

UNIVERSITY OF KWAZULU-NATAL

**Assess the Effectiveness of Financial Management in a Metropolitan Municipality to Meet
the Infrastructure Service Delivery Requirements: A Case Study of the eThekweni
Municipality**

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Abstract

The purpose of this study was to assess the effectiveness of financial management in a metropolitan municipality to meet the infrastructure service delivery requirements. This was a case study focused on the eThekweni Municipality. Since the dawn of democracy, local government institutions, in particular municipalities have been in the spotlight for ensuring that they are financially healthy, conduct service delivery for the South African community and are sustainable overall. In recent times, prudent financial management has been the subject of discussion mostly for local government due to the poor financial performance in Municipalities. The study deliberates on the financial management in general and then focuses on assessing the effectiveness of the financial management practices at eThekweni Municipality in order to achieve service delivery. This study followed a qualitative design methodology. A non-probability sampling technique was adopted since this particular study was a case study of the eThekweni Municipality. Purposive sampling was utilised in order to emphasise the particular characteristics of the research participants, which was targeted at ascertaining information about their financial management experience within the eThekweni Municipality. The research participants, which were at management level, were selected from the eThekweni Municipality Finance Cluster. The data collection instrument was semi-structured interviews, which were conducted with the participants on a one on one basis. The key findings of the study demonstrated that the financial management does exist, supported by the practices in the form of legislative frameworks and guidelines as well as internal policies. Financial management is effective, evidenced by the service delivery that has been achieved at the eThekweni Municipality. However, there are factors which affect the completeness of the effectiveness of the financial management. These factors were identified as key themes in the study. The factors which impact effectiveness were the lack of complete implementation of financial management practices throughout the municipality as an organisation. The study also found that there are varying degrees of consequent management and that there is some political influence in the municipal administration. The manner in which the eThekweni Municipality utilises its financial resources does not necessarily yield best value for money. There is also a need for the improvement of accountability, adequacy of skills, planning as well as the manner in which financial management is conducted in internal business units. Recommendations made in the study include decisive action on discipline and consequent

management, ensuring that the financial management practices are implemented and that all financial resources are utilised adequately in order to achieve best value for money.

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CHAPTER ONE –INTRODUCTION

1.1 Introduction

This chapter provides an introduction of the study and the motivation thereof. This study undertakes an exploration of the effectiveness of financial management in a metropolitan municipality in order to meet the infrastructure service delivery requirements. This is a case study of the eThekweni Municipality. The problem statement highlights the challenges surrounding the financial management in order to meet the service delivery requirements, giving rise to and motivating this study. This chapter includes the objectives that will be achieved through the study and the research questions which enable the study to assess the effectiveness of financial management practices of eThekweni Municipality. The significance of the study is also outlined as well as the research methodology which will enable the research to be conducted. The chapter is concluded with the outline of the ensuing chapters in the study.

1.2 Background of the Study

Since the dawn of democracy, local government institutions, in particular municipalities have been in the spotlight for ensuring that they are financially healthy, conduct service delivery for the South African community and are sustainable overall. The Auditor General, in its oversight role through auditing the local government institutions, has the task of reporting on the existence and extent of accountability and governance in local government institutions. During the release of the audit results in the Auditor General (2016/2017) report on the South Africa's municipalities, the Auditor General bemoaned the overall decline in the audit results and deficiency in accountability. The decline has been highlighted in the Auditor General reports for the past five financial year periods between 2011/2012 and 2016/2017, however the efforts by the municipalities towards improving this state of performance has been insignificant to make a large impact.

According to Auditor General (2016/2017:9), “accountability continues to fail in local government”. According to the Auditor General, reliable financial reporting and performance reports are essential to allow for accountability and transparency Auditor General (2016/2017). Although there are some municipalities who are not doing well in the area of accountability and transparency, there are municipalities, such as eThekweni Municipality who have managed to achieve a clean audit in 2015/2016 financial year and unqualified audit status for financial years 2014/15 and 2016/2017, according to eThekweni Municipality: Integrated Development Plan [IDP] (2018/2019). The achievement of a clean audit requires the resolution of a number structural challenges within an organisation, such as ensuring that the organisation has the appropriate employees who possess the right skills. The organisation also has to make due efforts in building the capacity of employees with the adequate skills that will ensure that the financial management practices of the organisation are effective. While achieving unqualified audit status for municipalities such as eThekweni Municipality is good, an assessment of the effectiveness of the financial management practices is necessary in order to ensure that good financial performance is sustained and superior service delivery is achieved.

eThekweni Municipality is a metropolitan municipality which includes the city of Durban, the largest city in the KwaZulu-Natal Province. According to eThekweni Municipality: IDP (2018/2019), approximately 3, 5 million people reside in the eThekweni Municipality, and the municipality ranks third in the number of residents behind City of Johannesburg with 4, 4 million residents and City of Cape Town with 3, 7 million residents. Furthermore, according to the eThekweni Municipality: IDP (2018/2019:18), the eThekweni Municipality vision is “By 2030, eThekweni will enjoy the reputation of being Africa’s most caring and liveable City, where all citizens live in harmony”. This vision is supported by the good environment and infrastructure such as immaculate beaches that continue to span the coast line of the KwaZulu-Natal Province, historic buildings such as the Durban City Hall and a diverse cultural heritage. Durban has received the accolade of being one of the 7 Wonder Cities of The World and is classified as the highest South African city with the highest quality of life, according to the eThekweni Municipality: IDP (2018/2019). EThekweni Municipality has a stable state of finances evidenced by achieving unqualified audit results over the last medium term according to the eThekweni Municipality: IDP

(2018/2019). The Auditor General (2016/17) commented that in his opinion of the municipality, that the consolidated financial statements of eThekweni Municipality fairly reflect the financial status of the municipality in accordance with the South African standards of Generally Recognised Accounting Practices.

According to Local Government Municipal Systems Act, No. 32 of 2000 (2000:chap5), a municipality has an obligation to compile an Integrated Development Plan (IDP). Accordingly, an IDP forms the basis for which a municipality can ensure that there is transformation and development can be facilitated. According to eThekweni Municipality IDP (2018/2019), there is an eight point plan. Plan number eight refers to Financially Accountable and Sustainable City. The purpose of plan eight is to make best use of the Municipality's financial resources in order to ensure the long-term financial feasibility and sustainability. This will enable the Municipality to deal with the key financial challenges that it will face in the future.

1.3 Problem Statement

Municipalities have an immense mandate in South Africa of ensuring that service delivery at local government level is executed. Legislation, like the Municipal Finance Management Act 56 of 2003 prescribe the manner which municipalities must manage their finances. However the municipalities have been criticised for their inability to effectively manage public funds, given the limitation of the financial resources. Given the challenges and the level of criticism municipalities have been confronted with, the study assesses the efficiency and the financial management of the of the public funds in order to determine the adequacy of the funding and whether it meets the needs for service delivery for the community of eThekweni Municipality. The study is important and necessary as it supports the use of public funds and the monitoring thereof has a direct and critical impact on the lives of the community to which municipality delivers services. The proper use of public funds and the efficient service delivery contributes meaningfully to the growth and sustainability of the economy.

1.4 Aims of the Research

The aim of the study is to assess the effectiveness of financial management in the Metropolitan Municipality of eThekweni in order to meet the infrastructure service delivery requirements of the government and community.

1.5 Research Objectives

The following objectives were developed to address the study:

- Establish the current financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery.
- Assess the benefits of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery.
- Establish the factors that affect the effectiveness of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery.
- Provide recommendations on how eThekweni Municipality can achieve effectiveness of financial management in order to meet infrastructure service delivery requirements.

1.6 Research Questions

The research intends to answer questions concerning the effectiveness of financial management practices within the eThekweni Municipality. The questions are as follows:

- What are the current financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery?
- What are the benefits of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery?
- What are the factors that affect the effectiveness of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery?

- How can eThekweni Municipality achieve effectiveness of financial management in order to meet infrastructure service delivery requirements?

1.7 Significance of the Research

The study is significant for various reasons. The Municipality will be able measure effectiveness of its current level of financial management practices in relation to the prescripts of the legislation like the Local Government Municipal Finance Management Act no.56 of 2003. Furthermore, the Auditor General as the enabling oversight body, ensures that accountability and governance in the public sector is effective through auditing, thereby building public confidence in the financial management practices of the municipality. When the financial management practices are effective, the community of eThekweni Municipality will be able to receive the full service delivery which has been undertaken to be provided by the local government and the municipality. The study will enhance the current knowledge about financial management practices in a municipality which can be used for further research purposes. The researcher will also gain further knowledge about the financial management practices of eThekweni Municipality.

1.8 Research Methodology

A qualitative design method was undertaken in this study and the interpretivist philosophy was relied upon. The interpretive philosophy was used because the researcher had to infer, in a subjective manner, the phenomenon under the study and make conclusions thereof. This resulted in the study being an interpretive phenomenological study. The research was based on a case study of the eThekweni Municipality therefore the research population was also based on participants employed within the eThekweni Municipality.

A non-probability sampling technique was adopted since this particular research is a case study of the eThekweni Municipality. Purposive sampling was utilised in order to emphasise the particular characteristics of the research participants that were of concern to the researcher, in order to give

the best response to the research questions. The research participants were selected from the eThekweni Municipality Finance Cluster to participate in individual interviews with the researcher, which resulted in responses to the questions which were recorded on audio and translated into transcript for the purposes of analysis. The qualitative data was analysed in order to extract the relevant themes that occurred amongst the participants as well as to gain an understanding that will enable an assessment of the effectiveness of the financial management practices in order to achieve infrastructure service delivery requirements.

1.9 Limitation of the Research

All efforts were undertaken to ensure that the research maintains an objective view throughout the research process. Therefore the sample size was small in order to ensure that detailed and comprehensive responses from the interview questions were obtained. The responses which form the basis of the conclusion was based on the research participants personal and professional view of financial management practices as well as their view of the eThekweni Municipality in general.

1.10 Organisation of Research Dissertation

The research is organised as follows:

Chapter 1: Introduction

Documents the summary of the research by outlining the background of the study as well as description of the organisation eThekweni Municipality which the case study is based. The objectives of the study are outlined with questions that research participants responded to in order to ensure that the research objectives are met. The research methodology is also outlined on how the research will be conducted.

Chapter 2: Literature Review

Provides an assessment of the body of knowledge regarding the financial management practices and their effectiveness with regards to infrastructure service delivery. The assessment includes a review of journals, published books, government reports and papers discussing financial management practices.

Chapter 3: Research Methodology

The research methodology is outlined and gives details of the design, approach, philosophy, method, population and sampling. Furthermore the limitation for this research and ethical considerations are outlined.

Chapter 4: Presentation and Discussion of Results/Findings

An analysis of the research findings is conducted and discussed. The resultant findings are discussed in relation to the research questions and the objectives of the research.

Chapter 5: Conclusions and Recommendations

Provides a summary of the conclusions and recommendations to the results and findings of the research.

1.11 Conclusion

The unsatisfactory state of finances in Municipalities has been outlined by the Auditor General as generally in need of improvement. In 1994, the new government of national unity inherited a national public service that had challenges such as lack of training of staff, poor finances and work culture and business systems that either lack or had limited IT applications and automation. Although these challenges may exist, government institutions such as the Auditor General have made efforts in order to ensure that a continuous improvement is undertaken by government institutions such as the Municipalities. This study seeks to also understand if the financial management practices were effective in order to conduct the required infrastructure service

delivery for the community of eThekweni Municipality. The next chapter provides literature related to the study.

CHAPTER TWO – LITERATURE REVIEW

2.1 Introduction

This chapter reviews the appropriate literature relating to financial management from the perspective of general financial management practices as well as financial management in terms of local government and municipalities. The chapter is made up of three parts. The first part provides a definition of key concepts relating to the study. The second part gives an overview of financial management practices. Finally, the third part provides the theoretical framework which underpins this study. Parts one and two of this study give a perspective about financial management, and its impact in local government and municipalities.

2.2 Definition of Key Concepts

2.2.1 Metropolitan Municipality

Municipalities are established in terms of The Constitution of the Republic of South Africa Act, No.108 of 1996, as amended, (2012). The Constitution of the Republic of South Africa Act, No.108 of 1996, as amended, (2012:s151:3) directs that “A Municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution Municipality”. According to the South Africa Government (2011) municipalities are dedicated to developing local economies and to make available infrastructure and services. Furthermore, South African Government (2011) explains that, 278 municipalities exist in South Africa and consist of 226 local, 8 metropolitan and 44 district municipalities. The Constitution of the Republic of South Africa Act, No.108 of 1996, as amended (2012:s152:1) further elaborates on the five purposes of local government. The Constitution of the Republic of South Africa Act, No.108 of 1996, as amended (2012:s152:1: b) directs the local government “to ensure the provision of services to communities in a sustainable manner”. In addition to these purposes, a municipality is expected to endeavor utilising its financial

and administrative abilities to achieve its purposes. Tasked with delivering basic services and nurturing expansion, municipalities are understood to be the elementary component of government with the role of developing the livelihood of all South Africans utilising the economic resources.

Local Government: Municipal Structures Act, No.117 of 1998 (1998: Definitions) explains that a metropolitan municipality is “a municipality that has exclusive executive and legislative authority in its area. The Constitution of the Republic of South Africa Act, No.108 of 1996, as amended (2012:s151:1) explains the metropolitan municipality as a category A municipality. Local Government: Municipal Structures Act, No. 117 of 1998 (1998:chap1) explains that a category A municipality, must have “An area must have a single category A municipality if that area can reasonably be regarded as (a) a conurbation featuring— (i) areas of high population density: (ii) an intense movement of people, goods and services: (iii) extensive development: and (iv) multiple business districts and industrial areas; (b) a centre of economic activity with a complex and diverse economy: (c) a single area for which integrated development planning is desirable: and (d) having strong interdependent social and economic linkages between its constituent units.”

2.2.2 Capital Expenditure

Financial Fiscal Commission (2014) states that capital investments by a municipality, generally referred to as capital expenditure, is intended to encourage the local economy and ensure that the disadvantaged communities receive the appropriate infrastructure and service delivery. Furthermore, according to Financial Fiscal Commission (2014) the lack of capital investments by a municipality in infrastructure, whether old or new infrastructure, adversely affect economic growth, even in the longer term.

Local Government: Municipal Finance Management Act, No.53 of 2003 (2003:chap 4), gives guidelines on the circumstances which a municipality can employ finances to capital projects where funds have been allocated accordingly in the budget, the capital project has been duly

approved and permitted by council; if the capital project will have future financial implications beyond a single financial year; the appropriate approvals must be obtained and the sources of funding have been identified and are available to be utilised.

Capital Expenditure, according to eThekweni Municipality Medium Term Revenue and Expenditure Framework [MTREF] (2018/2019), is the expenditure on assets such as land, buildings and machinery. Furthermore, eThekweni Municipality MTREF (2018/2019) directs that all capital expenditure has to be accounted for as an asset in the Municipality's Statement of Financial Position. According to eThekweni Municipality MTREF (2018/2019), eThekweni Municipality allocates about 15%-20% of the total budget to capital expenditure, the highest allocation for an expenditure. Furthermore, eThekweni Municipality MTREF (2018/2019) asserts that the eThekweni Municipality capital expenditure budget for the financial year 2017/2018 was the second highest amid the cities and the majority of the capital expenditure is spent on trading services, followed by roads and transport and then housing.

2.2.3 Infrastructure

According to Smith and da Lomba (2008:1), infrastructure is defined, within the ambit of economics, as the “structural elements of an economy which allow for the production of goods and services, without themselves being part of the production process”. Smith and da Lomba (2008:1) further point out that although there isn't a specific definition to what exactly infrastructure is, it has become widely accepted that it also includes “road and rail transport systems, public transport systems, airports, public educational facilities, water supply and water resources, wastewater management, solid waste treatment and disposal, electric power generation and transmission, telecommunications and hazardous waste management systems”. Tladinyane and Holicki (2000) have highlighted that the challenge with the definition of infrastructure is that it differs between governments, which consider “hard infrastructure” that includes immovable structures such as school and classrooms, water pumps, rural roads. However, infrastructure donors often consider what is referred to as “soft infrastructure”. These are auxiliary processes

which support infrastructure development and often include training, technical assistance and skills development.

In order for a government to grow the economy, infrastructure development is critical and at the centre and core of social and economic development. Moreover, Smith and da Lomba (2008) pointed out that communities that are living in regions that do not have effective infrastructure, those communities are generally confronted with extended levels of poverty. Furthermore, the responsible Municipality is inclined to place emphasis on two significant infrastructure delivery concerns being; making available the Municipal services such as electricity, sanitation etc. as well as conducting general work to for the upkeep, maintenance and repair of infrastructure. Essentially there is no substitute for infrastructure development for a government that wants to avoid a slow and suppressed growth in their economy.

2.2.4 Service Delivery

Service Delivery has become synonymous with protests in South Africa. In recent times, the image of service delivery has been overshadowed by the negative sentiments that has been attached to service delivery through the active and continuous service delivery protests. According to Municipal IQ (2018), the service delivery protests have become increasingly more forceful, especially in 2018. According to Le Chen et al. (2014:1), in South Africa, the term service delivery has become synonymous with the provision of “basic resources” such as “water, electricity, sanitation infrastructure, land, and housing”. The perception by the communities’ country wide, of government’s delivery of these resources has been marred with uncertainty and is undependable. In response, the communities protest against the lack delivery and demand improved services.

Furthermore, Le Chen et al. (2014) asserts that it has become widely accepted that when the media makes reference to service delivery protests, it is referring to different types of protests even though it’s referring to service delivery. This has been further supported by Democracy, Governance and

Service Delivery (2016) which indicated that the manner in which service delivery dissatisfaction is addressed by the community differs, generally the affluent community members use more formal avenues to express their dissatisfaction. The relatively poor community show their dissatisfaction through protests.

According to Makale (2015), it is critical for a Municipality to have finances and human resource expertise in order to achieve service delivery. Moreover, Managa (2012) pointed out that the shortage of know-how has resulted in municipalities not having enough employees which in turn results in waning service delivery, which finally gives rise to poor delivery of basic services. Managa (2012) further argues that in addition to lack of expertise, municipalities also lack sufficient funds to perform service delivery resulting in spending less than the allocated funds.

In year 2000, the Local Government: Municipal Systems Act No. 32 of 2000, was legislated in order to provide for cases where a municipality is unable to provide a service for its community, the Act gives permission for a municipality to procure the services of an external agent through a service-delivery agreement where the agent will provide the service on behalf of the municipality. However, according to Managa (2012) even though the services of external service providers have been procured, the backlogs in services delivery have not abated.

Service delivery is strategically linked to financial management in the public sector. This means that there has to be a distinct management framework which will be used to effect the service delivery whilst making sure that there is value for money according to Jordaan (2013). Moreover, Jordaan (2013) indicated that the quest for value for money is considered to be critical for the advancement of service delivery standards. Institutions that have to carry service delivery have an important duty to carry out the service delivery and achieve more output with less resources as wasteful, expenditure that does not yield concrete results and corruption cannot be allowed to take place.

2.3 Financial Management Practices

Financial Management has been defined by various authors. Kumar (2011) in his study, states that one of the most critical sources of business weakness is the mismanagement of funds due to inadequate information, understanding financial management and inadequate application of financial management practices. According to Van Horne and Wachowicz (2006:11), “Financial Management is concerned with the acquisition, financing and management of assets with some overall goal in mind”. While financial management involves the raising of funds and their effective use with the aim of getting the best out of shareholders’ wealth, Correia et al. (2000:3) shared the same sentiment that a businesses’ accomplishments is dependent upon a number of elements that contribute to how the strategic choices are made. One of these elements relates to financial management.

Financial management specifically focus on the origin or sources of funds and their application in the business in order to achieve a specific objective. The success of the financial management is measured by the increase in value which investors can achieve in the business considering their investment which they have deployed in the business. Moreover, Sushan (2009:10) specified that financial management merely means managing the administration of money matters, which includes the process of dealing with the financial resources, consisting of “accounting, financial reporting, budgeting, collecting receivables, risk management, and insurance. Furthermore, Sushan (2009) has indicated that financial management is also very essential for non-profit businesses which generally be likely to not to give a high level of focus financial management.

Butt et al. (2010) concluded, in their study about financial management practices and their impact on organisational performance, that the decision makers and the employees implementing the financial management practices must be well conversant with the financial management practices considering their significance in an organisation and in a corporate sector. However, these organisations were not keeping in line with the practices either partly or wholly. To this end,

organisations must employ new staff or train existing staff to conduct their duties with high value financial management.

According to Kher (2016), the evolution of the regulatory and economic environments as well as the globalisation of business has resulted in an increase in the difficulty for financial managers to conduct their responsibilities. The financial management function has turned out to be challenging and intricate. Furthermore, Kher (2016) has defined three main objectives of financial management being (i) expecting and forecasting financial needs, which means the approximation of funds essential for investment in fixed and current assets or long-term and short-term assets. (ii) obtaining financial resources-once the prerequisite amount of capital is estimated, the next task is attaining financial resources i.e., where and how to obtain the funds to finance the expected financial needs and (iii) distributing funds in business – means distribution of accessible funds among best plans, which are able to capitalise shareholders' wealth. Therefore, the decisions of financial management can be divided into being investment, financing and dividend decision.

2.3.1 Financial Management in the Context of Municipality

Mahlaku (2013) in his study acknowledged that financial management and the lack thereof has given much apprehension to government and the community of South Africans in general. According to Mahlaku (2013), the existence of financial management is to ensure accountability, defined as "the responsibility of government and its agents towards the public to achieve set objectives and to take stock for them in public" according to Fox and Meyer (1995:2). The same view about the need for accountability is also shared by the Auditor General (2016/2017), where it was stated that the leadership in some municipalities did not take accountability for rigorous financial management resulting in an adverse effect on the municipality's financial viability.

Inter-Departmental Working Group [IDWG] (1995:3) cited in Jordaan (2013) defined financial management in the public sector as, all resolutions and undertakings of management, which

influence how the limited financial resources are employed, handled and used. These limited financial resources have been assigned by government to attain detailed and agreed upon strategic goals. Further supported by Visser and Erasmus (2002:9) who also defined financial management in the public sector as management of limited financial resources with the intention guarantee that outputs required, in the form of service delivery, are delivered in the lowest cost possible while being effective. The end result is the community needs are met appropriately.

According to National Treasury (2011), comprehensive financial management practices are critical to the sustainability of a municipality. The financial management practices reinforce the accountability which the Auditor General (2016/2017) has reported as lacking in some municipalities. Local Government Municipal Structures Act No.117 (1998) states that accountability and transparency is being prepared to explain decisions and actions. Developmental local government needs political leadership that is able to give justification to the community about their actions overall beyond elections. (Local Government Municipal Structures Act No.117 (1998) also points out that amplified accountability enables the service delivery done by Council to be aligned to needs of the community, ensures trustworthiness of the Council and takes democracy to even greater heights.

Furthermore, National Treasury (2011), has indicated that financial management within the context of a municipality includes effective and efficient management of some factors such as revenue, planning and budgeting, procurement, cash and expenditure management, reporting and oversight and asset management. Each factor supports the municipality's ability to be held accountable by the government and the community for service delivery as it results in good capital expenditures. In addition, the formulation and introduction of the Local Government Municipal Finance Management Act No.56 of 2003 was to improve municipal financial management to enable service delivery.

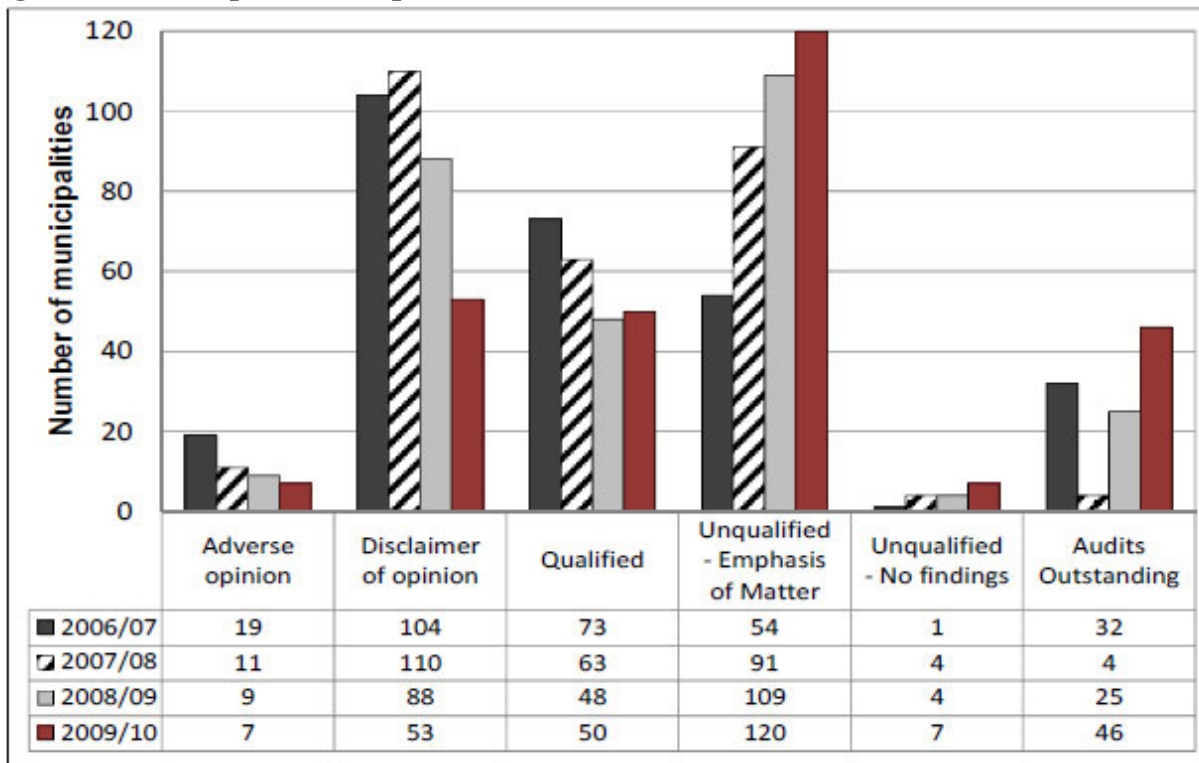
Furthermore, the Auditor General (2016/2017) describes financial management as a form of conducting of responsibilities regarding internal control and monitoring by management in order to realise the financial management, reporting and service delivery objectives of the institution

being audited. According to Chartered Institute of Government Finance, Audit and Risk Officers (2018), financial management must include the following important aspects:

- Stewardship of public funds
- Financial analysis of local authority activity to secure value for money through the effective management accounting.
- Identification of risk and from that defining internal control and internal audit requirements
- Ensuring efficient management of cash and borrowings
- Safeguarding assets
- Securing a prudential financial framework so that a balanced budget exists and is maintained

National Treasury, 2011 points out that the Auditor General's report on financial management challenges been in existence for a long period. According to Figure 2.1 below, the audit opinions predominantly fall under adverse, disclaimer of opinion and qualified. This highlights that essential values of good governance, transparency and financial management are not being obeyed. Furthermore, an unqualified audit issue may also show serious financial management inadequacies.

Figure 2.1 Municipal Audit Opinions 2006/07 – 2009/10



Source National Treasury: Source: Auditor General, Audit opinions 2009/10

According to National Treasury (2011) the most common challenges pointed out in the Auditor-General’s audit reports in general are in management and accounting skills, inadequacies in operational financial management, shortage of internal controls and weak revenue management, supply chain management and asset management. These challenges give rise to increased levels of material losses/impairments, unauthorised expenditure and fruitless and wasteful and irregular expenditure.

2.4 Financial Management Practices within the eThekweni Municipality towards Meeting Infrastructure Service Delivery

According to Jordaan (2013), financial management activities vary from policies and strategies, to daily cash management and the preparation of longstanding financial goals, which all ultimately provides structure to government institutions for their strategic goals and operational plans. The main aim of financial management is to ensure that there is best implementation of community

service delivery and ensuring that community necessities are met Świrska (2016). Likewise, Jordaan (2013) argued that financial management includes working capital administration, financial backing of projects, performance decisions, interface with the appropriate treasury functions and the arrangement and implementation of capital expenditure. Financial management entails a few processes. According to IDWG Department of State Expenditure (1995:3) the financial management processes for public institutions is documented in Table 2.1 below:

Table 2.1 Public Financial Management Processes in South Africa

Process	Description
Strategic planning	A plan formulated which deals with the main outcomes that will be focused on. It includes high-level output objectives, performance measures
Budgeting	Determining the income and expenditure required to make the strategic plans a reality
Safeguarding	Implementing controls to ensure that the all the assets such as money, motor vehicles, computers and equipment are safeguarded against improper use, loss or theft
Monitoring	Monitoring actual results and performance against the budget through management reporting
Accountability	Reporting to all stakeholders by preparing financial statements, which are audited by the Auditor-General.

Source: Inter-Departmental Working Group [IDWG]. 1995. Framework for normative measures for financial management in the public sector. Report by the Inter-Departmental Working Group. Department of State Expenditure. Page 3.

According to the Auditor General (2016/2017), for all municipalities in general, the quality of the financial statements has deteriorated in comparison to previous financial years' of performance. Moreover, the poor quality of financial statements has been identified by the Auditor General as a dismal consideration of financial management. The Auditor General (2016/2017) has concluded that the negative effect of accountability failures in municipal financial management is experienced by the society and businesses which are serviced by the municipalities. Furthermore, Auditor General (2016/2017) has indicated that the knock on effect of the dismal performance is

that the community is not developed and the basic services are not delivered. The dismal performance includes the burden that is placed on the national government fiscus as the municipalities need to be subsidised through financial instruments such as grants.

National Treasury (2011) indicated that the Local Government Municipal Finance Management Act 56 of 2003 was introduced with the aim of ensuring and protecting the value of performance which includes regular reporting, which requires maintenance. National Treasury (2016/2017) discussed that the current state of finances in municipalities, consists of municipalities that have been ineffective in service delivery, unsuccessful in billing for services and collecting the revenue when it falls due. Subsequently this has resulted in an escalation of debtors owing, inability to maintain positive cashflows as well as the inability to service commitments within the thirty day legally prescribed time limit from creditors. Moreover, the current state of finances has resulted in the high standard of governance being compromised as well as substandard leadership.

2.5 Benefits of Financial Management Practices

Vigorous financial management practices are related with improved loan performance Nkundabanyanga (2017) and this results in a continuous competitive advantage. According to Paramasivan and Subramanian (2012:25) the financial management practices enable an organisation to do the following:

- “Financial Planning” - which allows the business to define the financial obligations of the business
- “Acquisition of Funds” - which includes the acquiring of funds e.g. loans for the business at the lowest cost
- “Proper Use of Funds” – Appropriate use of funds results in the decline the cost of capital and the value of the business can grow.
- “Financial Decision” – Assist and ensure that robust financial decision are made in the business

- “Improve Profitability” – progressive business due to a good profitability position achieving budget control, good ratio analysis and cost volume profit analysis.
- “Increase in Value of Firm” – An increased value of the business results in an increased wealth for investors and community.
- “Promoting Savings” – financial management enables profitability which allows for the business to save funds and utilise towards its business requirements.

Jordaan (2013) directed that the main purpose of a comprehensive public financial management structure is for comprehensive and balanced fiscal discipline that gives rise to a more accurate and sustainable budget. As well as to achieve a strategic distribution of resources and effectiveness as a result of doing things correctly and service delivery that is impactful.

Furthermore, Ostapchuk (2006) indicated that effective financial management for an organisation will result in organisation having a cohesive approach to management, with improved administration and decision-making. Also, some value will be derived due to the improved financial management, this will enable the organisation to appropriately support the community and lives of citizens which they are mandated to improve. Ostapchuk (2006) also argues that administratively, the institution will enhance its reporting which is supported by taking accountability and appropriate policy implementation. Furthermore, there will be a consistency in terms of how the policies, frameworks and standards are applied. All resources will be consolidated.

2.6 Factors that affect the effectiveness of Financial Management

According to Agyei-Mensah (2010), the most significant factors which contribute towards ensuring appropriate financial management practices are, “pressure from bankers, external accountants, providers of capital”. Furthermore, Agyei-Mensah (2010) indicated that the most significant factors that preclude businesses from practicing sound financial management practices are the cost of qualified accountants to conduct audits are relatively expensive, the compilation of

accounting records too challenging and demanding to comprehend and the absence of internal accounting staff.

National Treasury (2011) has also indicated that municipalities have not been able to reach effective financial management due to financial practices that are not based on the culture of performance and regular reporting. As assessed by National Treasury (2011), only some municipalities, a minority, have been able to action the new financial management practices that has been detailed and explained in the MFMA and its regulations.

Furthermore, Tsheletsane and Fourie (2014) have pointed out that there are various factors affect public financial accountability and responsibility. This comprises of a large number of staff leaving the organisation, including accounting officers. This has an undesirable influence on good governance. Accountability, identified as a deficiency, has been highlighted by the Auditor General (2016/2017) and requires suitable consequences in order to address the failures. Subsequently, the Auditor General has called upon leadership to address the matter of failure in accountability. Furthermore, Auditor General (2016/2017) added that some municipalities did not improve their state of accountability due not implementing their recommendations which included an intensification of consequences. The non-compliance with the legislation on consequent management was observed by Auditor General (2016/2017) by the lack of prioritisation of findings raised on supply chain management and the pointers that were clear of the likelihood of fraud and inappropriate conduct which were reported with an investigation recommended.

National Treasury (2016/2017) considers consequent management to be taking the necessary actions against an official who undertakes the following actions, according to Public Finance Management Act, No.1 of 1999 (1999:51(e)) has behaved in a manner that may not give any regard to financial management and the systems of internal control and also incurs or allows for unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure.

The Auditor General (2016/2017) has also highlighted some arears within financial management where some institutions are having a challenge in complying, as documented in Table 2.2 below.

Table 2.2 Main Areas of Non-Compliance Relating to Financial Management

Main areas of non-compliance relating to financial management				
NON-COMPLIANCE AREAS	DEPARTMENTS		PUBLIC ENTITIES	
	2017-18	Most common finding per area	2017-18	Most common finding per area
Expenditure management	34% (54)	Payments to creditors not settled within 30 days from receipt of an invoice – 87% (47)	10% (24)	Various instances of non-compliance with legislation relating to expenditure management – 67% (16)
Revenue management	9% (15)	Effective and appropriate steps not taken to collect all money due – 60% (9)	10% (24)	Effective and appropriate steps not taken to collect all money due – 88% (21)
Transfers and conditional grants	9% (14)	Division of Revenue Act allocations not spent in accordance with applicable grant framework – 71% (10)	-	-
Liability management	-	-	2% (4)	Money borrowed or transactions entered into which bound the entity to future financial commitments even though prohibited – 50% (2)
Asset management	-	-	5% (11)	Movable/immovable property acquired with financial assistance of state was disposed of and/or alienated without approval – 55% (6)

Source: PFMA 2016/17 Consolidated Final Report

2.7 Achieving Effective Financial Management Practices

The Auditor General (2016/2017) has recommended, implemented and completed the process of amending the Public Audit Act, which will make available to the Auditor General an enhanced and increased ability to enforce accountability in the public sector. Furthermore, the amendments are not intended to overtake the responsibilities of the leadership structures within a municipality but the implementation will ensure that where the responsibilities are not satisfied and the leadership has been advised of material irregularities, the Auditor General can in those instances intervene.

International Federation of Accountants [IFAC] (2001:par.284) as cited in Van Wyk (2003) pointed out a number of key items that need to be achieved in order to reach a state of effective financial management. This empirical study resolved to have ten performance areas that will assist with ensuring that effective financial management is achieved, as depicted in Table 2.3 below:

Table 2.3 Top Ten Features of Effective Financial Management

Feature	Importance rating
Appropriate internal controls (reducing risks)	1st (98%)
Professional financial staff	2nd (95%)
Excellent information and advice	3rd (92%)
Outcomes-based budgeting	4th (91%)
Financial input to strategic and operational planning	4th (91%)
Financial management the responsibility of managers	6th (89%)
Outcomes-based management (performance agreements)	7th (88%)
Accruals-based accounting and reporting	8th (86%)
A focus on results rather than on processes and rules	9th (83%)
Financial advice and the responsibility of financial staff	10th (81%)

Source: International Federation of Accountants (IFAC), 2001:par. 284

Consequently, Van Wyk (2003) pointed out that although there are items on the list which have a higher percentage of importance, all of the items have a rating above 80% and provincial governments should make a concerted effort to employ these features in municipal management as they form part of performance management.

McKinney (2015:3) also set out some key actions on how to achieve effective financial management as follows:

- Strengthening reporting and disclosure requirements. Good quality and appropriate management information permits management to be pre-emptive in detecting and resolving problems as they come up. It also supports the separation of roles and supports a performance orientation in local government.
- The political and management roles should be separated, this is important for good governance. Political leadership is responsible for implementing policies, managing the progress of budgets

and performance targets, and managing their implementation by monitoring performance through financial annual reports. Higher level management such as Executive Management (Municipal Manager) is responsible for accountability of financial management in terms of the MFMA and their implementation.

- The final intent is to ensure alignment between the plans, budgets, implementation actions and reporting to guarantee good management accountability for the accomplishment of service delivery targets.

2.8 Theoretical Framework

The theoretical framework for this study is based on the Local Government Management Improvement Model (LGMIM) (2014/2015). The LGMIM has been championed by governments Department of Planning, Monitoring and Evaluation in collaboration with other government departments. The LGMIM is a management information instrument that is utilised by senior management at a Municipality in order to ascertain how the Municipality is performing against approved and established standards.

2.8.1 Local Government Management Improvement Model (LGMIM)

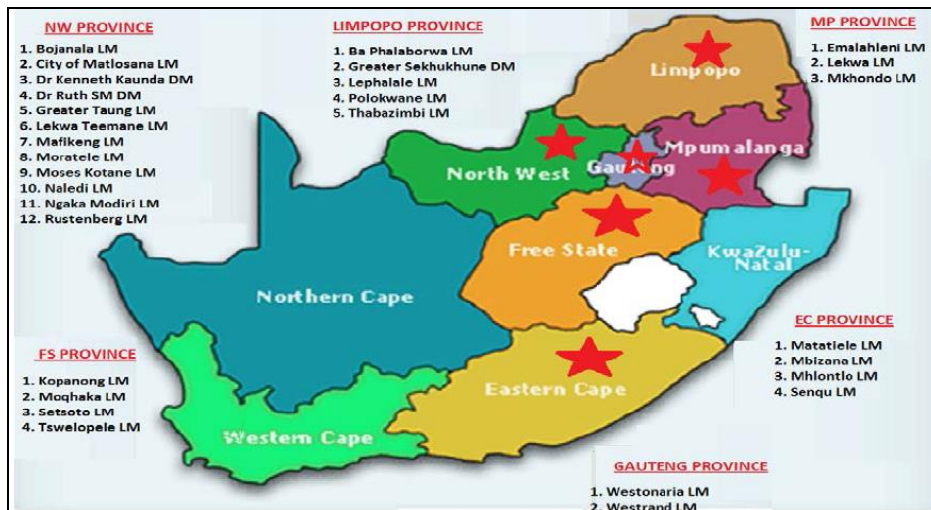
According to the Local Government Management Improvement Model (LGMIM) (2015/2016), the LGMIM is one of various initiatives used by local government to support and progress the performance of municipalities. The LGMIM is based on 6 areas of outcomes, by compartmentalising and defining institutional challenges, whilst ensuring that municipalities obey the most basic and lowest level of norms and standards of correct institutional performance to ensure that the developmental outcomes are achieved.

Essentially the LGMIM is a management information instrument that is utilised by senior management at a Municipality in order to ascertain how the Municipality is performing against

approved and established standards. The aim of the LGMIM is to detect and correct institutional challenges, which will make sure that municipalities meet the minimum level of norms and standards of good organisational performance to achieve service to delivery. In addition, senior management is guided to consider and emphasise the significant management practices of a Municipality, to find a methodology on how the Municipality tackles its tasks in the Key Performance Areas (KPA) as well as ascertain whether there are any performance gaps which need to be closed in order to have certainty that quality services are provided to the community and have better productivity. The LGMIM utilises actual data and information from the municipality and secondary data from oversight institutions like the National Treasury to validate the self-assessments of the municipalities.

According to The Planning, Monitoring and Evaluation Department (2016), the LGMIM in 2014/2015 assessed forty-two municipalities consisting of metropolitan, district and local municipalities participated in the programme as indicated in Figure 2.2.

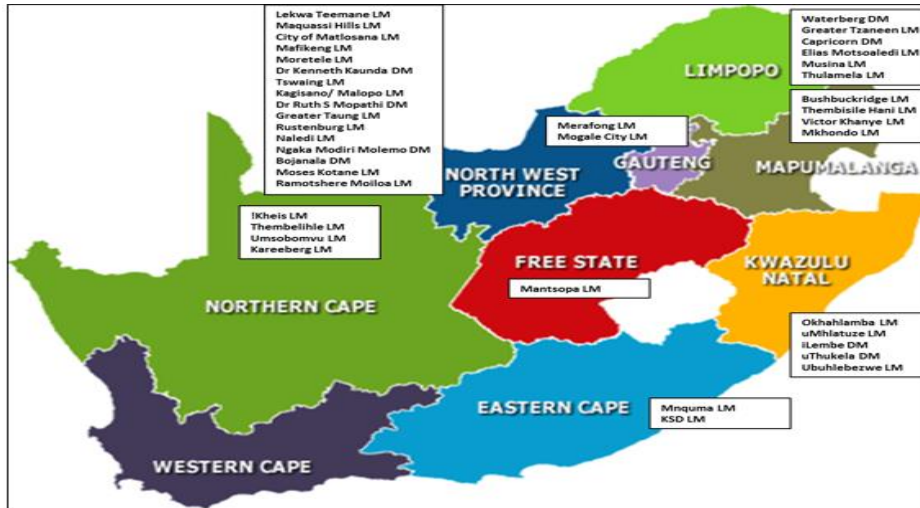
Figure 2.2 2014/15 Local Government Management Improvement Model Enrolments



Source: State of Management Practices in Municipalities for 2014/15: Local Government Management Improvement Model

Furthermore, in the year 2016/2017, the LGMIM was extended further to more municipalities to cover a wider scope as indicated in Figure 2.3.

Figure 2.3 2016/17 Local Government Management Improvement Model Enrolments



Source: State of Management Practices in Municipalities for 2016/17: Local Government Management Improvement Model

According to the LGMIM (2015/2016.), the LGMIM has the following purposes:

- Devise an instrument where municipal management can access management information in order to ascertain how that municipality handles certain important issues which will ultimately formulate a way forward on how to approach and deal with ways on how to deliver valuable services.
- Devise a framework to observe, quantify, monitor and support enhanced management practices that add value in municipalities ensuring that they deliver valuable services.
- Ensure that the national and provincial government departments provide the municipality with impeccably organised, focused and distinguished backing and support.

The six (6) KPA's under the LGMIM framework are namely:

- KPA 1 - Integrated Planning and Implementation,

- KPA 2 - Service delivery,
- KPA 3 - Human Resource Management,
- KPA 4 - Financial Management,
- KPA 5 - Community Engagement,
- KPA 6 - Governance.

The LGMIM has four (4) progressive levels of management performance and each management practice is assessed against these levels as per the Table 2.4 below. In this study, the Financial Management KPA of the LGMIM framework will be utilised as a foundation in order to assess the effectiveness of the Financial Management practices.

Table 2.4 Levels of Management Performance

Level	Description
Level 1	The municipality lacks basic adherence to management practices in line with legal, regulatory and prescribed best practice requirements. Affected management standard require serious attention from the management team.
Level 2	The municipality has some management practices in place that partially adhere to legal, regulatory and prescribed best practice requirements. A platform exists to become fully effective, but will require some attention from the management team.
Level 3	The municipality employs management practices in line with legal, regulatory and prescribed best practice requirements. The municipality is fully effective and the management team should endeavour to sustain the good performance.
Level 4	The municipality employs management practices in line with legal, regulatory and prescribed best practice requirements and shows innovation. The municipality is commended for this achievement and encouraged to sustain the outstanding performance.

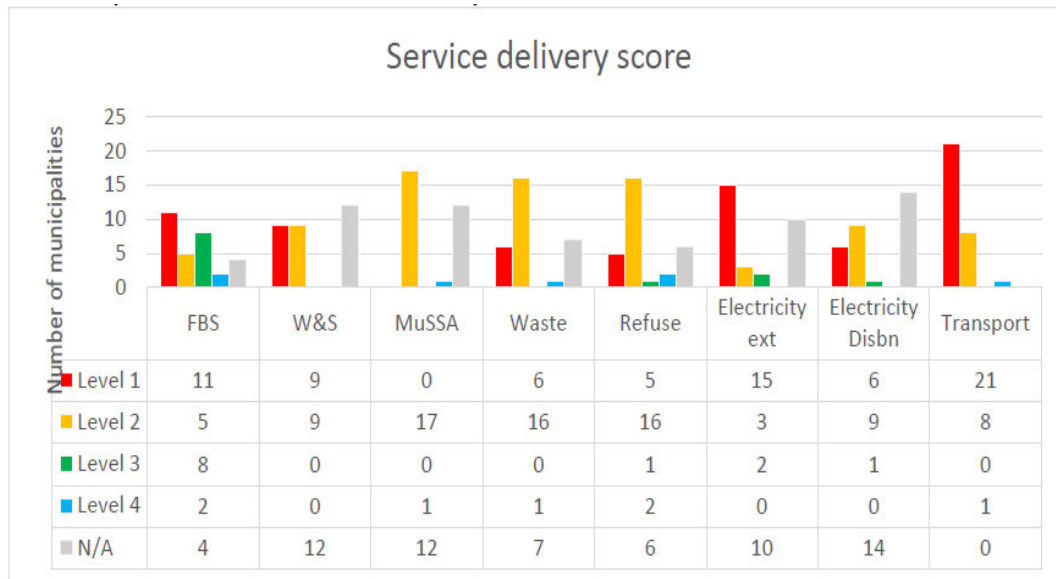
Source: State of Management Practices in Municipalities for 2014/15: Local Government Management Improvement Model

2.8.2 Key Performance Area (KPA) 2: Service Delivery

According to The Planning, Monitoring and Evaluation Department (2016), since the dawn of democracy, one of the main focuses of national and local government is to ensure that all South African communities live in equality and that previously disadvantaged communities receive basic

services. However service delivery to date has been lagging and over burdened by various factors, one of them being the availability of financial resources. Despite the requirements of new infrastructure, existing infrastructure still needs to be maintained, adding to the burden. Although there are great efforts has been undertaken to improve service delivery, infrastructure backlogs, scheduled infrastructure maintenance that needs to be attended to.

Figure 2.4 Overall 2014/15 Performance on KPA 2: Service Delivery



Source: State of Management Practices in Municipalities for 2014/15: Local Government Management Improvement Model

As can be observed in Figure 2.4, the general performance for the 42 municipalities with regards to service delivery is level 2 which is predominantly still requires some attention across the municipalities which have been surveyed. Service Delivery has been measured in terms of the eight standards. The eight standards are discussed below:

2.8.2.1 Access to Free Basic Services (FBS)

The standard principles used to measure the success of this criteria concentrated on whether or not municipalities developed suitable FBS policies, have formulated an appropriate budget in order to provide the community with FBS and are continuously monitoring the provision of FBS.

2.8.2.2 Extension of water and sanitation services

Municipalities that are Water Services Authorities (WSAs) have a duty and responsibility to ensure that the community has to water and sanitation services/ facilities. Furthermore, the municipality is to ensure that they have current and approved Water Services Development Plans; have a budget in place to action water and sanitation related projects and that the development of these projects is regularly monitored.

2.8.2.3 Performance against Department of Water and Sanitation Municipal Strategic Self-Assessment (MuSSA)

The MuSSA evaluates, through a standard criteria, the ability of the WSA to achieve its purposes through a benchmarking process where developments are scrutinised and areas of improvements are addressed. If a municipalities is not WSA, they are not assessed against the standard criteria.

2.8.2.4 Waste Disposal

The South African government, on an ongoing basis is required to safeguard the environment, and ensure that it is not dangerous to the health of the community. Waste disposal practices in South Africa are currently not at a level that is fully appropriate in order to completely eliminate improper waste disposal. Therefor the evaluation criteria focuses on ensuring that waste treatment amenities are licenced; an value adding Integrated Waste Management Plan is in place; Waste Management Officer has been recruited by the Municipality and an appropriate budget has been allocated for

the management and operation of waste treatment amenities and the waste treatment amenities are monitored in line with the South African Waste Information System.

2.8.2.5 Refuse Collection

Inappropriate refuse collection and transference practices result in litter and pollution, including the dilapidation of the environment and of community health. Therefore the evaluation criteria focuses on whether a Municipality is cognisant of the number of community members that do not get refuse collection services. A budget needs to be put in place to ensure that refuse collection services are implemented if they are not included in the refuse collection services in that community.

2.8.2.6 Extension of Electricity

The evaluation criteria focuses on whether a Municipality is cognisant of the how many community members do not have access to electricity/alternative energy. Furthermore whether the Municipality's approved Electricity Master Plan/Energy Plan provided the means for the provision of electricity to community members that do not have electricity. Furthermore, does the budget include the provision of electricity to the communities that do not have access.

2.8.2.7 Generation, transmission or distribution, operation, maintenance and refurbishment of electricity infrastructure

The evaluation criteria focuses on whether a Municipality has electricity generation, transmission and/or distribution services which National Energy Regulator of South Africa (NERSA) has provided a licence. It is critical that the Municipality ensures that it abides with license conditions continuously. Technically, every year a minimum of 6% of the revenue generated from electricity is spent on repair and maintenance of the electricity network. However this may not apply if the Municipality does not generate, transmit and distribute its own electricity.

2.8.2.8 Mapped and maintained transport networks

Road infrastructure ensures that imports and exports move in and out of South Africa. The community is also able to travel to their places of work, which gives rise to growth in the economy. Furthermore there is access to public amenities such as ambulances and police services. Road infrastructure is integral in transport system, spatial, business, human settlement development. Therefor the evaluation criteria focuses on whether the Municipality has an integrated transport plan; a clear direction of how the transport network is to be utilised; the budget is clear on how the transport system will be implemented and the resultant spend is monitored against the budget and how the road infrastructure will be maintained in the future.

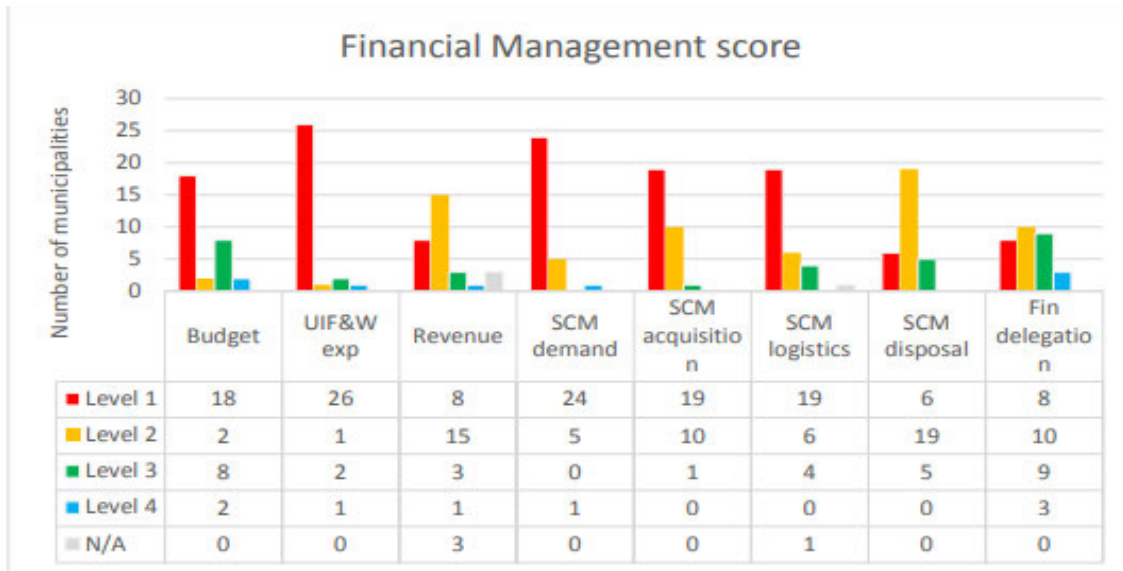
2.8.2.9 EThekwini Municipality Service Delivery

According to eThekwini Municipality IDP (2018/2019:761), service delivery is at the centre and core of the municipality's activities. The Municipality remains committed through its service delivery to achieve its vision 2030 to be the most caring and livable city in Africa. To this end, the service delivery achievements by the eThekwini Municipality has reached a vast number of communities. The service delivery achievements are detailed in the eThekwini Municipality IDP 2018/2019:761).

2.8.3 Key Performance Area (KPA) 2: Financial Management

According to The Planning, Monitoring and Evaluation Department (2016), Financial Management deals with the practices of how funds are managed that are used to provide public services. Similar to the Service Delivery KPA, the Financial Management KPA is monitored using the eight principles. The municipalities surveyed during 2014/2015 year under the Financial Management KPA showed the following results:

Figure 2.5 Overall 2014/15 Performance on KPA 4: Financial Management



Source: State of Management Practices in Municipalities for 2014/15: Local Government Management Improvement Model

As can be observed in Figure 2.5, the general performance for the 42 municipalities is level 1 which is predominantly weak across the municipalities which have been surveyed. Financial Management has been measured in terms of the five standards and predominantly most of these standards are in the level one (1) category. The five standards are discussed below.

2.8.3.1 Effective Budget Planning and Management

It is critical that a Municipality has a budget in order to ensure that the correct revenue, operating and capital expenditure are appropriately planned for. If the budget planning is not accurate this could impact on the financial sustainability and how effective the Municipality is in providing service delivery. Therefore the evaluation criteria focuses on whether the Municipality utilises prior years' data and information to formulate future budgets; the planned budget is monitored in line with the Municipal Budget and Reporting and the monitoring reports are submitted to Council for information on a quarterly basis.

2.8.3.2 Management of Unauthorised, Irregular, and or Fruitless and Wasteful Expenditure

It is important for Municipalities to have policies and procedures that set the standard to avoid and account for irregular and fruitless and wasteful expenditure. This also includes unauthorised expenditure and punitive measures should be taken against such actions. Therefor the evaluation criteria focuses on whether the Municipality does have policies and procedures to avoid this unauthorised expenditure; examine if the Municipal Manager actually reports to the Mayor or Executive Committee, MEC for Local Government and Auditor General when the unauthorised expenditures take place. Whether or not these expenditures are recoverable and if not the write-off thereof is appropriately authorized.

2.8.3.3 Revenue Management

Municipalities are expected to utilise their own Revenue for their sustainability and the Revenue administration enables the Municipality to execute its service delivery mandate. Therefor the evaluation criteria focuses on municipalities have approved revenue management policies (covering credit control, rates and tariff setting and billing system) in place; whether or not there are bylaws which give rise to the implementation of rates and tariff policies; whether or not council is continuously informed about the revenue management and debt collection; the 95% collection rate is achieved and maintained as prescribed by the national norm and MFMA Circular 71; state the measures are in place to recover outstanding debt in accordance with municipal credit control policy.

2.8.3.4 Supply Chain Management

Supply Chain Management (SCM) ensures that goods, works or services are conveyed at the right place, quantity, quality, price and time within the following components:

(i) Demand Management

Demand Management ensure that the services and goods, as planned for by the Municipality are received in the order and manner which has good quality and can be used by the final end user. The evaluation criteria focuses on establishing whether the Municipality has a supply chain management policy which will govern the demand management; a timetable which details the procurement plan of action per annum for Supply Chain Management (SCM); and a SCM department which will action all SCM matters and validate the correctness of the procurement plans.

(ii) Acquisition Management

The acquisition stage ensures that the Municipality has the actual correct processes in place to attain and purchase goods and services in a fair and equitable manner, as guided by the constitution. In addition to this, the process has to be transparent and cost-effective. Therefor the evaluation criteria focuses on whether the Municipality has a supply chain management policy which discusses specifically acquisition management; ensuring that a bid register is kept up to date; a list of potential service providers is kept and updated regularly which is in line with National Treasury; a bid adjudication committee which is appropriately established; goods and service providers are paid for within the acceptable window of time and the annual report is compiled regarding service providers.

(iii) Logistics Management

Logistics Management evaluates whether Municipality has policies and procedures that ensure that assets are managed in productive and effective manner. Therefor the evaluation criteria

focuses on ascertaining whether a Municipality keeps records and policies for establishing inventory levels, assigning orders, delivering and distribution of goods.

(iv) Disposal Management

Disposal Management evaluates the clearance of assets, including assets that are outdated, redundant and those that can no longer be maintained, all of this subject to Local Government: Municipal Finance Management Act, No. 56 of 2003 (2003: s14). This standard is to ensure Municipalities dispose of their assets within the ambit of MFMA. Therefor the evaluation criteria focuses on policies and procedure for disposals, which assets within the asset register can no longer be maintained, redundant or have become obsolete; any environmental or social factors that need to be taken into account in the disposal process and making sure that the optimal value is received for the disposal.

2.8.3.5 Financial Delegations

A Municipality must have effective delegation. The direct consequence is that improved decision making is undertaken regarding service delivery. When there is an effective delegation system, the Municipal Manager receives the opportunity to give their direct reports e.g. Deputy Municipal Managers and Senior Management strategic matters and otherwise he would not have the opportunity to address. Therefor the evaluation criteria focuses on establishing whether a Municipality has structures and systems in place in order to effectively delegate, as directed by the MFMA.

2.8.3.6 eThekweni Municipality Financial Management

According to eThekweni Municipality IDP (2018/2019:559), in order to address the overall challenges the Municipality's faces, an eight point plan was developed. According to the plan sound financial management has been addressed under Plan 8: Financially Accountable and Sustainable City. There has been a concerted effort by the Municipality to address the challenges related to financial management and the work that has been done is detailed eThekweni Municipality IDP (2018/2019:559).

2.9 Conclusion

Ultimately, in order to achieve effective financial management and the service delivery goals that will meet the expectations of the community and be impactful in the ordinary lives of South African citizens, the municipality needs ensure that the limited financial resources are utilised appropriately. Furthermore, it is more critical that the value of accountability underpins the processes and the use of the limited resources in order to deliver the service delivery at the lowest cost possible yielding the highest benefit possible. The next chapter provides details regarding the research methodology for this study.

CHAPTER THREE – RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology that was followed in this study. The research methodology is mainly aimed at ascertaining whether the financial management practices were effectiveness in order to achieve service delivery. This chapter discusses the research design, approach, philosophy, methodology, population and sampling, research instrument, data collection techniques, data analysis, validity and reliability, ethical considerations and the research limitations.

3.2 Research Design

According to Kothari (2004:14), research is about a “search for knowledge”. Furthermore, Kothari (2004:14) defines research as the “scientific and systematic search for pertinent information on a specific topic”. The purpose of research according to Kothari (2004) is to obtain solutions to problems using a systematic approach. Research intentions and the information derived from the studies differ vastly utilising the qualitative and quantitative design methods Taylor (2005:3). Furthermore, the quantitative research is conveyed as scores and procedures which produce numerical results. The quantitative design method emphasises more the deductive principles as well as emphasise logic. However, not all data can be analysed using numerical data. According to Taylor (2005:4) narrative and descriptive research design can be successfully used as much as the numerical, hence the qualitative research design. Moreover, qualitative design has revealed that word in a form of verbal, narrative and descriptive can be effectively used as numerical data.

The aim of this study was to assess the effectiveness of Financial Management in a Metropolitan Municipality to meet the Infrastructure Service Delivery Requirements at the eThekweni Municipality. According to Smeyers (2008), qualitative data collected refers to “what people feel about, or what their experience is with, particular things, what they say that their reasons, desires

and intentions are”. Therefore, qualitative design method is most appropriate in this study and research will be conducted in this manner.

3.2.1 Research Philosophy

A research philosophy is a view held by the researcher about the way in which data about a particular phenomenon should be collected, analysed and utilised. Two research philosophies have been acknowledged namely positivist (also known as scientific) and interpretivist (also referred to as antipositivist) Galliers (1991). This view is further supported by Saunders et al. (2012:166) that quantitative research design is usually related to positivism and the qualitative research design is usually related to interpretive philosophy.

A qualitative design method was undertaken in this study therefore the interpretivist philosophy was relied upon. According to Saunders et al. (2012:168), it is interpretive because the researcher has to infer in a subjective manner the phenomenon under the study and make conclusions. Saunders et al. (2012:168) further discusses that the interpretivist philosophy is also known as naturalistic philosophy because a researcher needs to conduct the research in a “natural setting” which will allow for confidence, contribution from subjects providing data as well as a deep appreciation of the data. Frey et al. (1999:3) asserted that the interpretive research is “the belief that the researcher, while trying to see the situation from the point of view of those studied, cannot escape his/her own view”. Furthermore, Frey et al. (1999) asserted that phenomenology is the certainty that the subject of research can be surveyed without any predetermined ideas or expectations, the researcher makes his/her own standards, values, and philosophies apparent and does not assume they are common.

An interpretive phenomenological study was undertaken for this research. Eatough and Smith (2008:179) has indicated that qualitative research is concerned with the detailed clarification of “individual lived experiences” and how these individuals actually explain their understanding of this experience.

3.2.2 Research Method

According to Rajasekar et al. (2013:3) research methods “are the various procedures, schemes and algorithms used in research”. All ways and means which are utilised in a study by a researcher are commonly known as research methods. Research methods assist in order to gather samples, data and ultimately formulate an answer to the problem. Furthermore, Rajasekar et al. (2013) indicated that research is divided into two comprehensive classes being fundamental or basic research as well as applied research. Basic and applied research can either be quantitative or qualitative. Research can also be a combination of qualitative and quantitative. Berg and Howard (2012:1) described qualitative research as “meanings, a concept, a definition, metaphors, symbols and a description of things”.

According to Daniele (2016), the description of qualitative research points to the ability of this type of research being able to effect problem-solving. Daniele (2016) indicated that qualitative research tools include open-ended questions, observations, in-depth interview recorded on audio or video, and field notes are used to gather information from participants. Daniele (2016) believes that the research tools like the focus groups assist the researcher in gaining a broader appreciation of research topic behavior. Bryman (2001) has expressed a view that quantitative research puts great importance on numbers and statistical facts during the process of data collection and exploration. Daniele (2016) considers the quantitative research to be a scientific exploration for answers that makes generalisation conceivable.

Cohen (2011) contends that quantitative research considers a person’s actions as an item that can be controlled, resulting in the person’s views and contributions being overlooked, this is a stark difference to qualitative approach. In contrast, Leedy and Ormrod (2014) pointed out that qualitative research outlines the entire research and what needs to be deliberated upon in instances where there is no theory on the research topic and variables are not known. Qualitative research has no designed process and highly depends on the researchers’ analysis and resourcefulness to gathers, infer and deduce the data (Daniele, 2016).

A qualitative research method was followed in this study. The qualitative research method was deemed the best research method to undertake for this study. Berg and Howard (2012) described qualitative research as “meanings, a concept, a definition, metaphors, symbols and a description of things” and the purpose of the study was to understand the effectiveness of financial management which required an assessment of the participants’ understanding and definition of financial management practices. The study also required an explanation of how financial management practices were are applied within the municipality. Krause (2005) pointed out that qualitative research aims to explain and define a process. This aim aptly defines and supports this qualitative research study of assessing the effectiveness of financial management in eThekweni Municipality.

3.3 Population and Sampling

3.3.1 Target Population

According to Pilot and Hungler (1999) population in research relates to focuses, elements or data items that could be included in the study, given the relevant specific circumstances. A target population includes all the participants who meet the specific benchmark identified for a research analysis. In this study, the population consisted of only employees of the eThekweni Municipality Finance Cluster. According to the eThekweni Municipality Annual Report (2017/2018), as at 30 June 2018 the Finance Cluster had a total of 1807 employees consisting of 151 temporary staff and 1656 permanent staff. The employees that were interviewed within the Finance Cluster, were divided into groups based on their task level grade being executive management, senior management and management. The individuals who were classified into these categories comprised of 18 individuals. Thereafter 10 individuals were selected for interviews.

3.3.2 Sampling Method

According to Saunders et al. (2012: 272), sampling techniques allow a researcher to minimise the amount of data that is required for the study by only analysing the “sub-group” rather than all

“possible cases or elements”. Furthermore, Saunders et al. (2012: 272) has indicated that although a researcher may be conducting their study based on a case study of a single large organisation, as is the case for this study where the eThekweni Municipality was the object of the study, some form of sampling will have to take place. Ishak and Bakar (2014), if a researcher elects a single-case study with a belief that the phenomenon under study can only be found in this particular single case, or the “one unit of analysis”, then the researcher is referred to have selected a “holistic single-case design”. Ishak and Bakar (2014) reflected that the holistic single-case design can be difficult and challenging if there are other subunits within the single case study chosen in which case it’s called a “single-case embedded design”.

Saunders et al. (2012: 275) indicates that there are two sampling techniques namely probability or representative sampling and non-probability sampling. Probability sampling is further defined as the opportunity or probability for each case to be chosen from the target population is known and the same for all cases. While non-probability sampling is defined as the opportunity or probability for each case to be chosen from the target population is not known and the research questions which require statistical interpretations cannot be answered with ease. Since this particular study was a case study on the eThekweni Municipality, responses to the research questions, a non-probability sampling technique was adopted.

Saunders et al. (2012:300) lists the non-probability sampling techniques as quota sampling, purposive sampling, volunteer sampling and haphazard sampling. The purposive sampling was utilised for this study. The main aim of purposive sampling, according to (Laerd, 2012), is to emphasis particular characteristics of a population that are of concern to a researcher, which will best give a response to research questions. Although the sample was eThekweni Municipality, it was not a representative of the entire population of metropolitan municipalities.

Since the purposive sampling technique was utilised in this study, critical case technique was also employed. According to Laerd (2012), critical case is a technique utilised for research where a single case (or small number of cases) can be conclusive in explaining the phenomenon of interest.

This was further supported by Saunders et al. (2012: 302) that the collection of data is done to gain insight on what is happening in that case so that logical generalisations can be concluded.

3.3.3 Sample Size

Although the case study focused on eThekweni Municipality as a single-case, some form of sampling was conducted when the data is collected. The data was collected through one on one interviews between the researcher and participants. Quota sampling technique was utilised. According to Saunders et al. (2012: 299) the quota sampling technique is a non-random technique utilised for structured interviews as a survey approach. According to the eThekweni Municipality Annual Report (2017/2018), the Finance Cluster as at 30 June 2018 had a total of 1807 employees consisting of 151 temporary staff and 1656 permanent staff. The employees that were interviewed within the Finance Cluster, were divided into group's base on their task level grade being executive management, senior management and management. The individuals who were classified into these three categories comprised of 18 individuals. Thereafter 10 individuals from the 18 individuals were selected for interviews using the following criteria and guideline, these participants were found to be highly involved in the activities listed below:

- The participant's involvement and contribution to eThekweni Municipality's formulation of the Integrated Development Plan (IDP) from the financial management perspective.
- The participant's involvement and contribution to the formulation of eThekweni Municipality annual budget and the day-to-day implementation thereof.
- The participant's involvement in the strategic and day-to-day involvement in the actual spending of the budget towards achieving service delivery goals and requirements.
- The participant's role in the periodic (daily, monthly and annually) recording of transactions and regular reporting on the financial management performance targets.
- The participant's strategic and operational involvement in the formulation of financial management policies and guidelines for the municipality

3.4 Research Instrument

Merriam and Tisdell (2016:137) states that the principal source of data for a qualitative research is interviews and observations. Observations are generally utilised in case studies. Merriam and Tisdell (2016:137) asserts that informal interviews are usually intertwined with observations. Interviews joined with questionnaire, observations and document analysis creates a platform for an all-inclusive interpretation of the phenomenon being investigated.

Saunders et al. (2012: 388) describes a research interview as a “purposeful conversation between two or more people” which entails the interviewer acquiring a relationship with the interviewee in order to extract information from them through asking questions that are succinct and unequivocal. Evidently, this is about asking questions which are purposeful and thereafter cautiously paying attention to responses in order to interrogate the responses further.

Saunders et al. (2012:390) describes three types of interview categories being structured interviews, semi-structured (in-depth) interviews and unstructured interviews. In this study, the semi-structured interviews were conducted. The semi-structured interviews were conducted using an interview guide, included in Appendix 1. The interview guide was compiled based on questions that were constructed that would ensure that optimal research results are obtained. The semi-structured interview was designed with the intention of achieving fluid and unrestricted responses.

The interview guide was divided three parts. The first part consisted of section A and comprised of questions aimed at drawing demographical information about the research participants. This assisted the study by identifying the participants qualifying criteria in participating in the study. Section A required answers to 4 closed-ended questions.

The second part consisted of four (4) sections from B to E. These 4 sections required answers to twelve (12) open-ended questions which aimed a provided answers concerning the four research

questions. All the questions from section A to E were addressed to the research participants, the interviews also catered for follow-up questions that arose from the participants' responses. The follow-up questions differed from each participant depending of their response to the questions from the interview guide.

Lastly, the third part consisted of section F. This section aimed to ascertain the interviewee's opinion about the theoretical framework utilised for this study, in the form of the Local Government Management Improvement Model (LGMIM) (2014/2015). The interviewee gave an opinion on whether the principles discussed in the LGMIM under the Financial Management KPA were adequate and exhaustive and if there were any additional principles required.

3.5 Data Collection Techniques

According to Qu and Dumay (2011) conducting qualitative research interviews requires the use of several skills, such as attentive listening and note taking, but also cautious planning and sufficient preparation. Furthermore in a semi-structured interview, the researcher provides some structure based on her research interests and interview guide, as well as flexibly with the interview guide to allow for the respondent's more spontaneous responses. Donalek (2005) also commented that a semi-structured interview, the researcher has an action plan consisting of open-ended questions concentrating on different parts of the particular research issue. In this study, semi-structured interviews and semi-structured questionnaires were addressed.

Qualitative data collection techniques are generally focused on attempting to comprehend the main motives for the study therefore the techniques are usually more in-depth. Since this study was a qualitative study, the data cannot be quantified. Miles et al. (2014:11) pointed out that qualitative research data in the form of words is collected through interviews, observations, work of art and documents. According to Cassell and Symon (2004:11), an interview is still the most predominantly utilised technique to collect data for qualitative research. Furthermore, Cassell and Symon (2004:11) defines interview as of "depth", "exploratory", "semi-structured" and

“unstructured” with the aim of seeing the research topic from the viewpoint of the interviewee and they came to have that certain viewpoint.

Cassell and Symon (2004:12) asserted that qualitative interviews may differ on how they are conducted, they may be conducted face to face, or a telephonic conversation may take place or even through the internet. The time required and resources available to enable the interview process to take place was limited, hence a smaller sample interviewees was relied upon. The sample selection was based on The eThekweni Municipality Finance Cluster, based on employees who are in management positions. The Managers who were selected in the sample, were approached in person to request an interview. In this brief request, the purpose of the study was briefly discussed and explained. When the interviewee agreed to the interview, a follow up email was issued to the interviewee with a formal appointment request, containing the letter of approval from the research office from the University of KwaZulu-Natal, letter of approval from the eThekweni Municipality MILE and the interview guide in order to allow the interviewee an opportunity to consider how they would wish to structure their responses during the interview. The interview guide was issued ahead of the interview, this was considered by the researcher as the most optimal manner of obtaining the best results with the interview data collection method. The interviewee thereafter accepted the formal appointment.

On the date and time scheduled for the interviews, the researcher upon convening the interview gave a synopsis of the study and the reason for undertaking the research, and also gave a brief background about the researcher. Thereafter the researcher gave details regarding how the interview will be conducted following the form of the researcher posing the questions in the order of interview guide and the interviewee responding and elaborating on their responses including that the interviewee’s responses would recorded. The researcher also explained that the participants’ details would kept confidential.

At the beginning of each interview, the researcher read the definition of Financial Management as set out in Chapter 2 Literature Review in order to contextualise the interview and ensuing

discussion. Once the title of the study was outlined and the details of the context of the study clarified as per the definition read, the interview was conducted. The researcher then proceeded with asking questions relating to Section A of the interview guide. Thereafter proceeded to ask the question from Sections B to F. Follow up questions were asked during the interview in order to obtain clarification and more in-depth information. When the interview was concluded, the researcher thanked the participant for participating in the study and explained that all the participants responses would consolidated, through the notes taken during the interview and the voice/audio recordings. The researcher also explained that if during the consolidation it was noted that some follow up question were required, the researcher would request the additional information by sending emails to the interviewees requesting the additional clarification information.

3.6 Data Analysis

According to Aronson (1995), when information has been collated, a researcher will have to decide on how to analyse the data. There are many ways to analyse the data, especially when individuals provide information about their experiences. A thematic analysis can be used to analyse the data. Aronson (1995) declares that thematic analysis places an emphasis on recognisable themes and patterns of behavior. Aronson (1995) commented that since interviews will be utilised as the research tool, feedback from the interviews and questionnaire will be analysed, and patterns of experiences will be documented. Thereafter the patterns that have been identified will be explained and developed. Miles et al. (2014:6) recommends that data analysis be conducted simultaneously with data collection, this will enable the researcher to work with current data already collected as well creating new tactics of how to collect new improved data. This manner of analysis may prove to be beneficial in reducing arears of oversight.

The data analysis for this study followed a thematic analysis approach, once all the data was collected through interviews. According to Aronson (1995) themes are “bringing together components or fragments of ideas or experiences, which often are meaningless when viewed alone”. The data was collected in terms of written notes and voice/audio recordings. The written

notes were compiled into a report format, which made it simpler for coding purposes. The written notes were changed into a report format in order to ensure that the notes are easily readable and interpreted. The voice/audio recordings were also translated into word written document in the form of a report, similar to the written report from the notes.

The written report of data collected in written format and voice recording was analysed for common themes and issues raised by the participants. Commonality were extracted on responses to questions where participants seemed to have strong views.

3.7 Validity and Reliability

Kimberlin and Winterstein (2008), indicated that the important indicators of the quality of data measuring instrument are the reliability and validity of the measures which are focused on decreasing inaccuracy in the measurement process. Patton (2002) states “that validity and reliability are two factors which any qualitative researcher should be concerned about while designing a study, analysing results and judging the quality of the study”. Furthermore, Golafshani (2003), pointed out that in order to confirm reliability in qualitative research, scrutiny of trustworthiness is critical. Golafshani (2003) states that some qualitative researchers have contended that the term validity is not pertinent to qualitative research, but at the same time, they have realised the necessity for some form of qualifying check or measure for their research. Golafshani (2003) states Triangulation is a check for improving the validity and reliability of research and evaluation of findings.

Hammond and Wiriyaipinit (2005) considers Triangulation to be the utilisation of more than a single method of collecting data which enables the researcher to compare data results. Triangulation allows for research results to be examined for consistency giving rise to a compatibility between findings, also enabling the inconsistencies and differences between the findings to be examined and then how the findings actually complement each other. In this study, triangulation was used in the form of the individual interviews which were verified by utilising the

executive reports issued internally within the eThekweni Municipality and externally to National Treasury on a periodic basis. The reports published by the Auditor General were also examined.

3.8 Limitations of Research

The qualitative research method utilised in this study may have limitations as it gave direction as to the research instrument that was used. The research instrument utilised was interviews, thus relying on the interviewee's interpretation of the processes within eThekweni Municipality. Furthermore, this meant that the participants' response had more impact regarding the substance of the resultant data gathered. Every effort was made to ensure that the research was truthful and circumvented the exaggeration of the aims and objectives of the research. Although the research topic has been a subject of negative reviews from other Municipalities, as documented in the Local Government Management Improvement Model (LGMIM) (2014/2015) all efforts were undertaken to ensure that the research maintains an objective view throughout the research process.

3.9 Ethical Considerations

Resnik (2015) expressed a view that there are many motives why it is vital to follow ethical norms in research. Observing ethical norms allows for the promotion objectives of research, such as "knowledge, truth, and avoidance of error". According to Bryman and Bell (2007), there are some important principles related to ethical considerations in dissertation research should be in a researcher's awareness.

This study ensured that the participants are not subjected to harm in any ways and were respected at all times during their participation in the study. The participant's full consent was obtained prior to conducting the interview. Acceptable level of discretion of the research data was ensured and the privacy of individuals who participated in the research and eThekweni Municipality was observed at all times.

Furthermore, the research was truthful and circumvented the exaggeration of the aims and objectives of the research. Potential conflicts of interests were to be stated upfront and none were actually declared. The communication regarding the research was done with honesty and transparency and any misleading misrepresentation of information was avoided.

3.10 Conclusion

A qualitative design method was undertaken in this study therefore the interpretivist philosophy was relied upon. Furthermore since the study did not have any predetermined ideas or expectations about the outcome the study was concluded to be phenomenological. The researcher approached the study as a case study of the eThekweni Municipality in order to assess the effectiveness of financial management. The participants of the study were eThekweni Municipality employees from the Finance Cluster. A non-probability purposive sampling was utilised to select participants for the study. The interview guide was used to as a data collection tool. The participants were interviewed to gain knowledge about the financial management practices at eThekweni Municipality. The data was collected and recorded from the interviews. The interview recordings and notes were transcribed into a report which was analysed to ascertain the relevant theme which were common in the discussions amongst the participants. The next chapter provides a presentation of research results and findings.

CHAPTER FOUR - PRESENTATION OF RESULTS/FINDINGS

4.1 Introduction

This chapter presents the results and findings of the data that was collected during the fieldwork that was conducted through interviews. The significant and relevant themes were documented during the interviews and are presented below.

4.2 Presentation of Data

The participants that provided the data through interviews were comprised of eThekweni Municipality Finance Cluster employees. A number of 10 employees participated in this study. These employees were found to have a wealth of finance experience and institutional knowledge about local government and the eThekweni Municipality. The participants' demographic information is documented below. The researcher generally observed similar interpretations and analysis of the status of financial management practices within eThekweni Municipality amongst the participants. The interpretations and analysis have been formulated and presented in the themes documented below.

4.2.1 Background and Experience of Participants

There were four elements that were used to determine the status and extent of experience of participants. The first element relates to the gender of the participants. The gender makeup of the participants resulted in more female participants than male, as reflected in Table 4.1 below:

Table 4.1 Biographical Data: Gender of Participant

Gender of Participant	Number of Participants
Female	7
Male	3
Total	10

The second element regarding status and extent of experience of participants is in relation to the number of years the participant has been employed at eThekweni Municipality. As indicated in **Table 4.2** below, the participants were evenly distributed in terms of the number of years they have been employed at the Municipality. The institutional knowledge has been evenly dispersed amongst the participants.

Table 4.2 Biographical Data: Participant's number of years employed at eThekweni Municipality

Years in the Employ of eThekweni Municipality	Number of Participants
<1 year	0
1-3years	2
3-5 years	2
5-10 years	2
10-20 years	2
>20 years	2
Total	20

The third element regarding status and extent of experience of participants is in relation to the task grade level of the participant. All participants are regarded as senior within eThekweni Municipality. The task grade level of these participants enable them to be formulators of strategy within the Finance cluster. This includes the formulation of the Municipality overall budget, its implementation towards achieving Infrastructure Service Delivery and monitoring thereof. The task grade level of participants are depicted in **Table 4.3** below.

Table 4.3 Biographical Data: Participant’s Task Grade Level

Task Grade Level	Number of Participants
Executive Management (Deputy City Manager)	1
Senior Management (Head/Deputy Head)	6
Management (Senior Manager/Project Executive)	3
Total	10

The fourth element regarding status and extent of experience of participants is in relation to the level of education of the participants. All participants have a formal academic education, with all of the participants having at least one or more postgraduate qualifications depicted in Table 4.4 below. In addition to the academic education, 4 participants have a professional qualification in the form of Chartered Accountant (CA), South Africa.

Table 4.4 Biographical Data: Participants’ Level of Academic Qualification

Level of Academic Qualification	Number of Participants
Masters/PhD	3
Honours	6
Degree/Diploma	1
Matric	
Other (Please Specify)	
Total	10
Professional Qualification (provide name of qualification)	4 (Chartered Accountant)

4.2.2 Research Participations

The participants provided insightful and informed responses to the questions posed as outlined in the Interview Guide in Appendix 1. The participants, in their manner of responding displayed that they were familiar with subject of Financial Management and its application to business, as well the implementation of Infrastructure Service Delivery.

4.3 Overview of Relevant Themes

The Interview Guide in Appendix 1 was utilised by the researcher to pose questions to the participants during the interview. At the beginning of each interview, the researcher read the definition of Financial Management as set out in Chapter 2 Literature Review in order to contextualise the interview and ensuing discussion. Once the title of the study was outlined and the details of the context of the study clarified as per the definition read, the interview was conducted. Eight themes were developed during the interviews namely implementation of financial management practices, political interference in administration, accountability, consequence management, adequacy of skills, best value, improved planning and interaction with business units (commonly referred to as line departments). The themes are outlined in Table 4.5 below:

Table 4.5 Research Relevant Themes

1. Implementation of Financial Management Practices
2. Consequence Management
3. Political Interference in Municipal Administration
4. Best Value for Money 4.1 Best Value for Money – Supply Chain Management 4.2 Best Value for Money – Employee Productivity 4.3 Best Value for Money - Benchmarking
5. Accountability
6. Adequate Skills
7. Improved Planning
8. Financial Management in Business Units (Line Departments)

4.4 Conclusion

The participants provided insightful and informed responses to the questions that were posed to them as part of the interview process. The participants also demonstrated satisfactory knowledge and understanding of financial management, which also reflected their wealth of professional knowledge in terms of the local government, municipalities and general financial environment. The next chapter provides the discussion regarding the research results and findings.

CHAPTER FIVE - DISCUSSION OF RESULTS/FINDINGS

5.1 Introduction

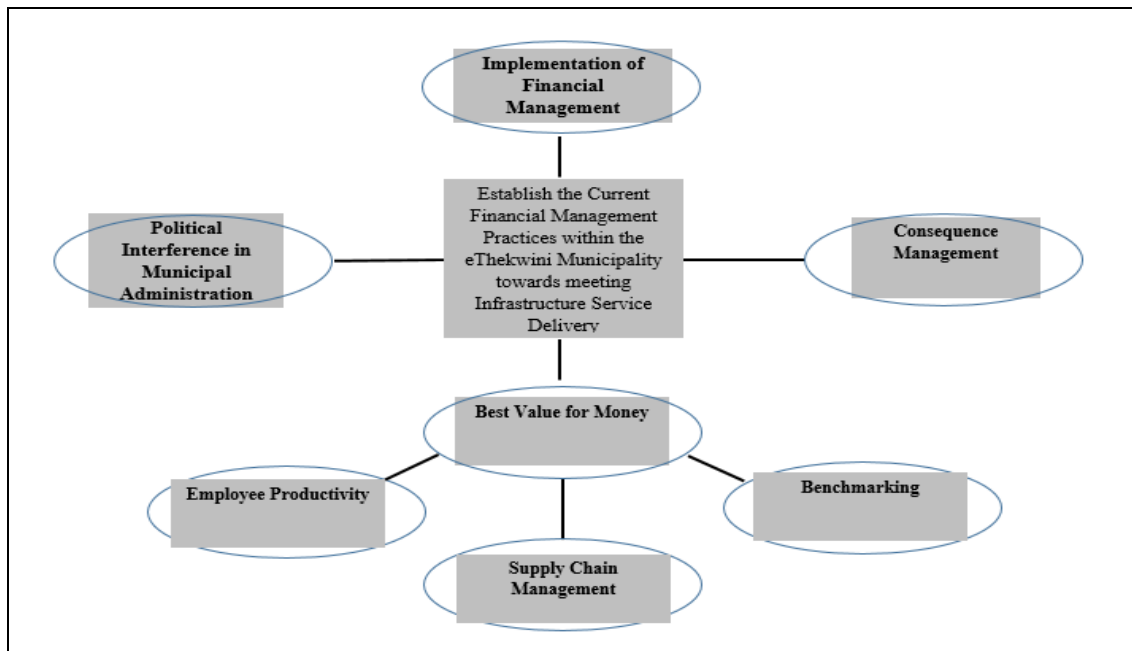
This chapter presents the discussion regarding the results/findings of the data that was collected during the fieldwork that was conducted through interviews. Furthermore, the discussion provides details about the relevant themes that resulted from the interviews conducted with the study participants.

5.2 Research Relevant Themes

5.2.1 Establish the Current Financial Management Practices within the eThekweni Municipality towards meeting Infrastructure Service Delivery

The first objective of the study was to establish the current financial management practices within the eThekweni Municipality towards meeting Infrastructure Service Delivery. The relevant themes under this objective are described in Figure 5.1 below:

Figure 5.1 Research Relevant Themes for Study Objective 1



Participants were asked to first describe their understanding and interpretation of financial management practices within eThekweni Municipality towards meeting Infrastructure Service Delivery. The responses regarding their understanding and interpretation of financial management practices were recorded follows:

[Participant_1, Interview, 2018 November 13] *“Financial Management includes making sure that we put in place controls that are effective in order to collect the monies when they fall due and to spend the monies in accordance with the mandate. Ensure that the transactions must be recorded correctly according to a framework and reported.”*

[Participant_3, Interview, 2018 November 14] *“Purchases must be value for money, all transactions must be appropriately recorded, identification of all risks and safe guarding of assets...Financial Management exist in Finance Treasury however with line departments it does not exist fully.”*

[Participant_4, Interview, 2018 November 14] *“Financial Management is the processes and controls put in place to deploy resources, monitor and manage with objective of service delivery.”*

[Participant_7, Interview, 2018 November 15] *“Astute management of scarce resources to achieve the objectives of the Municipality...One area of financial management that we strive for but not always achieved is the issue of best value and maximising efficiency and effectiveness”.*

[Participant_10, Interview, 2018 November 21] *In terms of eThekweni Municipality, We have the proper financial management tools but in terms of the practices when it comes to line departments that where there is a bit of a gap. As Finance we have the tools but they are not fully utilised.*

In general all participants acknowledged that the financial management practices, in the form of policies, frameworks, standard operating procedures, are in existence at the eThekweni Municipality and they have been informed by National Treasury as well as the main piece of legislation being the Municipal Finance Management Act 56 of 2003 and its regulations.

5.2.2 Theme 1: Implementation of Financial Management Practices

The first theme identified under the first objective of the study is the implementation of financial management practices. The local government is a highly regulated environment. EThekwini Municipality also follows the same nature of being highly regulated with a number of finance related policies, amongst others, as follows:

General Legislation which applies to Municipalities

- Municipal Finance Management Act 56 of 2003 and Regulations
- Municipal Systems Act 32 of 2000
- Constitution of the Republic of South Africa No. 108 of 1996

Revenue Legislation

- Municipal Property Rates Act No.6 of 2004
- EThekwini Municipality Credit Control and Debtors Collection Policy
- EThekwini Municipality Property Rates Policy
- EThekwini Municipality Tariff Policy

Expenditure Legislation

- EThekwini Municipality Accounts Payable Policy

Supply Chain Management Legislation

- The Municipal Supply Chain Management Regulation of 2005
- EThekwini Municipality Supply Chain Management Policy

The participants advocated that the appropriate practices in the form of legislation and policies do exist at eThekwini Municipality. **[Participant_4, Interview, 2018 November 14]** *“The environment is overly regulated in terms of Frameworks, Standard Operating procedures”*. The eThekwini Municipality is perceived by the participants to go further than required concerning the formulation and enacting policies and is stricter than what is dictated by government legislation.

[Participant_9, Interview, 2018 November 21] *The policies and practices that drive proper financial management exist with eThekweni, it has even gone to the point where some of our policies are much stricter than what is required, and you have more structures than necessary sometimes just to make sure that people are held accountable...the design of the structure itself is there to ensure effective financial management, however implementation is what is the problem.* As an example, an approval process, which generally requires more than a single official signature, is approved by a number of signatories that have to sign a report before it is presented for approval to an approving committee such as Municipal Council.

However the implementation of the legislation and policies is a challenge and to some extent not in existence. It is understood that the reason for the lack of implementation is **[Participant_4, Interview, 2018 November 14]** *“because good financial management practices are understood to be the responsibility of finance and line departments perceive themselves to have a responsibility only of service delivery at all costs...non-financial officials do not perceive themselves as having responsibility towards financial management”*. There is a misalignment of roles within the Municipality. The non-financial Municipality officials, generally in Business Units e.g. Water and Sanitation Department ,Electricity Department, Architecture etc. are perceived to have a view that their role and responsibility is only towards ensuring service delivery and the role of Finance officials is to make available the funds in order to spend the money and carry out the service delivery.

The business units are commonly known as line departments. Some of the line departments such as Electricity and Water and Sanitation Departments have a responsibility to generate revenue, even though they generate revenue there seems to be a misalignment in terms of how they spend their funds, which can be described as undertaking service delivery at all cost.

Furthermore, the implementation of financial management practices is a challenge because the political leadership is not properly informed of exact role of Finance. The political leadership

performs the oversight role. The oversight may not be as effective because the role of Finance is not properly understood.

In terms of this theme of Implementation of Financial Management Practices, the legislation, policies, frameworks, guidelines are in existence at eThekweni Municipality however there is a failure to fully implement policies. The findings under this theme aligns to (The White Paper on Local Government, 1998:34), where it is stated that there are some complexities in the application of some local government legislation that has been inherited, often resulting in diverse application across the country. This often results in substantial misunderstanding and ambiguity. Furthermore, the main aim of financial management is to ensure that there is best implementation of community service delivery and ensuring that community necessities are met (Świrski, 2016). Ultimately, the appropriate and full implementation of financial management practices enables the service delivery to take place.

5.2.3 Theme 2: Consequence Management

[Participant_9, Interview, 2018 November 21] *The legislation is clear on who is supposed to be involved in day to day management. Generally in local government you find that the people who are supposed to have an oversight role actually have an active role in the management. Then they struggle to hold the management accountable and they would have been party to decisions.*

There is a perception that there is non-adherence to processes, especially legislation, policies, frameworks, guidelines. This takes place in the form of officials doing incorrect things which in some cases may result in fraudulent activities. The officials who are supposed to hold other officials accountable are the ones found to be doing wrong hence they are unable to hold others accountable. **[Participant_3, Interview, 2018 November 14]** *“Consequence Management because you are doing something that you are not supposed to be doing. Political backing does not qualify you to do your job correctly.”* There are many cost implications to not holding officials accountable such as legal costs. If the Municipality is found in the wrong by the legal structures such as courts, there are often costs such as the requirement to pay litigation costs. If consequence management was applied against the officials who were found doing incorrect things, costs such

as litigations costs could have been avoided, when they were doing something wrong which was in their awareness that it is wrong.

The Business Forums have also been found to contribute in the lack of strong consequence management, **[Participant_9, Interview, 2018 November 21]** *“The business forums do play a role because the suppliers have been paid although the work is standing still”*. The Business Forums are perceived to be costing the Municipality a substantial amount of money. The Business Forums disrupt the work progress at building sites, demanding jobs and a portion of the profits in a number of the Municipality’s contracts. The contractors are paid for their work, in honour of the contract signed with the Municipality, even though the work is not continuing. The work stoppages result in an escalation of costs such cost as security costs. The work sites have to be secured in order to protect the contractor employees as well as the premises from property damage.

[Participant_10, Interview, 2018 November 21] *Implementation of capex - the work stoppages from business forums should not have been entertained and should not be allowed.* The Business Forums may have started because the procurement legislation is perceived to exclude some members of business and is held exclusive to some. Although there has been various court interdicts and legal interventions against such groups as Business Forums, especially within the KwaZulu Natal Province, the improvement has been slow resulting in the disruptions continuing. There is also a perception that National Treasury is not reacting and responding quick enough to ensure that procurement legislation is inclusive to everyone in business. The perception is that there isn’t adequate and stringent consequence management against the Business Forums and may give Business Forums access to other municipalities to perpetuate the disruptions as they have not been properly dealt with when the disruptions were started.

[Participant_7, Interview, 2018 November 15] *“Grants are impacted, loosing the opportunity for service delivery, the security costs have escalated, costs calculated for standing time is currently approximated at R100million”*. If work stops, the further consequence for the Municipality is that National Treasury takes back the grant funding that has been allocated to the Municipality for specific projects due to funds not spent adequately. This has negative financial impact on the Municipality.

[Participant_2, Interview, 2018 November 13] *“The domino effect of not spending properly. This also should be linked to performance management, if you are not spending and then not performing than consequence management need to come into play”.*

Consequence management indicates that there is non-adherence to processes, legislation, policies, frameworks, guidelines and consequent management tools should be applied. This theme is also supported by Auditor General (2018), where one of the key findings was that the Auditor General does not have the necessary powers to enforce consequences. However, the establishment of an international network has assisted in the Auditor General to be able to quickly obtain some input in their consequent management mechanisms. Furthermore, the Auditor General Oversight Committee has taken to updating amendments to the Public Audit Act that will allow the Auditor General to reinforce itself substantially and be able to instigate consequences for misconduct and negligence of duties. National Treasury (2016) has also pointed out that failure take appropriate and necessary action against an official who has not conformed to the requirements of Public Finance Management Act, has behaved in a manner that give any regards to financial management and the systems of internal control and also incurs or allows for unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure.

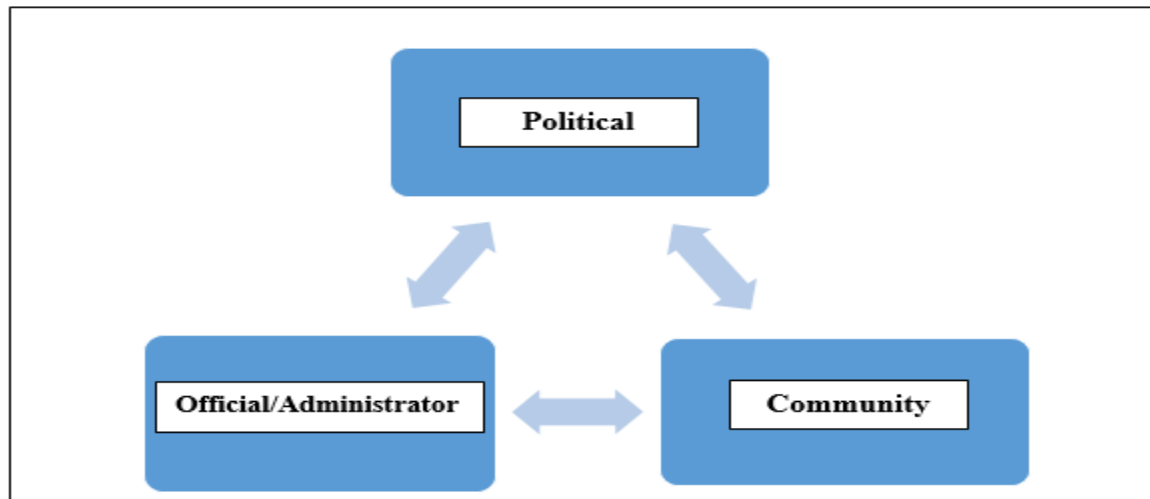
5.2.4 Theme 3: Political Interference in Municipal Administration

In a municipality, there are three broad main stakeholders as indicated in Figure 5.2 below. The second theme identified was political interference in municipal administration

[Participant_3, Interview, 2018 November 14] *“...it’s an equal partnership and relationship between constituencies i.e. politicians, administration and community and we are equal, politicians take decisions based on administrators advice...politicians are our equals. We allow external forces to influence our day to day operations and that should not happen. Everyone must understand the role they are playing”.*

[Participant_10, Interview, 2018 November 21] *“What is hindering the implementation of financial management practices is political interference in local government space.”*

Figure 5.2 EThekwini Municipality Stakeholder



[Participant_4, Interview, 2018 November 14] *“There has to be a clear line between the roles of politicians and the administrators and where the two functionalities start and stop, it seems at the moment the politicians are overreaching their mandate into administration”*. There are clear roles between the officials/administrators and political leadership. Politicians in their oversight role are supposed to hold the administration accountable. However if the politician are also involved in administrative activities of the municipality, they cannot hold the officials accountable. The legislation is clear about the roles of the different stakeholders and their involvement in the day-to-day management of the Municipality.

In terms of the stakeholders in Figure 5.2, the politicians are supposed to be the link between the community and the administrators/officials. If political decisions are taken on whether the capital expenditure should take place for the infrastructure service delivery, the administrators have to make funding for the capital expenditure available and the end result is that community is affected on the ground on whether ultimately there is infrastructure service delivery. **[Participant_8, Interview, 2018 November 20]** *“Unfortunately it’s the community that suffers as the officials work with the resources that they have...bringing about the best interest of the community and if the best interest of community is not put through, then service delivery will suffer”*.

In summary, there is a perception that the politicians are going beyond their mandate in terms of their involvement in the administration activities of the Municipality. There should be clear roles defined. This theme is aligned to literature, the (Municipal Finance Management Act, 2003:8) has defined the roles and responsibilities of municipal officials. Furthermore, the Municipal Systems Act (2000:4) describes the rights and duties of municipal councils, amongst others, as having the right to implement the municipality's executive and legislative authority, and to conduct this task devoid of inappropriate interference. In addition, the Municipal Systems Act (2000:6), pronounces the duties of municipal administrators, amongst others, as to ensure that there is a principle of public service and accountability amid all employees as well as to ensure that corruption is prevented. Political leadership have the accountability and obligation to ensure that there are suitable and proper outcomes, and the Public Service has the duty to ensure outputs (Jordaan, 2013).

McKinney (2015) asserted that the political and management roles should be separated, this is important for good governance. Political leadership is responsible for implementing policies, managing the progress of budgets and performance targets, and managing their implementation by monitoring performance through financial annual reports. Higher level management such as Municipal Manager is responsible for accountability of financial management in terms of the MFMA and its implementation.

5.2.5 Theme 4: Best Value for Money

The third theme identified is Best Value for Money. According to participants Best Value for Money is **[Participant_3, Interview, 2018 November 14]** *“Purchases must be value for money... There is not always value for money in the tenders that are awarded”*. **[Participant_7, Interview, 2018 November 15]** *“Financial Management in the City has been taken seriously, one area of financial management that we strive for but not always achieved is the issue of best value and maximising efficiency and effectiveness”*. The theme of best value can be categorised into three sub categories of supply chain management, employee productivity and benchmarking. **[Participant_7, Interview, 2018 November 15]** *“We are not necessarily getting best value from staff and Supply Chain Management, better monitoring, benchmarking and systems need to be put*

in place” and [Participant_8, Interview, 2018 November 20] “So municipality still has not done all the capex, but you have not collected, there is a lot of wastage, what value are we getting for our money?”

5.2.5.1 Best Value for Money – Supply Chain Management

The theme of Best Value for Money under Supply Chain Management was a recurring theme throughout the participant interviews. This is due to the fact that most of capital expenditure is procured through large contracts in order to achieve infrastructure service delivery. Therefore, this requires a robust planning process in order to put the contracts in place that have conditions favourable to the Municipality in terms of price and deliverables. However the planning process, e.g. conducting environmental impact assessments and obtaining relevant licenses, does not take place as early as possible in the life of the project and results in delays of the project. Furthermore the contracts have penalty clauses whereby if there is a disruption due to work stoppages and the contractor is not the source of delay, the Municipality still needs to pay the contractors. **[Participant_2, Interview, 2018 November 13]** *“The Municipality is paying but there is no value added”*. Moreover, the unplanned work stoppages due to the business forums, discussed in 5.2.3 above, has resulted in the Municipality losing money as the penalty clauses require Municipality to pay the contractors, even though there is no work performed and continuing, **[Participant_7, Interview, 2018 November 15]** *“Grants are impacted, loosing the opportunity for service delivery, the security costs have escalated, costs calculated for standing time is currently approximated at R100million”*.

In addition, the cost effectiveness of Supply Chain Management processes, how things are done, **[Participant_4, Interview, 2018 November 14]** *“you can get more for the same money”*. Essentially the Municipality can get more for the same money. One of the tools which the Municipality can use to get more out of its money is benchmarking. **[Participant_4, Interview, 2018 November 14]** *“Benchmarking is required. You get a price, but that price is not necessarily the right price, it could be the lowest price but is it the right price.”* There can be significant

savings in terms of best value when prices are benchmarked. The can take benchmarking amongst peer Municipalities in terms of what they are paying for like or similar contracts for services. This would allow for substantial savings for large contracts like purchase of vehicles, bulk purchase of data etc. [**Participant_7, Interview, 2018 November 15**] *“Better value for money, more efficient use of scarce resource, greater efficiency and effectiveness which will enhance service delivery.”*

While the Supply Chain Management framework necessitates that any services of goods must be outsourced, the Municipality needs to get best value for its money. The challenge is that the Municipality is to large extent reliant on the market in the form of service providers to deliver necessary services. The Municipality is not always able to get best value because of external forces such as market conditions and geographical location challenges. Benchmarking can play a big role trying to alleviate the external market forces.

Obtaining best value under the supply chain processes is critical for achieving service delivery and service delivery is strategically linked to financial management in the public sector. The finding under this theme aligns to Jordaan (2013) who stated that there has to be a distinct management framework which will be used to effect the service delivery whilst making sure that there is value for money. Moreover, Jordaan (2013) stated that the quest for value for money is considered to be critical for the advancement of service delivery standards. Furthermore CIGFARO (2018), in its definition of financial management has included the fact that it is the financial analysis of local authority activity to secure value for money through the effective management accounting. Through financial management, the supply chain management process will yield effective results if there is best value in the manner in which service providers to effect the service delivery are procured.

The finding under this theme further aligns to the General Procurement Guidelines (2012.) where a focus is placed on the appropriate and effective government procurement which is based on certain values of behavior known as the Five Pillars of Procurement. These are referred to as pillar because if any of them is not adhered to the entire system collapses. The five pillars are Value for

Money, Open and Effective Competition, Ethics and Fair Dealing, and Accountability and Reporting Equity. According to the General Procurement Guidelines (2012), Best Value for money refers to the greatest possible outcome when all appropriate costs and benefits during the procurement cycle have been taken into account. The procurement function also has to provide best value for money and conducted in an economical manner. In order to achieve best value, the organisation must avoid costs which are preventable and interruptions in the procurement process for themselves or suppliers; keep a close eye on the actual supply arrangement and reevaluate them if they stop delivering the expected benefits and making sure that the internal procurement processes do improve on a continuous basis.

5.2.5.2 Best Value for Money – Employee Productivity

[Participant_7, Interview, 2018 November 15] *“The second thing that is very worrying is productivity, when you look at the budget, the major costs is staff costs”*. Supply Chain Management and staff productivity have a significant impact on how the Municipality conducts its day to day business. **[Participant_8, Interview, 2018 November 20]** *“If we had to rate the productivity we perhaps could reach 50% productivity”*. The Municipality endeavours to motivate staff to perform at their highest level in order to obtain best value from the high staff cost. Staff productivity is measured based on a number of factors such as whether or not staff is idling waiting for work; the actual work output has not been effectively measured and paired/allocated to the appropriate staff member and the appropriate performance targets for each staff member have not been put into place. The staff productivity is also impacted by the intervention of trade unions in defence of staff performance. Also poor management also has a negative impact on staff productivity. Similar to Best Value- Supply Chain Management, benchmarking for productivity can also take place. Although the Municipality has a performance management system, it is lacking a performance management system that will monitor performance appropriately.

The finding under this theme is aligned to Jordaan (2013) where it was stated that the performance of individuals, especially those who perform support and administrative functions, cannot be easily

measured. The actions of individuals singularly do not support the strategy of the organisation. It needs collective action. According to CIGFARO (2018), a financial analysis of the local authority activity to secure value for money through the effective management accounting. The benchmarking process will allow for the analysis in order to ensure the Municipality gets more for their money for both supply chain management and staff productivity.

5.2.5.3 Best Value for Money - Benchmarking

[Participant_7, Interview, 2018 November 15] *“Benchmarking is required. You get a price, but that price is not necessarily the right price, it could be the lowest price but is it the right price”*. Benchmarking is required in order to have a good indication of what a commodity/service will cost. The best estimate of the cost must be aligned or closely linked to the outcome of the benchmarking exercise. When benchmarking of prices and services is conducted, it will show and reflect whether the Municipality is receiving best value in terms of what has been paid.

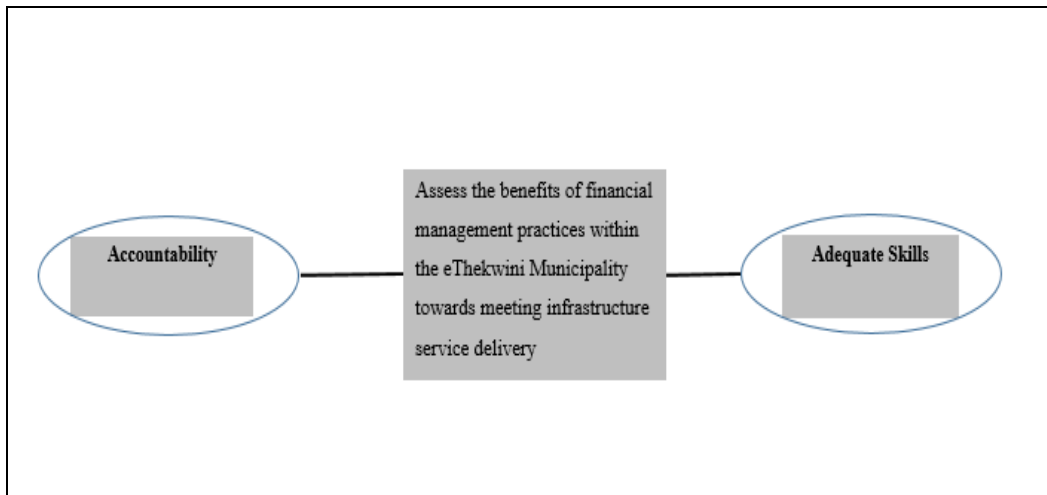
Benchmarking is viewed as an important tool to ensure financial viability of the services procured. The participants advocated strongly for the Municipality to benchmark the prices for services it receives and pays for, in order to achieve best value. **[Participant_4, Interview, 2018 November 14]** *“Benchmarking for service delivery with other cities”* and **[Participant_5, Interview, 2018 November 14]** *“...need to learn well from other people doing better than us which is benchmarking, we can learn from other smaller municipality, in terms of also systems, collectively other municipalities who are doing better than us”*.

In summary, benchmarking is considered important in ensuring best value. This finding is aligned to Magd and Curry (2003), where it was stated that numerous public-sector organisations are encouraged to undertake benchmarking as a form of meeting government’s pre-requisite that public organisations need to provide best-value services. Furthermore, to succeed in providing best-value services, benchmarking is seen as a critical management tool.

5.3 Assess the benefits of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery

The second objective is to assess the benefits of financial management practices within eThekweni Municipality towards meeting Infrastructure Service Delivery. The participants generally agreed that there is a benefit in having financial management practices and that this has resulted in good robust financial decision making by the Municipality and the financial sustainability has improved. The relevant themes under this objective are described in Figure 4.3 below:

Figure 5.3 Research Relevant Themes for Study Objective 2



5.3.1 Theme 5: Adequate Skills

[Participant_1, Interview, 2018 November 13] *“The right people have to be in the right positions, if you cannot interpret information because of lack of skills, then you have to get the right person who will do the interpretation and give it to the person who has to make the decision. It is critical that the right people are in the right positions”*. In terms of systems, legislation and policies however the participants acknowledged that a review and evaluation of the combination of the skills needs to be undertaken in order to make sure that employees are placed in the right positions. It is the employees that have a big influence in ensuring that the systems, legislation and

policies are complied with, and they respond to and drive the changes. However, without the right employees and in the right positions, you will not get the appropriate application of financial management practices in order to achieve service delivery. The municipal environment is dynamic and adequately skilled employees are critical in order to ensure that there is continuous development.

[Participant_2, Interview, 2018 November 13] “...*from a Treasury perspective we do have the skills and our structure does support the implementation of good financial management however we are working in silos there needs to be more collaboration and consolidation so that our processes to link up to each other and make sense*”. The participants expressed the challenge that although within Finance there are adequate skills, the same cannot be said about throughout the organisation, the administrators that have been put there are not competently skilled and may possibly have been appointed to those positions due their political affiliation. This does not always translate to employees understanding the tasks they are doing in relation to financial management.

[Participant_4, Interview, 2018 November 14] “*In order to see if financial management practices are working or not, it requires a lot of reporting which is time consuming...impact on people, administration and skills, people don't always understand what they are doing*”.

[Participant_3, Interview, 2018 November 14] “*Good skilled people who do not always apply their knowledge well. Line financial managers do not always apply their knowledge.*”

The participants expressed that administrators are not completely skilled and that the right skills are required in the appropriate positions. This also goes further to ensuring that the Municipality is not only employing the appropriately skilled employees but the employees are also placed into the right positions and there is talent management. This should not translate to additional costs for the Municipality.

This finding is aligned to the Municipal Systems Act (2000:68), where it is stated that a municipality must improve and cultivate its human resource capacity to an extent that it allows it to achieve its purpose and implement its powers in an “economical, effective, efficient and

accountable way”. This will be in compliance with the Skills Development Act (1998) and the Skills Development Levies Act (1999). Furthermore, Managa (2012) highlighted that one of the significant impediments that faces local government’s institutional capacity. Institutional capacity has been explained as the shortage of skills and knowledge which has resulted in many municipalities under staffed which ultimately results in declining state of service delivery over a long period of time and the communities suffer the consequences of insufficient access to basic service delivery. Further to this, it has been observed that in some Municipalities the funds allocated for spending in service delivery are under employed due to a lack of leadership expertise. The lack of leadership expertise is predominantly due to a lack of knowledge and skills in project management and financial management, which prevents some projects from either commencing or concluded (Managa, 2012). National Treasury (2011) also confirmed that a municipality must have a budget and treasury office handling the finances of that municipality and ensuring that it complies with all finance related legislation and policies. To this end, there are national and provincial programmes which are meant to strengthen financial management capacity of staff. Although there is progress, the effectiveness of the improvement is slowed down by below standard levels of staff experience due to unsuitable qualifications. Regularly staff with unsuitable experience and qualifications are appointed into positions.

5.3.2 Theme 6: Accountability

[Participant_8, Interview, 2018 November 20] *“Good oversight to those who are in charge with oversight role, they must play their part, people must walk the talk...people who qualify and have the right experience and skills get into the right jobs once those people are there, they are held to account by those that have employed them, there must be policies, procedures, and make sure they are implemented. Internal audit must also come in and external audit identify the gap, how do we improve the systems that we have. Someone must hold you accountable. Once this is done, we will realise the targets and achieve the targets.”*

[Participant_9, Interview, 2018 November 21] *“...day to day operations looking at budgeting, procurement, decision making on how the budget is allocated and how the monies are spent and the accountability that is generated from the spending of the monies”*. The participants expressed

that although practices and policies which underpin financial management are known and practised within the Municipality, what is required is to ensure that employees are held accountable in terms of aligning their day to day conduct in terms of these practices and policies. Especially on how the funds are spent on the right projects, doing the right things at the right time and then appropriately reporting. **[Participant_4, Interview, 2018 November 14]** *“We have aligned the Integrated Development Plan with the budget. The only thing that is missing is how it filters into performance agreements of non- financial officials because you can get away without been accountable, consequence management and accountability is a problem”*. Furthermore, the accountability has to be enforced through performance management where the expectations of employees are clearly defined in performance contracts.

The municipality has periodic reporting taking place monthly, quarterly and annually etc., officials are required to account for what has taken place during the reporting period, however there is a lack in corrective measures for example, when projects are not spending, there should be interrogations on why the spending is not taking place vigorous enough to encourage further spending. Beyond the interrogation what is being done to correct that situation. **[Participant_3, Interview, 2018 November 14]** *“If you do not live according to the practices you will not be able to do your job. And if you don’t do this you will not be able to take accountability for your vote, which is according to Municipal Finance Management Act”*.

In summary, although the financial practices exist, the participants expressed accountability as a challenge in terms of ensuring that officials align how they conduct their duties with the financial management practices and policies. According to Auditor General (2017/2018), similar to previous publications of integrated annual report, again expressed a concern for the growing irregular expenditure and that accountability is deteriorating in local government and this has an adverse effect on the community at large. The Auditor General (2017/2018), further expressed that the deterioration of accountability in some government departments has a bearing of their ability to deliver government’s strategic programmes in areas such as infrastructure, health and education. According to Mahlaku (2013), the existence of financial management is to ensure accountability. The White Paper on Local Government (1998), has specified that Municipalities undertake to be

responsible and accountable to the community concerning how the public funds are used. Officials must substantiate their decisions on how expenditure will be incurred and how the revenue, which will support the expenditure will be generated.

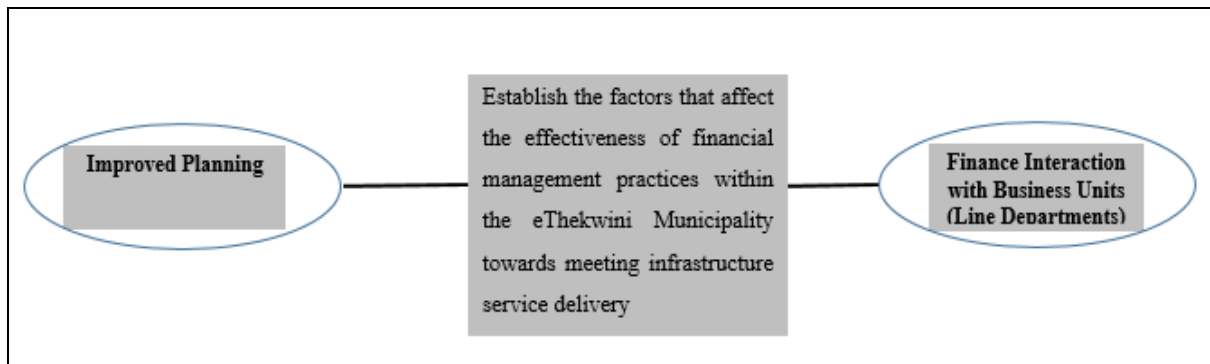
National Treasury (2011) addressed the matter of accountability as having three key factors for ensuring that accountability is enforced. The first factor is to distinctly divide and clarify between the roles of political leadership such as the mayor, executive and non-executive councillors and the roles of administrative employees. Accordingly the division of duties between the political leadership and administrative leadership is imperative for good governance. The second factor is performance management where procedures for service delivery intentions and plans are created. The creation of performance management will ensure that plans, budget, the actual work done and the reporting thereof all work seamless together. This will ensure appropriate management and accountability to reach service delivery goals. The third factor is the reinforcement of reporting and disclosure. The presentation of management information that is of high standards allows for the detection and resolution of challenges in a swift manner as well as promotes the segregation of duties and performance management.

According to the Inter-Departmental Working Group. Department of State Expenditure (1995:3), the financial management processes for public institutions documented in Table 2.1, accountability has been identified as one action items in the financial management process.

5.4 Establish the factors that affect the effectiveness of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery

The third objective was to establish the factors that affect the effectiveness of financial management practices within eThekweni Municipality towards meeting Infrastructure Service Delivery. The participants discussed mainly the factors as described in Figure 4.4 below

Figure 5.4 Research Relevant Themes for Study Objective 3



5.4.1 Theme 7: Improved Planning

Participant_8] *“Proper planning is key”*. The participants expressed that poor planning has an impact on the effectiveness of the financial management practices. Adherence to the practices is a challenge due to non-adherence. The non-adherence from a procurement perspective has been due to poor planning. **[Participant_2, Interview, 2018 November 13]** *“All departments know that they are supposed to do their procurement plan at the beginning of the year but procurement process can be very tedious and it’s the back and forth that frustrates the process and the process takes too long”*. Furthermore, where there is adherence to the financial management practices however the capital expenditure is not fully implemented, is an indication that planning and execution is a challenge. There is a discord in the manner in which Finance conducts its planning and how the Line Departments conduct their planning process to the extent where it reaches implementation stage. **[Participant_4, Interview, 2018 November 14]** *“The practices that are put in an organisation do not only have to be implemented by Finance...if they worry about the technical aspects, in their planning they do not plan for practices that are being imposed by legislation. They plan for projects but do not properly plan for reporting and align according to budget cycles”*.

[Participant_2, Interview, 2018 November 13] *“...line departments need to plan properly and spend properly and if they can’t then the funds need to be taken away”*.

The planning according to the budget cycle is critical because it makes the process effect. A project must only come into the budget when it is ready to be executed. Actions such as environmental impact assessments must have been conducted prior to submission into budget. What often takes place is that projects are shifted and delayed during the budget adjustment period. [**Participant_7, Interview, 2018 November 15**] *“If your budget was appropriately dealt with, you should only be dealing with adjustments as more of an exception than a norm. So good planning makes for good business case”*. Moreover, another dynamic which affects planning is the impact of business forums discussed in 5.2.3 above. The work stoppages that have been caused by the business forums not only cost the Municipality money but also impose delays on projects making proper planning a difficult task.

This finding is aligned to the Inter-Departmental Working Group. Department of State Expenditure (1995:3) financial management processes for public institutions which are documented in Table 2.1 and strategic planning is the initial stage in the process. Managa (2012) agrees with the importance of planning as the under-spending and over-spending of the budget, may be due to a lack of proper management as well as weakness in the planning process. The National Treasury (2011), has indicated that financial management within the context of a municipality includes effective and efficient management of some factors such as planning and budgeting. Visser (2006:26 cited in Mahlaku (2013) stated the advantages of integrated planning as:

- It extends and deepens multi-year budgeting, since it is based on a comprehensive planning process;
- It strengthens the link between integrated planning and service delivery since it provides the outputs;
- It enhances budgetary scrutiny by the Council since it provides the Council with relevant information on which sound decisions can be taken;
- It improves accountability by providing performance information for budget managers and the general public;
- It provides more source of documentation for researchers that want to analyse the integrated plans of the municipality

5.4.2 Theme 8: Finance Interaction with Business Units (Line Departments)

[Participant_9, Interview, 2018 November 21] *“Line management always think that financial management is with Finance but it also lies with them because they are the custodians of the budget like when they have to work on projects to spend they have to manage their budget, In terms of eThekweni Municipality, We have the proper financial management tools but in terms of the practices when it comes to line departments, there is a bit of a gap. As Finance we have the tools but we do not fully utilise them”*

[Participant_3, Interview, 2018 November 14] *“Financial Management practices should be split into two, Treasury and Line Departments. Financial Management exist in Treasury however with line departments it does not exist fully. In some line departments yes but others it does not”.*

The Municipality has a very well organised robust financial system. However the business units e.g. electricity, water and sanitation departments commonly referred to as line departments, are perceived not to be complying with the necessary practices. The financial managers within the different line departments are not taking a more decisive role in terms of financial management in guiding their individual line departments in terms of incorrect application of financial management practices. There isn't consistency in terms of how Treasury and line departments apply the finance practices. The line departments' financial managers are also perceived not to fully apply their financial management knowledge.

[Participant_4, Interview, 2018 November 14] *“Because good financial management practices are understood to be the responsibility of finance and line departments perceive themselves to have a responsibility only of service delivery at all cost, there is a misunderstanding of responsibilities, and non-financial officials do not perceive themselves as having responsibility towards financial management”.* The line department financial managers are perceived not to be fully undertaking the entire task of project evaluation. The projects should be valued and if the resultant valuation does not align to the budgeted costs, then that project should be discontinued and not pursued.

This finding is aligned to National Treasury (2011) where it was confirmed that a municipality must have a budget and treasury office handling the finances of that municipality and ensuring that it complies with all finance related legislation and policies. To this end, there are national and provincial programmes which are meant to strengthen financial management capacity of staff. Although there is progress, the effectiveness of the improvement is slowed down by below standard levels of staff experience due to unsuitable qualifications. Regularly staff with unsuitable experience and qualifications are appointed into positions.

5.5 Local Government Management Improvement Model (LGMIM)

The participants expressed an opinion the principles discussed under the financial management key performance area were adequate but not exhaustive. **[Participant_1, Interview, 2018 November 13]** *“Since National Treasury is far from the proximity of the situation on a day to day basis, they may not necessarily come up additional principles in response to day to day risk”* The additional principles that can be considered to be added under financial management is **[Participant_2, Interview, 2018 November 13]** *“asset management”*. **[Participant_8, Interview, 2018 November 20]** *“Asset management, we clearly know what assets we have and we depreciate our assets accordingly to its useful life. Also it’s important to have your accounting standards which we need to apply, how to treat the assets and how to approach certain things in general”*. The municipality has a lot of assets which have an impact of the management of finances. The assets have to be maintained, which have a cost impact. Also, not all assets can be maintained once they have reached a certain stage in their useful life, they have to be written off. In some instances a decision has to be made whether to maintain an asset or to write it off and purchase a new asset. Such decisions have a financial implication as the assets are required to be utilised in order to achieve service delivery. **[Participant_3, Interview, 2018 November 14]** *“Include full risk assessment, identification, how deal with and mitigation and asset management”*. In addition, a risk management process would ideally be necessary to be included in the financial management key performance area, this will provide the municipality with an avenue to spend the financial resources appropriately and in a staggered manner giving the appropriate priority to areas

that need it the most. [Participant_10, Interview, 2018 November 21] “*Proper risk assessment has been done. Mitigation why didn’t anyone pick it up*”.

5.6 Conclusion

The themes that are resultant of the research give a broad insight as to aspects of financial management practices at eThekweni Municipality. Although there are various factors affecting effectiveness of financial management practices, the factor of implementation of legislation seemed to underpin the research results. The local government is highly regulated with many pieces of legislation and frameworks supported by the individual municipality’s policies. The appropriate implementation of the legislation and policies is critical in the ensuring the effectiveness of the financial management practices. The next chapter provides details regarding the research conclusions and recommendations.

CHAPTER SIX –CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter aims to outline the summary of the study, as well as outline the major findings aligned to the research objectives. Thereafter provide conclusions based on the research results which were established in Chapter 5. The recommendations, based on the findings and conclusions are also provided. Finally the limitations of this research and scope for further study are also provided.

6.2 Brief Summary of Objectives

The aim of the study was to assess the effectiveness of financial management in the Metropolitan Municipality of eThekweni in order to meet the infrastructure service delivery requirements of the community. In order to assess the effectiveness of financial management, the study examined three objectives, which were to establish the current financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery, assess the benefits of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery and to establish the factors that affect the effectiveness of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery.

6.3 Conclusions Drawn From the Research Findings

The research findings aligned to the research questions are discussed below in Tables 6.1 to 6.3 which provide a summary of the key elements of the results from the research questions which the study aimed to answer.

6.3.1 Research Question 1: What are the current financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery

The first research question was aimed at establishing the current financial management practices within eThekweni Municipality towards meeting infrastructure service delivery. The discussions resulted in the following conclusions as documented in Table 6.1 below:

Table 6.1 Current Financial Management Practices at eThekweni Municipality

No.	Findings	Description
1.	Current Financial Management Practices	<p>General Legislation which applies to Municipalities</p> <ul style="list-style-type: none"> • Municipal Finance Management Act 56 of 2003 and Regulations • Municipal Systems Act 32 of 2000 • Constitution of the Republic of South Africa No. 108 of 1996 <p>Revenue Legislation</p> <ul style="list-style-type: none"> • Municipal Property Rates Act No.6 of 2004 • EThekweni Municipality Credit Control and Debtors Collection Policy • EThekweni Municipality Property Rates Policy • EThekweni Municipality Tariff Policy <p>Expenditure Legislation</p> <ul style="list-style-type: none"> • EThekweni Municipality Accounts Payable Policy <p>Supply Chain Management Legislation</p> <ul style="list-style-type: none"> • The Municipal Supply Chain Management Regulation of 2005 • EThekweni Municipality Supply Chain Management Policy
2.	Adequacy of Financial Management Practices	<ul style="list-style-type: none"> • The financial management practices exist and they are adequate however there is scope for improvement. • The practices are dependent on people for implementation. There may good and sound practices in place however if the people do not implement and apply the practices correctly the desired outcome, such as service delivery will not be achieved.

		<ul style="list-style-type: none"> • External forces prevent the implementation of practices such as business forums and work stoppages.
3.	Changes/Update to Current Financial Management Practices	<ul style="list-style-type: none"> • The changes to the current practices are not necessary however there needs to be some tweaking to the manner in which the practices are implemented, in line with the environment in which they operate. • The employees have a big influence in implementing the practices therefore there needs to be the right people in the right positions with adequate skills. • Proper planning is key, in order to ensure that all service delivery projects go ahead when they are planned and get the adequate financial support.

The findings in Table 6.1 revealed that the financial management practices are in existence at eThekweni Municipality. The current financial management practices being employed include legislation from national government, as well as policies that have been formulated within eThekweni Municipality in order to ensure that finances are managed in a good orderly manner. The financial management practices are adequate, however the challenge is the manner in which they are implemented.

The implementation of the practices is critical, otherwise it gives room for various other challenges to take place such as external forces in the form of political influence, adequacy of employee skills and proper planning. The participants reflected on the changes required to the financial management practices. In summary minimal to no changes to the practices were suggested however the change that is required is the manner in which the practices are implemented. The focus and importance should be placed not so much on the changes but on how to make the practices practical and implementable. This includes practical strategies that consider resources available and the related funding. The current financial management practices at eThekweni Municipality were established, they are in existence and are considered adequate and do not require changes, they require appropriate implementation.

6.3.2 Research Question 2: What are the benefits of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery

The second research question was aimed at establishing the benefits of financial management practices within eThekweni Municipality towards meeting infrastructure service delivery. The discussions resulted in the following conclusions as documented in Table 6.2 below:

Table 6.2 Benefits Financial Management Practices at eThekweni Municipality

No.	Findings	Description
1.	Benefits of Financial Management Practices	<ul style="list-style-type: none"> • The practices are in place in order to give all employees a common understanding of the financial management goals and achievements as well as what is expected of each employee. To the extent that when an employee leaves the employ of municipality, the next employee will have a clear idea of where and how to take over the new duties. • There is a standard or procedure that all employees understand regarding the financial management goals that need to be achieved and how they will be achieved. There is legislature that governs the employee actions with regards to financial management. • The practices provide structure to the financial management environment. • The practices ensure that there is adequate cash flow available, in order to make available the basic needs of service delivery and meet the requirements of local community. • The practices allow for transparency and accountability, improving confidence in the Municipality’s finances. • Reduction of irregular expenditure • Best Value for money, more efficient use scarce resources.
2.	Financial Decisions	<ul style="list-style-type: none"> • The financial management practices have contributed to good and robust financial decisions, the municipality has a healthy financial position. • The financial managers in the business units must take an active and significant role in their environments in ensuring that the practices are implemented, especially in avoiding wrong doing. • Efforts must be made to ensure that the information is correct to enable to good and robust financial decisions.

		<ul style="list-style-type: none"> • The financial ratios are in a good state, they give a guideline of what can and cannot be done financially.
3.	Financial Sustainability	<ul style="list-style-type: none"> • The current financial management practices have improved the financial sustainability of the municipality • The municipality has a stable and strong financial environment, however, the inability to adhere to the controls as prescribed in the financial management practices is a risk. • The people have failed the municipality in the implementation of the practices. Strong leadership will assist in ensuring that the practices are implemented. • Good financial ratios have been maintained as a sign of good financial health.

The findings in Table 6.2 above revealed that the financial management practices exist and have been beneficial to the municipality. The practices have provided a standard or procedure that all employees understand regarding the financial management goals that need to be achieved and how they will be achieved. This has resulted in financial decisions that are robust enabling the municipality to be financially sustainable. The financial sustainability enables the municipality to conduct its service delivery requirements due to the availability of financial resources. The existence of financial management practices has been resulted in positive benefits for the municipality.

6.3.3 Research Question 3: What are the factors that affect the effectiveness of financial management practices within the eThekwini Municipality towards meeting infrastructure service delivery

The third research question was aimed at establishing the factors that affect the effectiveness of financial management practices within eThekwini Municipality towards meeting infrastructure service delivery. The discussions resulted in the following conclusions as documented in Table 6.3 below:

Table 6.3 Effectiveness of Financial Management Practices at eThekweni Municipality

No.	Findings	Description
1.	Positive Factors affecting effectiveness of Financial Management Practices	<ul style="list-style-type: none"> • Finance Cluster does have the skills and qualified employees • The organisational structure supports the implementation of good financial management • Ensuring business continuity, necessary resources, brings confidence about effective utilisation of funds • Using the financial management practices to achieve results and take correct action and decisions, the community will receive the service delivery.
2.	Negative Factors affecting effectiveness of Financial Management Practices	<ul style="list-style-type: none"> • Political Interference • Lack of Consequent Management • Ensuring that best value for money is achieved. • Business Unit/Line Department financial managers do not always apply their knowledge and work in silos. • The checking of whether employees are complying with the financial management practices is not conducted. • National Treasury is disadvantaged, in terms of building frameworks and policies which they have not practiced in a municipal environment on a day to day basis
3.	Appropriate Use of financial resources	<ul style="list-style-type: none"> • The financial resources are predominately being used appropriately, although cases of irregular, fruitless and wasteful expenditure are occurring • Inability to achieve best value for financial resources • Adequacy of skills to ensure that financial resources are used appropriately
4.	Performance and reporting culture	<ul style="list-style-type: none"> • A good financial reporting culture does exist within Finance Cluster, which is a weakness in the Business Units/Line Departments. • There is formal periodic reporting such as the Section 71 reporting as per National Treasury requirement.

The findings in Table 6.3 above revealed that a good financial performance and reporting culture does exist at the eThekweni Municipality. Although there are cases of irregular, fruitless and wasteful expenditure, the participants have a view that the financial resources of eThekweni Municipality have been used appropriately. The positive impact on the effectiveness of the financial management practices are that the municipality has been able to deliver service delivery to the community. However, the negative impact of the effectiveness of the financial management

practices has been the lack of consequent management, political influence, ensuring that best value for money is achieved which have been discussed in chapter four of this study.

6.4 Recommendations on how eThekweni Municipality can achieve effectiveness of financial management in order to meet infrastructure service delivery requirements

- a) Bearing in mind that the study revealed that financial management practices are in existence, in terms of having the appropriate legislation, policies, frameworks and guidelines, the study recommends that eThekweni Municipality should formulate financial management values which identify the ethics, principles and detail the standard of behavior that is expected from management all employees that are expected to provide financial management output. The values will guide the employees in their daily activities in terms of what is expected from them in implementing financial management practices.

- b) Taking into account that the study revealed that there is a perception that there is a lack of consequence management to the non-adherence to legislation, policies, frameworks and guidelines resulting in officials doing incorrect things and in some cases may result in fraudulent activities. The study therefore recommends that the Municipality needs to swiftly deal with incorrect actions as they occur in order to prevent reoccurrence that may be interpreted as normal behaviour in the future. In addition, the study recommends that senior management and political leadership must play a critical and visible role in taking action (within the ambit of legislation) against non-adherence to stipulated processes. The study further recommends that decisive action needs to be implemented, whether the factors originate internally or externally and decisions are about which methods consequence management will be employed need to be agreed upon. The initiation of action must be measured and consistent against the municipality officials.

- c) In view of the fact that the study found that there was lack of accountability, the study recommends that the municipal officials be held accountable in terms of their financial management duties, whether the municipal official is performing an oversight role in the

position of leadership or their role is an administrator. The municipality has to clearly define the roles and responsibilities of the officials. The municipality must ensure that the officials that are responsible for effecting financial management and related decisions, are able to justify and substantiate their actions and if they do not account for their actions the consequent management mechanism must be instituted.

- d) Taking into account that the study found that the value of money is critical in order for the municipality to effectively conduct service delivery as it makes a substantial difference in how far the financial resources will meet the expectations of service delivery. The study therefore recommends that there is a need for advance financial management by applying the correct procedures which will ensure that funds and resources are spent is appropriately and prudently resulting in value for money:
 - i. In order to obtain value for money in employee productivity, a productivity exercise must be conducted that will appropriately scope the work, match the employees appropriately according to the scope of work, this will create an enabling environment for the employees to thrive and achieve productivity.
 - ii. In order to obtain value for money, benchmarking needs to be conducted amongst peer municipalities (including smaller municipalities) and local government, presenting an opportunity to learn.
- e) In order to achieve improved planning, the study recommends that the municipality has to implement a system of prioritising what is needed. Prioritising can be implemented through ensuring that capital projects aimed at service delivery are only brought into budget when they are to be executed. Whilst planning for service delivery, effective engagement and consultation with the community needs to be factored in, in order to take the community's needs into action.
- f) The capital project planning has to take into account the potential work stoppages as a result of business forums in order to save costs when there is no work continuing.

- g) Political leadership need to be visible and assist with ensuring that policies are compiled with and apply consequent management. Distinct separation of powers between municipal administrative officials/leadership and political officials/leadership that will enable the oversight function of political officials/leadership to hold the administrative officials/leadership accountable.
- h) The appointment of political officials/leadership has an element based on financial abilities to ensure that in their oversight role into financial management decisions are robust.
- i) Business Units/Line Departments have to plan appropriately and spend the financial resources appropriately. Appropriate expenditure should be linked to performance management.
- j) Business Units/Line Departments in the budgeting process have to consider certain critical matters, which includes the budgeting process where items included in the budget are reviewed and evaluated and unnecessary items are eliminated. There has to be more collaboration and consolidation so that the municipality processes link up to each other, financial managers who are servicing different business units/line departments must align to the Finance Cluster financial management processes.
- k) Improve communication between the different Business Units/Line Departments and Finance Cluster. This will enable the achievement of strong financial management processes for the entire eThekweni Municipality, for a good common financial goal.
- l) Political officials/leadership and administrative officials/leadership must deal decisively with business forums that are causing the work stoppages, consequent management should be applied.
- m) The study recommends National Treasury consider including Asset Management and Risk Management as additional standards under the Financial Management Key Performance Area of the Local Government Management Improvement Model.

- n) Taking into account that the study established that the Municipal Finance Management Act (MFMA) and its regulations support the effective financial management practices. The MFMA needs to be dynamic to take into account the change in municipal environment. The legislation has to take into account issues such as how to deal with Business Forums, adapting issues concerning the fourth industrial revolution as well as matters of radical economic transformation.

6.5 Limitations of the Study

All efforts were undertaken to ensure that the research maintains an objective view throughout the research process. The sample size was small in order to ensure that detailed and comprehensive responses from the interview questions were obtained. The researcher is also an employee of the eThekweni Municipality Finance Cluster therefore this may have affected the manner in which participants responded to the interview questions due to the assumption that both researcher and participant understand the context and financial management environment of the municipality. The quality of the participants' response was also dependent on the researchers' expertise and ability to conduct an interview in order to ascertain the most accurate responses that are reflective of the financial management environment within the eThekweni Municipality.

6.6 Recommendations for Further Research

Prudent financial management has been the subject of discussion mostly for local government due to the poor financial performance in Municipalities. Therefore this study invokes a level of interest and the study may be extended to:

- Other metropolitan and smaller municipalities to ascertain whether there would be an alignment in the findings of this case study of eThekweni Municipality.
- It will be valuable to conduct a further study on exactly what extent the financial management practices are implemented and whether that extent has an impact on the extent to which service delivery has been conducted.

- The procurement systems and the value that the municipality is achieving with the current resources.
- The significance of consequent management in the local government and municipalities

6.7 Conclusion

The purpose of this study was to assess the effectiveness of financial management in metropolitan municipality to meet the infrastructure service delivery requirements. This was a case study focused on the eThekweni Municipality. In assessing the effectiveness of financial management within the municipality, it was taken into account whether the service delivery has been conducted therefore the financial management has produced the end result which it was intended to achieve. At the eThekweni Municipality, the service delivery (conducted through the capital expenditure) has been conducted and the communities have received the services. However, the study cannot conclude that the service delivery has been completely achieved. Furthermore, the study did not specifically establish whether the lack of achieving complete service delivery is due to ineffective financial management.

It was also established that financial management practices do exist at the eThekweni Municipality. The financial management practices are adequate, although it was identified that there is a lack of implementation of the practices. Although financial management practices have not been completely implemented, the service delivery has been conducted and has been successful to an extent. In addition to the implementation of practices, the study also highlighted other findings in the process of answering the research questions. The study has effectively accomplished its purpose and objectives, highlighted the findings as well as made recommendation of how to increase the effectiveness of financial management practices.

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Appendix 1

INTERVIEW GUIDE

SECTION A: BIGRAPHICAL DATA

1. Gender of Employee	
Male	
Female	
2. Number of years in the Employ of eThekwini Municipality	
<1 year	
1-3years	
3-5 years	
5-10 years	
10-20 years	
>20 years	
3. Task Grade Level	
Executive Management (Deputy City Manager)	
Senior Management (Head/Deputy Head)	
Management (Senior Manager/Project Executive)	
4. Highest Level of Education	
Masters/PhD	
Honours	
Degree/Diploma	
Matric	
Other (Please Specify)	
Professional Qualification (provide name of qualification)	

SECTION B: INTERVIEW QUESTIONS ALIGNED TO OBJECTIVE 1: To establish the current financial management practices within the eThekwini Municipality towards meeting infrastructure service delivery

1. What is your understanding and interpretation of financial management practices and do you believe they exist within the eThekwini Municipality.
2. Explain if the financial management practices are adequate to enable capital expenditure towards ensuring service delivery?
3. Explain if a change is necessary to the current financial management practices that will accelerate the achievement of the infrastructure service delivery goals?

SECTION C: INTERVIEW QUESTIONS ALIGNED TO OBJECTIVE 2: To assess the benefits of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery

4. Outline and explain the benefits of having financial management practices?
5. In your opinion, have the current financial management practices assisted in ensuring that good and robust financial decisions are made within eThekweni Municipality? Please explain
6. In your opinion, have the current financial management practices improved the sustainability of eThekweni Municipality? Please explain

SECTION D: INTERVIEW QUESTIONS ALIGNED TO OBJECTIVE 3: To establish the factors that affect the effectiveness of financial management practices within the eThekweni Municipality towards meeting infrastructure service delivery

7. In your view, what are the positive and negative factors that affect the effectiveness of financial management practices
8. Has the appropriate use of funds resulted in the meeting of infrastructure service delivery, (please elaborate)
9. Does the performance and reporting culture support the current financial management practices?

SECTION E: INTERVIEW QUESTIONS ALIGNED TO OBJECTIVE 4: To provide recommendations on how eThekweni Municipality can achieve effectiveness of financial management in order to meet infrastructure service delivery requirements

10. Identify and explain the changes need to be employed in order to ensure the effectiveness of eThekweni Municipality's financial management practices
11. Explain how the Municipality can deliver on its infrastructure service delivery mandate with the current financial management practices?
12. In your opinion, does the Municipal Finance Management Act and its regulation support the effective financial management practices within the Municipality? (please elaborate)

SECTION F: Local Government Management Improvement Model (LGMIM)

13. In your opinion, are the principles discussed in the LGMIM under the Financial Management KPA adequate and exhaustive. Please elaborate.

Appendix 2



2 November 2018

Ms Lynette Linda Enicker 217073011
Graduate School of Business and Leadership
Westville Campus

Dear Ms Enicker

Protocol Reference Number : HSS/1571/018M

Project title: Assessing the effectiveness of financial management in a Metropolitan Municipality to meet the infrastructure service delivery requirements : A case study of the eThekweni Municipality

Full Approval – Expedited Application

In response to your application received 4 September 2018, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

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

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

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

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

Yours faithfully



.....
Dr Shamika Naidoo (Deputy Chair)
Humanities & Social Sciences Research Ethics Committee

/pm

Cc Supervisor: Dr Emmanuel Mutlamba
cc Academic Leader Research: Professor M Hoque
cc School Administrators: Ms Zaruhi Bullyraj

Humanities & Social Sciences Research Ethics Committee

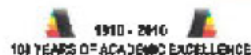
Dr Shanika Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 200 9067/8890/4567 Facsimile: +27 (0) 31 200 4602 Email: ethics@ukzn.ac.za / ethics@ukzn.ac.za / ethics@ukzn.ac.za

Website: www.ukzn.ac.za



Faculty/Colleges: Pietermaritzburg Pietermaritzburg Pietermaritzburg Pietermaritzburg Pietermaritzburg

Appendix 3

ASSESS THE EFFECTIVENESS OF FINANCIAL MANAGEMENT IN A METROPOLITAN MUNICIPALITY TO MEET THE INFRASTRUCTURE SERVICE DELIVERY REQUIREMENTS: A CASE STUDY OF THE ETHEKWINI MUNICIPALITY

By
Student Name: Lynette Linda Enicker
Student Number: 217073011

A dissertation submitted in partial fulfillment of the requirements for the degree of
Master of Business Administration

Graduate School of Business & Leadership College of Law and Management Studies

Supervisor: Dr Emmanuel Mutambara

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ASSESS THE EFFECTIVENESS OF FINANCIAL MANAGEMENT IN A METROPOLITAN MUNICIPALITY TO MEET THE INFRASTRUCTURE SERVICE DELIVERY REQUIREMENTS: A CASE STUDY OF THE ETHEKWINI MUNICIPALITY

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