance ingenuities executed by municipal officials to observe good ethical practices (Moore, 1995). Even if efficient governance encourages improvement in municipal

finance management employees, the operative accountability instrument is required to leverage the complete municipal expenditure management function (Moore, 1995).

In view of the above responses, it is evident that the way in which different individuals view expenditure management is subjective. This is mainly based on the role of the participant and the angle from which they view the subject matter. There are those participants who are not involved in the expenditure management, and those who have not been affected by the budget deficits during the year. It is those participants who had little or nothing to say about the effectiveness of the prevailing expenditure management methods within EWS. It was also noted that some participants were not clear as to what effective expenditure management would mean. This information should be made explicit to all those charged with authorising payments and managing public finances to equip them with the ability to effectively carry out the expenditure management functions. This would mean that expenditure is capped to the available budgets, and where the budget is expected to overrun, then the necessary processes of budget reprioritisation are followed prior to the expenditure being incurred.

4.5 Thematic analysis

Data analysis has been described as ‘the most complex and mysterious of all phases of all the phases of qualitative project, and the one that receives the least thoughtful discussion in the literature’ (Thorne, 2000: 70).

The following themes emerged from the qualitative data:

4.5.1 Budget preparation

The respondents felt that the budgeting process adopted by EWS was not adequate in addressing the needs of the institution. Secondly the budget preparation excluded the technical managers because they are not involved in the process so that they can have their views captured in the budget, and lastly the budget that is allocated is never sufficient in any of the financial years to cater for the needs of the unit.

4.5.2 Asset Management

The infrastructure assets of the unit are old and suffer from constant failures and burst, the respondents felt that the unit does not have the proper asset management plan for the maintenance

of the budget, as a result the majority of the unit's operating budget is directed to the maintenance of the budget, thirdly there are no proper records or maintenance plan in place which gives a guidance of what assets are due for a routine maintenance and when will a routine maintenance be carried out, with the plan in place it will allow for a proper allocation of resources.

4.5.3 Stakeholder engagement

The participants indicated that how can the collaboration and integration of activities assist in improving the expenditure management, and how the stakeholder engagement can benefit everyone in the value chain of expenditure budgeting and management, and lastly the participants highlighted how poor stakeholder engagement affects the service delivery and consequently could result to budget deficits within EWS.

4.5.4 Reporting, Monitoring and Evaluation

Participants felt that the technical managers were not concerned at all about the MEM, as long as their projects were ongoing on the ground, there is a greater need for technical managers to skill themselves and be directly involved in the financial management of their projects rather than relying on the finance section to monitor expenditure on their behalf.

4.6 Summary

Emanating from the findings of this study, it can be concluded that the current EMS require improvement. Certain areas could be improved by making sure all those involved in the expenditure management function comprehend the importance of this function to sustain the mandate of the unit, which is providing water to the citizens of eThekweni. There is a definite need to identify the gaps between the role of the finance team as well as the technical team to integrate EMS, thereby ensuring that all managers take charge of the expenditure and budget management for their projects, or within their operational areas of responsibility.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter will tie the thesis together with a discussion of the conclusions and recommendations derived from the key findings of the study's results as well as present recommendations for further research in this area. As stated in Chapter 1, this study was undertaken to evaluate the effectiveness of expenditure management approaches within eThekweni Water and Sanitation, with the view of assisting the unit to eliminate the budget deficits that have been prevalent over the past financial years. The foundation of the study was laid out in the Chapter 1 where the introduction, background, problem statement and the research objectives and research question were highlighted. Chapter 2 discussed existing literature relevant to the study, where the assertions of various authors and researchers on the subject matter in question or related matters were brought into context. Chapter 3 looked at the methodology adopted for conducting this research to produce the most appropriate and in-depth answers to the research questions as possible. As such, the adoption of the mixed methods approach was discussed as well as the population, sampling, and data collection methods used. The findings of the study were presented and analysed in Chapter 4, in relation both to the research objectives outlined in the first chapter, as well as the relevant literature reviewed in Chapter 2. This chapter will conclude the study by summarising the key findings, revealing the recommendations of the study in terms of its limitation of scope, and providing suggestions for further research studies in the same field.

The motivation and purpose of this study were irrefutably relevant. EWS has incurred huge figures of over expenditure during the past five years or so, resulting in severe budget deficits that affect the quality-of-service delivery. This study aimed to evaluate the existing expenditure management strategies of EWS and identify their shortfalls. A mixed methods approach was selected as most appropriate for the study, as it allowed the researcher to gather both qualitative and quantitative data for the study. The purposive sampling method was used for the study and 21 participants agreed to answer the online survey, which translated into the quantitative study, while 4 participants engaged in the qualitative study of semi-structured interviews. The

participants comprised different management levels within EWS, since they possess sound knowledge of the current expenditure management tools and the challenges faced.

5.2 Key Findings

The conclusions that can be drawn from the key findings of the study will be explained below based on the study objectives and research questions that the study aimed to answer.

The discoveries of the study suggested that the participants were suitably experienced within the municipality with 95% of them being involved in the management of expenditure to a varying extent. This placed them in a better position to provide insight into the effectiveness of expenditure management systems (EMS) within the unit.

5.2.1 OBJECTIVE 1: To evaluate the effectiveness of the current EMS adopted by EWS with the objective of reducing budget deficits. The qualitative data indicated that the current EMS approach adopted by EWS is ineffective. The study revealed that there is a significant disconnection between non-finance managers and the management of expenditure. There is also a misalignment of priorities between the finance and technical managers, which has resulted in many instances of failures in proper expenditure management. This in turn has resulted in budget deficits during several financial years. Chapter 4 presented responses where some participants indicated that they did not believe that technical managers should be involved in expenditure management. This is an area of concern as there are very strict budgeting and reporting rules associated with the use of municipal funds.

5.2.2 Objective 2: Assess the impact of the prevailing budget deficits on EWS and all other stakeholders

Both the qualitative and quantitative data revealed that the inefficient expenditure management, could lead to budget deficits, once the unit has run out of budget, it will affect its ability to perform its primary duty, which is the provision of water to the citizens of eThekweni, non-availability of water could lead to community protests and unrest.

Secondly, the ineffective management of expenditure could mean that the unit is unable to meet its contractual obligation, for example, it will not be able to make a provision for the water board which supplies it with the raw water, the executives within EWS will not be able to meet their annual targets, as per their performance plan, because in order for them to implement the projects or plan outlined in the performance agreements, they require the financial resources, in the form of the budget.

The most valuable assets of the organization will be demoralized, because the employees also need resourced to perform their duties, therefore it can be concluded that the ineffective expenditure management, has a negative impact on the EWS stakeholder

5.2.3 OBJECTIVE 3: Assessment of the impact of current expenditure management regarding the prevailing budget deficits.

Common findings between the qualitative and quantitative data included management's seeming disregard for the budget, over other concerns about project implementation on the ground. Lower involvement of finance at the planning stage of the project and poor planning also stood out as the one of the major causes of failure in expenditure management. The political atmosphere the unit is operating in, the constitutionality of the mandate of the unit to provide uninterrupted water supply as well as irregularities in the procurement processes were also mentioned as key factors causing the budget deficits. These issues have a negative impact on the unit's ability to provide services.

5.3 Recommendations

The discoveries of the study suggest that most management members, particularly technical managers, are appointed with the duty of implementing the projects on the ground. The study found that these managers were mostly not very concerned about management of expenditure or were not fully equipped to do so. Instead, their focus was on the successful implementation of the project on the ground. It is for this reason that it is recommended that all technical and non-financial managers undertake full training on financial management in line with National Treasury's requirement of Minimum Competency levels, the aim of which lies in ensuring that those who are involved in budget and expenditure management are fully equipped to do so.

Most participants revealed that they believe that variance analysis of budget versus expenditure was not being performed as regularly as need be and it is for this reason that the unit management need to ensure that financial reports are a mandatory agenda item for their monthly departmental meetings. At these meetings the financial report should be presented and analysed by the management team members of each section within the unit.

Although the participants agreed unanimously that the function of expenditure management lies with the entire organisation, it was discovered that technical managers do not monitor their expenditure on a regularly basis to ensure that they stay within the budget. It is therefore recommended that the technical managers be equipped with real time accessibility to financial systems so that they can view and monitor their expenditure against the budget.

The findings of the research indicated that strong ethical behaviour could render expenditure management far more effective. It was also discovered that procurement irregularities contribute to the ineffectiveness of expenditure management. It is therefore imperative that the unit embarks on moral regeneration of those who are charged with the duty of safeguarding the public funds to eliminate the risks that are posed by unethical behaviours as well as procurement irregularities.

From the findings above it was evident that not all participants share a mutual understanding as far as the mission and vision of the unit is concerned. This was particularly evidenced by the variations in terms of the responses received, where they could have all responded in the same way. It is for this reason that it is recommended that the unit's strategy, vision, and mission are presented to all the managers in the unit on an annual basis, in order that everyone is on the same page with regards to bringing alignment in the conflicting interest from those in finance and those in service delivery sections.

The issue of asset management came up several times. It was mentioned that the unit is spending a great deal of money repairing and maintaining the already crumbling infrastructure and it is therefore suggested that the unit embark on an infrastructural renewal programme. This will involve the old infrastructure being identified and a plan and resources set aside for the replacement of the old infrastructure.

It was also mentioned several times, that the internal controls within the water and sanitation were not being implemented and monitored aggressively. It is therefore recommended that the internal controls be enforced, especially, those within the supply chain management value chain to ensure that unnecessary expenditure is avoided.

Finally, the budgets are currently being prepared on an incremental basis, which is believed to be flawed, as evidenced by the interview excerpts. It is thus recommended that the budgets be prepared on zero-based budgeting and that this be decentralised to various managers within the unit to control and monitor. This in turn assists the manager to rationalise their budgets according to the requirements, without looking at the past financial performances.

5.4 Limitation of the Study

The fundamental challenge of this study is that it was directed at only one unit within an entire organisation, namely the Water and Sanitation unit of eThekweni Municipality (EWS). As such the results cannot be generalised as the study was time concentrated and explanations were constrained, making it a momentous task to complete. Furthermore, the outcomes of the study cannot be tested because the study is open ended. It is also a labour-intensive method, involving a labour-intense scrutiny procedure like cataloguing. It is therefore difficult to explore interrelations. The study needs a thoughtful groundwork to ensure that the achieved outcomes are detailed. As qualitative facts cannot be scrutinized arithmetically, the study is based primarily on opinions and verdicts other than results and is based on insight. Rejoinders are not measurable.

5.5 Areas of further research

Although the findings of this study were obtained from EWS, they can theoretically benefit other units within the eThekweni Municipality, or even other industries that are outside the municipality. This study could prompt other units and other organisations to evaluate their expenditure management approaches. The investigator strongly believes that other municipalities, especially those that are struggling with their finances, should start scrutinising their expenditure management approaches, with the view of eliminating the budget deficits,

which are so prevalent in many of the South African municipalities. This could enhance service delivery country-wide and possibly create a more sustainable economy. The other area of further research to be conducted in the future, could be how can the municipality revenue generating capacity be enhanced to eliminate the municipality's dependency on government grants, so that the municipality could self-sustain themselves, and to what extent could the monitoring and evaluation bodies perform to assist municipalities overcome the challenges they face with regards to budget and financial management in general.

5.6 Conclusion

The main purpose of the study was to evaluate the effectiveness of the current expenditure management within the Water and Sanitation Unit of eThekweni Municipality. The primary purpose was to ascertain whether the current expenditure management approaches adopted by EWS are effective. Secondary purposes included an investigation of the challenges that are faced by EWS management in the administration of expenditure management and the strategies that should be developed to improve expenditure management within EWS, with the view to reducing the prevailing budget deficits. The findings of the study highlighted that the current expenditure management approaches are ineffective and need some improvement. The findings also reflected that there is dire need for the technical managers to be directly involved in expenditure managements since they are the ones who are responsible for the authorisation and approving of expenditure payments. It was also clear that the unit needs to enforce the expenditure management procedures that are already in place.

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APPENDIX A: ETHICAL CLEARANCE LETTER



01 October 2021

Comfort Mziwoxolo Bhane (200100323)
Grad School Of Bus & Leadership
Westville Campus

Dear CM Bhane,

Protocol reference number: HSSREC/00003173/2021

Project title: Evaluating the effectiveness of Expenditure Management in reducing budget deficits: A case study of eThekweni Water and Sanitation

Degree: Masters

Approval Notification – Expedited Application

This letter serves to notify you that your application received on 23 July 2021 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) 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.

This approval is valid until 01 October 2022.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

All research conducted during the COVID-19 period must adhere to the national and UKZN guidelines.

HSSREC is registered with the South African National Research Ethics Council (REC-040414-040).

Yours sincerely,



Professor Dipane Hlalele (Chair)

/dd

Humanities and Social Sciences Research Ethics Committee

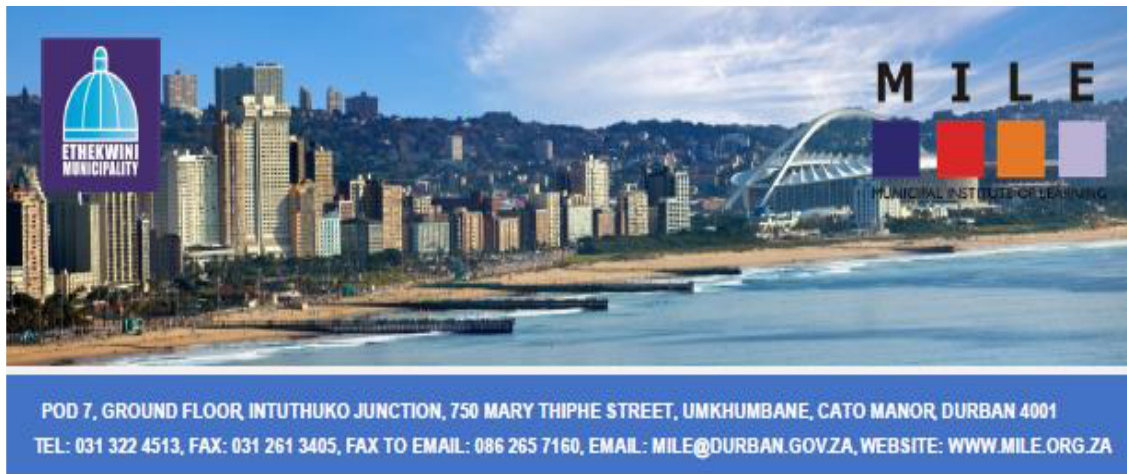
Postal Address: Private Bag X54001, Durban, 4000, South Africa

Telephone: +27 (0)31 260 8350/4557/3587 Email: hssrec@ukzn.ac.za Website: <http://research.ukzn.ac.za/Research-Ethics>

Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

INSPIRING GREATNESS

APPENDIX B: GATEKEEPERS LETTER



For attention:
Chair of Research Ethics Committee
Graduate School of Business and Leadership
College of Law and Management Studies
University of Kwazulu Natal
Westville Campus
Durban
4001

17 August 2021

RE: LETTER OF SUPPORT TO C.M BHANE, STUDENT NO. 200100323 - GRANTING PERMISSION TO USE ETHEKWINI MUNICIPALITY AS A STUDY SITE FOR A MASTERS RESEARCH

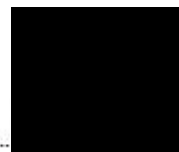
The Water and Sanitation Unit and Municipal Institute of Learning (MILE) in eThekweni Municipality, have considered a request from Comfort Mziwoxolo Bhane, a registered student at UKZN to use eThekweni Municipality as a research study site in fulfilment of a Master of Business Administration research in eThekweni Municipality. The study is entitled "EVALUATING THE EFFECTIVENESS OF EXPENDITURE MANAGEMENT IN REDUCING BUDGET DEFICITS: A CASE STUDY OF ETHEKWINI WATER AND SANITATION."

We wish to inform the committee of the **APPROVAL** of this request and hereby assure the student of our utmost co-operation towards achieving his/her research goals; the outcome which we hope will help this municipality improve on its service offerings using the research outputs. The student is reminded of the conditions agreed to, the ethical considerations as well as the current COVID-19 related regulations as per the Disaster Management Act (2020) when conducting the research. In return, we stipulate as conditional that the student presents the preliminary results and recommendations of this study to MILE and the impacted units within eThekweni Municipality as soon as possible.

Wishing the student all the best.

Supported

Mr Ednick Msweli
Head: Water and Sanitation Unit
eThekweni Municipality



Dr. Collin Pillay
Program Manager: MILE
eThekweni Municipality

APPENDIX C: INFORMED CONSENT LETTER

Informed Consent Letter 3C

UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

Dear Respondent,

Master of Business Administration Research Project

Researcher: Mr. Comfort Mziwoxolo Bhane

Supervisor: Prof. Mabutho Sibanda (031 260 2160)

Research Office: HSSRC Ethics Office (031-260 4557/email: HSSREC@ukzn.ac.za)

I Comfort Mziwoxolo Bhane an MBA student, at the Graduate School of Business and Leadership, of the University of KwaZulu-Natal kindly invite you to participate in a research project entitled "Evaluating the effectiveness of expenditure management in reducing the budget deficits: a case study of eThekweni Water and Sanitation" The aim of this study is to investigate the effectiveness of expenditure management strategies within eThekweni Water and Sanitation unit.

Through your participation I hope to understand the effectiveness of expenditure management in eThekweni Water and Sanitation. The results of the study are intended to contribute to improving the expenditure management thus refining the budgeting and expenditure management strategy to reduce the budget deficits in the unit.

Your participation in this project is entirely voluntary and will be at your convenience. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about 10 minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator's signature



Date 24-05-2021

This page is to be retained by participant

**UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

Master of Business Administration Research Project
Researcher: Mr. Comfort Mziwoxolo Bhane
Supervisor: Prof. Mabutho Sibanda (031 260 2160)
Research Office: HSSRC Ethics Office (031-260 4557/email: HSSREC@ukzn.ac.za)

CONSENT

I..... (full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

If I have any further questions or queries related to the study, I understand that I may contact the researcher at (0732593710/ 031 311 8625).

SIGNATURE OF PARTICIPANT

DATE

.....

.....

This page is to be retained by researcher

APPENDIX D: RESEARCH QUESTIONNAIRE

Master of Business Administration Research Project

Researcher: Mr Comfort Bhane

Supervisor: Prof Mabutho Sibanda

Research Office: HSSRC Ethics Office (031-260 4557/email:HSSREC@ukzn.ac.za)

Title: Evaluating the effectiveness of expenditure management in reducing the budget deficits: A case study of eThekweni Water and Sanitation

SECTION A

Please mark with an (x) or (√) in the relevant box with the appropriate response. Mark one box only.

1. Number of years of service in Water and Sanitation

0-3 years	
4- 7 years	
8-10 years	
Above 10 years	

2. Highest qualification

Matric	
Bachelor's degree	
Honors degree/ Post graduate diploma	
Master's degree	
Doctorate	

3. Age

19-24	
25-34	
35-44	
45-54	
55 & above	

4. Gender

Male	
Female	
Other	

5. Management level within eThekweni Water and Sanitation

Executive	
Senior Management	
Middle Management	
Junior Management	

Supervisor	
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SECTION B

To what extent do you agree or disagree with each of the following statements in relation to the effectiveness of expenditure management within eThekweni Water and Sanitation?

No	Questions/Statements	Rating scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Expenditure Control Systems						
6	eThekweni Water and Sanitation has an effective expenditure management system					
7	Expenditure management systems effective in planning the future					
8	The expenditure management is effective in controlling operations					
9	The unit compares the budget amount against the actual expenditure on regular basis					
10	Corrective measures are takes regularly on anticipated budget overruns.					
11	Expenditure management is the role of everyone within the organisation					
Budget deficits occur mainly because of						
12	Disregard of expenditure management					
13	Limited budget allocations					
14	Lack of proper planning and coordination					
15	Misuse of the available budgets					
16	Prioritising of service delivery over expenditure management					
The budget deficits can be reduced by						
17	Improving expenditure management approaches					
18	Enhancing stakeholder engagement					
19	Technical managers involvement in expenditure management					
20	Avoiding unacceptable expenditure					
21	Promoting ethical and good governance					

SECTION C

Additional information regarding Budget deficits:

Please add any other information that is relevant to the subject matter that is not covered in the above.....

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