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**COLLEGE OF LAW AND  
MANAGEMENT STUDIES**

**The role of internal auditing in mitigating noncompliance and  
irregular expenditure within eThekweni Municipality operations**

by

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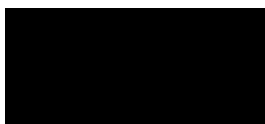
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## **ABSTRACT**

Under the Public Finance Management Act (PFMA), Act 1 of 1999, government institution management must make sure that all financial policies established by organisations, as well as rules and regulations, are followed. This research explores the role of Internal Auditing in mitigating noncompliance and irregular expenditure within eThekweni Municipality operations. The fact that non-compliance and irregular expenditures still prevail within the municipality in spite of the existence of the internal auditing and compliance unit points to the need for research. Many people have concerns regarding the influence and function of the internal audit unit within the local governments as a result of the consistently rising number of irregular expenditures. This study aims to investigate the effectiveness of internal auditing in mitigating these issues and propose recommendations for improving internal auditing processes to address non-compliance and irregular expenditures within the municipality.

The study followed a quantitative research approach to understand the drivers of irregular expenditures and the role of internal audit unit by asking respondents to share their day-to-day experiences with auditors and their role. Data collected using quantitative approach was examined with the Statistical Package for Social Science (SPSS) program, and the results were displayed as means, frequencies, percentages, and standard deviations. Through the "drop and pick" method, respondents were given a questionnaire with closed-ended questions and replies evaluated on a 5-point Likert scale. Descriptive analysis was used to examine the data gathered using the instrument for measuring so that inferences could be made.

The study found that inconsistent spending may result from a lack of workshops and training on policies and challenges. It is also confirmed that the departments have controls in place to minimise possibilities of irregular expenditures but some of the controls are not effective because they are not properly designed or properly implemented. Another issue that can make it hard to implement designed controls in local government is the issue of political influence. It is advised that the division of internal audit offer instruction on the new policies that have been suggested as well as direction on how to proceed. The results of the study corroborate previous research on the role internal audit plays in supply chain operations and in lowering the amount of irregular spending in the municipality.

## **ACKNOWLEDGEMENTS**

I would like to express my gratitude to God for guiding me through all the hurdles and obstacles. He's the one who made it possible for me to complete my degree. I shall continue to believe in His Love and everlasting Guidance.

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This thesis is an expression of my mother's steadfast love and support during this difficult academic journey. She fostered my interest and encouraged my academic pursuits from the start, for which I am incredibly grateful.

Special thanks to my friends and colleagues, for their support and the thought-provoking conversations that motivated me during my academic career. The foundation of my research experience has been their combined knowledge and support.

## **DEDICATION**

I dedicate this dissertation to my mother and my late grandmother; her strength was not in her muscles but in her heart. There are not enough words to express how grateful and appreciative I am of you. You have been my inspiration, pillar of strength, and mentor. You have instilled in me the values of individuality, perseverance, self-belief, and determination. You have inspired my academic journey from a young age, and I will forever be grateful to you.

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## **CHAPTER ONE**

### **INTRODUCTION AND PROBLEM IDENTIFICATION**

#### **1.1 INTRODUCTION**

eThekwini Metropolitan Municipality is in Durban, situated on the East Coast of South Africa within the Province of Kwa Zulu Natal, South Africa's third-largest municipality. With a 59.88% contribution, eThekwini is regarded as KZN's economic capital to the provincial GDP, which is equal to R468 billion. eThekwini Municipality's role is to provide service delivery to the 3 987 648 population and invest in places that will make the strongest social and economic impression in the city. eThekwini Municipality is divided into five functional municipal regions, namely; North, Central, South, and Outer West, Figure 1 shows the eThekwini spatial regions (eThekwini Municipality, 2023). The goal of local government is to provide sustainable service delivery to communities by fostering social and economic growth, as well as to offer democratic and accountable governance for local communities (Constitution of the Republic of South Africa, 1996). It is becoming more and more obvious how crucial efficient municipalities are to lessen poverty and serve the public. However, audit reports claim that financial mismanagement has affected some local administrations and continues to be a roadblock to progress (Mishi et al., 2022). The purpose of the study is to research the role of Internal Audit in mitigating noncompliance and irregular expenditure within eThekwini Municipality operations.

Municipal accounting officers are in charge of overseeing the financial administration of their communities. To this end, they must take all reasonable measures to guarantee that the community's resources are used effectively, efficiently, and economically; that complete and accurate records of the financial affairs of the municipality are kept in compliance with all applicable norms and standards; that the municipality has and maintains efficient, effective, and transparent systems, including internal audit and financial and risk management (Municipal Finance Management Act 2003). The state's development plan is largely carried out through local government, while many municipalities have subpar operational and financial performance. The stated justifications for these mostly center on the incompetence of the officials and/or their unethical and self-serving actions. Therefore, stronger regulation, training, and higher ethical standards are the main points of emphasis for suggested treatments. However,

it doesn't seem like any of these efforts are succeeding. Based on fieldwork that was primarily concerned with examining the stories of non-compliance (Ledger, 2020). National Treasury has issued an Irregular expenditure framework to specify the steps accounting officers and accounting authorities must take to deal with irregular expenditures. The public sector as a whole must take a zero-tolerance stance against breaking the rules and regulations to achieve the aim of clean audits and strengthen the governance climate inside the sector. A proactive approach like this would significantly increase public trust in our developing democracy (AGSA, 2011). A municipality's internal audit unit is required to prepare a risk-based audit. All areas of the municipality's financial, operational, governance, risk management, and information systems may be examined by the auditors. They also have unrestricted access to the necessary staff and resources, as well as unrestricted access to all of eThekweni's operations, records, property, personnel, officials, and various accounting officers. Internal audit's main goals are to provide independent, unbiased assurance and advisory services that will enhance an organization's operations and add value. The gaps in municipalities relating to compliance with relevant laws and regulations in the utilization of public funds can be filled by having an active internal audit function.

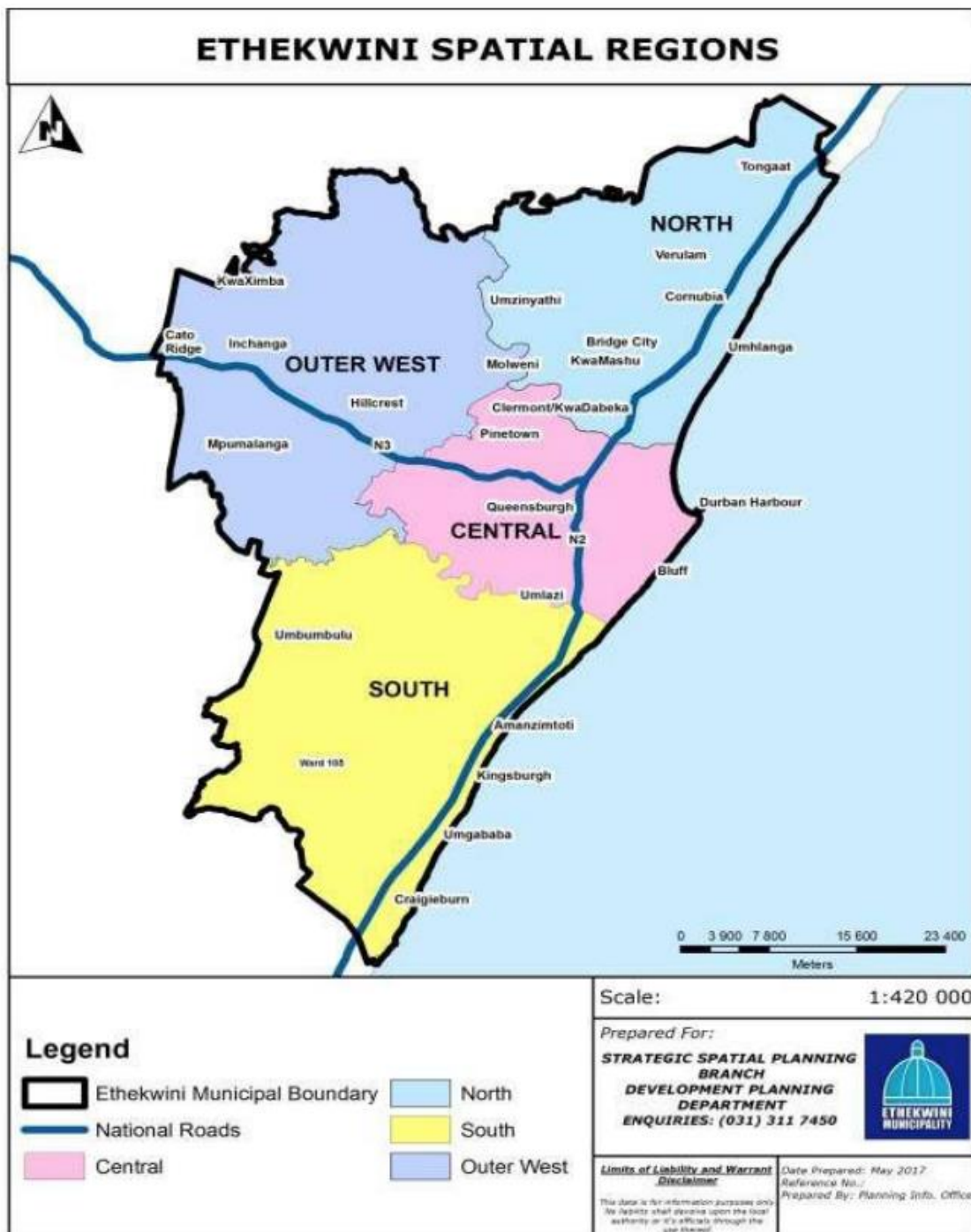


Figure 1: eThekweni Spatial Regions (eThekweni Municipality, 2023)

## 1.2 PROBLEM STATEMENT

The research problem emanated from the local government's mismanagement of funds as a result of non-compliance, which has been a major problem in South Africa and resulted in a delay in service delivery. The continuous increase of irregular expenditure every year has led to the research problem. Local government struggles with the issues of a significant gap

between citizen wants, and available resources, bad financial management has led to the failure and inefficiency of local government in achieving significant progress. The management of government institutions is required to ensure that they adhere to all financial policies created by organizations as well as laws and regulations, as stated in the Public Finance Management Act (PFMA), Act 1 of 1999. Government departments have been facing difficulties implementing Act compliance ever since the PFMA was approved. In South Africa, the local government is a branch that is closer to the people in terms of service delivery. According to the Auditor General's reports on the performance of local government's public finances, municipalities are having difficulty controlling unauthorized, wasteful, and irregular expenditures, and they have not made any headway in this area. The aforementioned factors pertaining to local government in South Africa are caused by noncompliance and inadequate public accountability, which adversely affects the provision of services. This is problematic because, as a result of the high unemployment and income disparity rates in the nation, the majority of South Africans rely on the government for basic services. Municipalities in South Africa do have budgets that they follow, but the issues with inconsistent adjustments to these budgets that don't follow the correct procedures result in expenditures, which the Municipal Systems Act of 2000 defines as financial mismanagement (Thusi & Selepe, 2023).

The Auditor General report for the 2021-22 financial year has revealed that Municipalities continue to struggle with unapproved, irregular, fruitless, and wasteful spending; only 38 out of 257 received clean audits. Three primary categories can be used to identify the underlying reasons for irregular expenditure: a lack of accountability and consequence management; governance shortcomings; and insufficient skills and capability. The Auditor General of South Africa (AGSA) report states that the outstanding balance of irregular expenditures, which had accumulated over several years and had not been addressed, amounted to R136 billion after the 2021–22 fiscal year. In the fiscal year 2021–2022, 24% of municipalities failed to disclose all unusual expenses that should have been included in their financial reports.

In 2021–2022, municipalities reported irregular expenditures of R30,34 billion, a substantial increase over the R22,40 billion reported the year before. This suggests that municipalities face significant financial management difficulties, which could be brought on by a lack of necessary expertise or a failure to make sufficient plans for anticipated expenses. The figures demonstrate that more work needs to be done by local government to guarantee adherence to the Municipal Finance Management Act. The issue that this research aims to look at is the frequency of irregular expenditure and the ongoing pattern of contracts being signed by government agencies

without following the law. The irregular expenditure problem seems to exist even with the established internal audit unit within eThekweni Municipality. Further investigation needs to be carried out to establish the growing number of irregular expenditures within the municipality.

The fact that non-compliance and irregular expenditures still prevail within the municipality despite the existence of the internal auditing and compliance unit points to the need for research. This study aims to investigate the effectiveness of internal auditing in mitigating these issues and propose recommendations for improving internal auditing processes to address non-compliance and irregular expenditures within the municipality.

### **1.3 SIGNIFICANCE OF STUDY**

The significance of this research is to show the role of internal audit in municipalities and how it can be used as a tool to detect rudiments of irregular expenditure. The public and legislative attention on responsibility, transparency, risk management, and legal and regulatory compliance has intensified as a result of the current global economic crisis. Organizations look for effective and economical ways to make sure they comply (Benedek., et al. 2012). An accounting officer is in charge of a department through Section 36 of the Public Finance Management Act (PFMA). These accounting officers are crucial in guaranteeing the provision of services, but they also have a responsibility to make sure that public monies are used sensibly and in compliance with applicable laws and the Public Finance Management Act (PFMA) (Makhanya, 2023). Accounting Officers for municipalities appoint an Audit Committee to improve accountability and governance over the operations of municipalities and municipal entities, the Audit Committee's role has been outlined in the Municipal Finance Management Act (MFMA) and is essential in providing a mechanism for the delivery of unbiased advice and recommendations on financial and non-financial matters to the Municipal Manager and Council. Furthermore, the Audit Committee's monitoring can help to mitigate or prevent a lot of audit findings (Institute of Directors in Southern Africa, 2013).

Having stated that, despite efforts to guarantee that the words on paper are implemented in our day-to-day activities, a high rate of non-compliance with laws leads to unfair and uncompetitive procurement practices as well as payment for products and services that are not obtained (Mamve, 2022).

## **1.4 AIM AND OBJECTIVES OF STUDY**

The primary objective of this study is to ascertain the role of Internal Audit in mitigating irregular expenditure within eThekweni municipality as a result of non-compliance with relevant laws and regulations that govern municipalities on the usage of public funds for the benefit of the local communities. Based on the primary research objectives, the research objectives are as follows;

1. To identify the risks associated with non-compliance and irregular expenditure.
2. To assess the existing mechanisms for mitigating non-compliance within eThekweni Municipal operations.
3. To evaluate the role of the Internal Audit unit within eThekweni Municipality in reducing non-compliance and irregular expenditures.
4. To identify and explore the common drivers of irregular expenditure at eThekweni Municipality.

## **1.5 RESEARCH QUESTIONS**

The key research questions for this study that are aligned with the research objectives are as follows;

1. What are the risks associated with irregular expenditure at eThekweni Municipality?
2. What mechanisms are in place to address the issue of compliance with relevant laws and regulations such as the Municipal Finance Management Act?
3. What role does the Internal Audit unit play at eThekweni Municipality with regard to irregular expenditure?
4. What are the common drivers of irregular expenditure at eThekweni Municipality?

## **1.6 UNDERPINNING THEORETICAL FRAMEWORK**

A theoretical framework is a set of concepts and premises that are logically formed and interrelated, derived from one or more theories, and designed by a researcher to support a study. Any theories and concepts that will serve as the foundation for the research must be defined, logical linkages must be made between them, and these notions must be connected to the study

that is being conducted to establish a theoretical framework (Varpio et al., 2020). Current internal auditing theories focus on internal controls. In this study, two theories will be discussed relating to the internal audit function and auditors. Researchers create theories to make connections, explain phenomena, and forecast future events. Explaining the current theories that bolster your research and demonstrating the relevance and solid foundation of your paper or dissertation topic are the goals of a theoretical framework (George,2023). The researcher identified and limited the study to two foundational theories that underpin this study. The Agency Theory and the Institutional Theory.

### **1.6.1 The Agency Theory**

The eThekweni Municipality can be conceptualized as a complex network of interpersonal connections, which are structured through contractual agreements. In such a setting, the Agency Theory is used to explain the existence and importance of relationships between principals and their relative agents. The theory espouses valuable insights into the concept of accountability, specifically about the field of internal auditing and compliance, elucidating its growth and significance (Chenjerai *et al.* 2024). In auditing, it explains and predicts the existence of internal audit functions, and the roles and responsibilities assigned to internal auditors by the organization. The Agency Theory is often used to predict how the internal audit function is likely to be affected by organizational change. This study describes the existence of internal audits and also explains the role of internal auditors within an organization. There exists a principal-agency relationship between the municipality as a principal and the internal auditors as an agency. The municipal management delegates duties to internal auditors to obtain reasonable assurance about whether the financial management as a whole is free from material misstatement.

### **1.6.2 The Institutional Theory**

The strongest and most fundamental aspects of social organisation are the subject of institutional theory. It considers whether long-standing frameworks like norms, customs, practices, and schemas come to be seen as the gold standard for proper social behavior. (Scott, 2005). The auditors are responsible for effective internal controls of the institution and assessing the adequacy of financial management, an organization needs to have an audit function within its structure. In the public sector, an efficient internal audit function is seen as a key governance instrument that improves organizational governance. For the benefit of service delivery,

municipal government is expected to guarantee that communities are operated successfully, economically, and efficiently. This study is anchored in the Stakeholder Theory because institutional theorists hold the view that institutional contexts, such as governments, can ensure that formal structures, such as Internal Audit Functions (IAFs), are developed in all municipalities in line with the provisions of the law (Mbewu, 2017).

## **1.7 LITERATURE REVIEW**

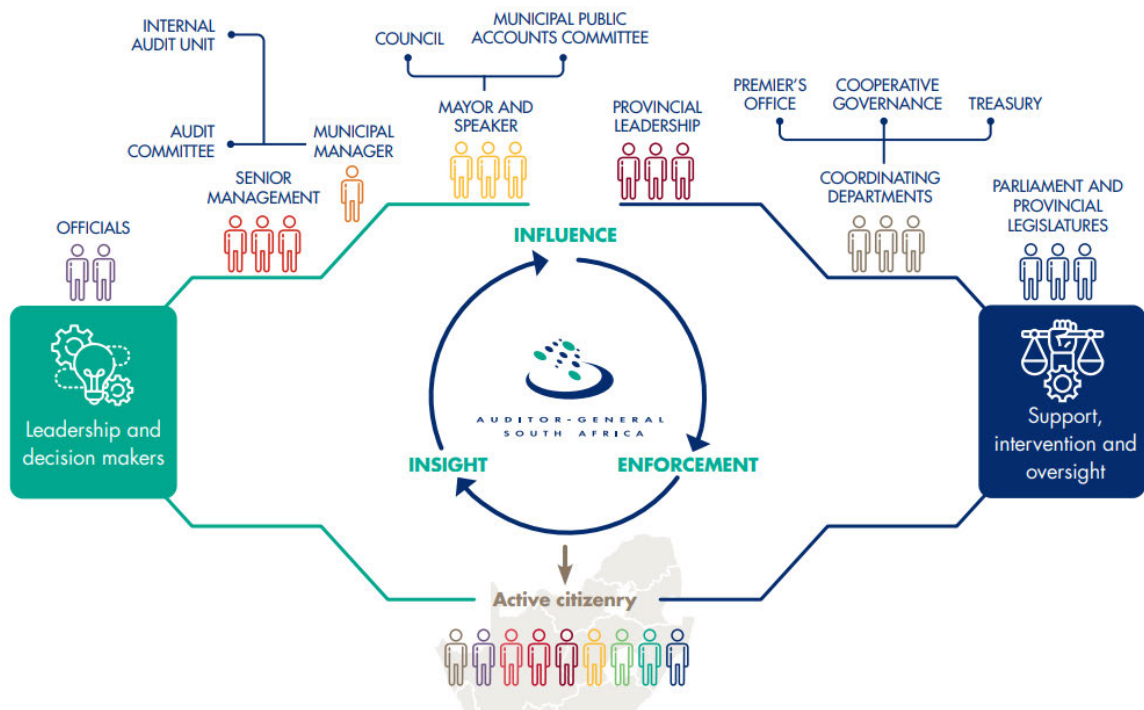
### **1.7.1 Causes of irregular expenditure in Local government**

Local government in South Africa is experiencing a crisis, and things are getting worse. The majority of municipalities are struggling with serious issues like bad financial management, inadequate infrastructure development and maintenance, and poor service delivery. Municipalities in South Africa do have budgets that they follow, and the issues with irregular spending arise from budget modifications that don't follow the correct procedures and are deemed financial mismanagement by the Municipal Systems Act of 2000. Growing amounts of irregular spending and a decrease in clean audits are being observed by South Africa's local government as a direct result of a lack of transparency and control. The general financial viability and governance of South African towns have suffered greatly as a result of the culture of noncompliance that permeates them. Reportedly, this non-compliant culture contributed to the pervasive usage of unauthorized, irregular, and inefficient spending amounting to billions of Rands (Thusi & Selepe, 2023).

Long-term viability for municipalities should include implementation of strong financial management practices. They are in favor of democratic accountability. Poor or shady financial management causes resources to be diverted, which increases the risk of corruption. (National Treasury, 2011). Ineffective internal control mechanisms have been determined to be one of the reasons for South Africa's mismanagement of its funds, this is a result of mistakes made in risk management, performance reporting, and inadequate supply chain management. South African municipalities lack adequate internal control systems, and effective internal control procedures are required to make sure that financial operations are fully accounted for and presented (Mishi et al., 2022). "According to the Department of Cooperative Governance, 64 municipalities were dysfunctional as of 2021. Bad institutional capacity, bad financial management, corruption, and political instability are the primary causes of this dysfunction. Eight municipalities were being administered or receiving provincial assistance as of June 2017. Twenty-three municipalities

were under provincial administration or involvement by June 2021, and that number rose to 33 municipalities by February 2022. The national and/or provincial governments had to intervene to try to restore governance, financial management, and service delivery since these municipalities had become so dysfunctional" (Department of Corporate Governance, 2023, p. 41). Figure 2 shows the role players in a municipality that can work jointly to improve the effectiveness of municipal controls and processes for better financial management.

The Auditor-General of South Africa (AGSA) has regularly reported on irregular spending in municipalities since October 2023, raising serious issues with governance and financial management. Increase in Irregular Spending, a number of municipalities have reported an increase in irregular spending, which is frequently ascribed to inappropriate or unauthorised transactions resulting from non-compliance with procurement regulations and procedures. The provision of critical services like water, power, and sanitation may be inadequate in municipalities due to misallocation of finances caused by high levels of irregular expenditure (AGSA,2023).



**Figure 2: Role players in the effectiveness of Municipal controls and processes (Auditor General of South Africa (AGSA),(2022)**

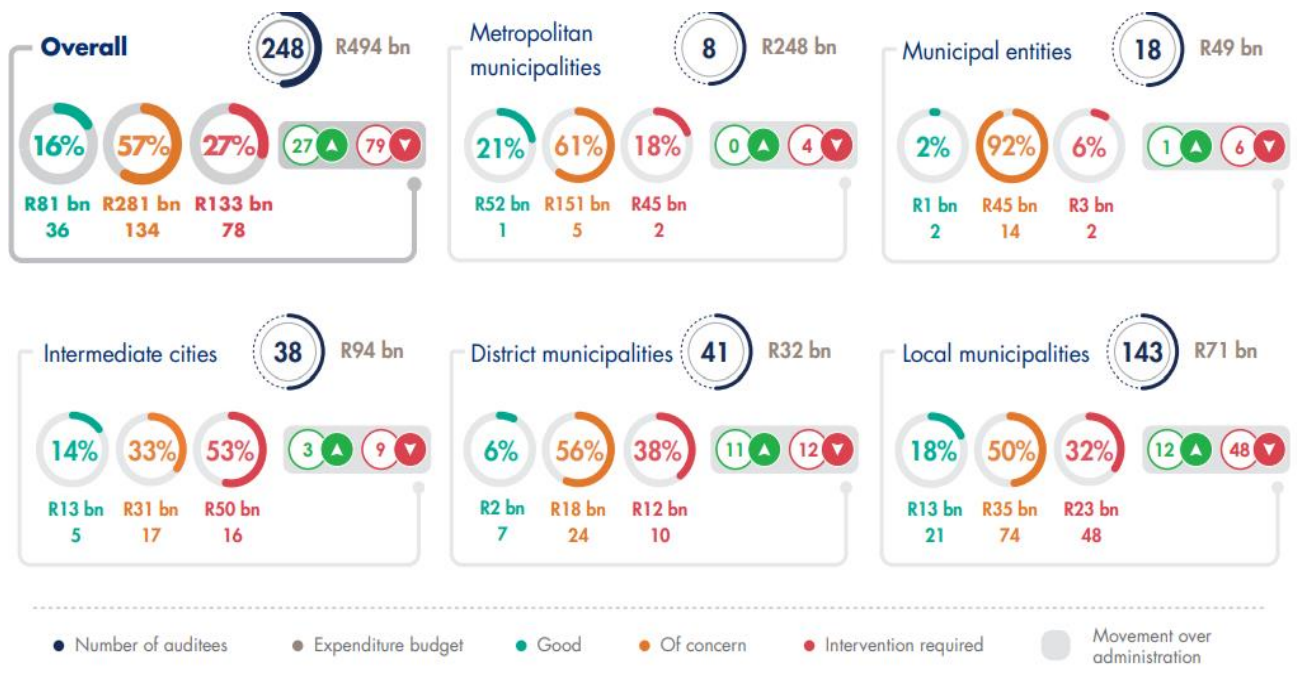
Ineffective financial management results from bad budget management, which includes poorly arranged financial resources, a deficiency of public servant awareness of budget management, a nonexistence of budget management expertise, a lack of financial management expertise, and a lack of performance management (Zweni et al., 2022). The municipalities in KwaZulu Natal consistently get critical concerns about financial mismanagement from the Auditor-General of South Africa, preventing them from passing clean audits. South African Local Government is riddled with financial theft, unauthorized spending, and refusal to implement the Auditor General's recommendations, which leads to protests against community-wide service delivery (Mbatha, 2020).

### **1.7.2 Audit influence in the municipalities**

Internal audit is intended to help a company achieve its objectives by providing a methodical approach to evaluate and improve risk management, control, and governance procedures. It is not intended to merely report instances (output) where a company may not be in compliance with necessary regulations or internal controls may not be in place. (Institute of Internal Auditors, 2017). Matlala & Uwizeyimana (2020), reported that excellent governance encourages governmental institutions to operate effectively. Strong leadership influences officials to work with acceptable standards, which leads to excellent performance. The risk profile of the municipality should be heavily influenced by an Internal Audit, which will also enhance risk management procedures (Cohen & Sayag, 2010). According to the Municipal Finance Management Act (MFMA) (2003) every municipality is required to have an Internal Audit Unit, implement a risk-based internal audit plan for every fiscal year, and function under the direction of the accounting officer (AO) in a manner that is effective, efficient, and transparent in accordance with established norms and standards.

Good governance is crucial to the municipality's success as well as to safeguard and promote the interests of the people it serves. (Institute of Directors Southern Africa, 2016). Other stakeholders, like the National Treasury, have noted difficulties in local government, including council members and officials' ignorance of or disregard for laws and procedures as well as municipalities' incapacity to set up and maintain effective control systems (National Treasury, 2012:1). Internal Audit assists local government in being accountable, ensure sound financial management, improve internal control processes and make recommendations on how to manage risks.

In terms of the Auditor General, Metro Municipalities cover the majority of municipal expenses and provide services to the majority of the nation's homes and hence the majority of its residents. In 2020–21, they were in charge of an R247,48 billion budget. Given that metro areas serve the greatest population segment and receive more than half of all local government spending, their financial health is particularly concerning (AGSA, 2022). Figure 3 below shows how much each municipality category takes on the national budget. It can be seen that Metropolitan Municipalities are responsible for the bigger portion of the budget. Based on their financial accounts, 230 municipalities, and 18 municipal entities demonstrated increasing signs of a breakdown in local government finances and continuous deterioration over the previous administration (AGSA, 2022).



**Figure 3: Financial Budget per municipal category (AGSA, 2022).**

According to the Auditor General, metro areas serve the greatest population segment and receive more than half of all local government spending; their financial health is particularly concerning, as per Figure 3 above.

### 1.8 DEFINITIONS OF KEY CONCEPTS

*Internal Auditing:* Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization

accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. (The Institute of Internal Auditors, 2024).

*Non-compliance:* Any act of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations (PWC,2018).

*Irregular expenditure:* Irregular expenditure is expenditure that was not incurred in the manner prescribed by legislation; in other words, somewhere in the process that led to the expenditure, the auditee did not comply with the applicable legislation (AGSA, 2016).

*Mismanagement of funds:* Mismanagement of funds occurs when a person fails to follow the rules or guidelines when handling money for another person or organization (Parson, 2022).

*Local government:* is one of the three spheres of government together with the provincial and the national spheres. Local government consists of municipalities, which deliver many of the services people use in their daily lives. The Constitution provides for three categories of municipalities namely metropolitan, district and local municipalities (Civics Academy, 2024).

*Law and regulations* means any and all applicable current or future laws, rules, regulations, ordinances, codes, orders and permits of any and all federal, state and local governmental and quasi-governmental bodies, agencies, authorities and courts having jurisdiction (Law insider, 2024).

*Service delivery* is a common phrase in South Africa used to describe the distribution of basic resources citizens depend on like water, electricity, sanitation infrastructure, land, and housing (Campbell, 2014).

*Auditor-General:* means the person appointed as Auditor-General in terms of section 193 of the Constitution (MFMA, 2003).

*Basic municipal service* means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment (MFMA, 2003).

## **1.9 RESEARCH PARADIGM**

The four primary research worldviews—post-positivism, constructivism, transformations, and pragmatism—should be understood by all researchers. (Creswell, 2017). According to Rehman

and Alharthi (2016), researchers must be able to comprehend and articulate concepts regarding the nature of reality, what can be learnt about it, and how we approach learning it. A paradigm is a fundamental theory and way of thinking. Researchers operating under disparate contexts will not be able to easily interpret or meaningfully discuss each other's findings. Understanding the ontological and epistemological stances of the researcher's beliefs which are sometimes implicit and must be inferred—will enable us to assess the significance and applicability of their work (Patton, 2002). The positivistic approach counts the frequency of observed occurrences and assigns numerical values to them in order to describe social occurrences by creating a relationship between variables (Koigi & Arnolds, 2012). According to Collis and Hussey (2014), from the interpretivist perspective, social reality is subjective, multifaceted, and exists only in an individual's mind; as such, the process of scrutinizing it has an impact on social reality.

### **1.10 RESEARCH APPROACH**

There are three approaches commonly used in research: Qualitative research, quantitative research, and the mixed methods approach which combines the other two. McCusker and Gunaydin (2015) assert that the main characteristics of qualitative research are its methods, which frequently produce textual data for analysis rather than numerical data, and its purposes, which are related to understanding a certain aspect of social life. Unlike Quantitative research, approaches come in various forms. It may fall under the category of survey, correlational, experimental, or causal-comparative research. Survey research uses scientific sampling and carefully crafted questionnaires to statistically evaluate demographic characteristics. It aims to respond to queries like "How many people feel a specific way? (Sukamolson, 2007). An approach to study that combines quantitative and qualitative components that can produce a more significant research result is known as mixed research (Wahyuni, 2012).

In this study, a quantitative approach will be used to analyze the role of internal audit in mitigating non-compliance and irregular expenditure within eThekweni Municipality. According to Creswell (2017), quantitative research provides a very succinct description of data. It is described as a kind of study that gathers numerical data and uses mathematically based techniques (particularly statistics) to analyze it to understand phenomena. The quantitative method has been determined as the best for this study on the role that internal Audit has in mitigating noncompliance and irregular expenditure at eThekweni Municipality. With this approach, we will be able to gain an understanding of what role can be played by internal

Audit to prevent irregular expenditure. The interactions that will be conducted during this study with eThekwini Municipality auditors and auditees will be to gain a better understanding and position of the internal audit within the municipality.

### **1.11 RESEARCH DESIGN**

The researcher will follow a survey research design for the chosen quantitative method. Survey research design is a quantitative research method used for collecting data from a selected set of respondents. It is one of the most used methodological designs in business and auditing research due to the multiple benefits and advantages that it has when collecting and analyzing data (Dubihlela & Sandada, 2014). By examining a sample of the population, a survey design offers a quantitative or numerical depiction of the attitudes, trends, or opinions of that population. The researcher extrapolates or makes conclusions about the population from sample results (Crestwell, 2017). With this design larger amount of information can be gained through the bigger population

### **1.12 DEMARCATION/DELIMITATION OF STUDY**

Delimitations could be explained as specific boundaries to which the research was limited. The research was limited to the eThekwini Municipality, focusing on internal audit personnel and the auditees. The study examined the internal audit unit and other units that had been audited. It concentrated on the audit work conducted by the internal audit unit in mitigating non-compliance issues and irregular expenditure within the eThekwini Municipality. The findings of the study were confined to the eThekwini Municipality.

### **1.13 SAMPLING PROCEDURES**

#### **13.1 POPULATION**

The population could be described as the complete group about which a researcher sought to make conclusions, while sampling was the process of choosing appropriate samples from the population (Creswell, 2017). For this study, eThekwini municipality personnel included the population from which the sample was drawn.

### **1.13.2 SAMPLE METHOD/TECHNIQUE**

Sampling is the process of choosing a subset of a population in order to conclude the whole. Employees from the internal audit, supply chain management, internal control, and finance department of eThekweni Municipality made up the targeted population. A sampling technique known as "random sampling" gives every item in the universe an equal chance of being included in the sample. When individual units are chosen at random from the entire group during a raffle draw, for example, it is not a purposeful process; rather, it is merely a blind chance that determines which additional or unique goods are preferred (Etikan & Bala,2017). In this study, random sampling was used. In this study, the survey and questionnaire techniques were used and sent to respondents who were willing to participate in the study.

### **1.13.3 SAMPLE SIZE**

A sample is a limited portion, or subset, of individuals selected from the intended audience. Conversely, the target population is the whole group of participants whose traits the research team is interested in (Hazra & Gogtay,2016). The targeted population included employees from eThekweni Municipality. A survey study was conducted on 150 personnel from the Internal Audit unit and other units that had been audited, such as Finance and Supply Chain units. A simple random sampling gave each member of the population an equal chance of being selected. In this research, respondents were randomly selected to participate in the survey. The respondents were sent the survey questions, and the respondents had to be employed by eThekweni Municipality and working within the Internal Audit unit or the identified departments.

### **1.14 DATA COLLECTION INSTRUMENTS**

Methods for gathering data are employed to gather information in an organized fashion. The researchers select and employ a range of data collection techniques. Good data-gathering techniques increase the validity or accuracy of study results. Compared to unstructured or semi-structured qualitative data, quantitative data are acquired in a more structured manner (Sadan, 2017). In this study, a questionnaire was used to collect data from the respondents. A structured questionnaire was sent to Internal Audit personnel, managers, and senior officials who engaged with auditors during an audit, understood the importance of audits, and were involved in

financial management decisions at the municipality. The respondents' anonymity was maintained throughout the interview to protect the participants. Given the significance of the comparability of replies to the survey items and the respondents' time, the type of items included in the study were closed questions and statements that were developed in a matrix structure.

### **1.15 DATA COLLECTION/FIELDWORK**

The data collection technique that was used for this study included a structured questionnaire that was sent to respondents through e-mails. According to Creswell (2017), who concurs with these advantages, using questionnaires is less expensive and time-consuming than using other research instruments. Additionally, because questionnaires were sent to specific research participants, privacy and anonymity were encouraged, and data of any volume could be collected without difficulty.

### **1.16 DATA CODING AND ANALYSIS**

Analyzing and interpreting numerical data is the process known as quantitative data analysis. By using statistical tests and mathematical computations to find patterns, trends, and correlations between variables, it aids in the interpretation of data. Data management is essential because questionnaire surveys frequently comprise a significant number of variables observed in a sizable sample of subjects. Traditionally, the estimation of means, variances, smallest and greatest values, and graphical representations like histograms or boxplots are used to derive the description of variable distribution (Fallisard,2011). Content data analysis will ensure that significant data is identified and recorded. As a result, in this case, data reliability is crucial.

Descriptive and inferential statistics were used in this study. In general, descriptive statistics were particular techniques that were employed to efficiently, logically, and meaningfully compute, characterize, and summarize the research data that had been gathered. In the manuscript text, tables, and/or figures, descriptive data were presented quantitatively or graphically (Vetter, 2017). The Statistical Package for Social Sciences (SPSS) and Microsoft Excel were used to conduct the required analysis of the quantitative data. SPSS was a software package used for the analysis of statistical data, with a user-friendly interface to enable organizations to easily derive actionable insights from data. To characterize or summarize the

features of the data collected about the function of internal audit in reducing the irregular expenditure at eThekwini municipality, descriptive statistics analysis was carried out.

Inferential statistics were applied using correlation and regression analysis to ascertain if the relationships existed between the study's independent and dependent variables. The analysis was undertaken based on the set research objectives. The technique of using sampled data to infer or forecast more about a larger sample data set or population was known as inferential statistics. One of the best methods for estimating with confidence how a set of data would scale when applied to a wider population of participants was inferential statistics. These statistics made assumptions about the performance of a broader group of subjects based on the performance of the current subjects, using the same sample of data as descriptive statistics (Corbo, 2022). SEM made it simple for researchers to establish and verify theoretical links between constructs and their observed indicators, as well as hypothetical interactions among the constructs themselves. Inferential statistics were analyzed through the use of results that were interpreted and supported using reviewed literature. The questionnaire mainly used a 5-point Likert Scale.

## **1.17 OUTLINE OF THE DISSERTATION**

Chapter One is an Introduction to the research topic,

Chapter Two is the literature review discussing the role of internal Audit in mitigating noncompliance and irregular expenditure within eThekwini Municipality operations. It will give an overview of eThekwini Municipality irregular expenditure and how it's affecting service delivery to local communities.

Chapter Three focuses on the research of the topic. It talks about research methodology, research techniques, and the distinctions between qualitative and quantitative research. Further details on the sampling process, target population, sample size, data collection, and analysis are provided in this chapter.

Chapter Four- Presentation and Data Analysis Data analysis, results presentation, and discussion are covered. It aims to depict what was discovered during the data collection process. The study's conclusions and suggestions are reached through the presentation and discussion of themes and sub-themes.

Each question's summary results and conclusions are provided in Chapter 5. The researcher makes suggestions for the investigation as well as for any related future research. The study's weaknesses are also emphasised and talked about.

Chapter Six, conclusions and recommendation including a judgement based on the research's findings.

Research Phases	2024			
	Jan- March	April- June	July- Sept	Oct-Dec
Proposal Review				
Ethical Clearance Submission				
Ethical Clearance Approval				
Data Collection-Literature Review				
Data Collection-Interviews				
Data Analysis				
Write -up				
Draft Submission				
Final Submission				

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

The previous chapter provided the outline of the study, the clarification of the problem, the research objectives, and a brief of the methods espoused in this study. This chapter provides a literature review of the study. In this chapter, some of the questions posed in the previous chapter will be answered and irregular expenditure will be explained more broadly together with the legislations that underpin the municipal management. Internal audit function will be discussed to gain an understanding of how it identifies indicators of irregular expenditure and provides reasonable assurance on the adequacy and effectiveness of existing controls related to irregularities and detection or prevention. To provide context for the study's topic and goals, the researcher will review the literature. A literature review on a subject is intended to give readers an overview of the sources you have used and to show them how your study fits into

the body of knowledge already available on the subject (Labaree, 2009). A literature review is an essential component of academic research. Despite the abundance of literature review guides, their applicability is still limited due to their inadequate consideration of the various types of literature reviews. Notably, literature reviews can appear as standalone studies or as a component of conceptual or empirical research, in which case they can be curated in a variety of ways (Lim., et al.2022) According to Labaree (2009), a literature study helps to pinpoint the aspects of a subject that have not been thoroughly investigated yet and new ideas can be developed together with solutions.

Snyder (2019) reported that a literature review is a great tool for combining research findings to demonstrate evidence at the meta-level and identify areas that require additional study, which is essential for developing theoretical frameworks and conceptual models. Any research project must include a review of literature which is a critical evaluation of earlier research. Since it offers background, context, and relevance to the research problem you are examining, the literature review is one of the pillars that support your research proposal (Barathi &Thulasingham 2022).

The purpose of the literature review is when reading an article, the author usually starts by summarizing earlier studies to evaluate and map the research field, which drives the study's objectives and supports the study's research question and hypotheses. To guarantee that the literature review is precise, accurate, and reliable, the research must adhere to the correct procedures (Snyder, 2019). According to Hart (2018), a literature review assists in refining a topic, making the study more engaging and useful in the process. The review of the literature was conducted to provide context for the study and shed light on the rationale for the topic choice.

## **2.2 Underpinning theoretical framework**

A theoretical framework is a set of concepts and premises that are logically formed and interrelated, derived from one or more theories, and designed by a researcher to support a study. Any theories and concepts that will serve as the foundation for the research must be defined, logical linkages must be made between them, and these notions must be connected to the study that is being conducted to establish a theoretical framework (Varpio et al., 2020). In this chapter, two theories will be discussed relating to the internal audit function and auditors.

### 2.2.1 Agency Theory

Kopp (2023) reported that an agency theory can be described as the relationship between corporate principals and their agents. The most prevalent kind of relationship is that which exists between corporate leaders acting as agents and shareholders acting as principals. Any relationship between two parties where one, the agent, represents the other, the principle, in daily transactions is considered an agency. The agent has been engaged by the principal or principals to carry out a task on their behalf. Agents make decisions on behalf of principals. Disagreements may emerge due to the agent's involvement in several financial decisions that impact the principal, including disparities in priorities and interests. According to agency theory, a principal's and an agent's interests aren't always aligned. Problems where one party (the agent) is expected to operate in the best interests of another (the principle) yet the agent's personal interests may conflict with the principal's and the principal is unable to adequately supervise and discipline the agent are the focus of agency theory (Shailer 2023).

Agency theory assists in describing the existence of internal audits and explains the role of internal auditors within an organization. In this study, an agency relationship is between the municipality as a principal and the internal auditors as an agency. The municipality management has delegated duties to auditors to obtain reasonable assurance about whether the financial management of the municipality is free from material misstatement. The internal auditors provide assurances on matters relating to fraud or error, issue auditors' reports that include the auditor's opinion, and also assess compliance with policies and procedures, assessing the quality of internal controls. Internal auditors also evaluate the quality of risk management and provide recommendations for ineffective controls (Institute of Internal Auditors, 2017).

Trust has been given to auditors to ensure that the municipality complies with relevant laws and regulations. To preserve confidence and trust, an audit offers an unbiased check on the activity of agents and the information they supply. To match agents' interests with principals', a variety of methods are employed, giving principals the ability to monitor and regulate the actions of their agents. Compensation plans and incentives for agents, as well as the market for corporate control and the board of directors' hiring and firing authority, can offer an efficient method (Institute of Chartered Accountants, 2005). According to Sanders (2003) and Carpenter (2003). The principal can control the agent's actions through contract arrangements. When an agent acts

on behalf of the principal and makes decisions that are not in the best interests of all parties involved, including personal financial gain, a conflict of interest may exist between the main and the agent (Corporate Finance Institute, 2024). When such agency problems arise, management has developed an internal audit function to ensure compliance with company policies.

### **2.2.2 Institutional Theory**

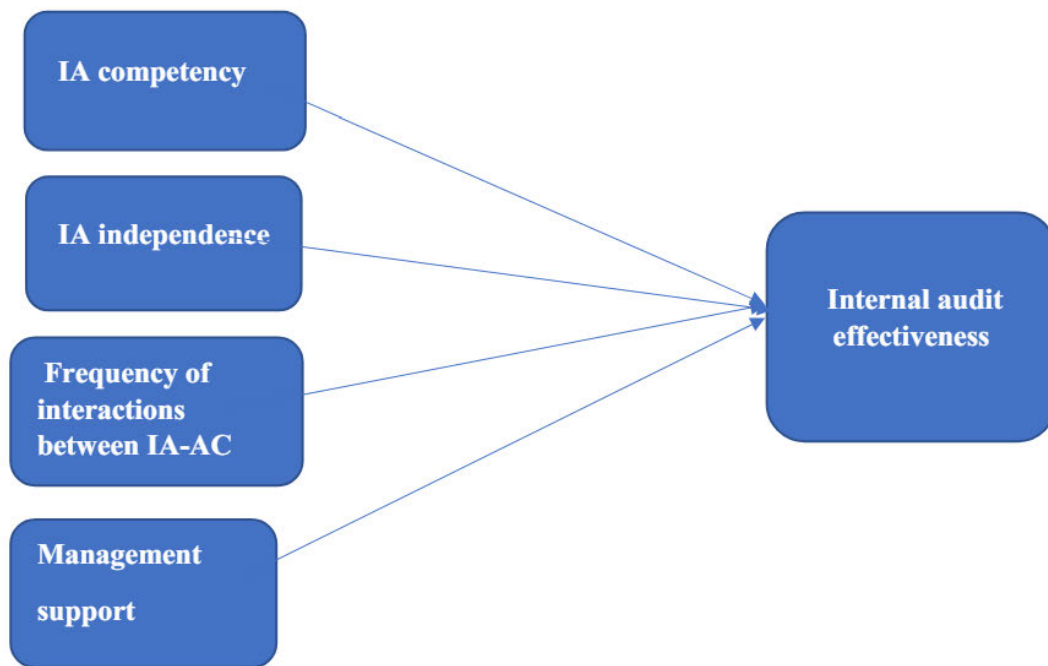
The institutional theory focuses on the most robust and profound facets of social organization. It takes into account the ways in which established structures such as rules, conventions, routines, and schemas become the supreme standards for acceptable social conduct (Scott, 2005). Because they control the course of social life and are an integral part of the social order, institutions are essential to understanding the social world. The rules of variation are established by these constants. Because social constraints naturally counterbalance deviations from them, making them costly, institutions serve to condition behavior. These controls link nonconformity to higher costs via raising danger, raising cognitive demands, or lowering legitimacy and the resources that go along with it (Lawrance & Shadnam, 2008). The goal of institutional theory is to explain why organisational practices and forms are similar, or isomorphic, as well as the reasons behind this resemblance. Isomorphism boosts organisational legitimacy, according to a fundamental tenet of institutional theory: when an organisation adopts commonly recognised practices, it gains the support and acceptance of its surroundings (Kauppi, 2022). According to Silva et al. (2023), institutions structure incentives in human contact, whether political, social, or economic. They are the societal norms or, to put it more technically, the created limitations that shape human interaction. In order to direct and regulate human contact, institutions become crucial tools for formulating and carrying out exchange agreements that "reduce transaction costs and uncertainty by providing a structure for everyday life". The prospective ability and dedication of an institution to carry out its assigned responsibilities and powers in accordance with the Constitution and other laws in a sustainable, effective, and efficient manner is known as institutional capacity (Scheepers & Schwella, 2015).

The auditors are responsible for effective internal controls of the institution and assessing the adequacy of financial management, it's important for an organization to have an audit function within it structure. In the public sector, an efficient internal audit function is seen as a key governance instrument that improves organizational governance. Risk assessment plays a

crucial part in the control environment, and internal audit's analysis of governance procedures strengthens the governance structures.

To reduce inefficiencies and enforce budgetary restraint, developing nations like South Africa need strong local government control. It would be impossible to detect and regulate misbehavior in local government without putting in place an efficient internal control mechanism, this is the reason why each Municipality has Internal Audit Unit in order to detect and regulate misbehavior (Mbewu, 2017). In order for an organization to have an effective internal audit function it should establish a good audit committee. According to Josh and Karyawati (2022) auditing professionals in honing their key competencies to provide their services effectively and explains to them how regular communication with audit committee members will help them stay focused on the performance of the organization by increasing the efficacy of the internal audit. In order for an internal audit function to be effective it should comply with the Institute of Internal Auditors standards, perform risk-based audit, and present quality assurance. The diagram below **Figure 1** serves as an example of internal audit competence and influences on internal audit effectiveness. The support from management and other bodies also plays a role in internal audit effectiveness.

**Figure 1: Research Framework model**



**Source: Josh and Karyawati (2022)**

### **2.3 eThekwi Metropolitan Municipality**

eThekwi Metro Municipality was created in 2000, situated on the East Coast of South Africa within the Province of Kwa Zulu Natal, which is South Africa's third-largest municipality. With a 59.88% contribution, eThekwi is regarded as KZN's economic capital to the provincial GDP, which is equal to R468 billion. eThekwi Municipality's role is to provide service delivery to the 3 987 648 population and invest in places that will make the strongest social and economic impression in the city. eThekwi Municipality is divided into five functional municipal regions, namely; North, Central, South, and Outer West, Figure 1 shows the eThekwi spatial regions (eThekwi Municipality, 2023).

eThekwi Municipality is renowned for housing Africa's busiest and best-managed port. Global conferences have been held at the top-notch International Convention Centre in Durban, among other significant events and also sporting events such as the Durban July and Comrades Marathon attract millions of domestic tourists annually. eThekwi Municipality also owns a world-renowned water park situated in Durban with Africa's largest aquarium known as Ushaka Marine World. The goal of the municipality is for the eThekwi Municipality to be known as Africa's most livable city by 2030, with a harmonious community of residents. By expanding eThekwi's economy and attending to people's needs, the vision will be realized and all residents will be able to live in a city they can be genuinely proud of, enjoying equal

opportunities and a good standard of living. In order to do this, the city has worked hard to guarantee that the lowest of the poor receive services (eThekweni Municipality, 2023).

**Figure 1: eThekweni Spatial Regions (eThekweni Municipality, 2023)**

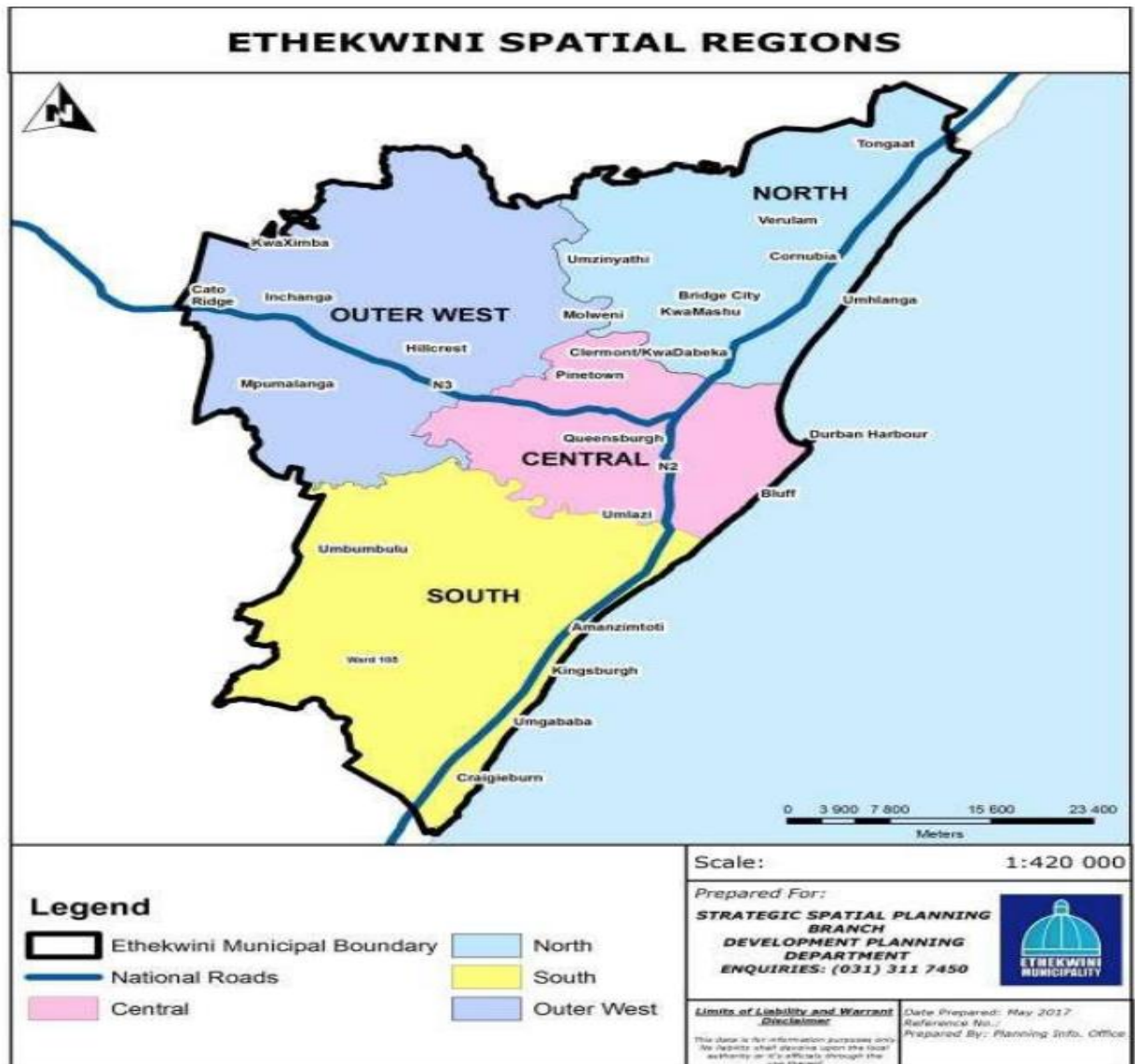


Figure 1: eThekweni Spatial Regions (eThekweni Municipality, 2023)

### 2.3.1 Mandate of the Municipality

Section 152(1) of the Constitution (RSA,1996), which describes the goals of every municipality in South Africa, specifies the general mandate of eThekweni Municipality. This section outlines five goals: ensuring local communities have democratic and accountable government; delivering basic services to the public in a sustainable manner; promoting social and economic

development; fostering a safe and healthy environment; and encouraging public and public organisation participation in local government affairs (Constitution, RSA, 1996). “To ensure the provision of services to communities in a sustainable manner; to promote social and economic development; and to promote a safe and healthy environment” are the main goals of this study, as stated in section 152(1) of the Constitution (RSA, 1996: 74). The eThekweni Municipal Council created and approved an in compliance with the terms of sections 34 of the Municipal Structures Act and 25 of the Municipal Systems Act. eThekweni Municipality has an integrated development plan which is a five-year plan starting from the 2022/23 financial year to 2026/27. There is a process in place for the preparation, writing, approval, and evaluation of the Integrated Development Plan (IDP) which is adopted by the council as per Section 28 of the Municipal Systems Act (eThekweni Municipality, 2023ed).

The IDP has key strategic objectives for the municipality for a five-year period. These consist of the following: an annual report that includes the performance results of the municipality and is compiled annually at the end of each fiscal year; an annual delivery plan Service Delivery and Budget Implementation Plan (SDBIP) that is drafted annually with a three-year projection period based on the IDP and the available resources as contained in the budget; and a budget that is informed by the strategic objectives and strategic direction of the municipality as contained in the IDP (eThekweni Municipality, 2023ed). The vision of eThekweni Municipality is: "to be Africa's most caring and liveable City by 2030 and where all citizens live in harmony" (eThekweni Municipality,2023). In order to guarantee that the Municipality fulfills the aforementioned vision, the IDP is carried out via an eight-point plan, which is composed of eight distinct yet connected plans. The eight-point programs are compliant with national, international, local, and provincial requirements. The plans also have additional alignment with the municipal priorities that are essential to realizing the city's vision of "being Africa's most caring and livable City where all citizens live in harmony." The Figure 2.1 diagram below illustrates the municipal eight-point plan which informs the IDP.

**Figure 2.1: Municipal 8 point plan**

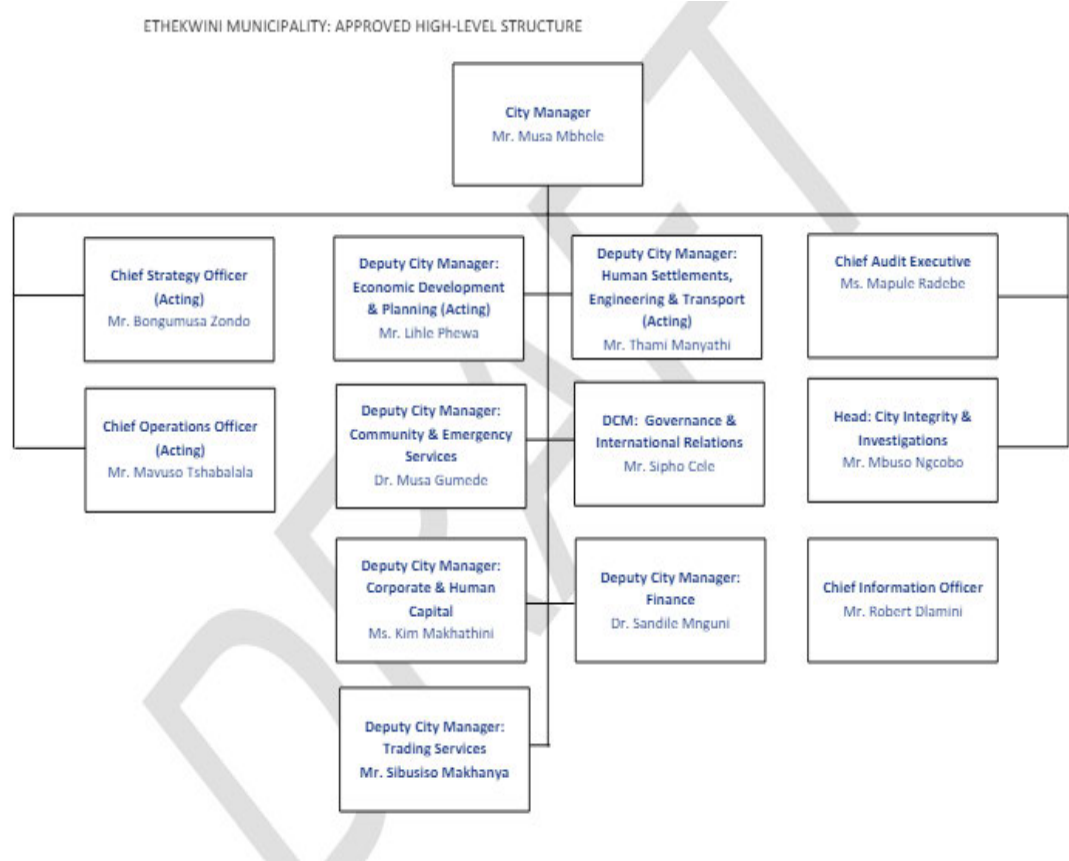


Source: (eThekweni Municipality,2023)

### **2.3.2 Structure of the Municipality**

It is crucial that there be an organisational structure in place that can carry out the plan. Elected council members oversee the delivery of services to improve the quality of life for residents of the eThekweni Municipality. The Council is made up of various implementation committees, an executive committee, council members, and an elected mayor. Councillor Mxolisi Thomas Kaunda is the Mayor of eThekweni. With the assistance of an Executive Management Team, the City Manager oversees the administration of the City. Figure 2.2 below is a summary of the organisational structure by cluster (eThekweni Municipality,2023). The organisation acknowledges that there will almost always be openings in any organisation, but it has launched a vigorous effort to fill important roles with suitable candidates.

**Figure 2.2 eThekweni Municipality organisational structure**



(Source: eThekweni Municipality, 2023)

#### **2.4 Legislation governing municipal financial management**

The long-term viability of municipalities is contingent upon the implementation of prudent financial management procedures. They support the democratic accountability process. Ineffective or opaque financial management leads to resource misallocation and raises the possibility of corruption. Managing a variety of interconnected elements is part of municipal financial management, including planning and budgeting, revenue, cash and expense management, procurement, asset management, reporting, and oversight (National Treasury Regulations, (2011). Every element helps to guarantee that spending is efficient, effective, and growing, and that local governments may be held accountable for their actions. The Municipal Finance Management Act (MFMA) establishes the fundamental frameworks and requirements for municipal operations, planning, budgeting, governance, and accountability. It also coordinates with the Municipal Structures Act (1998), Municipal Systems Act (2000), Municipal Property Rates Act (2004), and Municipal Fiscal Powers and Functions Act (2007), (National Treasury, 2011). These frameworks are the government guidelines for effective municipal financial management.

#### **2.4.1 The Constitution of the Republic of South Africa**

The country's supreme law is the Constitution. After apartheid was abolished in South Africa on May 8, 1996, the Constitutional Assembly enacted it as Act No. 108 of 1996 (RSA, 1996). The Constitution is broken down into fourteen chapters. The three tiers of government—local, national, and provincial—make up the apparatus of government that the state uses to carry out the principles outlined in the constitution (RSA, 1996).

The primary subject of this section of the paper is local government as it is related to Chapter Seven of the Constitution. The local government level is defined as municipalities under Section 151(1) of Chapter Seven of the Constitution. These municipalities must essentially be defined across the whole territory of South Africa (RSA, 1996). It is useful in situations where disagreements over municipal financial management issues occur between various institutions, within municipalities, or within domains of governance. Regarding this clause, it states that the people should hold the Local Municipalities accountable.

#### **2.4.2 Municipal Finance Management Act**

According to Mothupi (2018), This Act's primary goal is to improve local municipalities' economic development through sound financial management. This Act also promotes sustainable service delivery, solid budgetary execution, corporate governance, efficient planning, accounting, and reporting of Municipalities' financial operations, and effective financial management. The MFMA was established in 2003. At the time, the local government finance system was characterised by practices such as one-year line-item budgeting, which made it difficult to link the medium-term budget with strategic planning or priorities. This usually meant that instead of considering current priorities and community needs going forward, authorities would provide money based on past commitments (National Treasury,2011). This Act serves as a guide for municipalities on effective and transparent utilization of public funds. The custodians of public funds remain accountable through this Act.

In Chapter One of the Act irregular expenditure is explained as expenses expended by a municipality or municipal organisation that are not in compliance with this Act's requirements and that are not excused under Section 170. One instance of irregular expenditure is when an employee of an organisation failed to disclose the involvement of close family members, partners, or associates, or failed to withdraw from the bid award process. As a result, expenses were incurred, or awards were given to suppliers who are listed in the National Treasury's

database as individuals who are not allowed to do business with the public sector (National Treasury,2005). Section 60 of the MFMA states that in addition to being the municipality's accounting officer, the municipal manager is responsible for supervising and counselling the political structures on the implementation and observance of all Act provisions. Political office-bearers and officials and any municipal entity under the sole or shared control of the municipality (MFMA,2003). Section 60 of the MFMA states that the municipal manager serves as the municipality's accounting officer and is in charge of overseeing and advising on the execution and observance of all Act provisions to the political organisations, Political leaders and office holders, and any municipal body that is solely or jointly controlled by the municipality (MFMA,2003). With these powers, the accounting officer is responsible for the financial administration of the municipality and must ensure that accurate and complete records of the municipality's financial matters are maintained in compliance with any guidelines or requirements that may be specified as per section 62 of the Act and it also states that irregular expenditure and other unapproved, ineffective, and wasteful spending are avoided by the municipal manager. This can be done by having an internal audit as per section 165 which enforces a formulation of an internal audit within a municipality which will prepare a risk-based audit and assist municipal managers to manage irregular expenditure.

### **2.4.3 Regulations Guiding Municipal Operations**

The laws, ordinances, rules, guidelines, standards, circulars, and interpretative statements that municipalities are required to abide by are all included in the South African Municipal Legislative Framework (Mwelase & Chummun ,2022). The foundation of South Africa's municipal finance system is the Constitution of the Republic of South Africa. It is useful in situations where disagreements over municipal financial management issues occur between various institutions, within municipalities, or within domains of governance (Pauw, 2009). According to Section 152 of the constitution, in order to fulfill its core goals, the local government must provide people with sufficient municipal services. On December 11, 1998, the Municipal Structures Act was signed into law. This act, which takes its cues from the Constitution, attempts, among other things, to "provide for the establishment of municipalities in accordance with the requirements relating to categories and types of municipalities" (RSA, 1996). The Municipal Structures Act make provisions for the creation of municipalities in compliance with the specifications about the different categories and types of municipalities.

## **2.5 National Treasury's role in financial management**

The National Treasury role is defined by the Constitution of the Republic of South Africa. In addition to managing the budget preparation process and overseeing the execution of the annual national budget, including any revisions budgeted, it also handles intergovernmental financial ties. In addition, the National Treasury carries out duties delegated to it by other laws. The National Treasury oversees the budget preparation process, plans intergovernmental financial relationships, and controls the execution of the annual national budget, including any changes to budgets (National Treasury,2011). In addition, the National Treasury carries out duties delegated to it by other laws. The National Treasury is required by the Constitution of the Republic (Chapter 13) to guarantee accountability, transparency, and strong financial controls in the administration of public funds (National Treasury, 2011). According to the National Treasury is essential to the enforcement of the PFMA and other mandated norms and standards in a democratic South Africa. These standards may include those pertaining to generally accepted accounting methods and uniform classification schemes across national departments. The National Treasury primarily encourages and upholds openness and efficient administration with regard to the income, expenses, assets, and obligations of agencies, public bodies, and constitutional institutions. The National Treasury must create tax structures that are best suited to achieving a revenue-raising goal. These tax tools have to be in line with the objectives of the social and economic policies of the government (National Treasury,2011).

## **2.6 Role of Auditor General**

One of the Chapter Nine institutions created by the 1996 South African Constitution to promote democracy is the Auditor-General of South Africa (AGSA). As a "watchdog over the government," the Auditor-General functions similarly to the Public Protector in terms of ombudsmanship, albeit with far more constrained authority. The correct use and administration of public monies, not inefficient or inappropriate bureaucratic practices, are the office's main priorities. Section 188 of the Constitution requires the Auditor-General to provide reports on the financial operations of all administrations at the federal, provincial, and local levels. The Auditor-General can also conduct an audit of any organisation that gets public funds. Public release of the Auditor General's reports is required. According to Section 181(2) of the Constitution, the Auditor-General is an independent official, and the office's powers and responsibilities must be carried out without fear of reward or reprisal. The Auditor-General's tenure is set forth in section 189 and has a five to ten year non-renewable term. The Auditor-

General of South Africa conducts routine audits of municipalities, designated public enterprises, and national and provincial government departments (sometimes referred to as auditees or clients) (AGSA). Among other discretionary audits, AGSA also conducts performance audits, special audits, and investigations. Its audit reports are made public and given to the Parliament, provincial legislatures, and city governments. (AGSA,2023).

AGSA is accountable to the National Assembly, to which it produces an annual report outlining its activities and the performance of its responsibilities each year, together with its strategic plan, budget, and other important accountability tools. According to the Auditor General's reports on the performance of local government's public finances, municipalities are struggling to regulate inefficient, irregular, and unauthorised spending, and they have not made much progress in this area. The aforementioned factors pertaining to local government in South Africa are caused by noncompliance and inadequate public accountability, which adversely affects the provision of services (AGSA,2022). This is problematic because, as a result of the high unemployment and income disparity rates in the nation, the majority of South Africans rely on the government for basic services (Selepe,2023). According to the AGSA, there was R107,38 billion in outstanding irregular expenditure at the conclusion of the 2021–22 fiscal year. These expenses had accrued over a number of years and had not been paid for. In the fiscal year 2021–2022, 68% of municipalities spent a total of R25,47 billion on irregular expenditure. In light of this, the study looked into the effects of irregular spending in the local government finance system and offered suggestions for how to strengthen governance and ensure adherence to the Act and other laws (AGSA,2022).

The Auditor General has made comments that irregular expenditure's root cause is noncompliance with supply chain management regulations. Supply chain management involves the procurement of goods and services, without following the proper supply chain management procedures irregular expenditure might occur. The AGSA and other organisations have frequently noted that inadequate financial management, ineffective governance, and ineffective leadership are the main barriers to obtaining clean audit opinions in municipalities (AGSA,2022). The findings and suggestions of audits can be used to increase public sector accountability. Thus, if auditors implement audit recommendations for improved government performance and resource management, public sector audits can be successful in enhancing the local government's economy, efficiency, and efficacy (Matlala & Uwizeyimana, 2020). The right to investigate and inquire into any matter, including the efficacy and efficiency of internal control and management measures pertaining to the revenue and expenditure of an institution

whose accounts are being audited, is granted by the Auditor-General Act, 1995 (Act No. 12 of 1995). The AGSA's lack of ability to guarantee that audit results and recommendations are implemented presents a political difficulty. The AG has no legal authority to prosecute or dispense disciplinary action; this is left to other public institutions such as the Director of Public Prosecutors and the Public Protector. One of the major issues confronting the AG's office is that the majority of provincial government agencies and departments do not adhere to all the laws governing public finance management (Nzewi & Musokeru, 2014).

## **2.7 Irregular expenditures**

An expenditure is considered irregular if it is made without following the Public Finance Management Act 1 of 1999 (PFMA) or the constitution. This expense has to be looked into and reported to the appropriate Treasury. The (Auditor General of South Africa,2023) defined irregular expenditure as spending that was not incurred in a way that was prescribed by law; in other words, the auditee failed to follow the applicable law at some point during the process that led to the expenditure. Spending by a municipality that is not authorised under section 170 and that is in violation of the Municipal Finance Management Act 56 of 2003 is referred to as irregular expenditure involving a municipality.

For instance, the official will make purchases using public funds without the accounting officer's or an appropriately authorized or authorized officer's consent. This does not necessarily mean that the funds were misused or that the Division of Revenue or Appropriations Acts did not authorize them. As an additional illustration, unauthorized spending might happen when a top manager is legally empowered to decide which contractors to hire to maintain office space (National Treasury Regulations,2011). Local government in South Africa is experiencing a crisis, and things are getting worse. The majority of municipalities are facing serious challenges like subpar financial management, inadequate infrastructure development and maintenance, and poor service delivery. Municipalities in South Africa do have budgets that they follow, and the Municipal Systems Act of 2000 states that adjustments to these budgets that don't follow the correct procedures constitute financial mismanagement and are the root cause of irregular expenditure issues ( Thusi,,et al. 2023).

Any decision made in this regard by the senior management is permitted, but it may be deemed irregular if it violates Treasury regulations or the Public Finance Management Act, which are

in place to guarantee that all qualified contractors are treated fairly and equally. Dlomo (2021) concurs that everyone has a responsibility to contribute in order to guarantee the effective, economical, and efficient utilization of the budget. To secure all transactions made using public funds, this calls for a targeted implementation and reinforcement of the internal control procedure.

It is evident that an allowed expense that deviates from any procedural standards is essentially considered an irregular expenditure. Therefore, any behavior that fits the description of irregular expenditure given above is considered to be against procurement or financial management guidelines. Therefore, the accounting officer must take action to stop such a violation from happening (Dlomo, 2021).

It is said that the majority of irregular expenditures happen as a result of weak mechanisms controlling the acquisition of goods and services. This fact is related to the decentralization of supply chain management (SCM) procedures to provinces that are incapable and under-capable (Mamve, 2022).

The 2022 /2023 Auditor General report has revealed that irregular expenditure for eThekweni Municipality has doubled compared to 2019. Financial year 2022/2023 irregular expenditure has risen to 2.41 billion as per the Auditor General media report (AGSA,2022). The top contributors to irregular expenditure were as follows: R2.03 bn was as a result of non-compliance with Supply Chain Management (SCM) local content; R211.88 m was due to non-compliance with SCM, including adverts not being adequately advertised; R89.84 m was due to non-compliance with Municipal Finance Management Act (MFMA) section 36; R37.15 m was due to non-compliance with MFMA section 116; and R34.41m arose from City Integrity and Investigations Unit (CIU) investigations (AGSA,2022). As mentioned above the municipality has been identified as having a high level of irregular expenditure, this is why there was a need to perform a study on eThekweni Municipality's irregular expenditure and find possible ways to mitigate the expenditure.

### **2.7.1 Cases of Irregular expenditure at eThekweni Municipality**

The aim of this study is to identify irregular expenditure within eThekweni Municipality and find ways to mitigate the expenditure. The researcher will make a comparison of the previous three financial statements for eThekweni Municipality starting from 2020 to 2023.

**Figure 2.7.1.1: eThekweni Municipality irregular expenditure for year 2022/23**

**Details of irregular expenditure for 2022/23 financial year**

Irregular Expenditure 2022_2023 Disclosure					
ETHEKWINI MUNICIPALITY					
2023 INTERIM					
SOURCE	Non-compliance	Interim Audit Adjustment	Identified at final	IC SUBMISSION	TOTAL
Non – Compliance with S.C.M – various: This expenditure is deemed to be irregular due to Public Tender processes not being adhered to,3 quotations not being obtained and adverts not being adequately advertised.	Non-Compliance with SCM - Various	20,676,704		-	202,708,777
Non- Compliance with S.C.M - Local Content	Non - compliance with SCM - Local Content	69,384,847			2,030,763,586
Internal Audit reports - inappropriate use of section 36	SCM REG 36	-	38,903,981	-	89,841,520
Conflict of Interest	SCM Regulation 44 - Awards to people in service of the municipality	40,000			2,027,283
Conflict of Interest	SCM Regulation 5(a) - Awards made to close family members in service of municipality(Councillors)	-			2,807,292
Internally reported -Internal Control	MFMA Section 116			37,146,642	37,146,642
Internal Control	MFMA Regulation 19			9,173,095	9,173,095
Internal Control	SCM REG 36				-
Internal Control	SCM POLICY			-	-
Internal Control	Non-compliance with SCM Policy - Local Content	-	-	-	-
CIU Investigations	Irregular expenditure arising through finalised investigations			34,407,840	34,407,840
<b>TOTAL IRREGULAR EXPENDITURE</b>		<b>90,101,551</b>	<b>38,903,981</b>	<b>80,727,577</b>	<b>2,408,876,036</b>

**Figure 2.7.1.2: eThekweni Municipality irregular expenditure for year 2021/2022**

**Details of irregular expenditure for financial year 2021/22**

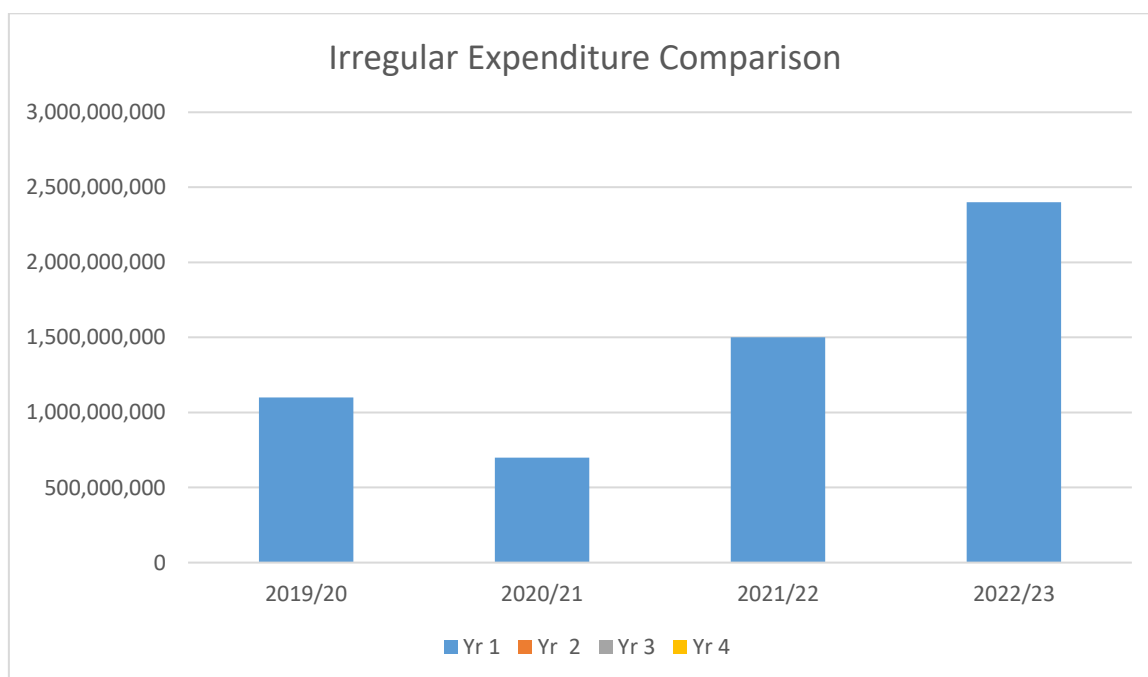
Irregular Expenditure 2021_2022 Disclosure					
ETHEKWINI MUNICIPALITY					
2022 YEAR END					
SOURCE	Non-compliance	Interim Audit Adjustment	Identified at final		TOTAL
Non – Compliance with S.C.M – various: This expenditure is deemed to be irregular due to Public Tender processes not being adhered to,3 quotations not being obtained and adverts not being adequately advertised.	Non-Compliance with SCM - Various	-	104,766,115.99		104,766,116
Non- Compliance with S.C.M - Local Content	Non - compliance with SCM - Local Content		495,247,994.13		
Internal Audit reports		-	-		-
Interim Management Report	SCM - Deviation from SCM Policy	5,732,661			5,732,661
Conflict of Interest	SCM Regulation 44 - Awards to people in service of the municipality	858,191			858,191
Conflict of Interest	SCM Regulation 44 - Awards to people in service of the state	18,654,835			18,654,835
Conflict of Interest	SCM Regulation 5(a) - Awards made to close family members in service of municipality(Councillors)	-			-
Internally reported -Internal Control	MFMA Section 116				273,939,673
Internal Control	MFMA Regulation 32				248,850,031
Internal Control	SCM REG 36				458,733
Internal Control	SCM REG 29(1)				23,609,430
Internal Control	Non-compliance with SCM Policy				-
Internal Audit report/ENTITY AFS					-
CIU Investigations	Irregular expenditure arising through finalised investigations		316,735,887		316,735,887
<b>TOTAL IRREGULAR EXPENDITURE</b>		<b>25,245,687</b>	<b>916,749,997</b>		<b>1,488,853,550</b>

**Figure 2.7.1.3: eThekweni Municipality irregular expenditure for year 2020/2021**

**Details of irregular expenditure for financial year 2020/2021**

Irregular Expenditure 2020_2021 Disclosure				
ETHEKWINI MUNICIPALITY				
2021 YEAR END				
SOURCE	Non-compliance	Interim Audit Adjustment	Identified at final	TOTAL CONSOLIDATED
Internal Audit report/ENTITY AFS	Non compliance with SCM regulations - Covid expenses	3,852,945		3,852,945
Non – Compliance with S.C.M – various: This expenditure is deemed to be irregular due to Public Tender processes not being adhered to,3 quotations not being obtained and adverts not being adequately advertised.	Non-Compliance with SCM - Various		68,396,252.29	68,396,252
Interim Management Report	SCM - Deviation from SCM Policy			-
Conflict of Interest	SCM Regulation 44 - Awards to people in service of the municipality		1,204,504	1,204,504
Conflict of Interest	SCM Regulation 44 - Awards to people in service of the state		6,298,562	6,298,562
Conflict of Interest	SCM Regulation 5(a) - Awards made to close family members in service of municipality(Councillors)			-
Internally reported -Internal Control	MFMA Section 116	74,293,943		371,018,502
Internal Control	MFMA Regulation 32			
Internal Control	SCM REG 36	211,044,067	1,198,034	214,860,350
Internal Control	MFMA Section 15			
Internal Control	Non-compliance with SCM Policy			
Internal Audit report/ENTITY AFS				
CIU Investigations	Irregular expenditure arising through finalised investigations	66,953,267	2,321,055	104,693,392
<b>TOTAL IRREGULAR EXPENDITURE</b>		<b>356,144,222</b>	<b>79,418,407</b>	<b>770,324,507</b>

A bar graph representing the four distinct years is shown below to summarise these numbers.



**Figure 2.7.1.4: Summary of irregular expenditure at eThekweni Municipality for the past four years, 2019-2023.**

The graph above clearly illustrates that eThekweni Municipality has an increase in irregular expenditure which has doubled since 2020/21. Noncompliance with Supply chain management is the top contributor on the irregular expenditure because of weaknesses in internal controls. Internal control flaws, which have encouraged non-compliance in the past and caused management to react slowly, have been the main drivers of irregular expenditure in the City and have helped to preserve legal compliance.

### **2.7.2 Management failures resulting in irregular expenditure**

The Auditor General discovered that internal control mechanisms were not properly set up and supervised by the accounting officer and management to ensure compliance with important regulations pertaining to the environment, spending, penalties, procurement, and contract management (AGSA,2023). Additionally, supplier payments were made in the absence of any supplied services. Officials circumvented internal safeguards within the municipality to guarantee payment to the service provider. The municipality lost R21 million because of the aforementioned. Section 65(2)(a) of the MFMA requires reasonable steps to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval, authorization, and payment of funds for expenditures related to the Presidential Employment Programme and the Expanded Public Works Programme. These steps are not taken (eThekweni Municipality,2023). According to Mokgoro (2018) even when a purchase is made within the parameters of a certain delegation of authority, it may nonetheless be deemed unnecessary and wasteful. This would be the outcome of a bad spending decision (one that resulted in a loss but was made sensibly at the time, taking into account all the pertinent facts available and not being categorized as pointless and wasteful). Each person in a position of authority has an obligation to stop sporadic, pointless, and wasteful spending. The absence of a robust control environment is linked to a lack of monitoring and evaluation, and the state is hesitant to implement supply chain as required in the policy, which is why non-compliance remains unnoticed later on. Government procurement workers wasted millions of rands in violation of rules and policies (Zindi,2022).

Political and administrative leaders must take the lead and establish a culture of accountability at the top in order to bring about change. Because of the unethical actions of local officials fixated on political party rivalries and their unwillingness to hold people guilty of corruption, the local government is in disarray (Takalani,2024). Local government leadership and oversight in South Africa are still weak, oversight is appalling, and there is still a persistent culture of

disobedience and neglect. Lack of service delivery has frequently led to violent and destructive strike actions, casting doubt on leadership abilities. There is a lack of responsibility and capacity, and performance management is not ingrained in the system (Mbandlwa., et al,2020).

In many municipalities, financial management is rapidly declining due to a lack of devoted leadership. The absence of effective, ethical, and prosperous financial management in municipalities can be attributed to inadequate leadership responsibility, skill, and proficiency (Thusi & Selepe, 2023).

When there is irregular expenditure, the wealthy and powerful benefit while the general populace continues to live in poverty. This is because unnecessary spending negatively affects governance. As a result, the electorate is deprived of vital water, energy, and safer roads, which exacerbates service delivery failure. Due to the dearth of services, it is difficult for enterprises to function and make investments in these areas (Mbanye,2021).

### **2.7.3 Potential drivers of irregular expenditure**

The researcher explores possible drivers that might lead to irregular expenditure within a municipality, and what causes non-compliance with relevant laws and regulations in the process that led to irregular expenditure.

#### **2.7.3.1 Inadequate skills and capacity**

According to Reddy (2016) to improve the technical and management skills of elected and appointed local government officials, these issues pertain to capacity development and institutional building. The development of competencies is another aspect of it throughout the local government system and municipal layers to guarantee the preservation of institutional knowledge. Insufficient levels of knowledge prevent South African local governments from enforcing relevant laws and guaranteeing sound financial management. Local governments face challenges in effectively managing their finances because of a shortage of competent personnel and internal capacity difficulties. Zhou & Li, (2012) agrees it seems that there are generally insufficient skills, abilities, incentives, and knowledge of teamwork. Employees' reluctance to share expertise is frequently linked to their fear of losing their jobs. Therefore, it is not unusual to come across workers who are knowledgeable enough to use this to their advantage over other workers while still ensuring their employment.

Qualified audit reports from the AGSA have been sent to several local municipalities; these audits show a lack of proficiency in financial matters, performance issues, and legal compliance—all of which point to inadequate resource management. Under the direction of a municipal manager, inadequate human resource capacity limits the ability of municipal managers to guarantee that there is a suitably competent staff (AGSA,2023). According to Mabunda et al., (2023), Finding municipal finance experts who can effectively forward the development goal is difficult since local governments typically lack the capacity to manage personnel. A lack of competent and effective human resource staff leads to the hiring of employees who are ill-equipped to do their jobs and ineffective performance management. The political meddling in municipal management is another factor contributing to the inability to hire qualified personnel. This implies that the legitimacy of these organisations is put at risk since any municipality that lacks sound recruiting procedures, financial supervision, or both is a major contributor to their incapacity to serve the South African population. (Mabunda et al., 2023).

### **2.7.3.2 Noncompliance with SCM regulations**

The federal government created the regulatory framework in which SCM operates, and provincial and local governments have since added specific laws, rules, and regulations.. According to Ambe & Badenhorst-Weiss, (2012), the goal of (SCM) is to provide value at every point of the procurement process: from the demand for products or services to their purchase, logistical management, and disposal after use. SCM attempts to rectify shortcomings in existing practices including obsolescence planning, contract management, inventory and asset control, and procurement. Thus, the adoption of an SCM policy guarantees consistency in alternatives, bid and procedure standards, and bid and contract paperwork (Ambe & Badenhorst-Weiss, 2012). Significant expenditures are borne by the government and the public as taxpayers as a result of the grave condition of non-compliance with the regulatory frameworks controlling public procurement and contract administration. The objectives of public procurement are comparable to those of the private sector, notwithstanding political pressure and public scrutiny. Regretfully, the large sums of money involved in public procurement expose authorities to corruption, fraud, and waste (Mkhize.,et al, 2022).

The auditor general has made an emphasis and reported repeatedly on SCM weaknesses for several years on the need to pay attention to improving SCM processes. SCM non-compliance may include the tendency not to utilise a competitive process for both quotations and bids.

Incorrect utilization of the preference points system, lack of appropriate bid committees, use of unqualified suppliers, passing over of bids for incorrect reasons, utilisation of the incorrect procurement process in respect of the thresholds, extensions of validity periods, incorrect utilisation of the limited bidding process, inadequate controls and procedures for the handling which might lead to irregular expenditure (Ambe & Badenhorst-Weiss, 2012).

The public and government pay a heavy price as taxpayers for irregular procurement management spending and breaking the laws governing public procurement (Mkhize & Dorasamy, 2024). According to Naidoo (2012), corruption has distorted departmental performance, which has an impact on service delivery. Some political figures and administration leaders who are entrusted with government resources only use them to benefit themselves rather than serve as custodians of the government. According to Ambe (2016), People are becoming very concerned about supply chain management and believe it is being handled in a way that only benefits a small number of people financially. Municipal officials purposefully disobey the laws and rules governing supply chain management, which leads to corruption and unauthorised, wasteful, and pointless spending. One of the main instruments and systems that the South African government uses to carry out its policies for socioeconomic development and change is SCM. The National Treasury has attempted, however, over the years, fraud and corruption in SCM in municipalities have been prevalent. The goals for the implementation of SCM have, for the most part, not been entirely met. Poor audit outcomes, such as irregular spending, a lack of fundamental controls, and a lack of supply chain expertise, are more closely associated with supply chain management (SCM) (National Treasury,2015). Every day, anomalies are reported in newspapers, on radio, on television, and on social media. These complaints indicate that individuals believe they are not getting the necessary amount or caliber of services. SCM is essential to the provision of services in municipalities.

### **2.7.3.3 Lack of accountability and consequence management**

Pillay (2016) reported that South African municipalities are under strain due to inadequate financial oversight and a dearth of accountability, resulting in widespread corruption and financial mismanagement that has a negative impact on the provision of effective and efficient services. Organisational systems and structures that are loose, ill-organized, weak, or ineffective are frequently the results of leaders who lack ethics and responsibility.

Responsibility for choices, actions, results, and policies is closely tied to accountability. Integrity and honesty can only be improved by adhering to the ethical accountability principles and procedures, which are mandatory for all municipalities (Thornhill,2015). Bittner (2001:1) asserts that discipline originates in the highest levels of an organisation and particularly alludes to the commitment of high-ranking officials. Instilling behaviors or mannerisms that are deemed acceptable by society is part of discipline. According to Mohamed (2007:1), because top structures have the power to make decisions, corruption, and unethical behavior are typically more common there. As a result, an audit unit should be established to periodically review choices and the reasoning behind them. Research on accountability has mostly overlooked how managers decide to implement workplace accountability, instead concentrating on how employees view or respond to it. Despite frequent assertions that managers hold subordinates accountable to varying degrees and in varying ways, this omission has happened (Brees & Ellen, 2022).

The municipality must simultaneously raise the bar for both individual and collective performance while considering the current internal and external circumstances (Pillay,2016). The Auditor General has noted that the financial resources allocated to municipalities are either mishandled or inadequately documented, as mandated by regulations governing public finance management. Over the years, the impact of these shortcomings on services has become increasingly apparent in numerous communities, regardless of size. These are demonstrated by the vast number of unfinished and unsupervised projects, the poor upkeep of important infrastructure for the delivery of services, and the chaotic infrastructure and projects for road maintenance. The audit office persisted in calling on local government leaders to take action against infractions and anomalies, but they were ignored (AGSA,2019).

#### **2.7.4 Budgeting control influencing irregular expenditure**

A municipality's expected revenue and expected expenses for a given fiscal year are forecasted as part of the planning process known as municipal budgeting. Municipal budgeting serves as both a thorough corporate plan for financial control and a detailed manual for restricting spending in the context of financial management (Mothupi, 2018). The expenditure of public funds on the basis of decisions made by individuals in their capacities as mayor, member of a council or board, administrator, finance director, head of an operational department, and (sometimes) citizens presents a difficulty for municipal budgets. These individuals might also be motivated by personal goals, which could result in conflicts of interest and the related serious

problems of moral hazard and information asymmetry (National Treasury,2006). Razaki & Lindberg, (2012) reported that municipalities that adopt Zero Based Budgeting, in which every program and expenditure must be justified annually, may choose to employ "Base Budget Additions," in which funds are added a year to each category. This can result in spending money that isn't needed. A concerted attempt is frequently made to spend all of the money allocated. This conduct could be the consequence of a worry that if money is not spent, future budget allocations will be reduced as a penalty. Cities frequently do not penalize department heads for wasteful resource use, nor do they offer performance incentives for waste reduction (National Treasury,2023). Members of the municipal council and department heads typically have a significant impact on the finances of local governmental entities. Everybody has pet projects or pet peeves that could result in resource misallocation or outright abuse of municipal assets. Moreover, it is uncommon for county board members or municipal council members to have formal training in financial resource distribution. The directors of individual municipal departments frequently lack enough training in the budgeting process as well. They might not take an analytical approach to the process, which could result in unreasonable demands and irregular expenditure (Razaki and Lindberg, 2012).

According to Pauw (2009), after the budgetary allotments are provided, the municipal managers in the municipalities are responsible for overseeing the revenue and expenses of the municipality. Note that the budget cycle consists of monthly, quarterly, and mid-year installment reports, but a comprehensive report known as a financial report is released at the conclusion of the fiscal year. It is expected of the management to provide an explanation for any discrepancies in revenue, expenses, and irregular expenditures between the actual and budgetary statistics. Managers in charge of budgetary management must be directed by the monthly cash flow provisions and should endeavor to keep the difference between actual spending and budgeted amounts relatively small. The municipal manager turns in the financial report at the end of the fiscal year or at the end of the midyear (Pauw,2009).

### **2.7.5 Risk management activities**

To prevent irregular expenditure, the risk management function must be proactive in identifying all significant risks, maintaining the strategy's applicability, and making sure the municipality has ongoing monitoring and preventative controls in place. To optimize the value of the municipality, risk management inside the municipality is done through a unified framework. According to Mothupi (2018), for a company to flourish and endure in the commercial world,

risk management is still a key priority. Organizations should identify the risks that are seen to impede productivity and then find a means to manage them in order to gain a competitive edge. The Municipalities have reduced unforeseen, irregular, and wasteful expenditures in resource allocation thanks to the application of risk management. It improves communication and gives top management a succinct overview of the hazards that a business may face, assisting them in making better decisions (Sish,2022).

Mamve (2022) has reported that irregular expenditure risk arises from the fact that it makes room for corruption and fraud, which hinders the provision of services and erodes public trust in the government. Any expenditure that was not incurred in the way that the law prescribed is an irregular expenditure. While control risk examines the failure of government departments and public entities to put controls in place to guard against any form of irregularity, compliance risk in the public sector arises when government departments violate policies that are established for their process. In order to reduce the impact of irregular expenditure inside government departments and government institutions, procurement risk management might be extremely important. Because of this, procurement is subject to a number of hazards, such as poor management, corruption, a lack of accountability, ignorance, and insufficient capability, all of which could have an impact on the department's ability to accomplish its goals (Mamve,2022).

#### **2.7.6 Internal control weaknesses**

The accounting and auditing procedures utilized by a company's finance department to guarantee regulatory compliance and the accuracy of financial reporting are known as internal controls. Glance (2006) explains an internal control system as "the local government process and procedure that has been established with the aim of objective achievement." Internal controls aid businesses in abiding by rules and regulations and thwarting fraud. Additionally, they can contribute to increased operational efficiency by making sure that regulations are followed, budgets are followed, capital shortages are found, and accurate reports are produced for leadership (Kenton,2024). The Institute of Internal Auditors (IIA) (2004) states that internal auditors assist management in assuming responsibility for internal control. eThekweni Municipality has an internal control unit to establish a corporate governance culture by making sure that line departments' policies and procedures are consistent and contain sufficient and dependable controls to guarantee the protection of the City's assets.

Internal control systems are implemented in various situations and are impacted by the subjective qualities of persons and departments, including attitudes, integrity, and ethical principles. If the internal control system is effective and if it is particularly under threat due to a lack of communication, management must take specific action to try and minimize potential threats that may affect the Department (International Standards on Auditing,2019). Mokgoro (2018) reported that management must also be proactive in taking steps to enhance communication regarding the purpose and technical details of the internal control system and individual control procedures. If an official makes system errors on purpose, disciplinary action should be taken to ensure that future non-compliance and errors in the financial and performance management controls are prevented, detected, and corrected on a regular basis. Errors in the financial and performance management controls required immediate action to amend controls. Most instances of internal control violations occur in the supply chain management division. A number of substantial departures from the internal controls that oversee the transactions resulted in departments incurring unauthorized, irregular, wasteful, and pointless expenditures; financial statements presented for audit were determined to be inaccurate and untrustworthy. The primary reason was the lack of documentation, authorization, consistent reporting, and oversight of error control procedures (Mokgoro, 2018).

The management's stance and policies about the importance of internal controls over spending are reflected in the control environment. The organization's history and culture are also impacted by the control environment, which creates a supportive attitude towards internal control and management. The integrity of the personnel in charge of monitoring internal control systems, their ethical beliefs, and the dedication and skill of those handling revenue collection tasks—all of these aspects of the control environment serve as prerequisites for improved cost management (Serem, 2021).

Every year, the AGSA reports on internal control deficiencies, inadequate risk response, and governance shortcomings in its general report on local government (Mwelase, 2022). According to Nyide (2022), the absence of comprehensive MFMA compliance erodes municipal internal controls. It is clear that internal control deficiencies are the primary cause of the high frequency of SCM violations, most municipalities lack the proper internal oversight and controls necessary to guarantee solid financial and performance management. The right to investigate and inquire into any matter, including the efficacy and efficiency of internal control and management measures pertaining to the revenue and expenditure of an institution whose accounts are being audited, is granted by the Auditor-General Act, 1995 (Act No. 12 of 1995).

Effective budgeting and budgetary control procedures, the functioning of internal controls, and the timely reporting of financial concerns are all part of the exercise to ensure spending control measures and to prevent irregular expenditure. One of the main causes of irregular expenditure is non-compliance with supply chain legislation, which can be attributed to inadequate or non-existent internal controls (Dlomo,2022). An example of weak internal controls within eThekweni Municipality is noncompliance with SCM which means that controls within SCM are weak and that has led to irregular expenditure.

### **2.7.7 Supply chain management weaknesses**

Section 111 of the (MFMA, 2003) mandates that the SCM policy be implemented by each municipality. Section 112 of the aforementioned Act offers additional clarification, stating that any policy in question must be fair, egalitarian, open, efficient, and economically viable in addition to adhering to a specific regulatory framework for municipal SCM. In order to acquire goods and services, the accounting officer established the department's (SCM) division. Employees within the supply chain management unit are expected to have very high standards of integrity, honesty, and trust. Since this area handles departmental tenders, employees may be tempted to take advantage of possibilities to collaborate closely with service providers. According to Amber and Badenhorst-Weiss (2012), public procurement in South Africa still faces significant obstacles even with the use of SCM as a strategic instrument. According to Amber (2016), there are insufficient controls and procedures for managing bids, members of the bid committee are appointed without following policy requirements, and there is insufficient justification for deviations from SCM processes and procedures. According to Matlala (2018), public employees' dishonesty, incapacity, and carelessness lead to departure from SCM procedures and guidelines.

Nkwanyana & Agbenyegah (2020) contend that inadequate evaluations of the criteria, inconsistent tender practices, and political meddling in the administration of tenders are just a few of the numerous areas of weakness. Non-payment of service providers is one of these areas. According to the AGSA, a lack of monitoring of public funds results in poor accountability, which in turn leads to the misuse of public funds, including fiscal maladministration and unethical behavior (Sibanda et al., 2020).

Enough capacity, embodied in organisational structures manned by highly qualified and experienced staff, is essential to the effective implementation of supply chain management. In South Africa, there is a persistent problem with a lack of trained and skilled workers, not just

in the government but in many other sectors. Therefore, the main obstacle to effective municipal finance management and SCM implementation is the lack of competent labor (Masete,2018).

Furthermore, in order to carry out their duties and exercise their authority, important officials (chief financial officers, municipal managers, and other senior managers) must possess the necessary training and experience. Public financial management may be hampered by the municipality's failure to appoint Accounting Officers. These officials play a critical role in the institution's leadership (National Treasury,2022). Matlala (2018) asserts that sound financial governance is seen as being of utmost importance and that municipalities will continue to struggle with financial management in the absence of appropriate human management. Numerous financial troubles that municipalities face can be traced back to human concerns, according to the analysis of municipal financial management. Moreover, a municipality's ability to succeed or fail is determined by the caliber of its workforce, the effectiveness of its financial management, and the leadership style of the organisation (Nyide,2022).

## **2.8 Internal Auditing Function**

Internal auditing is defined as an independent, impartial assurance and consulting activity aimed at adding value and bringing improvement to the operations of the organizations. Organisations achieve their goals through strategic and disciplined approaches in the evaluation of risk and controls (IIA, 2016:73). Internal auditing has evolved from its historical form, shifting from a focus on financial and compliance audits to a more comprehensive role that adds value. According to Leung et al. (2006), internal auditors are shifting from control tactics to risk-based approaches and from confrontational approaches to management collaboration. Internal auditors and managers' strong working relationship has long been an issue, but it is now drawing greater attention. Internal auditors are required by their profession to occasionally confer with management, but this invariably raises concerns about their objectivity in carrying out their responsibilities (Mamve, 2022). Internal auditing is now considerably more integrated within the organisation and less introspective. It makes the organisation more involved in the audit process and produces recommendations that help it achieve its objectives (Crisp,2016).

The effectiveness of corporate governance is significantly supervised internally by internal auditors in a number of ways. Internal auditing is described as objective assurance operations and independent consultation (Institute of Internal Auditors (IIA), 2006). According to Dzikrullah et al., (2020), the internal audit division is in charge of monitoring the business's initiatives to enhance operations and provide value. It does this by assessing how well corporate

governance, control, and the risk management process are working. The internal audit function helps to ensure that corporate assets are not being misused fraudulently and helps to provide financial statements in a reliable manner. As a result, internal audits play a crucial role in promoting sound corporate governance. To stop fraud, an internal auditor plays a crucial strategic function. The key to preventing fraud is the internal auditor's position as the management's professional partner in auditing, monitoring, and analyzing management actions as well as providing a forum for sharing and consultation (Fitriyah,2017).

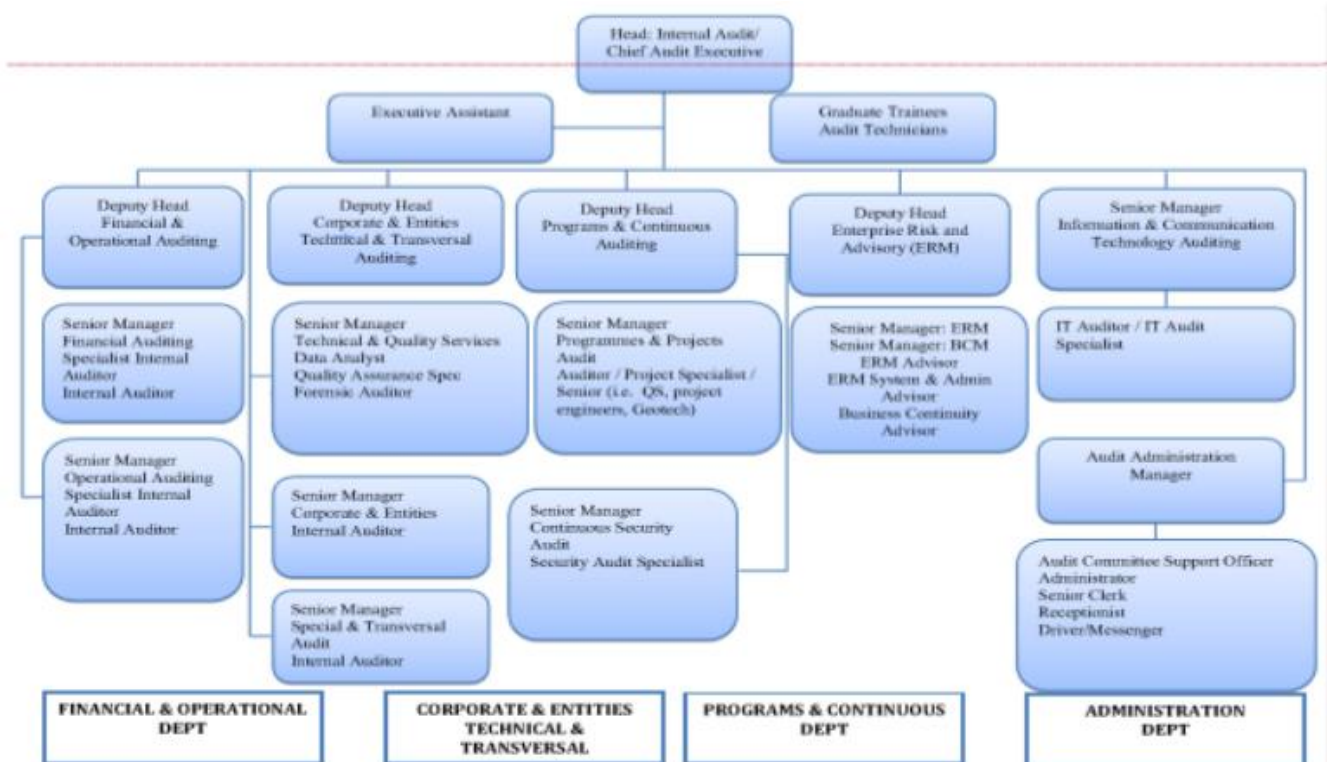
Municipalities are created to serve the residents of its boundaries by offering a range of services like roads, sanitation, energy and water supply, and so forth. In order to make sure that the expectations of the public are fulfilled, it is crucial for each IAF within municipalities to regularly assess their operational plans and best practice business procedures. Based on the annual negative audit opinions that the Office of the Auditor General issues, the Auditor-General of South Africa is still concerned about the state of financial governance in municipalities. Auditor General has reported that it was frequently discovered that the municipalities' lack of progress was caused by the IAF's insufficient monitoring, which was caused by staff members who lacked the requisite skills and experience to effectively capacitate the organisation. It's clear that IAFs in many municipalities don't improve audit outcomes, and top management doesn't seem to take these responsibilities seriously, which leads to the AGSA's (Auditor-General of South Africa) consistently producing the same audit views and conclusions (Ackermann & Marx, 2016).

### **2.8.1 Internal Audit Structure**

According to the Internal Audit Charter, the Chief Audit Executive is responsible for making sure that there are enough resources for internal audits and for using those resources efficiently to carry out the authorised Internal Audit plan (EMARAS, 2020b). According to the IPPF, an "appropriate" Internal Audit resource possesses the right combination of knowledge, skills, and other pertinent competencies. "Sufficient" refers to the number of resources needed to carry out the approved plan, and "effective" resource deployment occurs when staff members are arranged to maximize value (IIA-Global, 2013). EtheKwini Municipality Audit and Risk Assurance Services (EMARAS) employs a team of professionals with various skill sets in each organisational area of strategic competence with a diversity of skills in the following; Information Technology and IT governance; Financial; Operational; Compliance (Laws and regulations, standards and best practices, amongst others; ERM, COSO, COBIT, ISO 3100)

remits, and further blends a unique skills set of enterprise risk management techniques and corporate governance professionals specialising in and providing advisory services. Figure 2.8.1 below illustrates a structure for eThekweni Municipality Audit and Risk Assurance Services.

**Figure 2.8.1 EMARAS Structure**



Source: EMARAS (2021)

## **2.8.2 EMARAS Mandate with the municipality**

EMARAS is a key ally of the political leadership of the Municipality as well as the City's administrative branch. The unit drives the assurance duty through a variety of activities and acts as a catalyst for accountability and good governance. EMARAS provides strategic inputs that include meaningful interactions in all of the Municipality's operational areas and ongoing strategic support to all of the Municipality's oversight entities giving professional guidance on risk assurance issues (EMARAS, 2021).

The authorised Internal Audit Charter of eThekweni Municipality lays out the duties and required responsibilities of Internal Audit in detail. According to the MFMA, EMARAS was founded as an assurance and consultation function with the CAE as its supervisor.

## **2.8.3 Internal Audit operations**

Every day, the CAE must put the Internal Audit Charter into practice. The CAE is given final authority over Internal Audit work under the Internal Audit Charter. The CAE is in charge of determining the standards, procedures, methods, and tools that Internal Audit will use. It also determines the number of resources needed, as well as the qualifications, experience, and education levels needed to hire someone into the role. Finally, it makes decisions about potential temporary contracts, co-sourcing, and outsourcing of the necessary capacity (EMARAS, 2021).

According to Eichhorn et al., (2016), regulatory audits can be used to hold local governments responsible for the use of public monies and give the public reassurance that their municipality has been run in the public's best interest. In the public sector, an efficient internal audit function is seen as a key governance instrument that improves organisational governance. An efficient internal audit function as a governance mechanism helps to ensure clean governance, which is a prerequisite for a clean audit (Mbewu & Barac, 2017).

According to Ackermann (2017), Internal audit is required by law to exist in South African municipal settings, where it plays a crucial role in advising and supplying assurance on internal control, risk management, and governance procedures. Audit committees and municipal managers require important, pertinent data from internal audits in order to carry out their supervision and implementation duties effectively. In the event that such data is unavailable, important judgments will be made using erroneous, inadequate, and untrustworthy information (Ackermann, 2017).

### **2.8.4 Reporting line**

According to the Internal Audit reporting requirements outlined in the Charter, the CAE reports operationally to the Audit Committee and administratively to the City Manager (Accounting Officer), with the Audit Committee bearing the responsibility for the function's performance evaluation (EMARAS, 2020). The eThekwini Municipality's Audit Committee was founded in accordance with Section 166 of the MFMA and is still operational (MFMA, 2003). The creation of the committee required the writing and final approval of the Audit Committee Charter, which establishes the committee's legal mandate and guarantees compliance with the Code of Corporate Governance (National Treasury,2023).

Section 166 of the MFMA delineates the domains in which an Audit Committee is expected to exercise supervisory authority (MFMA, 2003). The Audit Committee's work is further supported by Section 166(3) of the same Act, which grants unrestricted access to all Municipality records, including all financial records and other pertinent information (MFMA, 2003). The eThekwini Municipality Audit Committee's status, jurisdiction, function, and duties are outlined in the Audit Committee Charter.

### **2.9 City Integrity and Investigation Unit**

The constitution established a variety of institutions to safeguard and advance the rights of particular constituencies in South Africa because it recognised that conventional institutions by themselves could not ensure the mission of guaranteeing obedience to the constitution and effective government (Constitution RSA,1996). Over and above what internal audit does as a unit other unit within eThekwini municipality enforce regulations such as City Integrity and Investigations. CIU upholds integrity management policies and procedures and encourages moral behavior in public service. Provisions for handling unethical behavior resulting from financial interests, gifts, hospitality, and other advantages, post-public employment, and paid labor outside the public sector are managed by CIU (eThekwini Municipality,2023). The objective of CIU is to assist the municipality build an ethical organisation that is without fraud, corruption, or maladministration. Within the eThekwini Municipal District, the (CIU) offers efficient forensic investigations while advancing human rights and good governance ideals.

### **2.10 Chapter Summary**

The study investigated irregular expenditure and the role of internal auditors in local governments in South Africa using eThekwini municipality as a case study. This chapter

presents the role of internal audit in local government and the irregular expenditure cases and legislations for local government. It also presents the drivers of irregular expenditure and management deviations such as management failures that result in irregular expenditure, supply chain management weaknesses, budgeting controls, risk management, and inability to carry out efficient internal control measures which can lead to irregular expenditure. Research demonstrates that South Africa's laws and procedures are robust and transparent, making it possible to prevent and identify instances of irregular spending. Regulations for the management of public finances are issued by the National Treasury in accordance with the Municipal Finance Management Act. A large percentage of irregular expenditures, a sign of policy and regulation non-compliance, was revealed by the literature analysis.

An internal audit unit was established to provide independent assurance that an organisation's risk management, governance, and internal control processes are operating effectively through assessing the quality of internal controls, evaluating the quality of risk management, and evaluating compliance with rules and guidelines established by the National Treasury. The Constitution has several strategies and mechanisms in place to ensure transparency and accountability in the utilization of public money. The establishment of PFMA, MFMA, Auditor General, National Treasury guidelines, Chapter 9 institutions, and Prevention and Combating of Corrupt Activities Act. These legislative frameworks are intended to direct public employees in the most efficient use and administration of public monies. The next chapter will present the research methodology.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter gives a detailed account of how the research was conducted to answer the research questions that were developed using the literature review that was covered in the previous chapter. The researcher examined the role of Internal Auditing in mitigating noncompliance and irregular expenditure within eThekweni Municipality operations. The scientific process of acquiring data provides answers to queries, fixing issues, and expanding the body of knowledge is known as research (Mugobo & Abe, 2021). To optimize validity, information must be obtained using dependable and effective methods. The method the researcher employed to carry out the study will be thoroughly explained in this chapter. How research topics are addressed, how data is gathered, and how data is analysed are all determined by study design and methodology. Research can be utilised to describe, explain, and make predictions while also significantly and positively expanding our current understanding (Marczyk et al., 2010:16). Honesty, ethical maturity, and a high degree of emotional control are necessary for this procedure.

### **3.2. Research philosophy**

*Research philosophy* is a set of ideas and presumptions regarding how information is acquired; these presumptions include those regarding reality, human knowledge, and the degree of one's values. (Saunders et al., 2015:124). These presumptions influence how a researcher organises instruments for gathering data as well as the protocol for conducting the full study process. This is a coherent and well-considered set of presumptions that will make up a reliable research philosophy. A comprehensive research philosophy needs to make sense when it comes to methodological choices, study plans, data-gathering methods, and analytic processes. A researcher can create a cohesive research project in which all of the research's components work together by having a solid understanding of the research philosophy. According to Holden and Lynch (2004:2), methodological choice should be consequential to a researcher's philosophical stance and the social science phenomenon to be investigated.

The incoherent categorisation of research philosophies, such as epistemology, ontology, and doxology, makes conducting research challenging nowadays (Mkansi & Acheampong, 2012:1). These philosophical assumptions are rooted in reality (ontology), how the researcher knows what she/he knows (epistemology), the roles of values in the research (axiology) and what is believed to be true (doxology). Choosing a philosophical perspective to examine a phenomenon should be based more on the needs and specifications of the research project than on an uncompromising insistence on sticking to one specific philosophical perspective at the expense of others. (Rehman & Alharthi, 2016:01).

### **3.3. Research paradigm**

A research paradigm is a collection of accepted ideas and viewpoints among scientists regarding the proper understanding and handling of issues. The paradigm used guides a researcher's work, including steps for gathering and analysing data (Kamal, 2019:1389). Understanding paradigm-specific assumptions aids in explaining the caliber of results that support scientific investigations and identifies gaps in producing reliable evidence. Research paradigms influence scientific discoveries through their presumptions and principles.

(Park et al 2020). Every researcher should endeavor to understand the three main worldviews of research, namely, positivist, interpretivist, and pragmatist (Creswell, 2014). According to Rehman and Alharthi (2016), understanding and communicating ideas about the nature of

reality, what can be learned about it, and how we go about learning it are essential skills for researchers. According to Majeed (2019:118), paradigms are therefore important as they give the views and dictates that affect what is to be studied, how it is to be studied, and how the research findings are to be interpreted by scholars in a specific discipline.

### **3.3.1. Positivist**

Ryan (2018:3) argues that to determine the nature of reality, one must measure and observe the world objectively and impartially, making every effort to minimise researcher interference and remove the potentially harmful influence of personal values and opinions on the study's credibility. To gather data, positivists favor experimental designs over qualitative approaches, viewing qualitative data as secondary or inferior to quantitative data. This method can divert attention from studying context since it looks for details that support claims that can be verified or tested in other situations. It also looks for evidence of causal links that exist within the data (Lin,1998:163). Sharifani (2019) claims that positivists value science highly and adhere to the logical concepts of reason and sense perception. It is founded on experience, materialism, denial of revelation, and a broad intellect (Sharifani, 2019:01). The term positivist is widely used in human research due to its highly valued assertion of objective knowledge; nonetheless, the ongoing examination of our knowledge claims has caused significant disruption to the fundamental basis of positivism (Jaja *et al.*, 2022:224).

### **3.4 Research design**

According to Creswell (2014), a research design is a method used in the process of gathering and evaluating data. Grey (2014) reported that a study design comprises the procedures for gathering data, creating instruments, sampling, and data analysis in order to address the research question. There are three approaches commonly used in research: Qualitative research, quantitative research, and the mixed methods approach which combines the other two. In this study, a quantitative approach will be used to analyse the role of internal audit in mitigating non-compliance and irregular expenditure within eThekweni Municipality. According to Creswell (2014), quantitative research provides a very succinct description of data. Punch (2009) and Bhattacharjee (2012) both agree that a research design puts the researcher in a practical situation and connects the research questions to the data. Research design is a plan of research that aids in making decisions and assumptions about specific methods of data collection and analysis. To summarise, research design encompasses the approaches employed

during the research process, the conceptual framework, the methods for collecting data, and the analysis of that data.

### **3.4.1 Research approach**

Logical reasoning is the source of research methodology and theory formation, which are categorised as deductive, inductive, and adductive reasoning. The quantitative method has been determined as the best for this study on the role that internal Audit has in mitigating noncompliance and irregular expenditure at eThekweni Municipality. With this approach, it's possible to gain an understanding of what role internal audit can play in preventing irregular expenditure. It is one of the most used methodological designs in business and auditing research due to the multiple benefits and advantages that it has when collecting and analysing data (Dubihlela & Sandada, 2014).

### **3.4.2 Research strategies**

A method that enables the researcher to use the right instruments to collect the right information in order to respond to or solve the right problem is necessary for academic writing. The following are examples of research strategies: surveys, experiments, and case studies, among others. In a survey, events are typically described to forecast results (Schell, 1992:4). To produce a report that is trustworthy and legitimate, a survey should have specific research questions that will pique the interest of the intended audience. There are benefits to a well-written, unambiguous survey, such as its ease of use and high response rate. According to Story and Tait (2019:193), to measure knowledge, concepts, practices, or behaviors, survey research is typically employed (Story & Tait, 2019). Unlike a case study research strategy, a survey is more likely to follow a quantitative research approach.

Case studies arise out of curiosity to understand complex social phenomena as they allow the investigator to retain holistic and meaningful individualities of real-life events. According to Kohlbacher (2006), case studies are preferred when the *how* or *why* questions are posed, as researchers have little control over events and participants are sharing personal experiences.

A case study also gives you an opportunity to collect different kinds of data such as interviews, documents, observations, surveys and others, about the case and provides you with a chance to get an in-depth look at an organization or an individual and the inner workings and interactions of that organization or individual (Schoch,2020). This study employed a survey approach to

examine how internal auditing contributes to mitigating noncompliance and irregular expenditures in the eThekweni Municipality.

### **3.4.3 Qualitative and quantitative research approach**

While it is impossible to fully estimate the complexity of some situations ahead of time, quantitative approaches are likely to depend on the ability to predict what needs to be assessed. This approach places a strong emphasis on quantification in both data gathering and analysis. Accurate data collection leads to more trustworthy research outcomes, makes it possible to pose questions about the human experience that are difficult to quantify, and understanding some social phenomena in their everyday context and examining significant issues as they are really applied contribute to the expansion of knowledge and comprehension (Cleland,2017).

According to Creswell (2014), quantitative research provides a very succinct description of data. It is described as a kind of study that gathers numerical data and uses mathematically based techniques (particularly statistics) to analyse it in order to understand phenomena.

Case studies and other qualitative research techniques can contribute to the creation of new theories in the field of study (Valtakoski, 2020:8). The aim of qualitative research methods is to identify the causes of selected phenomena, as qualitative researchers assume that objects can be constructed and interpreted. The emphasis is that the selected method should encourage a better understanding of the problem being investigated (Dzwigol, 2020:132). Some researchers believe that combining quantitative and qualitative methods can aid in comprehending the intricate interventions in the particular systems and situations in which they are used (Noyes *et al.*, 2019).

The quantitative method has been determined as the best for this study on the role that internal audit has in mitigating noncompliance and irregular expenditure at eThekweni Municipality. With this approach, we will be able to gain an understanding of what role internal audit can play in preventing irregular expenditure.

### **3.4.4 Sampling procedures**

The procedure for identifying suitable respondents was as follows: the researcher used a random sampling procedure to identify respondents who would be able to provide important and reliable

information for the study. The focus was on those officials who are working in the Internal audit unit and other units that have been audited such as Finance, Internal Control, and Supply Chain Management unit. The finance section deals with different duties like payment processing, irregular expenditure, and preparation of annual financial statements, SCM deals with tendering processes and evaluation of procurement process. Email requests were sent to 150 senior managers, middle managers, internal auditors, and practitioners requesting them to participate in the study.

According to Bhattacharjee (2012), a study's sampling strategy should be such that the findings accurately reflect the characteristics of the entire population. Sampling is used in research studies to determine the characteristics of the population, which helps to cut costs, save time, and avoid the hassles of scheduling ongoing meetings with the population group (Grey et al, 2014).

#### **3.4.4.1 Targeted population**

The *research population* is a group of individuals with one or more characteristics of interest with the potential to influence the credibility of the research (Asiamah *et al.*, 2017). Researchers need to sufficiently understand their study population and clearly define it. The population of the study included all officials who are working under financial management within eThekweni Municipality. The focus was primarily on senior management, middle management, internal auditors, and practitioners. The sample group of the study consists of 150 individuals with expert knowledge of internal audit, procurement processes, internal control, and irregular expenditures. These individuals are at the heart of management and budget spending of the department; they are in the position to share their experience and knowledge regarding the main drivers of irregular expenditures and the role of the internal audit unit.

#### **3.4.4.2 Sampling frame**

A list of every known unit in the municipality of eThekweni would make up the sample frame, and a survey of every unit is required. According to Turner (2003), the frame is a list of the target population from which the sample is drawn. Probability sampling cannot be done without a full sample frame because there will be unequal opportunities for the population to be included in the study. Individuals were selected as respondents not because they represent their population but because of their expertise in helping the researcher better understand the non-compliance leading to irregular expenditures. Probability sampling was used by the researcher

to identify individuals with knowledge and expertise regarding the topic. In this method, 150 officials in the population is equally likely to be chosen as they are selected randomly. During a survey a collection of data from a group of people by administering a standardized questionnaire which is sent through emails to respondents for participation.

#### **3.4.4.3 Sampling technique/method**

Taherdoost (2016:19) defines a population as the total collection of people from which a researcher draws their sample. Since researchers lack the time and resources to analyse the entire population, a sampling technique is used. The study followed probability sampling; this sampling is often associated with a case study research design and quantitative research. The researcher used probability sampling to ensure that selected participants have expertise and knowledge about the case under discussion and that they warrant inclusion. A sampling technique known as "random sampling" gives every item in the universe an equal chance of being included in the sample. When individual units are chosen at random from the entire group during a raffle draw, for example, it is not a purposeful process; rather, it is merely a blind chance that determines which additional or unique goods are preferred (Etikan & Bala,2017). The sample group consists of 150 officials working in the financial management section with in-depth knowledge and experience about procurement processes, policies, and irregular expenditures.

#### **3.4.4.4 Sample size**

The sample size is an important feature of any study to yield the required results (Taherdoost, 2017:1). The researcher adopted a descriptive survey with a sample size of 150 respondents. The targeted population includes employees from eThekweni Municipality. A survey study was conducted on 150 personnel from the Internal audit unit and other units that have been audited such as Finance and Supply Chain units. A total of 150 questionnaires were distributed to all the target groups. 113 were received out of which 150 representing 75% were useable and also met the acceptable criteria. Thirty seven of the participants did not complete the forms and offered no reason for their action which could be interpreted as simply refusal to participate. Two of the responses received were not usable. A simple random sampling gives each member of the population an equal chance of being selected. In this research, respondents will be selected randomly to participate in the survey.

### **3.4.5 Data collection instruments**

To guarantee that data is accurately collected during a study process, it is crucial to develop a data collection instrument (Thomas et al., 2018). A questionnaire is a list of questions or items used to gather data on the attitudes, experiences, or opinions of respondents. The survey used a 5-point Likert scale to gauge respondents' perceptions of employee engagement, and it was made available online through a link created with Google Forms. The link had been sent via email to Internal Audit personnel, managers, and senior officials who engaged with auditors during an audit, understood the importance of audits, and were involved in financial management decisions at the municipality.

Web surveys also referred to as internet surveys, are a type of data-gathering technique where a sample of respondents receives a survey or questionnaire online and completes it online. The low cost and convenience offered by the massive reach of web surveys are the primary drivers of their increased use. Because researchers can send out surveys from desktops or laptops and their target audience can answer them whenever they are available, researchers have started to favor using online resources for surveys during the past ten years. Sending a link to a web survey to respondents is one of the most popular methods of distribution. The respondents' anonymity was kept throughout the survey to protect the respondents. Given the significance of the comparability of replies to the survey items and the respondents' time, the type of items included in the study are closed questions and statements that are developed in a matrix structure.

### **3.5 Data collection**

The request to participate was communicated to eThekweni internal audit staff using emails and, WhatsApp. According to Creswell (2014), who concurs with these advantages, using questionnaires is less expensive and time-consuming than using other research instruments. Additionally, because questionnaires are sent to specific research participants, privacy and anonymity are encouraged, and data of any volume can be collected without difficulty.

An email with a link to the questionnaire was sent. WhatsApp was used to remind respondents about the link (survey) sent to participate. They were also informed that participation was voluntary and that they could withdraw at any time. All respondents were asked questions from the same loose set but with no defined order of the questions. Respondents were encouraged to respond about their experiences through closed-ended questions; depending on how questions

were answered, additional questions not on the original list were asked to seek clarity and in-depth knowledge.

### **3.6 Data preparation**

Cleaning up pre-existing data sets to make them appropriate for analysis and interpretation is a part of data preparation (Paton, 2019:2). This procedure is essential because it provides the researcher with the chance to find pertinent and high-quality data that is required to address the research questions. Care must be taken when preparing data because incorrect data preparation might distort and weaken the opinions of respondents. Data quality must be ensured by removing several types of flaws that can arise in data (Koumarelas *et al.* 2020:1).

In the process of preparing the data, the researcher reviewed each response from the link and analysed it. The researcher prepared the raw data for analysis by organising, cleaning, transforming, and structuring it. The validity and dependability of research findings were directly impacted by this crucial stage, which made sure the data was correct, consistent, and prepared for statistical analysis. The researcher ensured that only quality data remained that would help in answering the research questions of the study.

### **3.7 Data analysis**

Analysing and interpreting numerical data is a process known as quantitative data analysis. By using statistical tests and mathematical computations to find patterns, trends, and correlations between variables, it aids in the interpretation of data. Data management is essential because questionnaire surveys frequently comprise a significant number of variables observed in a sizable sample of subjects. Traditionally, the estimation of means, variances, smallest and greatest values, and graphical representations like histograms or boxplots are used to derive the description of variable distribution (Fallisard,2011). Content data analysis will ensure that significant data is identified and recorded. As a result, in this case, data reliability is crucial.

Descriptive and inferential statistics were used in this study. In general, descriptive statistics are particular techniques that are employed to efficiently, logically, and meaningfully compute, characterize, and summarize research data that has been gathered. In the manuscript text, tables, and/or figures, descriptive data are presented quantitatively or graphically (Vetter, 2017). The Statistical Package for Social Sciences (SPSS) and Microsoft Excel were used to conduct the required analysis of the quantitative data analysis. SPSS is a software package used for the analysis of statistical data, with a user-friendly interface to enable organizations to easily derive

actionable insights from data. To characterize or summarize the features of the data collected about the function of internal audit in reducing the irregular expenditure at eThekweni municipality, descriptive statistics analysis was carried out. Inferential statistics are applied through the use of correlation analysis to ascertain if the relationships exist between the study's independent and dependent variables. The analysis is undertaken based on the set research objectives. The technique of using sampled data to infer or forecast more about a bigger sample data sample or population is known as inferential statistics. One of the best methods for estimating with confidence how a set of data will scale when applied to a wider population of participants is inferential statistics. These statistics make assumptions about the performance of a broader group of subjects based on the performance of the current subjects, using the same sample of data as descriptive statistics (Corbo, 2022).

### **3.8 Validity and reliability**

Ensuring your results are legitimate and dependable is essential when doing quantitative research. Validity is the correctness of your measurements, whereas reliability is the constancy of your results. Stated differently, are you taking measurements that you plan to take? In quantitative research, establishing validity and reliability is crucial to making sure that your findings are reliable and useful for making inferences (Zorgle,2023). Because the researcher utilised academic and professional literature for her data, evidence from a variety of sources was included in the analysis of the data in a way that demonstrated the relationship between validity evidence and enhancement.

Analysing documents also add a data source, increasing validity. The researcher used a clear research strategy and research technique in order to boost the study's trustworthiness. Documentary evidence was also used by the researcher to give support to information surveys and strengthen the reliability of questionnaire data.

### **3.9 Ethical considerations**

Researchers may make sure that quantitative studies are carried out ethically and that participant rights and welfare are given priority by using ethical guidelines. Quantitative research is a systematic investigation that primarily focuses on quantifying relationships, behaviors, or phenomena through numerical data and statistical analysis (Fowler,2014). The research process involves ethical considerations at every stage, from selecting a topic and methodology to conducting analysis and disseminating results. According to Bhattacharjee (2012), researchers

may not be found guilty in civil law proceedings, but they are nonetheless culpable in terms of research ethics when they execute unethical procedures. In this study, participation was voluntary, and informed consent was sought from all respondents. The confidentiality and anonymity of participants in the final report were assured by the researcher. The researcher obtained an ethics clearance certificate from the University of KwaZulu Natal to carry out research. The researcher also obtained a permission letter from the research ethics committee of eThekweni Municipality permitting data collection.

The following ethical considerations were upheld in this study: 1) keeping confidentiality and anonymity of respondents, that is, no information or documents for public consumption and that confidentiality is of cardinal importance; 2) informing respondents about the importance of the study and that it will benefit management in making informed decisions about controls to be established to mitigate the impact of irregular expenditures; 3) informed consent: senior managers and respondents were informed that participation in the study is voluntary and that they are under no obligation to be part of the study if uncomfortable.

### **3.10. Conclusion**

This chapter described the comprehensive research methodology used in the study. It answers the question of *why* the philosophical assumptions, research paradigm of positivism, and quantitative approach were adopted. It has also looked at the population, research design (case study), sample frame, sample, sampling techniques, data collection methods, and techniques. Furthermore, to comprehend the nature of the data, data analysis was discussed in terms of the procedures employed. The Statistical Package for Social Sciences (SPSS) and Microsoft Excel were used to conduct the required quantitative data analysis. The focus of the next chapter was primarily on the results of the data analysis and findings.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **4.1 Introduction**

The previous chapter provided the study's methodology. This chapter addresses the presentation, analysis, and interpretation of data. The study's purpose was to examine the role of internal auditing in mitigating non-compliance and irregular expenditure within the eThekweni Municipality. An efficient tool for collecting data was a questionnaire, which was

then analysed using SPSS software. The research findings are presented in this chapter, followed by a discussion. The study will start by looking at the profiles of the participants.

#### 4.2 Quantitative data analysis

The quantitative analysis is presented in this chapter along with the findings on the role of internal auditing in mitigating noncompliance and irregular expenditure within eThekweni Municipality, and then a review of the study's findings. The data was gathered using a Likert scale that was anchored from strongly disagree (1) to strongly agree (5). First, demographic data and descriptive statistics are covered. Following the presentation of the instrument's validity and reliability, the results of the research questions that served as the study's compass are expressed. Descriptive and inferential statistics were used in this study.

#### 4.3 Response Rate

A questionnaire was given to a sample of one hundred fifty (150) respondents employed by eThekweni Municipality in order to gather data for the study. According to the questionnaire, 113 responses were received representing a 75% response rate obtained. Only 25% of the respondents who were contacted for the survey did not respond and offered no reason for their action which could be interpreted as simply refusal to participate (Neuman, 2014:386).

The questionnaire was completed by 113 participants (n=113) comprising CAE, IAs, and auditees. Many of them were females (n=58, 51,3%), and minority males (n=55, 48.7%). The data was gathered using a Likert scale that was anchored from strongly agree (5), agree (4), neutral (3), disagree (2), strongly disagree (1). First, demographic data and descriptive statistics are covered. Following the presentation of the instrument's validity and reliability, the results of the research questions that served as the study's compass are expressed.

**Table 4.1 Respondents characteristics (Age and Race)**

Age of Respondents	Frequency	Percentage (%)	Race	Frequency	Percentage (%)
18-24	-	-	Black African	<b>104</b>	<b>92%</b>
25-34	22	19.5%	Indian	<b>9</b>	<b>8%</b>

35-44	69	61.1%	White	-	-
45-54	18	15.9%	Coloured	-	-
55-64	4	3.5%			
65 and above	-	-			
<b>Total</b>	<b>113</b>	<b>100%</b>		<b>113</b>	<b>100%</b>

The 35 to 44 years range was the majority (61.1%), followed by 25 to 34 (19.5%), 45 to 54 (15.9%) and 55-64 being the minority with (3.5%) respectively. The age range makes it easy to determine a person's knowledge and experience regarding the understanding of the internal audit role in mitigating irregular expenditure. The race range was represented by a majority (92%) being black African and a minority of Indian (8%), it is An inclusive workplace that offers equal rights and opportunities to all employees, irrespective of gender, color, age, or ethnicity, is known as a varied workplace. Only blacks and Indians participated in the study in the race group category.

#### **4.4 Descriptive statistics**

In general, descriptive statistics are techniques that are employed to efficiently, logically, and meaningfully compute, characterize, and summarise research data that has been gathered (Dubihlela & Chauke, 2016). In this study, descriptive statistics were used to assess and characterise the central propensity of the data for each concept under investigation, including its minimum, maximum, mean, and skewness.

Descriptive statistics serve a crucial role in organizing and extracting the key information from vast amounts of data, which can either represent the full population or a sample of it. In the manuscript text, tables, and/or figures, descriptive data are presented quantitatively or graphically (Vetter, 2017). In this study, descriptive and inferential statistics in the form of percentages and means were used to demonstrate the respondents' feedback. Measures of central tendency, percentages, and frequencies were used to illustrate descriptive statistics. According to Sekaran and Bougie (2003), frequencies are the number of times distinct subgroups of a certain incidence occur; this information is used to calculate a percentage and a cumulative percentage of the phenomenon.

The table below from SPSS shows descriptive statistics for each of the constructs. The data was coded using SPSS from Strongly Agree (5), Agree (4), Neutral (3), Disagree (2) and Strongly Disagree (1). These selections suggest that at least one person will strongly agree and strongly disagree with the questions asked about a concept when its lowest and highest values are one and five, accordingly. When more participants strongly agree with the questions, the mean value will be closer to one than it will be to five, which denotes strongly agree, and will provide information concerning the overall data distribution.

Skewness statistics, which can have either a positive or negative skewness value, demonstrate how the data aligns around the mean (Pallant, 2016). Whereas a negative skewness value suggests the data is dispersed towards the right side of the central value, which is also a three, a positive skewness value shows the majority of participants are distributed to the left of the central value, which is a three.

**Table 4.2-Descriptive statistics**

Descriptive Statistics							
	Minimum	Maximum	Mean		Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Std. Error
Q1	1	5	3.94	0.088	0.949	-1.509	0.226
Q2	1	5	4.27	0.079	0.851	-2.026	0.226
Q3	1	5	4.21	0.091	0.978	-1.922	0.226
Q4	1	5	4.27	0.089	0.958	-1.846	0.226
Q5	1	5	4.05	0.096	1.033	-1.369	0.226
Q6	1	5	3.96	0.098	1.055	-1.145	0.226
Q7	1	5	4.03	0.090	0.968	-1.114	0.226
Q8	1	5	3.13	0.108	1.159	-0.052	0.226
Q9	1	5	3.78	0.094	1.007	-1.176	0.226
Q10	1	5	3.83	0.115	1.230	-1.042	0.226
Q11	1	5	2.35	0.117	1.257	0.554	0.226
Q12	1	5	2.05	0.099	1.067	0.954	0.226
Q13	1	5	3.42	0.105	1.124	-0.658	0.226
Q14	1	5	2.80	0.109	1.164	0.128	0.226

Q15	1	5	1.89	0.107	1.145	1.223	0.226
Q16	1	5	2.99	0.109	1.166	-0.050	0.226
Q17	1	5	3.07	0.107	1.145	0.076	0.226
Q18	1	5	3.40	0.099	1.066	-0.640	0.226
Q19	1	5	3.70	0.079	0.850	-0.590	0.226
Q20	1	5	3.67	0.091	0.971	-0.930	0.226
Q21	2	5	3.90	0.071	0.765	-1.016	0.226
Q22	1	5	2.991	0.0920	0.9867	-0.205	0.226
Q23	2	5	3.757	0.0683	0.7326	-0.809	0.226
Q24	1	5	3.730	0.0822	0.8818	-1.003	0.226
Q25	1	5	3.957	0.0692	0.7421	-1.241	0.226
Q26	1	5	3.591	0.0846	0.9070	-0.887	0.226
Q27	2	5	4.026	0.0585	0.6277	-0.885	0.226
Q28	1	5	3.809	0.0740	0.7936	-1.250	0.226
Q29	1	5	3.739	0.0752	0.8066	-0.917	0.226
Q30	1	5	4.226	0.0772	0.8278	-1.484	0.226
Q31	1	5	4.261	0.0677	0.7265	-1.423	0.226
Q32	1	5	4.061	0.0794	0.8511	-1.073	0.226
Q33	1	5	4.357	0.0753	0.8078	-1.758	0.226
Q34	2	5	4.217	0.0663	0.7106	-1.088	0.226
Q35	2	5	4.270	0.0543	0.5822	-0.385	0.226
Q36	1	5	4.435	0.0689	0.7390	-1.828	0.226
Valid N (listwise)							

As per the table in 4.2 all questions had a minimum value of one except questions 21,23, 27,34, and 35 had minimum values of two. This shows that at least one of the 113 respondents firmly agreed with the claims made about the role of internal auditing in mitigating non-compliance and irregular expenditure within eThekweni from Q1-Q20, Q22, Q24, Q25, Q26, Q28-Q33 and Q36. However, none of the respondents strongly disagreed with the questions asked for Q21,23,27,34 and 35. Regarding the maximum statistic, all constructs had a maximum of five, which shows there is at least one respondent for all the constructs who strongly disagreed with the questions asked about the role of internal auditing in non-compliance and irregular expenditure within eThekweni Municipality.

Most of the questions have a mean value of four and three which indicates that most respondents strongly agreed with the questions asked. Questions that had a low mean such as Q11 and Q12 indicate that the respondents strongly disagree with the statements. Additionally, the high standard deviation indicates a range of responses, emphasizing that some respondents held radically different opinions. Question 15 had the lowest mean of 1.89 and substantial positive skewness, indicating that a significant portion of the replies were focused on the lower end of the spectrum. Most questions express that respondents strongly agree, with the questions asked. Most means are more than three, indicating that respondents are generally inclined in a positive direction.

#### **4.5 Correlation analysis**

For each construct, inter-item correlations were examined in order to establish a link. The associations between the two constructs were examined using Pearson's correlation; the Pearson correlation matrix was created using SPSS, and the findings are displayed in Table 4.3. A positive number indicates that the two variables are directly correlated, meaning that when one construct rises, the other climbs too. Conversely, an inverse relationship is shown by a negative number, meaning that one construct declines as the other rises, or vice versa. An ideal relationship between the two constructs is indicated by a correlation value of one, whereas a correlation value of zero indicates no association between the two variables. The greater the link, the closer the correlation value is to one.

**Table 4.3: Pearson's correlation matrix – for role of internal auditing in mitigating non-compliance and irregular expenditure**

Correlations															
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15
Q1	1	,672**	,572**	,607**	,236*	0.129	,212*	,327**	0.179	0.149	0.136	0.168	0.139	0.068	-0.071
Q2	,672**	1	,690**	,652**	0.094	0.072	0.151	,231**	0.141	,271**	0.149	0.178	0.111	0.126	0.077
Q3	,572**	,690**	1	,745**	0.085	0.128	0.105	,193*	,216*	,213*	0.019	0.116	0.160	0.122	0.084
Q4	,607**	,652**	,745**	1	0.083	0.012	0.077	0.126	0.052	0.085	0.053	0.123	0.115	0.025	0.020
Q5	,236*	0.094	0.085	0.083	1	,606**	,419**	0.024	,449**	,387**	-0.021	-0.058	0.026	0.140	-,321**
Q6	0.129	0.072	0.128	0.012	,606**	1	,431**	0.091	,553**	,576**	-0.015	-0.014	0.008	0.071	-0.171
Q7	,212*	0.151	0.105	0.077	,419**	,431**	1	0.122	,384**	,306**	-0.152	-0.027	0.119	0.005	-,195*
Q8	,327**	,231**	,193*	0.126	0.024	0.091	0.122	1	,310**	0.108	0.143	,328**	0.099	,312**	0.064
Q9	0.179	0.141	,216*	0.052	,449**	,553**	,384**	,310**	1	,408**	-0.009	,199*	0.081	,247**	-0.158
Q10	0.149	,271**	,213*	0.085	,387**	,576**	,306**	0.108	,408**	1	-0.012	0.034	-0.030	0.104	-0.002
Q11	0.136	0.149	0.019	0.053	-0.021	-0.015	-0.152	0.143	-0.009	-0.012	1	,366**	-0.116	,438**	,296**
Q12	0.168	0.178	0.116	0.123	-0.058	-0.014	-0.027	,328**	,199*	0.034	,366**	1	0.128	,326**	,292**
Q13	0.139	0.111	0.160	0.115	0.026	0.008	0.119	0.099	0.081	-0.030	-0.116	0.128	1	0.064	0.071
Q14	0.068	0.126	0.122	0.025	0.140	0.071	0.005	,312**	,247**	0.104	,438**	,326**	0.064	1	0.049
Q15	-0.071	0.077	0.084	0.020	-,321**	-0.171	-,195*	0.064	-0.158	-0.002	,296**	,292**	0.071	0.049	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
\* . Correlation is significant at the 0.05 level (2-tailed).

Table 4.3 indicates the correlation matrix obtained from SPSS. In terms of magnitude and strength of the relationship, there is a strong positive Pearson correlation between **Q3 and Q4** with a value of 0.745 which is the range of strong relationships. This means that the relationship between the internal audit makes recommendations on the adequacy and effectiveness of the controls and the Internal Audit Unit communicating results of engagements including action plans and recommendations have a strong positive relationship of 0.745. The relationship between **Q5 and Q7** was considered a moderate positive correlation because its 0.419 which is between 0.4 that is deemed moderate in Pearson correlation.

This can be explained as the relationship between the official in the service of the municipality who did not recuse himself/herself from the adjudication of the bid which was later awarded to the company in which he/she has business interests and politics and abuse of power by municipal officials was deemed moderately positive correlation because it's between 0.4 and 0.7 which is deemed moderate in Pearson correlations. The last part of the relationship between **Q5 and Q15** had a weak correlation relationship with values of -0.321 which is below 0.4 which is considered as a threshold for weak Pearson correlation because the variables relate negatively with other variables.

#### 4.6 Data Coding

The practice of methodically classifying passages from your quantitative data to produce numerical patterns to confirm or disconfirm theoretical propositions is known as quantitative coding. It makes it possible to organize survey questions. It also gives you and other people

transparency and reflexivity (Johnny,2009). Prior to importing the data into SPSS, the researcher in this study coded the data. The data regarding the Internal Audit Activity was coded as IAA01. The data regarding drivers of irregular expenditure was coded as DOIE06. The data regarding the role of internal auditing was coded as IAR19. The data for measures of irregular expenditure was coded as MTR30 (Table 4.3). For every one of these coded elements, descriptive statistics were produced, yielding the variance, averages, and standard deviations for every data set.

Data management is essential because questionnaire surveys frequently comprise a significant number of variables observed in a sizable sample of subjects. Traditionally, the estimation of means, variances, smallest and greatest values, and graphical representations like histograms or boxplots are used to derive the description of variable distribution (Fallisard, 2011). Content data analysis will ensure that significant data is identified and recorded. As a result, in this case, data reliability is crucial.

#### 4.7 Test for Reliability

An instrument's level of consistency is referred to as its reliability (Maree, 2010). Additionally, reliability assesses a measuring device's precision, consistency, honesty, and dependability (Bastic, et al., 2011). By making sure that pertinent data were linked to the study questions, the researcher was able to achieve reliability. The range of a correlation coefficient, which shows the degree of relationship between two variables, is -1.00 to +1.00. Pallant (2016). The direction of a relationship is indicated by the plus or minus sign. One metric used to assess internal consistency and dependability is Cronbach's alpha, which shows how closely linked a group of items is to one another (UCLA, n.d.). Cronbach's alpha dependability has been employed by earlier academics to measure the internal consistency of their instruments (Yoo et al., 2002).

**Table 4.4: Cronbach's Alpha**

Case Processing Summary		
	N	%

Valid	113	0.854
IAA01	4	0.883
DOIE06	12	0.646
ROIA19	14	0.795
MTR30	6	0.866
Total	113	100.0
IAA01 - Internal Audit Activity DOIE06 - Drivers of Irregular Expenditure. IAR19 - Internal Audit Role Model MTR30 - Measures to Reduce Irregular Expenditure		

Table 4.4 indicates that full data for every variable and item in the analysis was available for 113 cases respondents. Stated differently, all the questions included in the Cronbach's alpha calculation were answered by the respondents. The proportion (99.1%) means that 113 instances, or 99.1% of the total, were analysed. The above table shows that the 36 items on the scale have a strong degree of internal consistency, as indicated by Cronbach's alpha with a value of 0.854 which means reliability. An alpha value of 0.8 to 0.9 often indicates that the items have a good representation of the underlying construct. A Cronbach's alpha of .80 is considered acceptable by many researchers, although in some cases 0.60 and 0.50 are also adequate (Kerlinger & Lee, 2000).

#### **4.8 Demographics of respondents**

The portions of the closed-ended questionnaire were answered by (113) respondents from the eThekwini Municipality. The demographic profile of the responder contained the following categories: age(between the ages of 18 to +65 years old), race group, gender, highest level of education (Other professional qualification, Matric, Higher Certificate, Diploma, Bachelor's Degree, Post Grad Degree, Master's Degree and PHD, unit employed at (Internal Audit, Internal Control, Supply Chain Management, Finance), number of years of experience (from 1 years to +16 years) and professional body that respondents might belong to.

**Figure 4.8.1: Age of respondents**

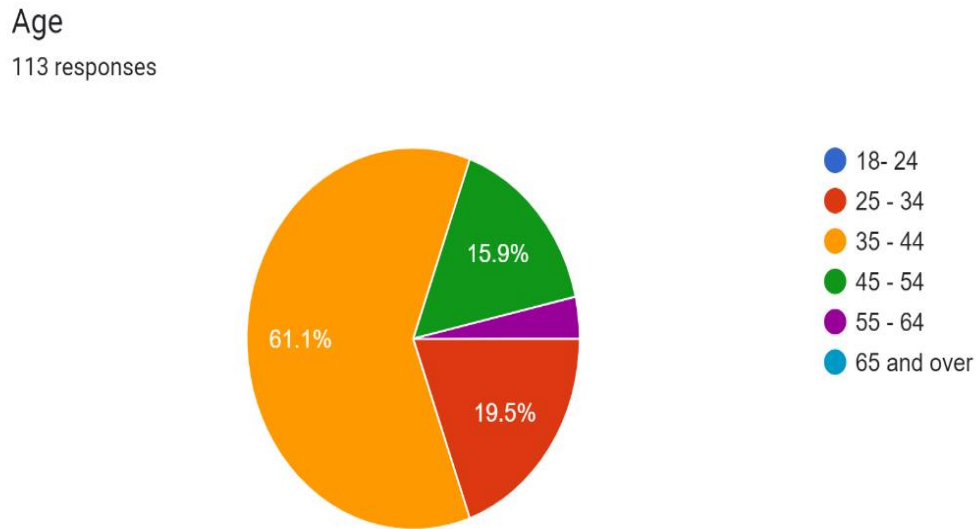


Figure 4.8.1: Age of respondents

The figure shows that 61.1% were respondents between the ages of 35-44, and 19.5% were aged between 25-34. Only 15.9% of respondents were between the ages of 45-54. The findings indicate that most of the staff members involved in financial management activities at eThekweni Municipality are adults who have worked there for a considerable amount of time and are older than adolescents. We can see through the above that the municipality promotes its personnel in recognition of their contributions, which is advantageous to the municipality.

**Figure 4.8.2: Race Group**

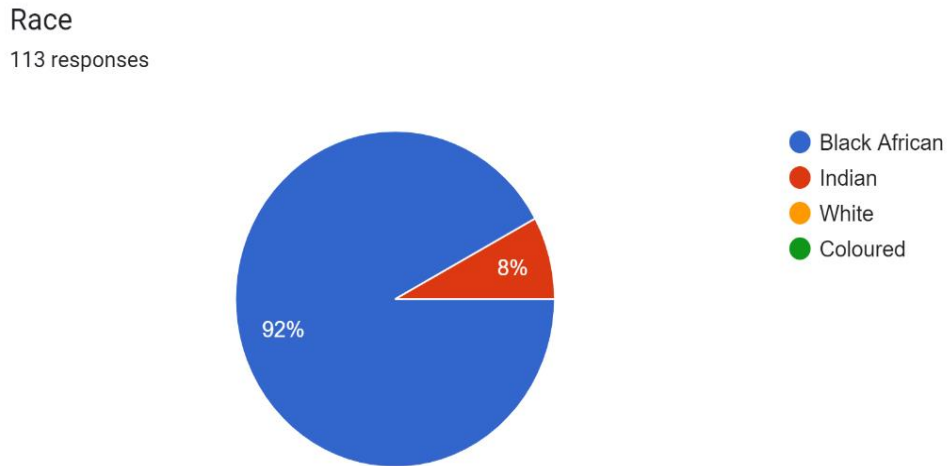
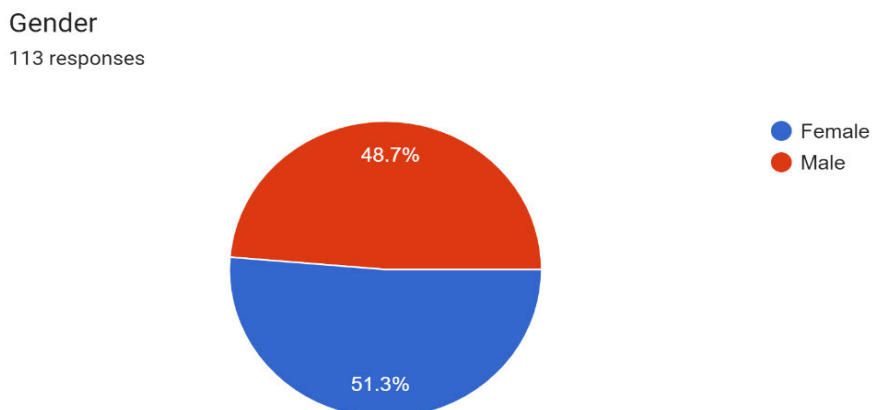


Figure 4.8.2: Race Group

The figure shows that the majority of the respondents were from the Black African group 92% and 8% of the respondents were Indian race group. 25-34. The results show that African people are still predominant within eThekweni Municipality, however with 8% it can still be confirmed that the workforce is diverse including individuals with different backgrounds and experiences. The municipality has ensured that it complies with the Employment Equity Act by hiring more black Africans who were unfairly discriminated against in the past. The municipality contributes to a more equitable and inclusive society.

**Figure 4.8.3: Gender**



### Figure 4.8.3: Gender

The data indicates that whereas 51.3% of respondents were female in the research, 48.7% of respondents were male. The findings indicate that both genders were fairly represented, and an equal number of male and female perspectives will be included in the study. These findings unequivocally show that female employees dominate the eThekweni Municipality. The municipality will gain from making sure that, in accordance with the Employment Equity Act's recommendations, their employment targets are established and carried out to accommodate women in the organization.

### Figure 4.8.4: Highest Level of Education

Highest Level of Education

113 responses

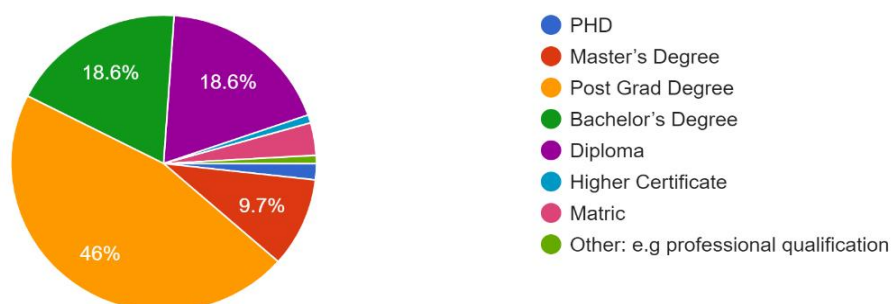


Figure 4.8.4: Highest Level of Education

The figure above shows that 46% of the respondents were Post Grad Degree holders, 18.6% of the respondents had a master's degree and another 18.6% of the respondents had a Diploma. The majority of the respondents had a Postgraduate Degree qualification this was an indication that eThekweni Municipality had well-educated employees. This can assist the municipality in complying with relevant laws and regulations that govern a municipality by having well-educated employees who can carry their duties well. This feature made it easier for the study to collect enough information because the responders could understand all of the questions.

**Figure 4.8.5: Unit employed at**

In which unit are you employed at

113 responses

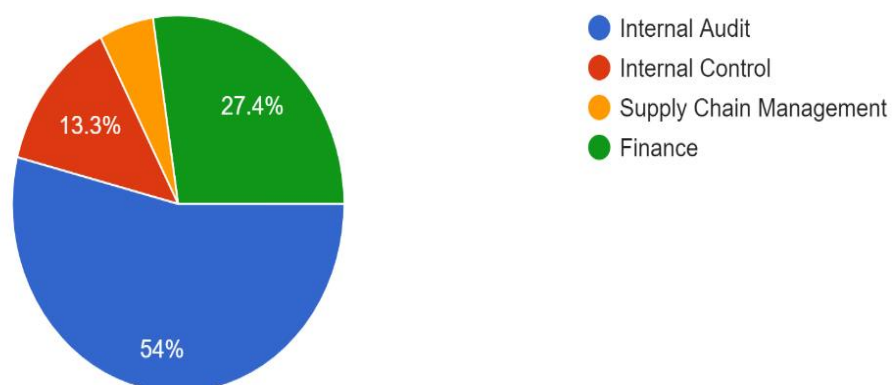


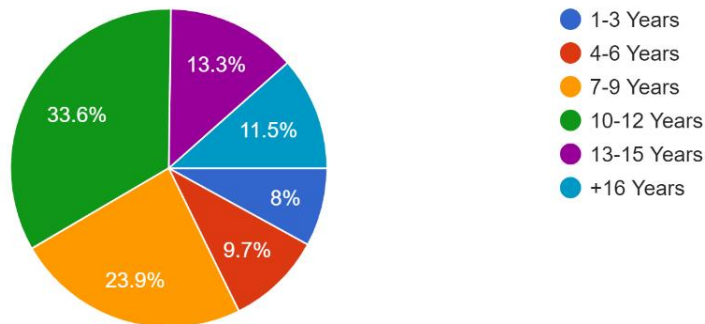
Figure 4.8.5: Unit employed at

The figure shows that 54% of the respondents were from the Internal Audit Unit, 27% of the respondents were from the Finance Unit and 13.3% were from the Internal Control Unit. The results show that different units that are involved in financial decisions within the Municipality participated in the study to gain an understanding of the internal audit role in mitigating noncompliance and irregular expenditure.

**Figure 4.8.6: Years of Experience**

How many years of experience do you have within your section

113 responses



**Figure 4.8.6: Years of Experience**

The figure above shows that 33.6% of the respondents had been with the municipality for a period of 10-12 years, 23.9% of the respondents had been with the municipality for a period of 7-9 years, 13.3% of the respondents had been with the municipality for a period of 13-15 years, 11.5% of the respondents had been with the municipality for a period of above 16 years and 9.7% of the respondents had been with the municipality for 4-6 years. The results show that the respondents had a better understanding of the municipality operations and they understand the role of internal auditing in mitigating noncompliance and irregular expenditure. This confirms that employees that have been within the municipality for a longer time had an engagement with internal auditors and they understand the role of internal auditors within the municipality.

**Figure 4.8.7: Professional Body**

Do you belong to a professional body?

113 responses

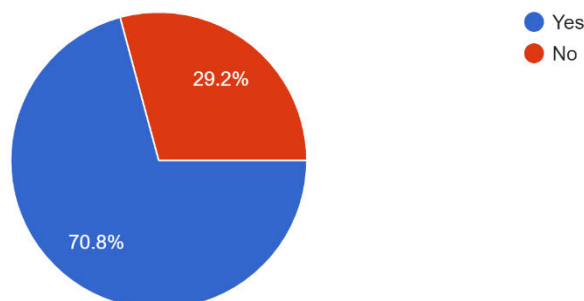


Figure 4.8.7: Professional body

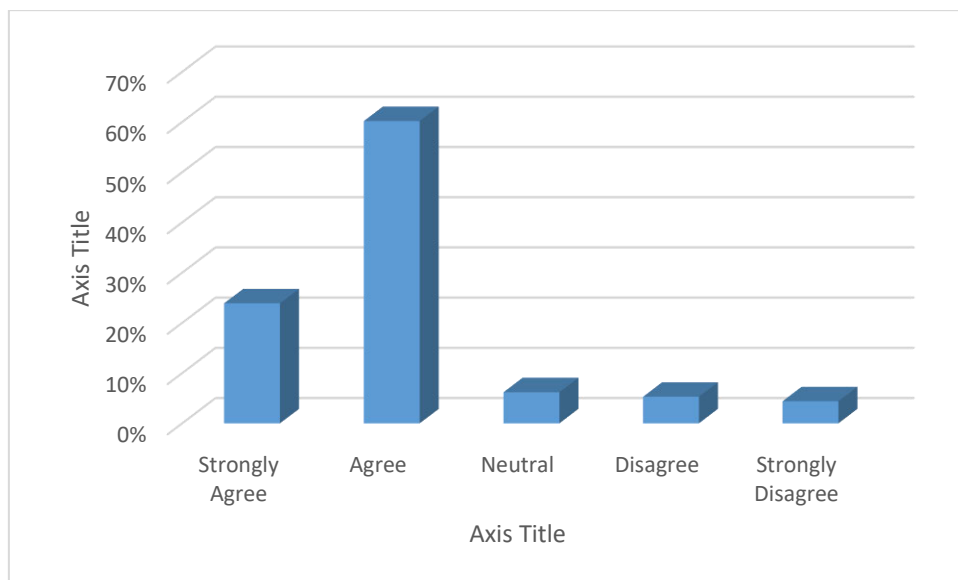
The figure shows that 70.8 of the respondents belong to a certain professional body and 29.2% of the respondents show the number of respondents that don't belong to a professional body. The results show that the majority of respondents belong to a certain professional body and they have an invaluable wealth of knowledge and keep abreast of the latest regulations within the municipality. This can assist in understanding the role of internal auditing in mitigating noncompliance and irregular expenditure.

**4.9 Analysis and discussion of questions related to the research**

This section comprises of five sections with research questions in the form of statements related to this variable are presented based on the findings from the respondent’s feedback.

**Section A is about the Internal Audit Activity.**

**Figure 4.5.1 The Internal Audit Unit identifies and assesses both the likelihood and potential impact of irregular expenditure risks.**

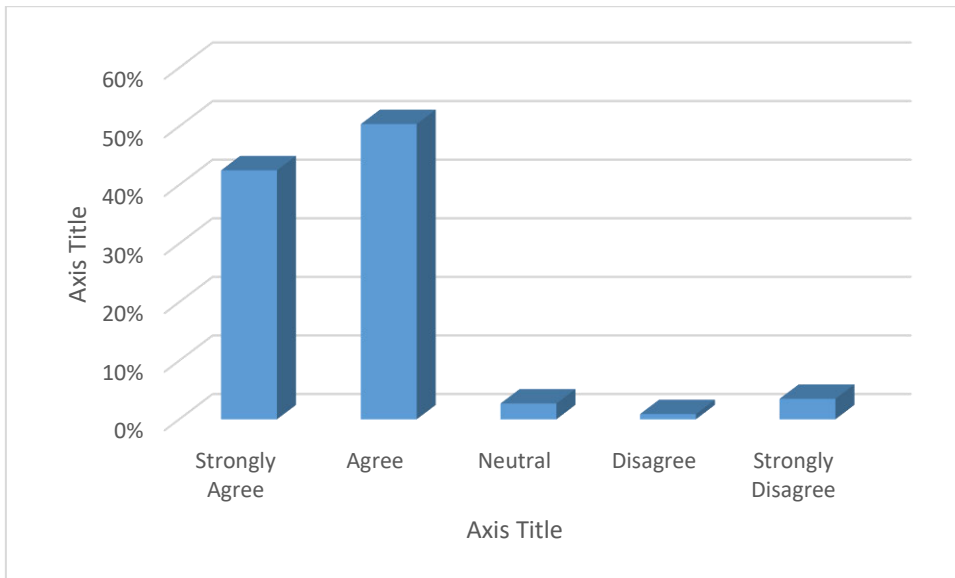


The figure shows the most of the people who responded 60.2% approve that the internal audit unit identifies and assesses both the likelihood and potential impact of irregular expenditure risks, 23.9% strongly agree, 6.2% of the respondents are neutral 5.3% disagree as well, and 4.4% strongly disagree. Above 50% of the respondents agree with the statement that the Internal

Audit unit assists the municipality in identifying and assessing the likelihood and potential impact of the irregular expenditure risks. These results serve as proof that eThekweni Municipality employees believe that to identify your irregular expenditure risks you need internal audit unit assistance. A corporation can benefit from internal auditing by making sure that the risks it faces are appropriately recognized and controlled. Monitoring the company's risk profile and pinpointing areas for improvement should be major responsibilities of internal audit procedures for risk management. Additionally, internal auditing can assist businesses in recognizing and evaluating hazards and advance the field's position in risk management, thus we anticipate a connection between the company's internal auditing practices and dedication to prudent risk management.

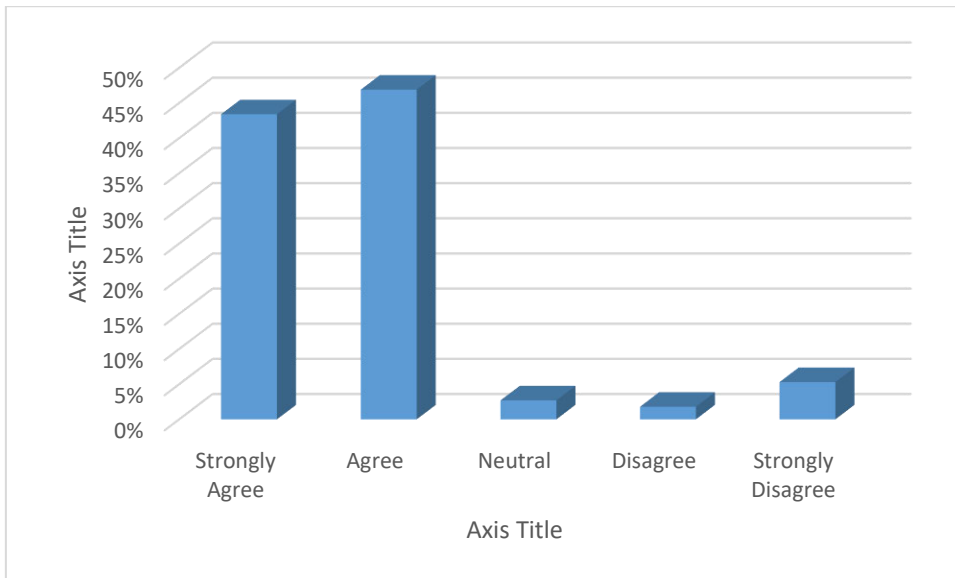
In the literature review, it was confirmed that according to Leung et al. (2006), internal auditors are shifting from control tactics to risk-based approaches and from confrontational approaches to management collaboration. This can assist the municipality in managing irregular expenditure risks if they are identified on time and can be easily monitored. Crisp, (2016) concurs that it's a prevalent misconception that the purpose of internal auditing is to find weaknesses in management's operations. This isn't true at all; internal auditing has become less introspective and much more integrated within the organisation. It increases the organization's involvement in the audit process and generates suggestions that support its goals. However, when the internal audit activity gets closer to the operations, it must be careful not to lose its independence and objectivity. The statement above shows that the municipality employees work together with the internal auditors as the majority agree on how internal audits identify and assess irregular expenditure risks.

**Figure 4.5.2 The Internal Audit Unit evaluates whether existing controls are appropriate.**



The figure above shows that 50.4% of the respondents have agreed that the Internal Audit Unit does evaluate the existing controls if they are appropriate, 42.5% of the respondents strongly agree with the statement, 3.5% of the respondents strongly disagree with the statement, 2.7% of the respondents are neutral and 0.9% of the respondents disagree with the statement. These results confirm that eThekweni Municipality employees believe that the Internal Audit unit evaluates the appropriateness of the existing control within the Municipality and also the auditors understand the municipality mechanisms for internal controls. As explained in the literature review, according to Glance (2006), the local government process and procedure that is been established with the aim of objective achievement" is what is meant by an internal control system. According to Section 125 of the IAG (2008), "local government should provide a sound system of an internal control system which should assist towards the achievement of the objective. The internal audit unit by evaluating the internal control system assists the municipality to achieve its objective and also be able to deliver services to the local community.

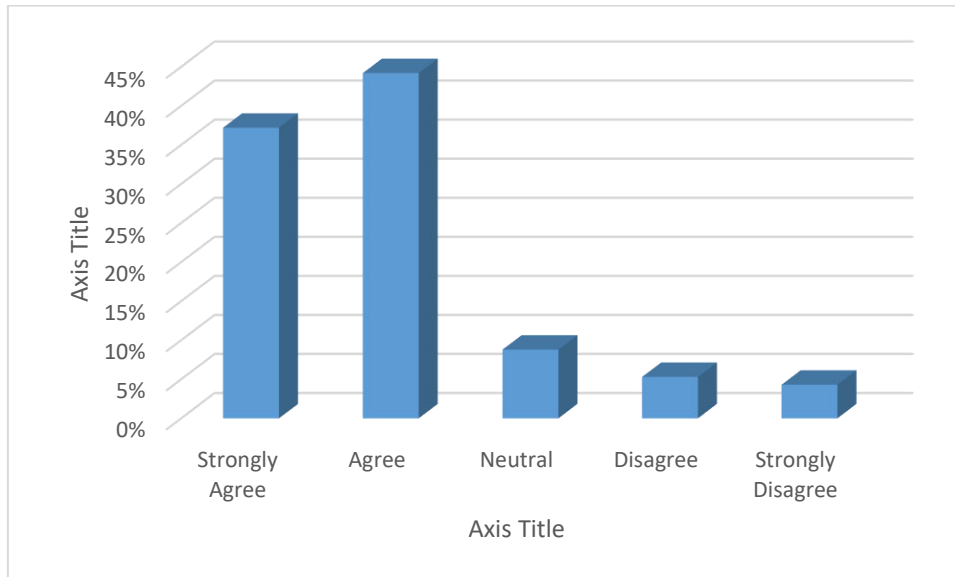
**Figure 4.5.3 The internal audit makes recommendations on the adequacy and effectiveness of the controls.**



In this figure it is shown that 46.9% of the respondents agree that the Internal Audit makes recommendations on the efficacy and sufficiency of the controls, 43.4% of the respondents strongly agree with the statement, 5.3% of the respondents strongly disagree, 2.7% of the respondents were neutral and 1.8% of the respondents disagree. The results prove that the employees of eThekweni Municipality have seen the recommendations that have been made by the internal audit and how it affects the effectiveness and sufficiency of the controls. In the literature review, it was confirmed that the Internal audit is required by law to exist in South African municipal settings, where it plays a crucial role in advising and supplying assurance on internal control, risk management, and governance procedures. Its explained on the literature review that regulatory audits can be used to hold local governments responsible for the use of public monies and give the public reassurance that their municipality has been run in the public's best interest (Eichhorn., et al., (2016).

## Section B: Drivers of irregular expenditure

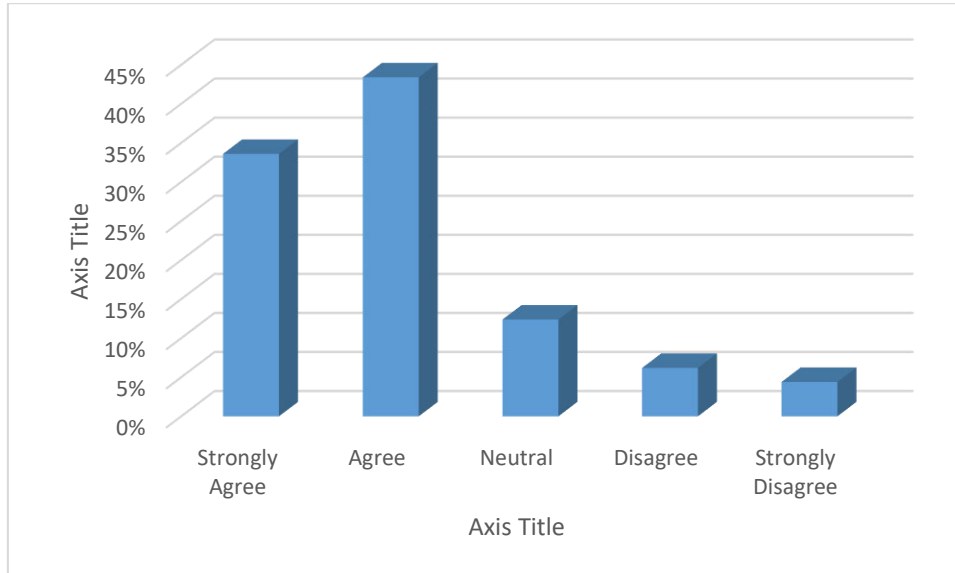
**Figure 4.5.5 An official in the service of the municipality who did not recuse himself/herself from the adjudication of the bid which was later awarded to the company in which he/she has business interests in**



The figure above shows that 44.2% of the respondents agree with the statement that an official in the service of the municipality who did not recuse himself/herself from the adjudication of the bid which was later awarded to the company he/she the interest to can be classified as a driver for irregular expenditure, 37.2% of the respondents strongly agree with the statement, 8.8% of the respondents were neutral, 5.3% of the respondents disagree and 4.4% of respondents strongly disagree with the statement. The results show that the eThekweni Municipality employees do understand that someone who is involved in the adjudication committee for bidding should declare their business interests before being involved in the bidding process. According to Ambe & Badenhorst-Weiss, (2012), the adoption of an SCM policy guarantees consistency in alternatives, bid and procedure standards, and bid and contract paperwork. SCM non-compliance may include the tendency not to utilize a competitive process for both quotations and bids, incorrect utilization of the preference points system, lack of appropriate bid committees, use of unqualified suppliers, and passing over bids for incorrect reasons. To comply with SCM policy every bid committee member should declare their

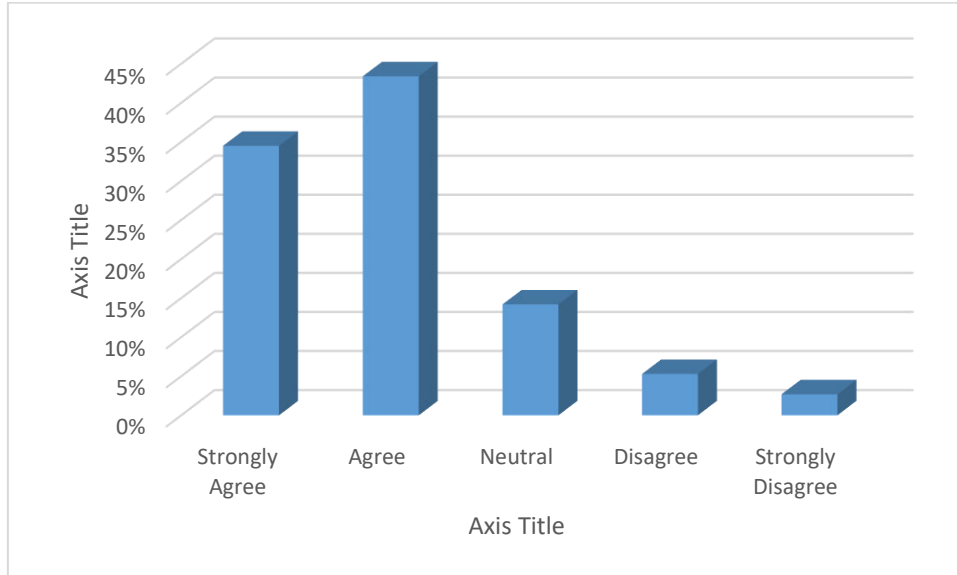
business interest before taking part in the bid process in order to avoid corruption and officials colluding with the contractors.

**Figure 4.5.6 Municipality knowingly awarded a contract to a recommended bidder who is known to have committed a corrupt or fraudulent act**



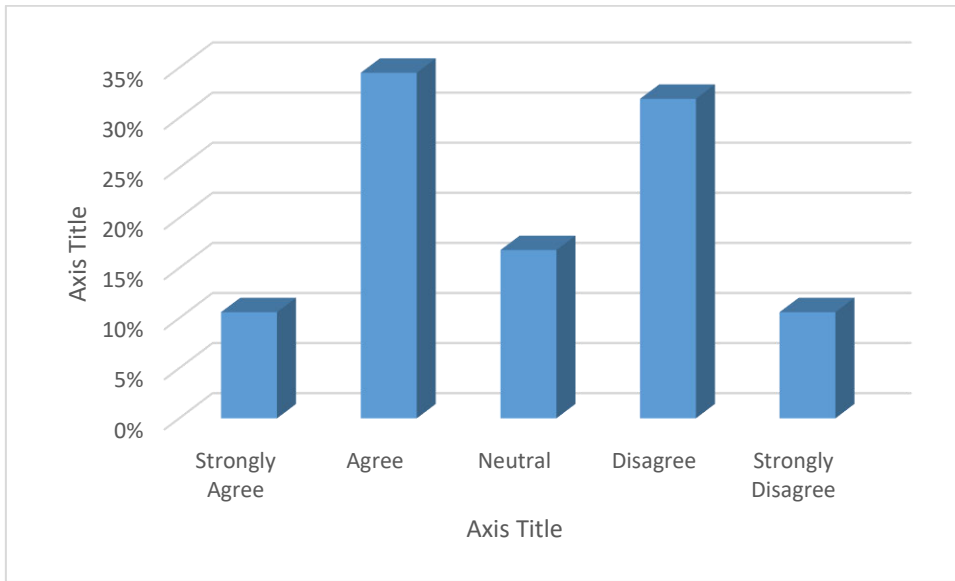
The figure above shows that 43.4% of the respondents agree that if the municipality knowingly awarded a contract to a recommended bidder that has committed fraud can be regarded as a driver of irregular expenditure, 33.6% of the respondents strongly agree with the statement, 12.4% of the respondents are neutral, 6.2% of the respondents disagree with the statement and 4.4% of the respondents strongly disagree with the statement. The results show that eThekweni Municipality employees are well aware of the fact that an award cannot be made to a bidder who has committed fraud. Woods & Mantzaris, (2012) emphasizes the role of tender procedures to guarantee procedures that prioritize openness, equity, and obtaining the best possible value for the money. The several tender committees must create procurement rules within the scope of the government's defined tender rules, make sure that established policies and processes are followed, evaluate the bids that are received, and give contracts to the successful bidders. The bidding committee members must ensure that the successful bidder meets all the qualifications of the bidding requirements in order to reduce corruption and non-compliance which might lead to irregularities.

**Figure 4.5.7: Politics and abuse of power by municipal officials.**



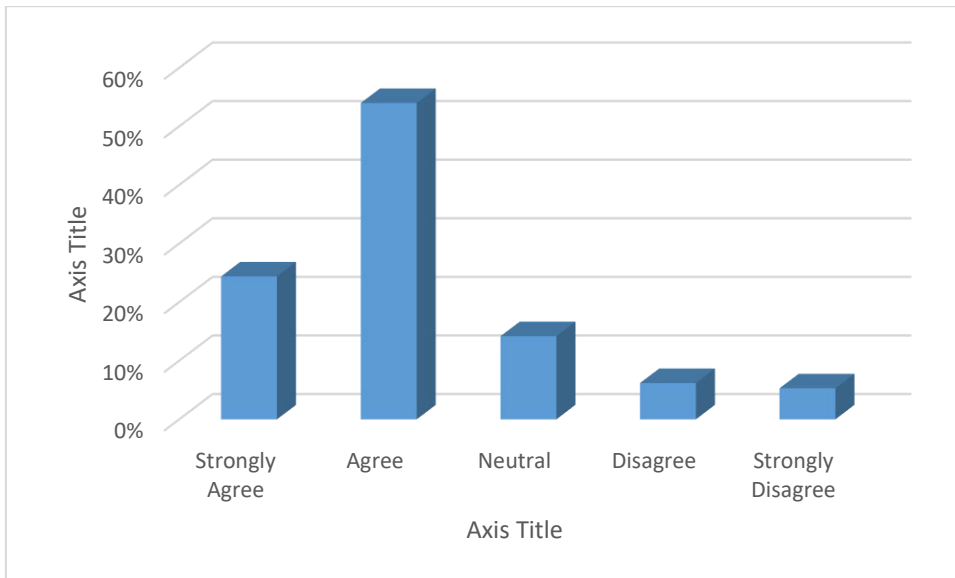
The figure above shows that 43.3% of the respondents agree that politics and abuse of power by municipal officials can be an irregular driver, 34.5% of the respondents strongly agree with the statement, 14.2% of the respondents are neutral, 5.3% of the respondents disagree and 2.7% of the respondents strongly disagree. The results above show that the employees at eThekweni Municipality understand the power of politics and the possibility of abuse of power to commit fraud which can lead to irregularities. Political meddling with the SCM processes can lead to a lack of service delivery. According to Waldt (2015) the Municipal Systems Amendment Act (Section 56A (1)), is a step in the right direction in this respect. It stipulates that the municipal manager and managers who report directly to him or her are not permitted to hold political office in a political party or a party organization. Ensuring that qualified individuals are appointed who are less vulnerable to political pressure and manipulation, could help administrations become more impartial and effective. In the literature review Naidoo (2012) has stated that corruption has distorted departmental performance, which has an impact on service delivery. Some political figures and administration leaders who are entrusted with government resources only use them to benefit themselves rather than serve as custodians of the government.

**Figure 4.5.8 High workload and working under pressure are seen as contributing factors of irregular expenditure in the department.**



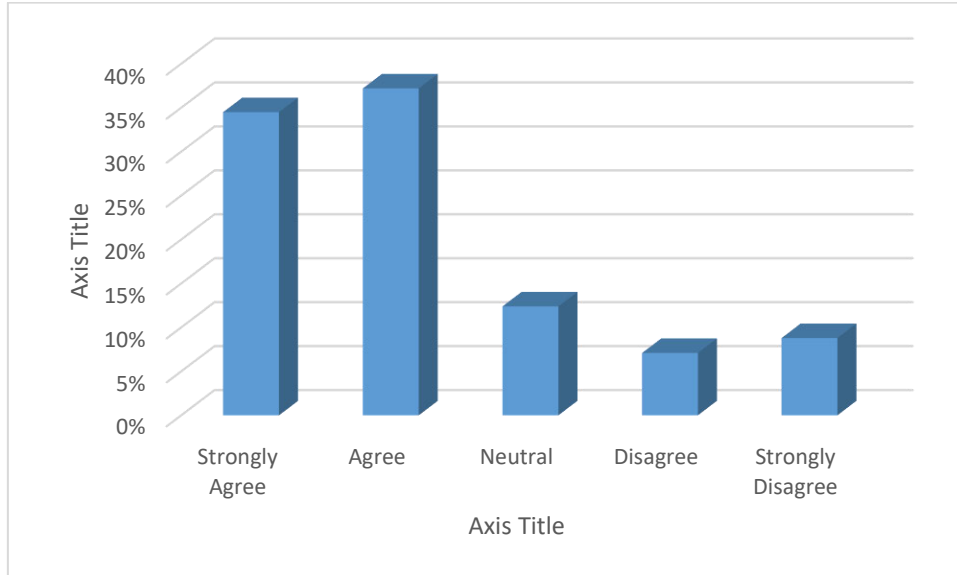
The figure above shows that 34.5% of the respondents agree that the high workload and working under pressure can be seen as a contributing factor to irregular expenditure, 31.9% of the respondents disagree with the statement, 16.8% of the respondents are neutral, 10.6% of the respondents strongly agree and 6.2% of the respondents strongly disagree with the statement. The results show that the eThekweni Municipality employees believe that the high workload and working under pressure can lead to irregular expenditure. People who are working under pressure are highly bound to make mistakes which can lead to non-compliance with relevant laws and regulations. The results above show that the municipality needs to implement policies and regulations that promote work-life balance and employee well-being. Frederickson & Branigan, (2005) reported that organizations should concentrate on establishing a culture that considers both employee satisfaction and enjoyment. Effective communication systems should be established by management, and another element that affects job satisfaction is job autonomy. Organisations with democratic leadership and teamwork that require little outside oversight boost employee self-motivation, which in turn leads to job satisfaction. If the municipality can maintain this the work pressure can be maintained limited irregular risks can occur.

**Figure 4.5.9 Expenditure incurred by the municipality after entering into a public private partnership agreement without the prior written approval of treasury.**



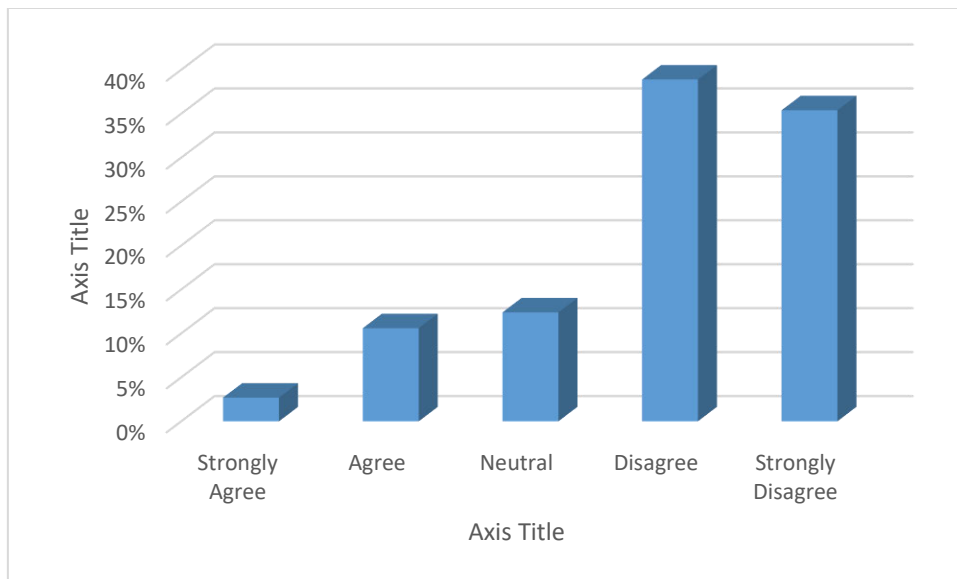
The figure above shows that 54% of the respondents agree that expenditure incurred by the municipality after entering into a public-private partnership agreement without the prior written approval of the treasury can lead to irregular expenditure, 20.4% of the respondents strongly agree with the statement, 14.2% of the respondents are neutral, 6.2% of the respondents disagree and 5.3% of the respondents strongly disagree with the statement. The results show that the majority of the employees understand the role of treasury within the municipality. Razaki and Lindberg (2012) reported that the expenditure of public funds based on decisions made by individuals in their capacities as mayor, member of a council or board, administrator, finance director, head of an operational department, and (sometimes) citizens presents a difficulty for municipal budgets. These individuals might also be motivated by personal goals, which could result in conflicts of interest and the related serious problems of moral hazard and information asymmetry. Treasury is there to ensure that public funds are used effectively and efficiently in support of service delivery. This is the reason why most of the expenditures within a municipality have to go through the Treasury for approval or meet certain requirements of the Treasury.

**Figure 4.5.10 The municipal official who makes fictitious payment to suppliers**



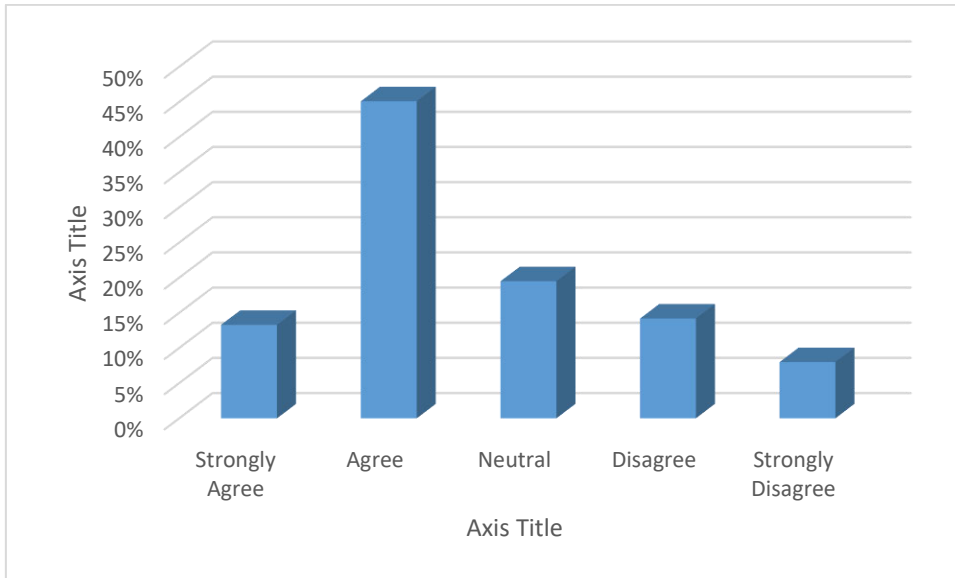
The figure above shows that 37.2% of the respondents agree that municipal officials who make fictitious payments to suppliers can lead to irregular expenditure. 34.5% of respondents strongly agree with the statement, 12.4% are neutral about it, 8.8% strongly disagree with it, and 7.1% disagree with it. The results above prove that eThekweni Municipality employees are aware that if municipal official makes fictitious payments to supplies this is regarded as fraud that can be an indicator of irregular expenditure. Employees within the supply chain management unit are expected to have very high standards of integrity, honesty, and trust. Since this area handles departmental tenders, employees may be tempted to take advantage of possibilities to collaborate closely with service providers. Municipalities must recognize how susceptible their supply chains are to fraud and misconduct and take the necessary steps to stop and identify such behavior. It has been reported in the literature review that public employees' dishonesty, incapacity, and carelessness lead to a departure from SCM procedures and guidelines (Matlala, 2018).

**Figure 4.5.11 Irregular expenditure is mostly committed by employees in the lowest ranks in the department.**



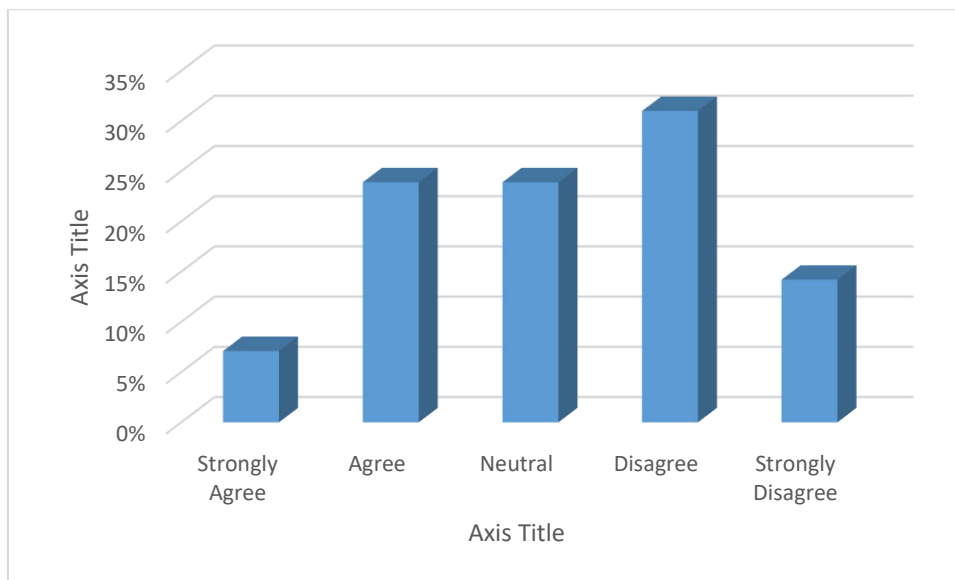
The figure above shows that 38.9% of the respondents disagree that the irregular expenditure is mostly committed by employees in the lowest rank, 35.4% of the respondents strongly disagree with the statement, 12.4% of the respondents are neutral, 10.6% of the respondents agree and 2.7% of the respondents strongly agree with the statement. The results show that the eThekweni Municipality employees disagree that the lower-level employees are capable of playing a role in irregular expenditure. Every employee is obliged to prevent irregular, fruitless, and wasteful expenditure within his/her area of responsibility, (PFMA 29, 1999). When officials comprehend the ramifications of the accountability element, they will exercise due diligence by reading, interpreting, and comprehending the documents as well as seeking additional clarification to avoid becoming overly comfortable with a certain procedure. If the employees disagree with the statement that the lowest rank employees commit irregular expenditure it means that the employees understand the impact and importance of irregular expenditure.

#### 4.5.12 Potential risks within the process are regularly discussed with the employees in my unit.



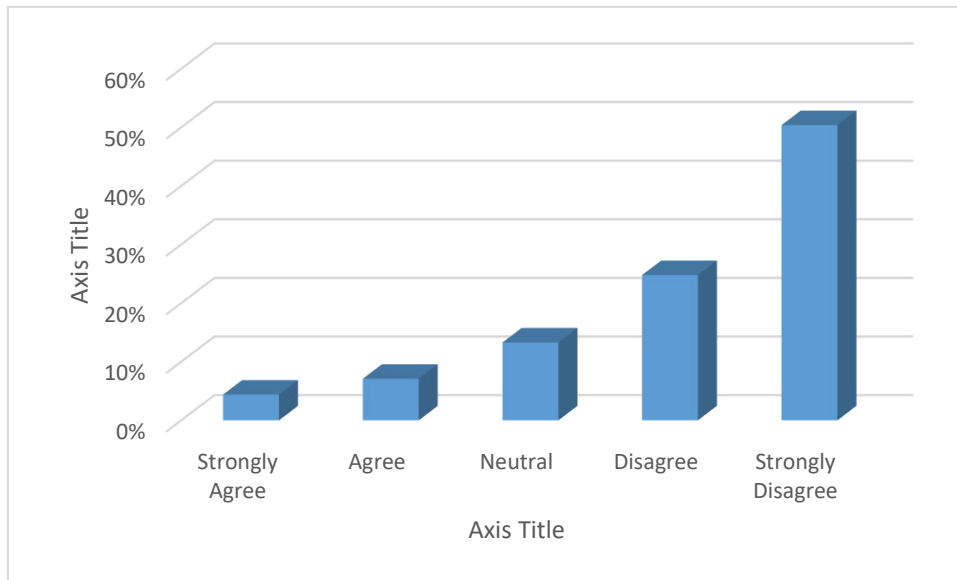
The figure above shows that 45.1% of the respondents agree with the statement that potential risks within the process are regularly discussed with the employees in the unit, 19.5% of the respondents are neutral with the statement, 14.2% of the respondents disagree with the statement, 13.3% of the respondents strongly agree and 8% of the respondents strongly disagree with the statement. The results show that the majority of respondents strongly agree that potential risks within processes are discussed with employees. It should be noted that in order to prevent irregular expenditure, the risk management function must be proactive in identifying all significant risks, maintaining the strategy's applicability, and making sure the municipality has ongoing monitoring and preventative controls in place. In the literature review Mothupi (2018) reported that in order for a company to flourish and endure in the commercial world, risk management is still a key priority. The results have proven that risk management within the municipality has been communicating the risks related to irregular expenditure to employees. The employees are well informed of risks with their business processes. The Municipalities have reduced unforeseen, irregular, and wasteful expenditures in resource allocation thanks to the application of risk management.

**Figure 4.5.13 My work environment can create opportunities for errors which may results to irregular expenditure**



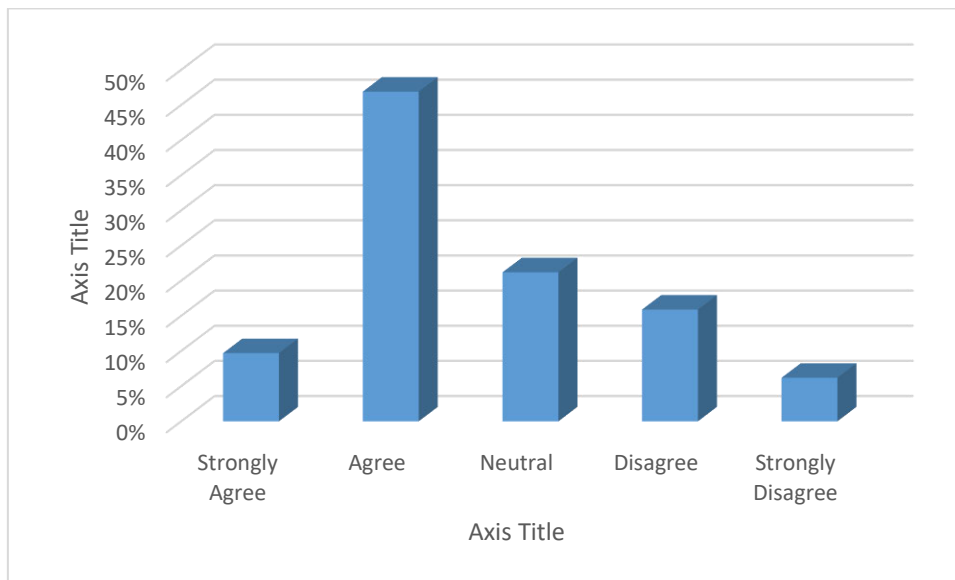
The figure shows that 31% of the respondents disagree with the statement that the work environment can create opportunities for errors which may result in irregular expenditure, 23.9% of the respondents are neutral with the statement, 23.9% of the respondents agree with the statement, 14.2% of the respondents strongly disagree with the statement and 7.1% of the respondents strongly agree with the statement. The results show that the employees disagree with the statement that the work environment can create opportunities for errors. An irregular expenditure is incurred by a department whose transactions violate a certain law and prescriptive rule, with the results above showing that the employees understand the meaning of irregular expenditure and how it fits their work environment. Rubino et al. (2017:21–41) claim that an internal control environment establishes the framework for the entire internal control system and has a profound impact on an organization's choices and operations. Management must also be proactive in taking steps to enhance communication regarding the purpose and technical details of the internal control system and individual control procedures. The results show that the control processes in place are effective and adequate and do not allow errors that lead to irregular expenditure.

**Figure 4.5.14 Senior management do not commit irregular expenditure**



The figure shows that 50.4% of the respondents strongly disagree that the senior management does not commit irregular expenditure, 24.8% of the respondents disagree with the statement, 13.3% of the respondents are neutral, 7.1% of the respondents agree and 4.4% of the respondents strongly agree with the statement. The results show that eThekweni employees do agree that senior management commits irregular expenditure, this shows that the senior management is responsible for the occurrence of irregular expenditure. According to Batt (2015), Section 32(1)(d) of the Local Government Municipality stipulates that any municipal official or political office-holder who carelessly approves a pointless expense would be held accountable for the spending. It is evident that rather than serving as stewards of the state's resources, some of the administrative leadership tasked with managing them invest in their own personal growth. Poorly designed and run policies, programs, and initiatives, unethical leadership, and bad governance practices such as a lack of accountability and transparency are all factors that impact good governance and lead to irregular expenditure.

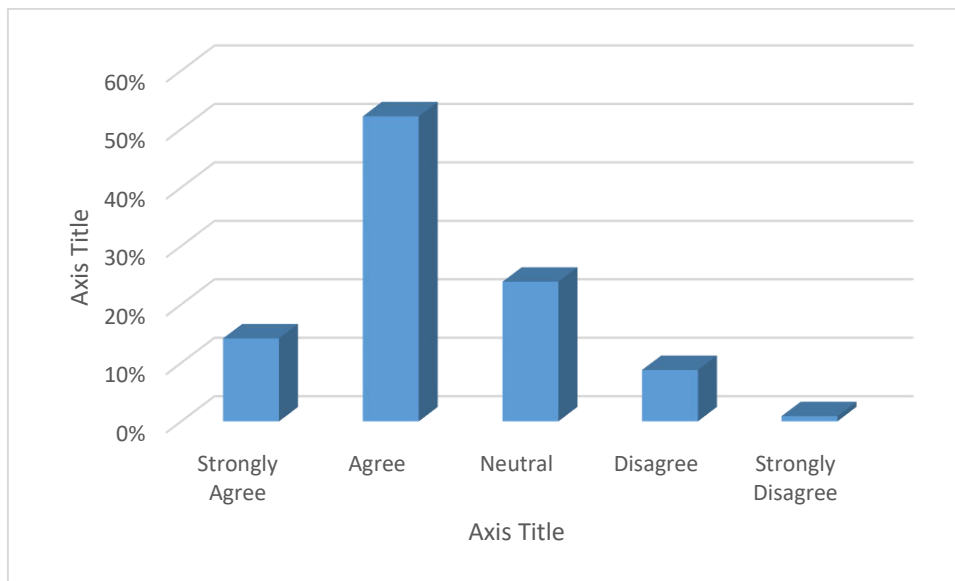
**Figure 4.5.16 Significant inefficiencies in managing procurement processes due to lack of training.**



The figure above shows that 46.9% of the respondents agree that significant inefficiencies in managing procurement processes are due to lack of training, 21.2% of the respondents are neutral with the statement, 15.9% of the respondents disagree with the statement, 9.7% of the respondents strongly agree with the statement and 6.2% of the respondents strongly disagree. The results show that the employees of eThekweni Municipality agree that the lack of training can cause significant inefficiency within procurement. The opinions of the respondents are corroborated by statements that claim that the lack of proper procurement procedures is connected to the discrepancy between stakeholder knowledge and actual practice. For example, municipalities that do not prioritize staff training and information sharing, as well as a lack of project monitoring and evaluation, all contribute to the subpar quality of work (Coleman et al., 2020). The municipality must ensure that it holds workshops and training regarding procurement in order to maintain a well-equipped and skilled procurement staff.

### Section C Internal Audit role

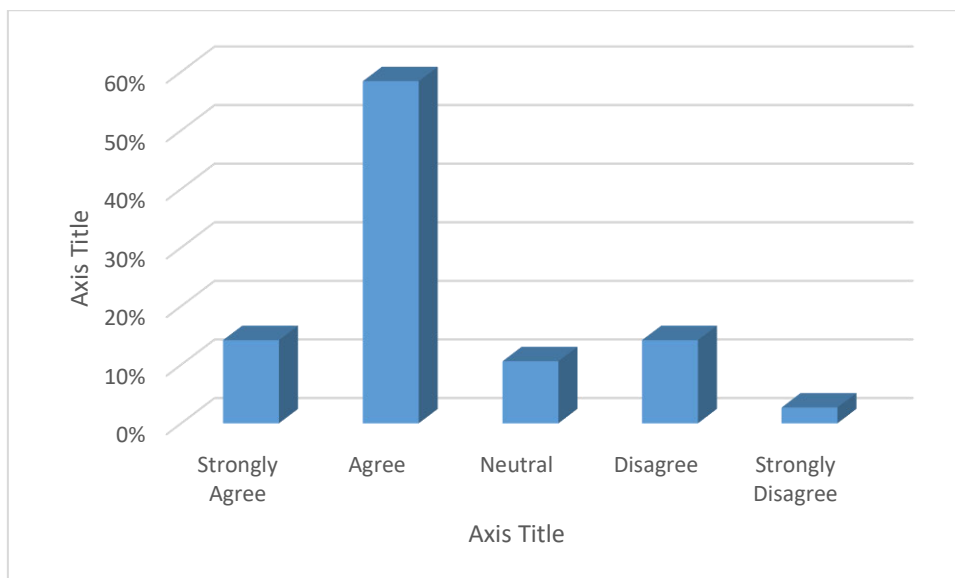
**Figure 4.5.17 Internal Audit conducts SCM reviews quarterly.**



The figure shows that 52.2% of the respondents agree that Internal Audit conducts SCM reviews quarterly, 23.9% of the respondents are neutral, 14.2% of the respondents strongly agree with the statement, 8.8% of the respondents disagree with the statement and 0.9% of the respondents strongly disagree with the statement. The results show that the majority of respondents understand the role of Internal Audit and its duties, and the respondents agree that Internal Audit reviews the SCM processes quarterly. Internal auditing can be defined as an independent, impartial assurance and consulting activity aimed at adding value and bringing improvement to the operations of the organisations. Having quarterly review audits on SCM can assist the municipality to identify any potential risks within SCM processes, this can also assist the municipality to comply with relevant SCM laws and regulations. Internal auditors work in a setting where they are expected to provide solutions to management as well as address issues as they arise. Vijayakumar & Nagaraja (2012) claim that since it is frequently the first line of defense in fixing flaws before they become unmanageable or are revealed in the external

audit report, businesses view this part as consoling. Strong environmental control within the company ensures that the company's assets are in capable hands with effective management. Having regular SCM audits can assist the management in detecting any errors within SCM at an early stage.

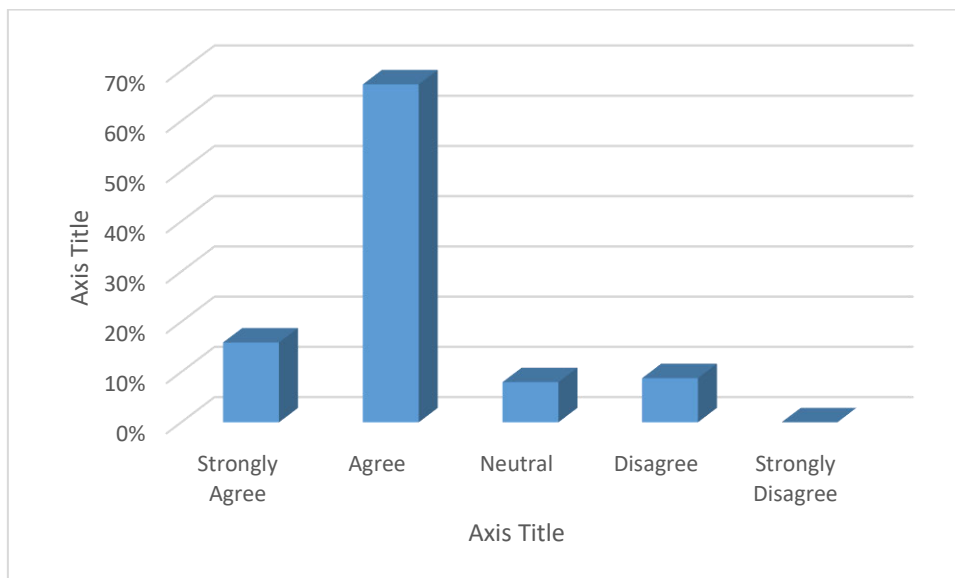
**Figure 4.5.18 Internal Audit has relevant resources, adequate skills, manpower to address the issue of irregular expenditure.**



The figure shows that 58.4% of the respondents agree that Internal Audit has relevant resources, adequate skills, manpower to address the issue of irregular expenditure, 14.2% of the respondents strongly agree with the statement, 14.2% of the respondents disagree with the statement, 10.6% of the respondents are neutral with the statement and 2.7% of the respondents strongly disagree with the statement. The results shows that the eThekweni Municipality employees agree that the Internal Audit Unit has necessary resources, skills and manpower to address irregular expenditure within the municipality. From the literature review, according to the IPPF, an "appropriate" Internal Audit resource is one that possesses the right combination of knowledge, skills, and other pertinent competencies. "Sufficient" refers to the quantity of resources needed to carry out the approved plan, and "effective" resource deployment occurs when staff members are arranged to maximise value (IIA-Global, 2013). Audit team should have the necessary skills to carry out audit engagements that addresses the issues of

irregular expenditure within the Municipality. Yee et al. (2017) claim that a proficient internal audit service helps organisations maximise profit and accomplish socially acceptable goals like combating corruption and poverty. A proper audit function can assist the municipality to reduce fraud and detect it early which can have a positive impact on service delivery. It important that internal auditors possess the knowledge, skills and other competencies necessary to perform their individual responsibilities (Audit Standard 1200 proficiency and due professional care).

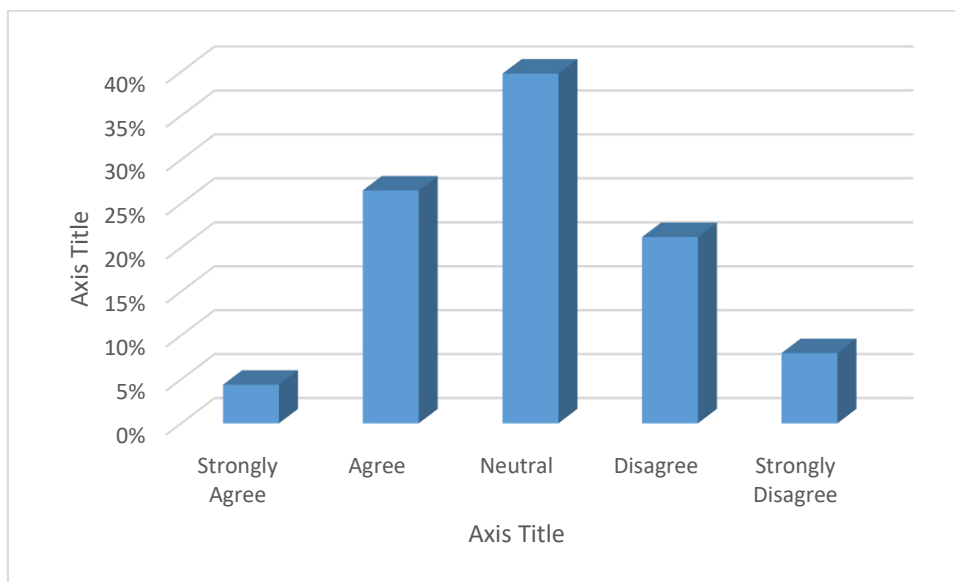
**Figure 4.5.19 Internal Audit assists to reveal fraudulent activities with regards to irregular expenditure.**



The figure shows that 67.3% of the respondents agree that Internal Audit assists in revealing fraudulent activities regarding irregular expenditure, 15.9% of the respondents strongly agree with the statement, 8.8% of the respondents disagree with the statement, 8% of the respondents are neutral with the statement. The majority of the eThekweni Municipality agrees that Internal Audit assists the municipality in revealing fraudulent activities within the irregular expenditure. Internal Audit can assist in identifying trends and patterns that might lead to fraudulent activities. Internal Audit is used as a fraud detector so that the management can be aware of irregularities and provide recommendations on how to mitigate the irregularities. By improving the efficacy of fraud prevention and detection strategies, internal auditing can have a substantial

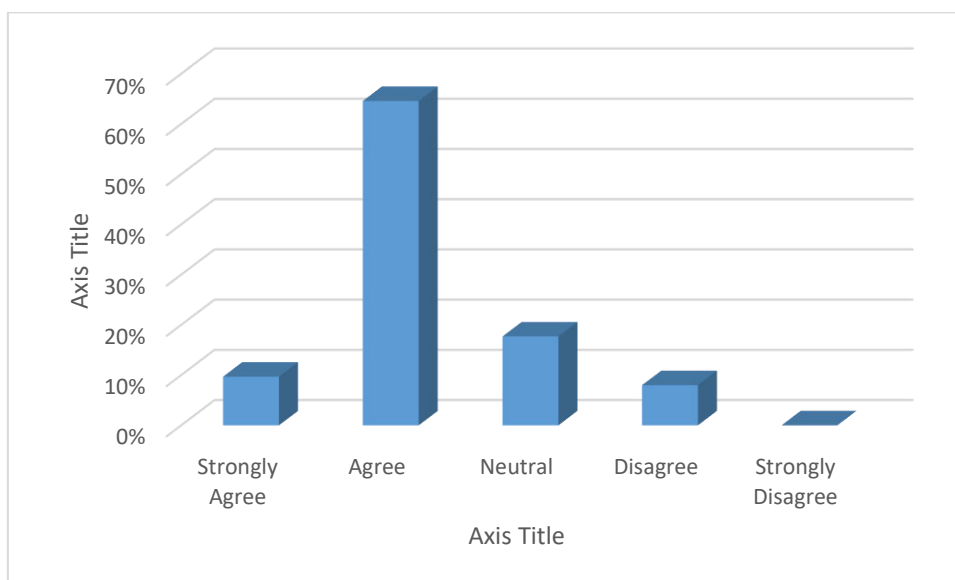
positive impact on operational performance (Asare et al., 2008; Norman et al., 2010). In order to guarantee that financial resources are spent efficiently and prevent needless waste, the public sector's control function is crucial.

**Figure 4.5.20 The department has regular workshops on irregular expenditure.**



The figure above shows that 39.8% of the respondents are neutral with the statement that the internal audit department has regular workshops on irregular expenditure, 26.5% of the respondents agree with the statement, 22.1% of the respondents agree with the statement, 8% of the respondents strongly disagreed with the statement and 4.4% of the respondents strongly agree with the statement. The results show that eThekweni Municipality employees are neutral they don't know whether the unit does offer regular workshops on irregular expenditure or not. These results can be summarized as the majority of the employees have never seen workshops regarding irregular expenditure. The duty to arrange workshops on irregular expenditure should liaise with the management, internal audit can give recommendations to the management on how to equip the staff on irregular expenditure.

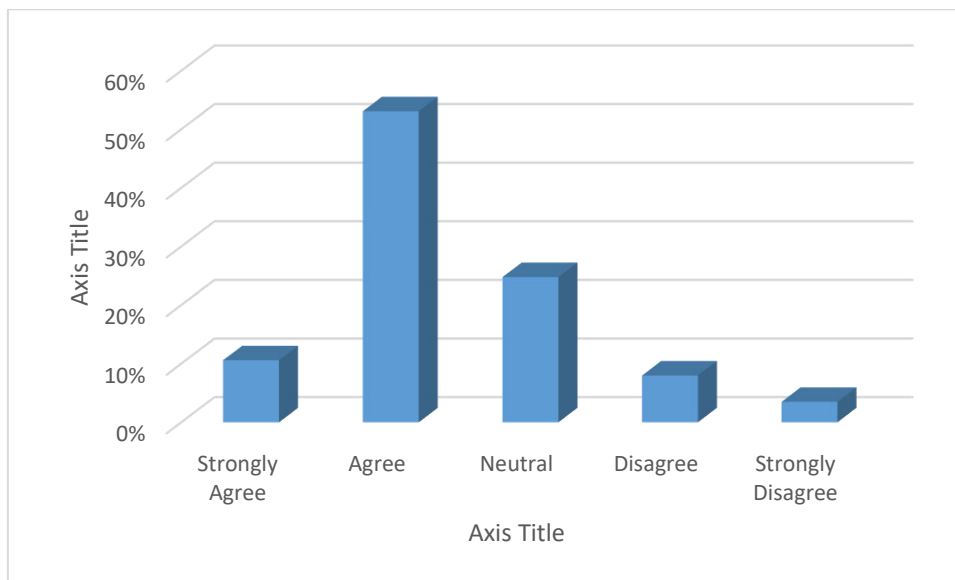
**Figure 4.5.21 Internal Audit assists to reveal incompetence, threats and other sensitive information with regards to irregular expenditure.**



The figure above shows that 64.6% of the respondents agree with the statement that the Internal Audit assists in revealing incompetence, threats, and other sensitive information with regards to irregular expenditure, 17.7% of the respondents are neutral with the statement, 9.7% of the respondents strongly agree with the statement and 8% of the respondents disagree with the statement. The results show that eThekweni Municipality majority of the employees agree that the Internal Audit assists the municipality in revealing incompetence, threats, and other sensitive information with regard to irregular expenditure. In the literature review, it has been explained that unauthorized spending might happen when a top manager is legally empowered to decide which contractors to hire to maintain office space. Any decision made in this regard by the senior management is permitted, but it may be deemed irregular if it violates Treasury

regulations or the Public Finance Management Act, which are in place to guarantee that all qualified contractors are treated fairly and equally. The Internal Audit unit comes in to review the process that was used to select the contract and confirm if the proper procedures and regulations were followed. In cases where there is non-compliance, the auditor's role is to report on that matter to management and offer recommendations on how to rectify the matter. Dlomo (2021) reported that any behavior that fits the description of the irregular expenditure given above is considered to be against procurement or financial management guidelines. Therefore, the accounting officer must take action to stop such a violation from happening.

**Figure 4.5 24 Irregular expenditure is reported to CIU by Internal Audit for further investigation to ensure that necessary disciplinary measures are taken.**

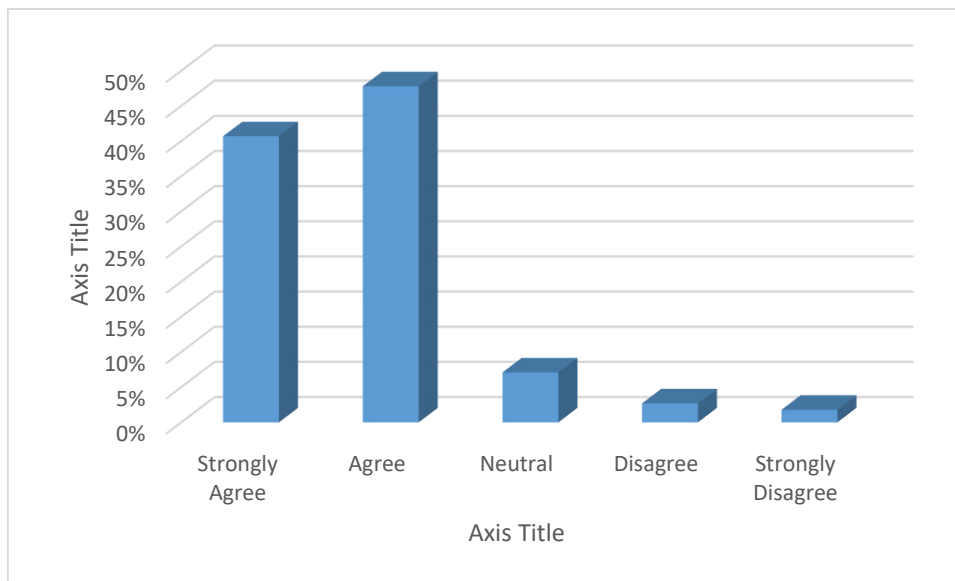


The figure shows that 53.1% of the respondents agree that irregular expenditure is reported to CIU by Internal Audit for further investigation to ensure necessary disciplinary measures, 24.8% of the respondents are neutral with the statement, 10.6% of the respondents strongly agree with the statement, 8% of the respondents disagree with the statement and 3.5% of the respondents strongly agree with the statement. The results confirm that the respondents agree that the Internal Audit Unit does report irregular expenditure to the CIU for further investigation, this confirms that the employees of Ethekewini Municipality understand the process after the occurrence of irregular expenditure. In the literature review, it was reported

South African municipalities are under strain due to inadequate financial oversight and a dearth of accountability, resulting in widespread corruption and financial mismanagement that hurts the provision of effective and efficient services. Organizational systems and structures that are loose, ill-organized, weak, or ineffective are frequently the result of leaders who lack ethics and responsibility. Responsibility for choices, actions, results, and policies is closely tied to accountability. Integrity and honesty can only be improved by adhering to ethical accountability principles and procedures, which are mandatory for all municipalities (Pillay, 2016). Over and above what internal audit does after reporting the irregular expenditure to the management it further reports it to CIIU for further investigation to decide how the matter should be corrected and take disciplinary measures. The purpose of CIIU is to assist the municipality build an ethical organisation that is without fraud, corruption, or maladministration.

**Section D: Measures to mitigate irregular expenditure**

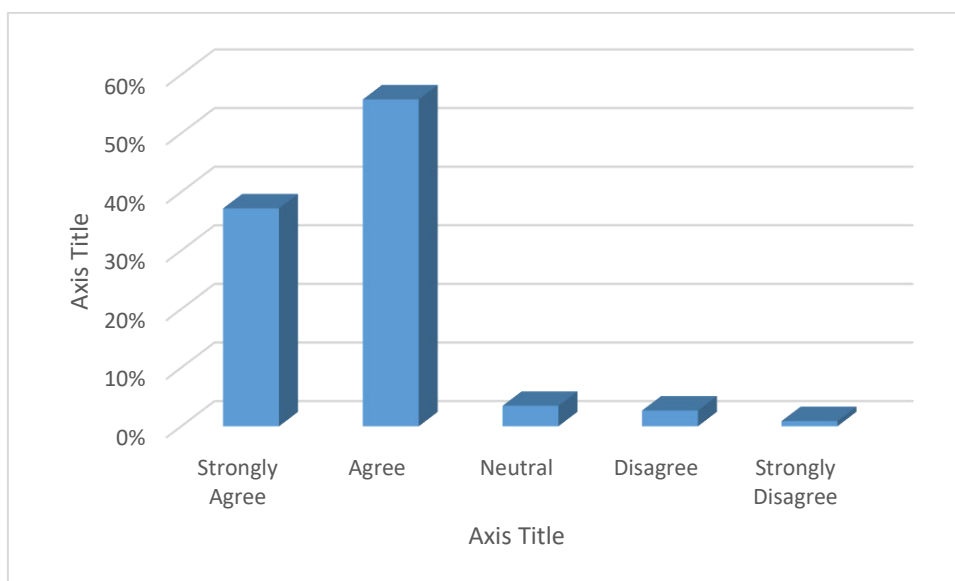
**Figure 4.5.26 Appointment of qualified and experienced officials may help in reducing non-compliance.**



The figure above shows that 47.8% of the respondents agree that the appointment of qualified and experienced officials may help in reducing non-compliance, 40% of the respondents strongly agree with the statement, 7.1% of the respondents are neutral to the statement, 2.7% of the respondents disagree with the statement and 1.8% of the respondents strongly disagree with the statement. The results above prove that the employees of eThekweni Municipality believe that the appointment of qualified and experienced officials may reduce non-compliance.

Officials with proper training work more efficiently, and success is the result of increased efficiency. Compliance training eventually improves a company's bottom line by reducing errors and increasing productivity. Having a qualified staff might assist the municipality to comply with the relevant laws and regulations affecting the municipality which might have a positive effect on the overall municipal performance. A performing municipality can be able to carry out its duties and delivery service. To guarantee improved comprehension and proper implementation of policies, it is advised that ongoing training and workshops be offered. Before being put into effect, officials should be given a chance to review and comprehend any new rules or modifications to current ones (Oenga and associates 2022).

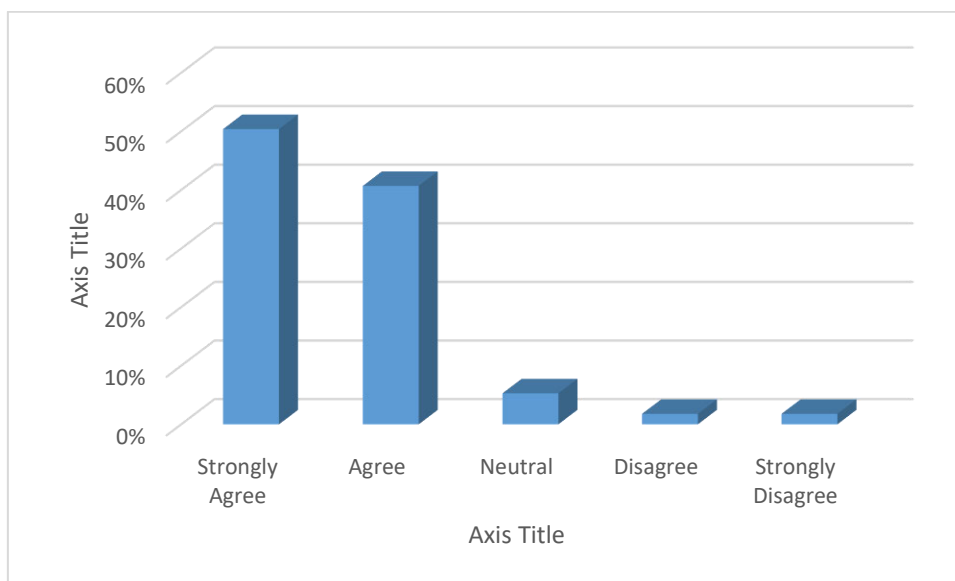
**Figure 4.5.27 Conduct regular training to improve skills.**



The figure above shows that 55.8% of the respondents agree that conducting regular training can improve skills and reduce non-compliance, 37.2% of the respondents strongly agree with the statement, 3.5% of the respondents are neutral, 2.7% of the respondents disagree with the statement and 0.9% of the respondents strongly disagree with the statement. The results show that the eThekweni Municipality believes that non-compliance can be reduced by conducting regular training and workshops in order to improve the skills of the officials. When employees

are well-trained, they are most likely to perform well in their duties. Since they constitute the foundation of the procurement process, all SCM practitioners need to have a skills development strategy in place. In accordance with De Lange (2015), human error, inadequate internal control measures, and ignorance of the rules are some of the causes of non-compliance. Improved internal controls, training, and efficient management can address the weak areas. It can be confirmed that regular training and workshops can improve the performance of employees.

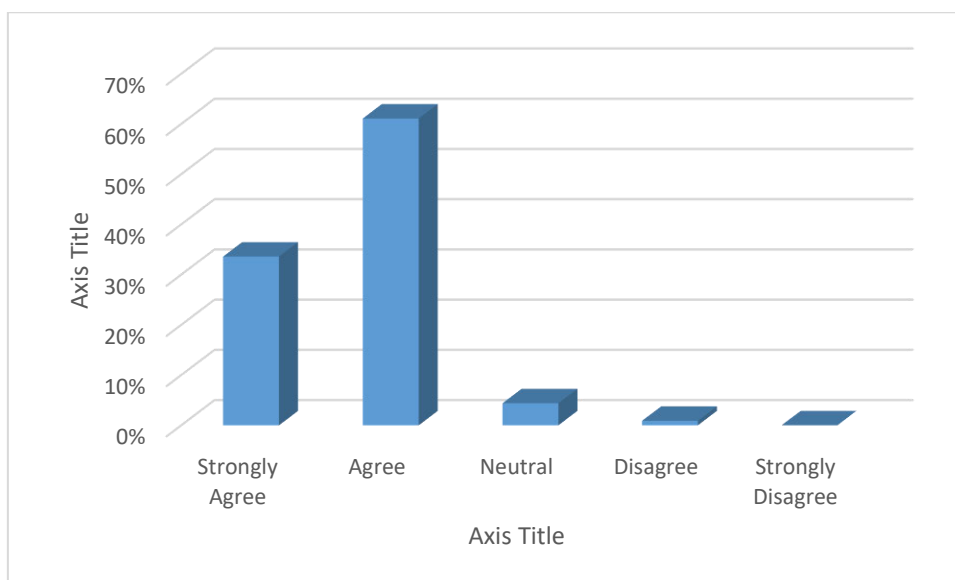
**Figure 4.5.29 Preventing irregular expenditure and non-compliance should be a key performance measure in senior officials' contracts.**



The figure above shows that 50.4% of the respondents strongly agree that preventing irregular expenditure should be a key performance measure in senior official's contracts, 40.7% of the respondents agree with the statement, 5.3% of the respondents are neutral with the statement, 1.8% of the respondents disagree with the statement and 1.8% of the respondents strongly disagree with the statement. The results show that eThekweni Municipality employees believe that irregular expenditure can be prevented if it can be a key performance indicator for senior officials. Having clear performance indicators for senior officials can assist in achieving the

municipality's objectives. This can also assist the management in making informed decisions when it comes to irregular expenditure. The MFMA assigns accounting officers particular duties. The Act assigns four main duties, including putting in place economical, transparent, efficient, and effective methods for organisational controls and preventing illegal spending by ensuring that municipalities don't go over budget. The results confirm that the respondents understand the duties of the management and how it can assist in preventing irregular expenditure. The majority of the respondents are in support of the MFMA and accounting officers are expected by the MFMA to take all reasonable precautions to stop and identify illegal spending. If the leadership of the municipality fails to address issues that relate to financial discipline and fails to work on changes to the internal control systems as they are assigned to as per MFMA No.56 of 2003.

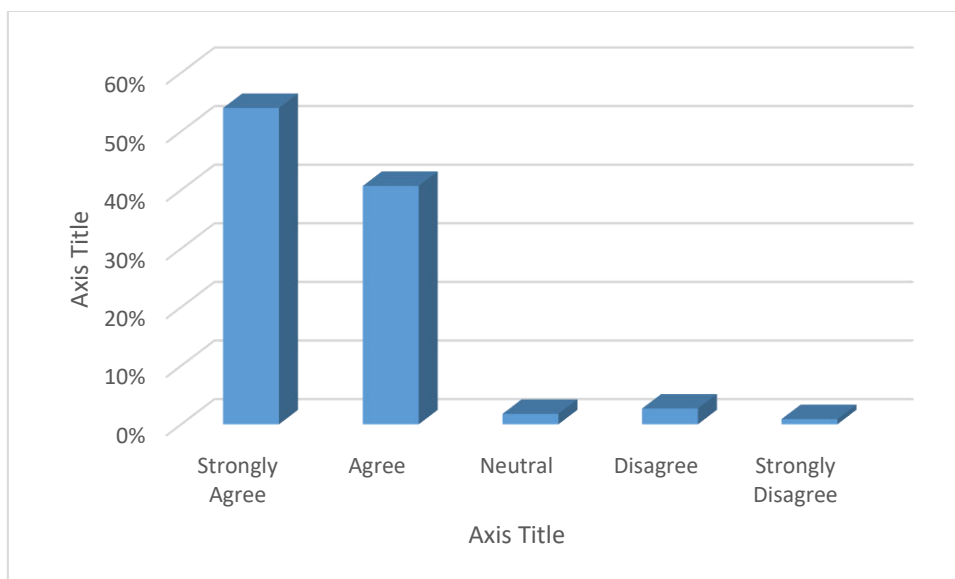
**Figure 4.5.30 The Municipality may need a clear reporting process on irregular expenditure.**



The figure above shows that 61.1% of the respondents agree that the municipality needs a clear process on irregular expenditure, 33.6% of the respondents strongly agree with the statement, 4.4% of the respondents are neutral and 0.9% of the respondents disagree with the statement. The results show that the majority of eThekweni Municipality employees believe that the

municipality should have a clear reporting process as a way to mitigate irregular expenditures. Having a clear reporting process can assist the internal control implementation to be quick and easy. With this in place, it's highly unlikely that employees can complain that they didn't know what was expected of them, and it can be easy to comply with relevant laws and regulations. In terms of MFMA Act No. 56 of 2003, several tools for enhancing accountability are provided by the body of laws governing municipal government. Separating and outlining the duties and responsibilities of mayors, executive council members, non-executive council members, and officials is the first method. For effective governance, the political and managerial spheres must be kept apart.

**Figure 4.5.31 Disciplinary steps should be taken against employees who have committed an act which undermines the financial management of the Municipality.**



The figure above shows that 54% of the respondents strongly agree that disciplinary steps should be taken against employees who have committed an act that undermines the financial management of the municipality, 40.7% of the respondents agree with the statement, 2.7% of the respondents disagree with the statement, 1.8% of the respondents are neutral and 0.95% of the respondents strongly disagree with the statement. The majority of respondents believe that consequences management can be the solution for the municipality on how to deal with issues related to irregular expenditure. The Municipality should have a process in place on how to deal with offenders who have acted against the law. To reduce and regulate anomalies, municipalities are implementing consequence management policies. According to MFMA section 62(1)(d), the accounting officer is required to take all necessary measures to prevent unauthorised, irregular, or wasteful spending as well as other losses. The literature review also mentioned that Bittner (2001) asserts that discipline originates in the highest levels of an organization and particularly alludes to the commitment of high-ranking officials. Instilling behaviors or mannerisms that are deemed acceptable by society is part of discipline. According to Mohamed (2007), because top structures have the power to make decisions, corruption, and unethical behavior are typically more common there. As a result, an audit unit should be established to periodically review choices and the reasoning behind them.

#### **4.10 Summary**

This chapter presented data analysis, presentation, and discussion of the results focusing on quantitative data analysis in relation to the role of internal auditing in mitigating noncompliance and irregular expenditure within eThekweni Municipality. It began by outlining the research study's topic and offering demographic information to better understand employees' thought processes based on their backgrounds. Data was collected using a survey that was sent to eThekweni Municipality employees who participated in the study. It has been proven that eThekweni Municipality employees believe that an internal auditing unit can reduce non-compliance and irregular expenditure within the municipality. It can be noted from the data provided that the employees are aware of irregular expenditure, its causes, and how it can be managed. Chapter Five will present the conclusion, recommendations, and limitations of the study.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION**

#### **5.1 Introduction**

The presentation, interpretation, and analysis of the research results from the data set were the main topics of the previous chapter. This chapter follows the data analysis chapter. An overview of the study's findings, recommendations, conclusions, and limitations regarding the role of internal auditing in mitigating non-compliance and irregular expenditure within eThekweni Municipality is provided in this chapter. This chapter (Chapter 5) aims to summarise the findings, make conclusions, and offer suggestions based on the research. The study makes its conclusions by summarising how the research objectives were fulfilled, as set out at the start of Chapter 1. The set objectives were as follows:

- a) To identify the risks associated with non-compliance and irregular expenditure.

- b) To assess the existing mechanisms for mitigating non-compliance within eThekweni Municipal operations.
- c) To evaluate the role of the Internal Audit unit within eThekweni Municipality in reducing non-compliance and irregular expenditures.
- d) To identify and explore the common drivers of irregular expenditure at eThekweni Municipality.

## **5.2 Outline of the research**

The study's introduction was presented in *Chapter One*, laying the groundwork for the investigation. By presenting the demographics of eThekweni Municipality, the study advanced. The definition of irregular expenditure and the degree of irregular expenditure in eThekweni Municipality were also described. It offers the problem statement, the pertinent research questions that served as the study's compass, as well as the goals and objectives. The study's boundaries were described, each chapter's exposition was given, and each chapter's summation was given.

The study's literature research, which included laws affecting municipalities such as the MFMA, MSA, and Constitution, as well as National Treasury restrictions on irregular expenditures and a supply chain management framework, was the main emphasis of *Chapter Two*. Along with a discussion of other organizations that are intended to support the government in addressing issues of crime and corruption, the chapter also included a list of potential irregular expenditure examples. The researchers also talked about the potential causes and expanded the concept of irregular expenditure.

The research design and technique for this study were provided in *Chapter Three*. To investigate the subject and fully comprehend the function of internal auditing in reducing irregular spending, the researcher used a positivist ideology. To supplement the case study research strategy, the study used a deductive approach. A link to a survey was used to gather quantitative data. The sampling tool, sample size debate, and ethical considerations were also covered in this chapter.

Data analysis was covered in *Chapter Four*, along with a presentation and discussion of the findings with an emphasis on quantitative data analysis. Excel and SPSS as a tool for data analysis with the help of a third-party specialist. Graphs containing the frequencies and percentages of the participants' answers were used to display the data.

The dissertation's overall overview was the main topic of *chapter five*. Along with the conclusions, a summary of the results from each research topic was also provided. Following that, suggestions were given for both this investigation and any upcoming research projects

### **5.3 Methodological Procedures Employed**

As provided in chapter 3, the researcher employed descriptive quantitative approaches to process and analyse data. The foundation framework for this study was positivism paradigm. A survey questionnaire was used to collect data with four sections as follows:

Section A: Internal Audit Activity

Section B: Drivers of Irregular Expenditure

Section C: Internal Audit Role

Section D: Measures to Mitigate Irregular Expenditure

As shown in section 4.3 of the previous chapter, a total of one hundred and thirteen responses were received from professionals occupying positions in Internal Audit, Internal Control, Supply Chain Management, and Finance within eThekweni Municipality. A thorough statistical analysis was performed on the survey data, including descriptive statistics, correlation analysis, Pearson's Correlation analysis, Cronbach's Alpha was used to test the reliability of the data. In the manuscript text, tables, and/or figures, descriptive data are presented quantitatively or graphically (Vetter, 2017). This extensive analysis was conducted using SPSS.

### **5.4 Summary of the findings**

As illustrated in section 4.3 of the previous chapter senior management, middle management, internal auditors, officers, and practitioners from eThekweni Municipality made up 75% of the study's targeted sample. The project's goal was to use the municipality as a case study to examine how internal auditing can help mitigate irregular expenditures.

### **5.5 Key findings from the research study**

The main conclusions from the primary research in section 4.9 and the literature review as per Chapter two were provided in this part. It is significant to highlight that this study managed to address the research issues and offered valuable insights. The study's conclusions, which

include a description of the study's goals and purpose as well as whether the researcher was successful in achieving them, will come after the results.

### **5.5.1 Biographical information of the participants**

The majority of respondents as per section 4.8 in the survey are between the ages of 35 and 44; they are predominantly Black, and most of them reported having worked for the Municipality for 10 to 12 years. Additionally, it was shown that females made up the majority of respondents. Additionally, most participants have a postgraduate degree as their highest academic qualification. Given that the majority of participants have a Postgraduate Degree as their highest level of education, it shows that the employer understands the impact of education on its staff because education can play a vital role in shaping individuals which can have a positive impact on their performance and assist the municipality to achieve its goal. According to Reddy (2016) to improve the technical and management skills of elected and appointed local government officials, these issues pertain to capacity development and institutional building.

### **5.5.2 Understanding the concept of Internal Audit Activity**

The majority of the respondents showed a good understanding of the role of the internal audit unit within the municipality and how it fits together with its responsibility. This was confirmed in Section A of the previous chapter under 4.9 by how they demonstrated the definition of internal audit as an impartial, independent assurance and advising service, which is intended to enhance and optimize a municipality's operations. Providing a methodical, disciplined way to assess and enhance the efficacy of governance, risk management, and control procedures, aids an organisation in achieving its goals. Leung et al. (2006) reported that internal auditors are shifting from control tactics to risk-based approaches and from confrontational approaches to management collaboration. This can assist the municipality in managing irregular expenditure risks if they are identified on time and can be easily monitored. The results revealed that the Internal Audit reports are communicated with the auditees at the end of an audit and the respondents understand that process. The reported results from these findings achieve the purpose of objective number two of the study which assesses the existing mechanisms for mitigating non-compliance within eThekweni Municipal operations.

### **5.5.3 Drivers of Irregular Expenditure**

It is obvious from the evidence gathered from respondents in Section B of 4.9 that the issue of not completely disclosing your business interests as an official within the municipality can be a contributing cause to irregular expenditure and the abuse of power by politicians. Because various people understand policies differently, a lack of training and workshops for staff members may also result in inappropriate applications of the policies. Local governments face challenges in effectively managing their finances because of a shortage of competent personnel and internal capacity difficulties. Zhou and Li (2012) agree it seems that there are generally insufficient skills, abilities, incentives, and knowledge for teamwork. Operational workers do not have enough time to read and comprehend policies before execution because they are always changing. Officials prioritize service delivery over making mistakes and breaking policies because they are constantly working under pressure to achieve results quickly. It was also discovered that poor decision-making can result from problems with certain projects not receiving the appropriate National Treasury approval. These findings fulfilled objective four which was focused on exploring the common drivers of irregular expenditure at eThekweni Municipality.

### **5.5.4 Internal Audit Role**

The respondents in Section C under 4.9 reveal that the internal audit unit should perform supply chain audits regularly to maintain effective and adequate controls within SCM, the respondents also demonstrated that the Internal Audit unit has enough capacity and manpower to carry out these audits. The respondents could not provide clear feedback on training that has been carried out by the Internal Audit unit on irregular expenditure. According to Dzikrullah et al., (2020), the internal audit division is in charge of monitoring the business's initiatives to enhance operations and provide value. It does this by assessing how well corporate governance, control, and the risk management process are working. The internal audit unit does not offer awareness sessions, workshops, or training when areas of concern are found during the controls assessment so that operational staff members are aware of the risk and know how to mitigate it. Respondents believe that the internal audit unit can assist in bursting any corruption work and can assist the municipality in detecting any red flag of corruption and proper reporting channels can be followed to respond to consequences management. If the municipal executive takes action against fraud and corruption based on recommendations by internal audit this can assist in reducing irregular expenditure. The reported results from these findings achieve the purpose

of objective number two of the study to evaluate the role of the Internal Audit unit within eThekweni Municipality in reducing non-compliance and irregular expenditures.

### **5.5.5 Measures to mitigate irregular expenditure**

According to the respondents' feedback in Section D of 4.9, the following measures could be taken to lessen the occurrence of irregular spending: appointment of qualified and experienced officials, conducting regular training to improve skills, implementation of reliable tools to prevent irregular expenditure, key performance indicator for senior management to prevent irregular expenditure, consequence management and clear reporting process of irregular expenditure. Mokgoro (2018) reported that management must also be proactive in taking steps to enhance communication regarding the purpose and technical details of the internal control system and individual control procedures. If an official makes system errors on purpose, disciplinary action should be taken to ensure that future non-compliance and errors in the financial and performance management controls are prevented, detected, and corrected regularly. This finding's managerial implications suggest that eThekweni Municipality's management should exercise extreme caution when it comes to issues involving the receipt and use of municipal finances. Strict and transparent internal financial control procedures are required. These findings fulfilled objective three of the study which focuses on assessing the existing mechanisms for mitigating non-compliance within eThekweni Municipal operations.

### **5.5.6 Conclusion**

The primary concerns were corrupt authorities, or more accurately, the misuse of authority and political meddling by politically motivated officials and officials not declaring business interests. Another contributing element to the municipality's experiences with irregular expenditures is the lack of training and workshopping for employees regarding regulations and irregular expenditure issues, according to the analysis of the data gathered from municipality officials. The study concludes that when officials are under pressure, they may prioritize service delivery over following policies, which might lead to irregular spending. Additionally, it should be mentioned that to perform their jobs more effectively, internal audit unit employees should be knowledgeable about the supply chain and offer training on weak controls that have been identified.

The study further established that to get a clean audit, the municipality should enforce proper reporting channels, and the offenders should face disciplinary measures, expulsion, and

prosecution. The recommendations provided by the internal auditors can be used as a strategy to mitigate irregular expenditure and the senior management should be accountable. To guarantee that there is no organizational management failure that will lead to irregular expenditure in the Municipality, it should be mentioned that the financial department of eThekweni Municipality should have leadership, accounting, budgetary, communication, management, perceptive, and fast decision-making skills. Therefore, this study suggests that the recommendations will aid in addressing the shortcomings found in the organisational management errors that lead to irregular expenditure.

## **5.6 Limitations of the study**

The eThekweni Municipality in the Kwa-Zulu Natal Province of South Africa was the exclusive focus of the study. In their efforts to finish their investigations, different researchers encounter various flaws or difficulties that could be out of their control (Creswell, 2014). The most common obstacles and constraints that researchers face when conducting research include time constraints, obtaining the gatekeeper's letter, and the lack of funding and other resources to complete the project. Although the study successfully met its goals, the researcher is conscious of the following limitations; Failure of municipal officials to respond to emails sent and participate in the survey which resulted in a 75% response rate from the selected sample, and the researcher's ability to present a more comprehensive picture of irregular expenditure in other South African municipalities was hampered by the dearth of scholarly texts and articles on irregular expenditure in South Africa.

## **5.7 Recommendations**

To address the issues raised in the study's problem statement on internal audit's role in mitigating noncompliance and irregular expenditure in eThekweni Municipality, the following recommendations are offered.

### **5.7.1 Drivers of irregular expenditure**

To help the municipal finance employees and management grasp the principles of municipal financial management, more training courses had to be offered. This might be accomplished by hiring financial experts to instruct municipal financial leaders in managing municipal finances (National Treasury, 2006). Thus, a sensible procurement plan is required to prevent officials

from being under pressure to provide for a short amount of time and from prioritizing service delivery at the risk of making mistakes that might lead to irregular expenditure. It becomes crucial to fortify the relationships with the training institutions to guarantee the preservation of quality and the model. Since they constitute the foundation of the procurement process, all SCM practitioners must have a skills development strategy in place (Ambe & Badenhorst-Weiss, 2012). The municipality should aggressively seek to ensure that all finance officials possess the necessary minimal competencies. Competent individuals must be hired for the jobs, particularly in the finance unit and SCM (division). The accounting officer is responsible for ensuring that officials who commit misbehaviour that impacts a municipality's finances face the proper disciplinary actions (Letlhogela, 2015). Since teamwork and transparency are the cornerstones of departmental success, they must be promoted (Ngwako & Alex, 2015). Political meddling by local politicians and other powerful stakeholders can be discouraged through transparency. Monthly and quarterly financial reports must be submitted by municipalities, according to the Municipal Finance Management Act 56 of 2003. These are particularly helpful since the committee can monitor spending trends and stop fiscal dumping before it becomes a problem, which would reduce corruption.

### **5.7.2 Internal Audit Role**

Internal auditing is defined by the Institute for Internal Auditors (IIA) as an impartial, independent assurance and consulting activity intended to enhance and optimize an organization's operations. It goes on to say that introducing a methodical, disciplined strategy to assess and enhance the efficacy of risk management, control, and governance procedures, assists an organisation in achieving its goals (IIA, 2006). Every project and program within the municipality should have a risk assessment conducted regularly by Internal Audit.

Putting in place a risk assessment process, the municipality would be able to create risk management plans that would act as strategies for intervention or mitigation in the event of any unanticipated events that can lead to irregular expenditure. The internal Audit unit can also come up with a whistleblower policy and a process that can assist in reporting any offenders within the municipality. To improve their ability to oversee the municipality's financial resources through internal control, all audit committee members should get training. To successfully function, the audit committee must be able to identify managers who engage in unethical activity or fraudulently profit from public funds far in advance of the Auditor-General's discovery.

## **5.8 Recommendations for Future Study**

The researcher suggests that comparable research be done in other municipalities based on the study's findings, which are related to KwaZulu Natal's eThekweni Municipality and indicate that irregular expenditure is a problem in other municipalities.

There isn't much research on irregular spending in South Africa, according to the literature review. Since this topic is currently one of the government's top concerns, more research is required. There is a need for research on the effects of irregular expenditures on service delivery, and this study examined the factors that contribute to irregular spending as well as the function of the internal audit unit. Protests against the government's inability to provide services are on the rise across the nation right now.

## **5.9 Conclusion**

The main aim of the study was to investigate the role of internal auditing in mitigating noncompliance and irregular expenditure at eThekweni Municipality. To accomplish this goal, this study has evaluated a variety of challenges. Data from this study indicates that municipalities face several difficulties because of irregular expenditure. The study has also demonstrated that management and other local government officials need to be aware of their roles and responsibilities as well as regulations that govern municipalities in their daily work. Officials must also comprehend how they contribute to financial management procedures; in cases when this is not the case, skill development becomes crucial. Therefore, a need for expenditure monitoring is necessary, introduction of monitoring tools such as internal auditing can play a role in reducing irregular expenditure and training officials to understand that internal auditing can be used to add value and improve the operations of an organisation

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