



UNIVERSITY OF
KWAZULU-NATAL™
INYUVESI
YAKWAZULU-NATALI

**COLLEGE OF LAW AND
MANAGEMENT STUDIES**

**The impact of irregular expenditure and non-compliance on the
financial sustainability of the eThekweni Municipality**

by

Student Name: **Brian Ayanda Mdluli**

Student Number: **220029990**

Submitted in partial fulfillment of the requirements for the degree

of

Master of Business Administration

In the Graduate School of Business Leadership

at the University of Kwazulu-Natal

Supervisor: Prof Theuns Pelsler

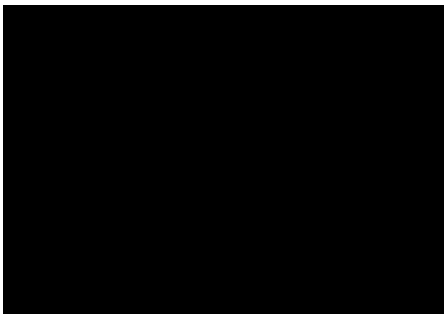
Co-supervisor: Prof J. Dubihlela

Date Submitted: 9 February 2023

DECLARATION

IBrian. Ayanda..Mdluli..... declare that:

- The research reported in this thesis, except where otherwise indicated, is my original work.
- This thesis has not been submitted for any degree or examination at any other university.
- This thesis does not contain other persons' data, pictures, graphs, or other information, unless specifically acknowledged as being sourced from other persons.
- This thesis does not contain other persons' writing unless specifically acknowledged as being sourced from other researchers. Where other written sources have been quoted, then:
 - a) Their words have been re-written, but the general information attributed to them has been referenced;
 - b) Where their exact words have been used, their writing has been placed inside quotation marks, and referenced.
 - c) Where I have reproduced a publication of which I am author, co-author or editor, I have indicated in detail which part of the publication was actually written by myself alone and have fully referenced such publications.
 - d) This thesis does not contain text, graphics, or tables copied and pasted from the Internet, unless specifically acknowledged, and the source being detailed in the thesis and in the References sections.



Date: 09/02/2023

ACKNOWLEDGEMENTS

I thank God Almighty for His guidance throughout this research project.

I also thank all the Msibis and Mdlulis for giving me the strength to believe in myself.

To the Msibi I say, “Ndlondlo, mabuya, ndlondlo enophaphe ekhanda”.

To the Mdlulis I say, "Zinyoni ezandiza olwandle, Dladlama, Nyoka".

I would also like to express my profound appreciation to my supervisor, Prof Theuns Pelser, for the guidance and support given throughout this study.

Miss Fikile Precious Sigwebela, for her words of encouragement, support, and wisdom.

DEDICATION

I dedicate this work to my daughter, Siphesihle Nobayeni Mdluli. May it inspire, and motivate her to work hard and achieve her dreams.

Table of Contents

Acronyms/Abbreviations	x
LIST OF FIGURES	xi
ABSTRACT	xii
CHAPTER ONE	1
1.1 INTRODUCTION	1
1.2 DEFINITION AND KEY CONCEPTS	2
1.3 BACKGROUND	2
1.4 STATEMENT OF THE PROBLEM	3
1.5 RESEARCH AIM AND OBJECTIVES	4
1.5.1 The aim of the study:	4
1.5.2 The objectives of the study:	4
1.6 RESEARCH QUESTIONS	4
1.7 SIGNIFICATE OF THE STUDY	5
1.8 RESEARCH METHODOLOGY	5
1.8.1 Research procedures	6
1.8.2 Study population	6
1.8.3 Sampling technique	6
1.8.4 Data collection instruments	7
1.8.5 Designing data collection instrument: open-ended or close-ended?	7
1.8.6 Data collection	7
1.8.7 Data analysis	7
1.8.8 Data interpretation	8
1.8.9 Pilot study	8
1.9 ETHICAL CONSIDERATIONS	8
CHAPTER TWO	10
LITERATURE REVIEW	10
2.1 INTRODUCTION	10
2.2 DEFINITION OF CONCEPT: NO-COMPLIANCE WITH THE MUNICIPAL FINANCIAL MANAGEMENT ACT (NO. 56 OF 2003)	11
2.3 DEFINITION OF CONCEPT: IRREGULAR EXPENDITURE	12
2.4.2 Contract Management System	14
2.4.3 Inadequate Internal Controls	15
2.4.4 Accountability in local government	15
2.4.5 Mpumalanga’s R12-billion irregular expenditure	16

2.4.6 Municipal collapse is ruining rural South Africa Economics	16
➤ Instability or vacancies in key positions or key officials lacking appropriate competencies.	17
➤ Lack of consequences for poor performance or transgressions	17
➤ Poor quality of financial statements submitted to the Auditor-General	17
➤ Slow response to audit findings	18
2.4.7 Challenges facing the KwaZulu-Natal Local Government	18
2.4.8 Inadequate human capital capacity	18
2.4.9 Shortage of skills	19
2.4.10 Unethical organizational culture	20
2.4.11 Lack of effective performance management systems	22
2.4.12 Impact of corruption	23
2.4.13 Challenges to curbing corruption in the South African Local Government	24
2.4.14 The cost of unethical behavior	28
2.4.15 Local Government Supply Chain Problems	28
2.4.16 Combatting corrupt activities in the supply chain	29
2.4.17 Management failures resulting in irregular expenditure.	31
2.5 Risk management	31
2.6 Financial Management Challenges Facing the Municipalities	32
2.7 Cash management issues and mismanagement of funds	32
2.8 Lack of expertise in local government	33
2.9 SOLUTION PUBLIC PROCUREMENT CHALLENGES IN SOUTH AFRICAN LOCAL GOVERNMENT	34
2.9.1 The prescribed resolution to irregular expenditure	34
2.9.2 Framework to prevent and combat corruption.	34
2.9.3 Institutions to curb and prevent corruption.	34
2.9.4 Ethical leadership is a sine qua non for curbing corruption and promoting good governance.	36
2.9.5 Importance of budgetary control to decrease irregular expenditure.	37
2.10 MUNICIPAL FINANCIAL CONTROL SYSTEM	38
2.11 ETHICS IN PUBLIC FINANCIAL MANAGEMENT	39
2.12 IMPLICATIONS FOR MUNICIPAL CLEAN AUDIT OUTCOMES	40
2.13 NATIONAL TREASURY (NT) CIRCULAR No 68 UNAUTHORISED, IRREGULAR FRUITLESS WASTEFUL EXPENDITURE	41
2.14 Metropolitan councils over irregular expenditure	43

2.15 Supply Chain Management (SCM) role in local government	43
2.16 Supply Chain Performance Measurement System (SCPMS)	44
2.17 Supply Chain Management (SCM) in South Africa and the Public Sector SCM Review	45
2.18 Public Audit Act (PAA) and its amendment	46
2.19 Audit General of South Africa (AGSA) on Supply Chain Management (SCM) in local government	46
2.20 The link between Corruption, Leadership, and Governance in the South African public sector	47
2.21 Regulations for Procurement Practices	48
2.22 Management of Municipal Procurement	49
2.23 The legislative framework for procurement	49
2.24 Municipal SCM in practices	50
2.25 Supply chain management performance (SCMP).	51
2.26 Corruption in the Local Government Supply Chain Management Unit	51
2.27 Internal Control in Local Governments	52
2.28 Supply Chain Management	53
2.29 Factors affecting the successful implementation of municipal financial management practices.	53
2.30 Auditor General of South Africa on Supply Chain Management in Public Entities	55
2.31 Fraud Triangle Theory	56
2.32 The Judicial Commission of Inquiry into Allegations of State Capture on Corruption	57
2.33 Resource-Based Theory	58
CHAPTER THREE	59
RESEARCH METHODOLOGY	59
3.1 INTRODUCTION	59
3.2 RESEARCH APPROACH	60
3.2.1 Research procedures	60
3.10 Qualitative research design	60
3.11 Study population	61
3.12 Sampling technique	61
3.2.2 Sample size	61
3.2.3 Sampling technique	62
3.6 Data collection	62
3.8 Data analysis	63
3.9 Data interpretation	64

CHAPTER FOUR	65
DATA ANALYSIS AND PRESENTATION	65
4.2 Pilot study	66
4.3 Limitations of the study	66
4.4 Preliminary data	66
4.4.1 Gender	66
4.4.2 Age range	67
4.4.3 Marital status	68
4.4.4 Highest education qualification	68
4.4.5 Work experience	69
4.4.6 Race group	70
4.5 Familiarity with the concept of irregular expenditure	70
4.6 Analysis and Discussion	70
4.6.1 Current forms of irregular expenditures	70
4.6.2 Participants understanding the concept of irregular expenditure	71
4.6.3 Volume of Irregular Expenditures	71
4.7 Identified challenges	72
4.7.1 Training	72
4.7.2 Lack of knowledge	73
4.7.3 Misunderstanding between staff and management	74
4.7.4 Control irregularity and fraudulent activities	74
4.8 Impact of Irregular Expenditure in the National eThekweni Municipality for the Past Five Years	75
4.9 Root causes of irregular expenditure in the eThekweni Municipality for the past five years	75
4.10 Amount of irregular expenditure identified by the eThekweni Municipality for the past five years before AGSA audits.	78
4.11 Mechanisms created to improve accountability and compliance in the eThekweni Municipality.	78
4.12 Targets that measure the effectiveness of expenditure controls to prevent irregular expenditure.	79
4.13 Role of line managers in detecting and preventing irregular expenditure in their respective sections/units within the eThekweni Municipality	79
4.14 Role of internal oversight and external structures such as the expenditure management committee, internal auditors, and the audit committee.	80
4.15 Consequence management against transgressors in the eThekweni Municipality	80
4.16 Research findings	81

4.16.1 Familiarity with the Irregular Expenditure Concept	81
4.16.2 Measures or steps taken by line/ division managers/ section managers to ensure the prevention of irregular expenditure.	81
4.16.3 Impact of Irregular Expenditure for the past five years in the eThekweni Municipality	81
4.16.4 Root causes of irregular Expenditure for the past five years	82
4.17 Key findings	83
4.18 Discussion	83
4.19 Summary	85
CHAPTER FIVE (5)	86
SUMMARY, RECOMMENDATIONS, IMPLICATIONS AND CONCLUSION	86
5.1 INTRODUCTION	86
5.2 DEFINITION OF THE RESEARCH PROBLEM	86
5.3 THEORETICAL ISSUES ON THE IMPACT OF IRREGULAR EXPENDITURE	86
5.4 DISCUSSION OF RESEARCH APPROACH AS A QUALITATIVE SURVEY	87
5.5 RECOMMENDATIONS	87
5.5.1 Recommendation One	87
5.5.2 Recommendation Two	87
5.5.3 Recommendation Three	87
5.5.4 Recommendation Four	87
5.5.5 Recommendation Five	88
5.5.6 Recommendation Six	88
5.7 CONCLUSION	89
References	91
APPENDIX A	105
APPENDIX B	106
APPENDIX C	111
APPENDIX D	112
APPENDIX E	113

ACRONYMS/ABBREVIATIONS

AFS: Annual Financial Statements

AGSA: Auditor General of South Africa

AGSA: Auditor General of South African

ANC: African National Congress

APR: Annual Performance Report

BEE: Black Economic Empower

CFO: Chief Financial Officer

COGTA: Cooperative Governance and Traditional Affairs

DPCI: Directorate for Priority Crime Investigation

EPWP: Expanded Public Works Programme

GAAP: Generally Accepted Accounting Practice

GRAP: Generally Recognized Accounting Practice

IDP: Integrated Development Plan

IFRS: International Financial Reporting Standard

JIPSA: Joint Initiative on Priority Skills

MFMA: Municipal Finance Management Act

MFMA: Municipal Financial Management Act

MPAC: Municipal Public Accounts Committees

MTEF: Medium Term Expenditure Framework

NDPW: National Department of Public Works

NPA: National Prosecuting Authority

NT: National Treasury

OECD: Organisation for Economic Co-operation and Development

PFMA: Public Finance Management Act

PSC: Public Service Commission

RSA: Republic of South Africa

SAAT: South African Airways Technical

SALGA: South African Local Government Agency

SCM: Supply Chain Management

SCMA: Supply Chain Management Association

SDBIP: Service Delivery and Budget Implementation Plan

LIST OF FIGURES

Figure 1 Auditor General findings over a four-year period

Figure 2 Shows how the resource-based theory is applied by South African municipalities.

Figure 3 Gender

Figure 4 Age Range

Figure 5 Marital Status

Figure 6 Highest Education Qualification

Figure 7 Work Experience

Figure 8 Race Group

ABSTRACT

Municipal Financial Management Act No.56 of 2003 (MFMA) was passed by the National Treasury to ensure the effective management of municipal finances. The Act requires that municipalities should have sound and sustainable management of their financial affairs and establish measures to prevent irregular expenditure. However, there have been persistent irregular expenditure reports every year, which is an indication of non – compliance. The study's main aim is to investigate the impact of irregular expenditure and non-compliance on the financial sustainability of the eThekweni Municipality.

The research addresses the following questions:

- What is irregular expenditure in the eThekweni municipality as described by Supply Chain Management (SCM) and Municipal Financial Management Act (MFMA)?
- What is the implication of non-compliance with the Supply Chain Management (SCM) and Municipal Financial Management Act (MFMA)?
- Why has eThekweni municipality not implemented measures to keep irregular expenditure as low as possible?
- What actions have been taken to decrease the growing number of irregular expenditures and corruption?

Despite the MFMA's being passed into law, research shows that several legislative Acts related to municipal finance management are in place to guarantee better municipal budgeting and effective procedures for controlling spending. The literature was made up of books, journal articles, laws, and government policy documents. A qualitative research strategy provided the most effective tools to investigate the study topic. Interviews with 20 top officials who are important figures in the Municipality were scheduled to gather data. These officials included members of the provincial and local governments, and the auditor general.

Data was analyzed using content analysis. According to the report, the eThekweni Municipality has become unstable because of the improper hiring of officials and a high rate of senior and experienced personnel turnover. Other difficulties were the Internal Audit unit's insufficient capacity and the absence of an independent audit committee to ensure a functional and effective Internal Audit unit and compliance with supply chain management principles. The report suggests that a highly competent Chief Financial Officer (CFO), Deputy City Manager of

Trading Services, Head of Expenditure, and Internal Audit unit be appointed to improve governance. It also advises that an independent Audit Committee be established.

Keywords: Irregular expenditure, Supply Chain Management, Unqualified audit opinion, Qualified audit opinion, Annual Financial Statements, and Municipal Financial Management Act 56 of 2003 (MFMA)

CHAPTER ONE

1.1 INTRODUCTION

The financial sustainability of public entities such as eThekweni Municipality has always been a critical aspect of effective governance, particularly at municipal level. The Municipal Finance Management Act (MFMA) is available an instrument that was enacted by Government to enable the efficient and effective management of municipalities' assets and liabilities. However, in recent years, South Africa's eThekweni Municipality has faced significant challenges due to irregular expenditure and non-compliance within financial regulatory space. In line with Otto, Dubihlela and Benedict (2020), understanding the detrimental effects of irregular expenditure and non-compliance is crucial for fostering transparency, accountability, and long-term financial stability of public service operations. This study investigates how poor revenue management is one of the leading causes of financial distress in eThekweni Municipality and how it affects the municipality's economic sustainability.

In connection to compliance with and deviation from the Municipal Financial Management Act (MFMA), the study has made an effort to identify and clarify some of the most significant difficulties that municipalities currently face in their financial management and accountability.

The lack of administrative support, technical knowledge, and compliance that prevents effective and efficient service delivery has been brought up by the Auditor-General numerous times. Lastly, the study explores definitions and key concepts regarding the rise in irregular expenditures caused by non-compliance and corruption at the eThekweni Municipality. An analysis of the problems raised by the Auditor General (AG) in his annual financial statements (AFS) report was presented. The purpose of the study was to highlight and critically examine incidences of irregular expenditures.

This research study sought to identify the financial sustainability challenges resulting from irregular expenditure and non-compliance within financial regulatory space, focusing on the consequences for its budget, service delivery, and overall public trust. By examining these underlying causes and potential solutions, this study sought to provide valuable insights for policymakers, administrators, and stakeholders involved in municipal governance and the public sector space.

1.2 DEFINITION AND KEY CONCEPTS

1. The term "irregular expenditure" refers to transactions that are in contravention of the Municipal Financial Management Act (MFMA); as a result, the municipality will incur a financial loss. (Treasury 2003, Treasury 2018)
2. Annual financial statements provide information about a business's financial position, profit and loss, and cash flow during the previous year (Treasury 2003, Treasury 2018).
3. Qualified opinions are issued when either a scope limitation, a non-pervasive issue was identified during the financial audit, or insufficient information was disclosed in the footnotes. In a qualified opinion, the auditor states that the financials are fairly reported except for one or more areas. (Treasury 2018)
4. Unqualified opinion refers to the opinion of an independent auditor. This opinion is that a company's financial statements are presented fairly and appropriately, without any apparent deviations, and in accordance with widely accepted accounting principles. (Treasury 2018)

The purpose of supply chain management as a financial management instrument is to reform and regulate how public funds are utilized when acquiring products and services to produce services that are responsive to societal demands and to prevent unethical and dishonest procurement practices (Intaher and Johanna 2012). As a result of the Municipal Finance Management Act (MFMA), 56 of 2003, treasury norms and standards have been established for the local sphere of government to ensure sound and sustainable management of the financial affairs of municipalities and other institutions (Munzhedzi 2016).

1.3 BACKGROUND

The Municipal Financial Management Act was enacted in 2003 for the purpose of ensuring that all income, expenses, assets, and liabilities are managed efficiently and effectively within the eThekweni Municipality. The MFMA requires accounting officers, or any other person with a similar role to take adequate measures to prevent improper expenditures. The goal is to ensure that the municipality's expenditures are both effective and efficient. This study examines the impact of irregular expenditure over the last three financial years (2017/2018, 2018/2019, and 2019/2020). As a result of this Act (MFMA), the Medium-Term Expenditure Framework (MTEF) was implemented, which is a three-year budget cycle process involving budget allocations for the current fiscal year and budget estimates for two outer years. There were also

specific provisions concerning budgetary control and punitive sanctions for non-compliance by government officials, such as the disciplinary process outlined in the MFMA for non-compliance and financial misconduct. A significant amount of unhappiness has been expressed in the municipality regarding non-compliance with this financial management guideline. According to the South African Auditor General (AGSA), the Municipality did not comply with laws and regulations, with some audit opinions changing from unqualified to qualified, disclaimers, and unfavorable audit opinions.

1.4 STATEMENT OF THE PROBLEM

The research problem stems from persistent irregular expenditures in the eThekweni Municipality, which violate specific provisions of the Municipal Financial Management Act (MFMA). According to the MFMA, the accounting officer or accounting authority is required to make adequate and appropriate efforts to prevent irregular expenditures in the municipality. A total of R1 billion in irregular expenditures was incurred by eThekweni Municipality in the 2019/20 financial year, a decrease from R2.3 billion in the previous financial year. The Municipality's inability to avoid irregular expenditures is due to a lack of consequence management for officials whose activities result in such expenditures. A review of the auditor-general's report revealed that reasonable efforts were not taken to prevent irregular expenditures totaling R2.3 billion. Most of the irregular expenditure was due to failure to follow supply chain management (SCM) and Municipal Financial Management Act (MFMA) requirements (Brunette & Klaaren 2019)

There was no effort made to guarantee that the Municipality implemented and maintained adequate expenditure control mechanisms. These comprised procedures for approving or authorizing and paying funding for expenditures related to the Expanded Public Works Programme (EPWP) and the Presidential Employment Programme. Some goods and services with a transaction value of more than R200 000 were bought without soliciting competitive bids, as the Supply Chain Management Regulations (SCM) required.

To enable a competitive bidding process, adequate control over demand management and planning must be strengthened. The accounting officer should create and monitor effective consequence management systems within the Municipality to ensure that disciplinary processes are initiated in a timely manner and that officials are held accountable for their acts. Proper record-keeping procedures were not implemented to guarantee that complete, relevant,

and accurate information is available to support performance reporting and compliance with applicable regulations.

The Auditor General stated a qualified audit opinion in the fiscal year ended, which means that they could not adequately and accurately account for all the financial effects of the transactions and operations they had done. As a result, the financial statements presented were untrustworthy in some areas. The audit result demonstrates a failure to comply with the financial and supply chain management guidelines governing the Municipality's operation (Fourie 2018)

1.5 RESEARCH AIM AND OBJECTIVES

1.5.1 The aim of the study:

This study investigated the impact of irregular expenditures and non-compliance on the financial sustainability of the eThekweni Municipality.

1.5.2 The objectives of the study:

- To describe irregular expenditure according to MFMA and SCM
- To determine the financial implications of non-compliance with the MFMA and SCM
- To determine the existing expenditure controls, therefore, prevent irregular expenditure from increasing.
- To evaluate the measures in place to prevent irregular expenditures and non-compliance with MFMA and SCM.

1.6 RESEARCH QUESTIONS

The following research questions guided this study:

- What is irregular expenditure in the eThekweni municipality as described by Supply Chain Management (SCM) and Municipal Financial Management Act (MFMA)?
- What is the implication of non-compliance with the Supply Chain Management (SCM) and Municipal Financial Management Act (MFMA)?
- What are the existing expenditure controls and steps in place to prevent irregular expenditure from increasing at eThekweni municipality?

➤ What actions have been taken to decrease the growing number of irregular expenditures and to prevent irregular expenditures and non-compliance with MFMA and SCM provisions?

1.7 SIGNIFICATE OF THE STUDY

It is apparent that 28 years after transitioning into a democratic South Africa, we have not attained the desired economic and social status of stability that is imagined. This is the eradication of poverty, the development of economic freedom, and the provision of essential services for all, particularly the historically disadvantaged. Therefore, proper implementation and monitoring of the MFMA and SCM are essential to ensure that they are not being abused as they currently are. The findings of this study will assist accounting officers in ensuring that the Act is implemented in all clusters and that appropriate action is taken whenever the Act is violated. The study will benefit the eThekweni municipality as well as other surrounding municipalities in KwaZulu-Natal. It will also contribute to improving governance and compliance with Section 36 of the MFMA.

This study will facilitate the exchange of information between all local and district municipalities, contribute significantly to the existing literature on municipal finance, and assist academics in understanding the function and management of municipal policy since such research is limited.

The study will contribute to improving the quality of executive management's accountability for oversight of the municipality, thereby improving the AG's negative audit findings in the past. This research could also serve as a springboard for further research on the same topic from various perspectives. In this way, the body of knowledge in the South Africa's public finance management environment will continue to grow.

1.8 RESEARCH METHODOLOGY

A deductive qualitative research design was adopted in this study. As a result, open-ended interviews were used to gather data from participants. The advantage of a face-to-face in-depth interview is that interviewer was given live-in-person interviews, which provided the opportunity to gain an overall understanding of who the candidates were and what their actual roles were. Investing the time and energy into offering the in-depth interviews spoke volumes about the value of the process and the importance of the research subjects. Naidoo and Verma

(2019) suggested interviews are the best and most effective method for qualitative research. Consequently, interviews were conducted with members of the municipal council and administration - the city manager, chief financial officer, heads of departments, and the general manager. Furthermore, this methodology aids in the comprehension of complex issues associated with the study and the perceptions of participants regarding the valuation of the Municipal Act.

1.8.1 Research procedures

This section contains all research-related tasks completed for the purpose of meeting the study's objectives and providing plausible solutions to the research question. To gain an understanding of all relevant laws that regulate irregular expenditures in the Municipality, a case study was conducted. This aligns with the qualitative approach used in this study.

1.8.2 Study population

A study population is a general population from which a sample will be selected (Creswell & Hirose, 2003). The population for this study constitutes all the personnel that are involved with the supply chain and compliance processes of the eThekweni Municipality. The sample consists of 20 individuals who have extensive knowledge of municipal financial management. The study is limited to the eThekweni Municipality and the Auditor General's reports of South Africa. In an exploratory study, Creswell and Creswell (2003) recommend a sample size of 30 or fewer.

The AG checks the spending of municipalities by looking at whether it has been used ideally and for the purpose intended. This is done by checking annual financial statements and other reports, which is called an audit. The eThekweni Municipality submits financial statements every year, which the AG audits.

1.8.3 Sampling technique

The term sampling refers to selecting an individual or a sample of a population to come to a statistical conclusion and estimate the characteristics of the population (Diwekar & Kalagnanam 1997). As far as budgeting is concerned, this technique is cost-effective and in line with exploratory studies. Data was collected through a non-probability sampling of 20 municipal officials representing a substantial population of the region. The sample consists of municipal officials, the City Manager, the Deputy City Manager, the Chief Financial Officer, the Head of expenditure, the Head of Supply Chain Management, and the Head of Internal

Control. Participants were selected based on their financial knowledge and expertise. In this study, judgmental sampling was used (Langseth 2016).

1.8.4 Data collection instruments

Diwekar and Kalagnanam (1997) define data collection instruments as tools designed to collect information from participants. To collect data, face-to-face interviews with open-ended and closed-ended questions were used. Participants were informed that the interview process was voluntary and that they could withdraw consent at any time during the interview (Kielhofner & Coster 2006).

1.8.5 Designing data collection instrument: open-ended or close-ended?

The open-ended questions allow the interviewer to gain insight into the organization and their experiences in their own words. The interviewer learns their perceptions, opinions, and attitudes toward the phenomenon being studied.

1.8.6 Data collection

Data collection involves obtaining and analyzing data on specific variables in a structured manner, thus allowing one to answer pertinent questions and determine their implications. The collection of data is an integral part of the research process in all academic fields, including the physical and social sciences, the humanities, and business (Sapsford and Jupp 1996).

1.8.7 Data analysis

Data from this study were analyzed using content and thematic analysis. Thematic analysis is the systematic examination and organization of interview transcripts, commentary notes, and other non-textual data gathered by the researcher to gain a better understanding of the phenomenon (Seers, 2012). **The following steps were employed in the data analysis process: To conduct a thematic analysis for a study within a municipality in Kwazulu-Natal, the following steps can be followed:**

- **Familiarization with the data:** The data procedures started by ensuring familiarity with the data set, which was in the form of interviews, and various documents. Listening to the recordings, reading transcripts, and reviewing documents to gain an understanding of the content and contexts.
- **Coding:** The coding process started by identifying meaningful units within the data and assigning them codes or label that represented an idea or concept. Codes were

descriptive and were based on the content of the data. These codes applied to different sections of the data and were flexible and open to changes as new meanings emerged.

- **Generating themes:** After coding several instances, these codes were reviewed to establish patterns or themes that emerged. These were the overarching ideas or concepts that captured the meaning of several codes; forming the extracted themes. The themes were then reviewed and refined by checking if they accurately represented the data and reflected the research objectives. This review or iterative process involved comparisons with literature to ensure that the themes were comprehensive and representative of the data.
- **Interpretation and reporting:** The last step involved the analysis of the themes in relation to the research objectives and broader literature.

1.8.8 Data interpretation

Analyzing data to reach an informed conclusion is known as data interpretation. By interpreting facts, we assign meaning and significance to statistics and determine their relevance and implications. (Seers 2012). Data interpretation is the process of immersion in data and applying established methods to assign meaning to it and come to a suitable conclusion (Willig 2014). It entails taking the results of data analysis, drawing conclusions from the relationships investigated, and applying those inferences to reach a conclusion (Keel 1996). **Interpretation of the findings was done by discussing the implications, significance, and potential explanations for the identified themes. The write-up in chapter 4 provides a comprehensive and coherent interpretation, integrating quotations or examples to support the themes and relating it to existing literature**

1.8.9 Pilot study

Piloting or preliminary learning is the conduct of a small-scale survey or a pretest for a specific research instrument, such as a questionnaire or interview guide (Dubihlela & Sandada, 2014). A pilot study lends value to the process of data collection in research (Creswell and Creswell 2003).

1.9 ETHICAL CONSIDERATIONS

Ethical consideration is an essential component of any research study. The eThekweni Municipality granted permission to conduct research for this study. **An application for Ethical**

Clearance was made to the ethics committee at the university, and it was approved. The study's aim and objectives were explained to the participants at the start of the data collection process, and their participation was entirely voluntary. The participants were assured of their privacy and confidentiality and were told not to reveal their names. Appendix A through E of this research contains the application letters to the eThekweni Municipality and the Head of Expenditure and Head of SCM approval.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The previous chapter (Chapter 1) provided the setting for the study, the clarification of the research problem and the outline of the research processes for this study. The purpose of a literature review is to summarize, synthesize, and evaluate the body of literature as regards an area of inquiry. **The literature review helps in narrowing a topic and in the process, the research becomes more interesting and practical. An extensive reviewing of literature was undertaken to make sense of the study and give clarity on reasons behind the selection of the topic. The literature intends to answer two questions: What are the common drivers of irregular expenditure within the eThekweni Municipality? What role does the management/leadership play with regard to irregular expenditures in the eThekweni Municipality?**

In addition, the chapter details and evaluates the expenditure control mechanisms implemented to strengthen efforts to prevent irregular expenditure. Despite the fact that research on the MFMA has been done, none has been done on how irregular spending and non-compliance affect the eThekweni Municipality's ability to sustain its finances. The Act mandates that accounting officers put policies in place to stop irregular spending. It is beneficial to review the literature to gain an understanding of information sources and research procedures, as well as advancements in a field of study.

Researcher seeks to identify the key authors and arguments relevant to your topic rather than reading everything that has been published. The purpose of this study was to identify the persistence of irregular expenditures in the eThekweni Municipality. These expenditures violate the Municipal Finance Management Act Section 56 of the MFMA of 2003, as discussed in Chapter 1. This chapter discusses studies conducted in the past regarding irregular expenditures and non-compliance with the Municipal Finance Management Act, as well as the legislative framework.

Continual performance assessment is one of the most important components of modern local governance processes. As a crucial part of the accounting process in local government, financial reports are considered essential managerial tools. To achieve good governance, it is imperative that public resources are used efficiently and effectively. For municipalities in South

Africa, the main objective is to provide services to the public in an efficient and effective manner. A variety of parties may be interested in the financial performance of local governments, including the Auditor General (AG). For this reason, political and administrative leadership must ensure that municipal finances are utilized in an appropriate manner to achieve service delivery objectives. Local governments play a significant role in providing basic services to historically marginalized communities. Measuring municipalities' financial performance is essential to ensure that citizens enjoy quality service and assurances that the public receives value for money.

2.2 NO-COMPLIANCE WITH THE MUNICIPAL FINANCIAL MANAGEMENT ACT (NO. 56 OF 2003)

The Municipal Finance Management Act is the process by which a municipality obtains and allocates resources and funds based on set objectives and then implements strategies and controls to successfully meet the demands of the public (Visser and Erasmus 2002). The process is a combination of decision-making and other operational activities engaged by all municipal officials with the objective of determining the most effective and efficient use of limited resources for the attainment of political objectives (Otto, Dubihlela & Benedict, 2020). Municipal councils and administrations are accountable to the electorate as stewards of public funds. Consequently, all public entities must maintain control and accountability (Visser and Erasmus 2002).

The Annual Service Delivery and Budget Implementation Plan also includes a weekly report on the progress of budget implementation (SDBIP). The SDBIP serves as a monthly report on the progress of the five-year Integrated Development Plan (IDP) (Zhou 2012). According to Zhou (2012), a robust Municipal Finance Management Act is essential for socioeconomic progress. The availability and efficient use of the government's financial resources directly impact municipal service delivery (Zhou 2012). In terms of the Municipal Finance Management Act, it focuses on the crucial relationship between tax revenue and how public monies are used in order to best serve EThekweni residents (Fourie 2007). In addition, the Municipal Finance Management Act seeks to establish general fiscal discipline, resource allocation to priority demands, and effective and efficient public service delivery. Consequently, a sound municipal financial management system enhances overall control, priority, responsibility, and efficiency in the collection, protection, and expenditure of public

resources to provide services, all of which are necessary for attaining public policy objectives (Fourie 2007).

The core of the Municipal Finance Management Act consists of budget planning and preparation, appropriations, budget implementation, accountability, fiscal reporting, auditing, and evaluation (Pauw, Woods 2009). In this regard, it should be noted that the public financial management system is comprised of statutory arrangements and procedures, such as forecasting revenues and expenditures, creating medium-term expenditure frameworks (MTEF), linking policymaking to the budget, preparing budget execution, managing cash and monitoring expenditure, performing internal controls and audits, accounting and reporting, obtaining public goods and services, and managing assets (Supply Chain Management Association) (SCMA). The Municipal Finance Management Act emphasizes results responsibility and incorporates monetary and budgetary management within a performance management framework. Consequently, financial management is an essential part of public administration (Cloete 1998). National and provincial Treasury standards support the financial system, generally accepted accounting principles (GAAP), performance audits, accounting procedures, and the Auditor-General (Van der Waldt and Du Toit 1999).

In local government, the Municipal Public Accounts Committees (MPAC), Internal Audit, Audit, and Risk Committees, as well as permanent appointments, such as that of the Chief Financial Officer (CFO), further provide a monitoring and oversight function over municipal finances (Van der Waldt 2016). Municipalities are required by the MFMA to establish Internal Audit Units and Audit Committees, respectively, in order to achieve effective municipal financial management. In accordance with Section 79 of the Local Government: Municipal Structures Act (No. 117 of 1998), MPACs must also be established to serve as the Municipal Council's watchdog. Therefore, the prudent use of available resources, including human and financial resources, must be the primary focus of financial control approaches for enhancing public sector financial management (Smit and Cronje 1992). The Municipal Finance Management Act (No. 56 of 2003) (MFMA) prioritizes economy and efficiency in producing the outputs necessary to accomplish the intended results that fulfill the requirements of the public. MFMA requires accounting officers, senior managers, and Chief Financial Officers (CFOs) to be proficient.

2.3 IRREGULAR EXPENDITURES

In the context of the Municipality, "irregular expenditures" refer to all transactions that contravene the Municipal Financial Management Act (MFMA) and result in the Municipality incurring a loss. The fact that irregular expenditure fosters fraud and corruption has a detrimental influence on the economy (Moloi, 2018). There are several reasons why improperly managed irregular expenditures can undermine the control environment of an organization. Consequently, to preserve a healthy, controlled environment, Kgatle (2018) argues that the government must address corruption and irregular expenditures. According to (2017/18), there are supervision and control concerns with compliance with significant legislation, such as supply chain management, resulting in annual unlawful expenditures by the Local Government.

Motubatse (2014) specifies that the function of the internal audit unit is to identify significant fraud and reportable wasteful, unlawful, irregular, or fruitless expenditures in local government. Therefore, internal audits should be viewed as a management tool for identifying indications of unapproved spending. Through its structure, the National Treasury (2015) vigorously supports internal audit functions to discover and prohibit unlawful expenditure. According to the framework, the accounting officer must forward any issues involving unusual expenditures to the internal audit unit for a review of the facts surrounding the transaction. The internal audit unit then gives advice on the next step. An investigation was conducted to find relationships between corruption and the role of internal auditing. According to the investigation, there is a clear correlation between a functional internal audit function and a decline in administrative corruption. (Asiedu and Deffor 2017).

2.4 DEFINITION OF CONCEPTS

2.4.1 Financial Sustainability of the eThekweni Municipality

According to the Annual Report, the Municipality's overall financial situation is strong and healthy. It shows that the Municipality has a credible and balanced budget, a long-term credit rating of AA+ and a short-term credit rating of A1+, a solid outlook despite the current economic climate, and internal reserves of 60-90 days. In the municipality, the primary indicators are the Auditor-General's audit opinion and the municipality's credit rating. In this regard, the eThekweni Municipality earned an unqualified audit opinion for 2016/2017, 2017/2018, and 2018/2019 and a clean audit report for 2015/2016.

- an investment grade credit rating that has improved to AA+ in the long-term and A1+ in the short term,

- a gearing ratio of 25% at financial year-end, which is well below the National Treasury benchmark of 45%,
- achieved a collection rate of 91.9% in 2018/2019,
- 62 days cash on hand at the end of the 2018/2019 financial year, and
- achieved a capital spend of 75%.

Despite this positive outlook, irregular expenditure continues to be a problem for eThekweni Municipality. The city spent R1.5 billion more irregularly than the previous year, an increase, with the majority of this being due to supply-chain management practices.

Over the last three years, there has been an increase in unauthorized spending, despite earlier directives from the auditor general about consequence management, financial management, and the adoption of supply-chain management practices being disregarded. "Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval or authorisation and payment of funds for expenditure to the expanded public works program and presidential employment program.

The city failed to recover any of the R1.5 billion it had improperly spent; it had made no attempt to do so, and it had continued to ignore recommendations to take disciplinary or criminal action against employees and managers who had been found to be involved in financial irregularities by outside investigations. In terms of contract management and asset maintenance, eThekweni has deteriorated, spending only 6.59% of its budget on capital expenditures and 5.14% on asset maintenance. Due in part to the city's inadequate maintenance and repair spending, more than 56% of the water it purchased was lost and did not reach consumers.

2.4.2 Contract Management System

According to Zhang, Liu (2018), insufficient planning, poor service design, and insufficient change management increases the risk associated with contract management uncertainty. The contract management team must carefully analyze the tendering and contract design processes to properly manage contracts (Mazibuko and Fourie 2017, Iossa and Saussier 2018). Contract mismanagement has been described as an unethical practice that encourages irregular expenditures (Oluka and Basheka 2014). After evaluating the reasons and limitations of effective contract administration, it was determined that a lack of political will, integrity in monitoring contracts, and insufficient capacity are the primary obstacles to efficient contract management (Mchopa 2015). To obtain value for money, agreements must provide the

necessary cost restrictions, time management standards, and quality management requirements (Ahmed 2022). Analysis of the factors contributing to and hindering effective procurement management in government projects indicates that most people in charge of obtaining resources lack competency. Therefore, those in charge of contracts must take the initiative to ensure that the company's contractual goals are met at the lowest possible cost.

2.4.3 Inadequate Internal Controls

According to Carcello, Hermanson (2005) an effective internal auditing function is a vital component of the internal control system, and any assertions that it is inadequate must be reviewed by the internal auditing function. As management is responsible for internal control, any defect in the system can affect the accomplishment of the organization's objectives (Duncan, Flesher 1999). Patterson and Smith (2007) assert that stronger internal control systems lead to lower levels of fraud.

According to Zakaria, Nawawi et al. (2016) it was established that a lack of sufficient internal controls could significantly raise the risk of fraud. Due to weak supervision and documentation systems, the possibility of theft and misconduct will persist (Zakaria, Nawawi 2016). It was highlighted that a major issue for non-compliance in handling investment funds is inadequate controls (Godfrey 2018). According to Williams (2018) asserts that poor controls enable irregular expenditures, and to ensure compliance, internal controls must also be strengthened.

2.4.4 Accountability in local government

Accountability is a fundamental criterion for contracting and procurement in municipalities. Because there are no transparent and accountable processes in place, there is a risk that the massive resources routed through SCM may be mismanaged. Corruption rates in municipalities continue to increase due to the perpetrators' confidence that they will not be held responsible for their actions. (Ferry, Eckersley 2015) demonstrate that for someone to be held accountable, they must answer to a higher authority. It has been argued that accountability must be created inside Parliament before it can trickle down to municipalities. Strong governance requires accountability (Ferry, Eckersley 2015). It is also proposed that public accountability measures be established to ensure:

- The prevention of corruption and abuse of power; and

➤ Improve public confidence in governance procedures.

2.4.5 Mpumalanga's case of R12-billion irregular expenditure

The analysis identified R 9.8 million in unnecessary and inefficient expenditures due to interest accrued on late payments. These were due to the cancellation of hotel arrangements, and payments more than the job's true value. Overspending the budget caused approximately R 56 million to be spent illegally. Disregarding procurement and supply chain management processes accounted for R 2.5 billion of the irregular expenditures.

During the 2019–20 fiscal year, the province spent R 9.8 million on wasteful and inefficient expenses, according to the AG. The fact that half of this amount [R 4,9 million] was comprised of interest on late payments is very troubling. Concerningly, the closing balances for illegal expenditures and the closing balances for fruitless and wasteful expenditures rose. The closing balances for irregular expenditure decreased from R 11.3 billion in the previous fiscal year to R 11.3 billion in the current year (AGSA 2020).

The above case clearly shows that irregular expenditure is prevalent not only in KZN municipality (eThekweni Municipality) but in other provinces with a similar problem, like Mpumalanga. The fact that only 27 of the country's 257 municipalities earned clean audits reflects the country's deteriorating financial status. Maluleke's numbers show that 89 audits were unqualified, 66 were qualified, six were adverse, and 12 were disclaimed, while audits in 57 municipalities were not completed. There were findings in both the unqualified and qualified audits (AGSA 2021).

2.4.6 Municipal collapse is ruining rural South Africa Economics

It would be a good idea to read a few of the most recent audit reports by the Auditor General regarding the findings of local government audits. Auditor General Tsakani Maluleke recently presented a report on the results of the 2019–20 municipal audit to Parliament. According to the Auditor General, it would be highly unlikely that 27% of municipalities would remain viable businesses in the future. Even while wages and council remuneration account for 46% of their recoverable revenue, just 2% of municipal spending is allocated toward maintenance. The AG uncovered an additional R14,61 billion in illegal expenditures. At the end of the year, almost 30% of municipalities reported a deficit (AGSA 2020).

Municipal employment deficiencies in terms of capacity and expertise led to a rise in overall contractor expenditures from R847 million in 2018/19 to over R1 billion in 2019/20. Even contractual service providers failed to perform their contracted services, further impacting the Municipality's fiscal stability. During the year under review, R26 billion in unapproved spending was recorded. The AG issued a disclaimer of opinion to 22 municipalities, indicating that most of their financial statement disclosures could not be supported (four of these municipalities did not submit any financial statements). Therefore, the AG was unable to make a judgment on the financial statements' authenticity. These 22 municipalities received a total of R6.49 billion in financing for the year but only spent R980 million, resulting in a gap of about R5.5 billion. The Auditor General stated, "We do not know what happened to the money (AGSA 2020)."

There are specific common causes of subpar audit results, and the overall improvement in audit outcomes is encouraging. The four leading causes of poor audit results, according to the Auditor General, are as follows:

➤ **Instability or vacancies in key positions or key officials lacking appropriate competencies.**

Generally, municipalities without a Chief Financial Officer or Municipal Manager perform poorly in audits. Similarly, the absence of a professional and well-resourced Budget and Treasury Office influences audit outcomes.

➤ **Lack of consequences for poor performance or transgressions**

Few municipalities have robust consequence management programs that investigate the reasons behind audit findings and take corrective action against municipal officials who aren't operating up to par. Unauthorized, irregular, and wasteful spending is a clear example of a situation where municipal officials should be taking precautionary action.

➤ **Poor quality of financial statements submitted to the Auditor-General**

Numerous municipalities lack the skills and knowledge required to develop and submit financial statements in conformity with Generally Accepted Accounting Principles (GRAP). Frequently, municipalities use external accountants to compile their financial statements. However, the financial statements are frequently littered with errors because these providers lack a comprehensive understanding of the municipality's finances.

➤ **Slow response to audit findings**

Few municipalities respond to the General Auditor's recommendations, and the majority are slow to implement them.

2.4.7 Challenges facing the KwaZulu-Natal Local Government

Exploring the literature allowed for the identification of thematic root causes of the municipality's inability to achieve its goals. Following are the four themes that emerged from the literature review as recurrent root causes and, thus, the key obstacles to the efficient and effective achievement of goals inside government organizations:

- Human capital capacity is inadequate and thus unable to ensure efficient and effective achievement of objectives.
- Shortage of skills required to execute functions efficiently and effectively.
- An unethical organizational culture that condones the use of government resources for personal gain and
- Ineffective performance management systems that fail to provide management with timely warnings of objective non-achievement prevent the implementation of corrective actions.

2.4.8 Inadequate human capital capacity

To achieve its objectives, the local government sector relies substantially on human capital (Van Baalen, Schutte 2015). However, it has been recognized that a lack of human capital capacity is one aspect that hinders local government success. This capacity shortfall is caused by persistently high vacancy rates (COGTA, 2009; Van Baalen, Schutte 2015). The Municipal Demarcation Board underlined that at the end of the 2011 fiscal year, 32.5% of the financed posts in the local government sector were unfilled. Some of these vacancies are for crucial jobs, such as city administrators and chief financial officers, which creates further concerns (Municipal Demarcation Board. 2012).

According to data from the National Treasury (2012), acting municipal managers headed 20.9% of municipalities as of October 2, 2012, while acting chief financial officers managed 25.9% of municipalities. As was the case with eThekweni Municipality, it is evident that these essential job vacancies and the additional time required to fill them have a negative influence

on the performance and productivity of the municipality (Draai and Oshoniyi 2013). The problem of limited human capital in local government is exacerbated by the high employee turnover caused by frequent leadership changes, particularly after each election. (COGTA 2009).

The Municipal Demarcation Board raised the same issue of high staff turnover. According to data cited by the (National Treasury 2012), the average tenure of municipal chief financial officers was 3.78 years, while the average tenure of municipal managers was 3.34 years. Leadership instability has a negative effect on local government's ability to achieve its objectives (National Treasury 2012). The inefficient utilization of currently available resources is a problem for local administration (National Treasury 2007). For instance, the way roles are established in the public sector does not appear to facilitate the efficient utilization of the resources necessary to enhance goal achievement. According to reports, roles are established because of logical sequencing and not necessarily based on the requirements or complexity of the duties (Nengwekhulu 2009). For instance, it is typical within the local government employment ladder for a director to hold the position immediately below the Municipal Manager. There is no evaluation done to see if the candidate could genuinely do the duties at the Manager level, which would save resources. This shows that public funds are being spent on sustaining a bureaucratic hierarchy instead of financing individuals who are properly qualified to achieve project-specific service delivery goals.

2.4.9 Shortage of skills

Employees' skill sets are significant assets and are crucial to the company's success. According to Robbins (2008) and Baird, Schoch (2012), to ensure that business objectives are reached, it is necessary for qualified and skilled employees to perform their specific duties quickly and effectively. The inability of the local government sector to offer services to the public is mostly due to a skills gap (Kanyane 2006). Technical and administrative skills are required for local government to improve the quality of its service delivery (Koma 2010). The Local Government Sector Education and Training Authority, as cited by (Koma 2010), reported that 31% of municipal managers lacked the required training in finance, law, public administration, planning, or development. In addition, 35% of technical managers lack engineering degrees, according to the analysis.

The study by Van Baalen, Schutte (2015) has confirmed that technical managers lack the requisite training and/or expertise to ensure the swift and successful completion of municipal goals. As a result, the local administration is adversely affected in terms of its performance (staff who are underqualified and improperly qualified). In 2006, the government launched the Joint Initiative on Priority Skills (JIPSA) to address talent shortages. According to JIPSA, the government has set specific goals to close the skills gap, among other strategies (Draai and Oshoniyi, 2013). The fact that the problems in the public sector are at least as severe as they were a decade ago demonstrates how entrenched the skills gap is. This is because it appears to have undermined the initiative designed to remedy it.

It has been observed that top local government positions tend to be based more on the political views of the appointees than on their qualifications, skills, and experience (Kanyane 2006). There appears to be political intervention in the hiring process for local government positions, which manifests itself as a disregard for applicants' technical competence (COGTA 2009). In addition, the issue of accelerated staff mobility, which occurs when an employee is promoted to a higher position after only one year on the job, impacts the government. As a result, these employees have not been given the opportunity to develop their skills further in preparation for future promotions to senior positions (Sing 2012). Ultimately, this results in a serious skills gap in the local government management sector (Draai and Oshoniyi 2013).

The lack of regular training and development programs for local government staff has also been cited as a contributing factor to the failure to achieve goals efficiently and effectively (COGTA, 2009), hence adding to the skills deficit within local government. In a study conducted by the Public Service Commission (2008), 31% of public service leaders did not account for the technical training needs of their workers in their development plans. This indicates that sustaining employee training and development to enhance their productivity and efficacy on the job is not a top priority.

2.4.10 Unethical organizational culture

As defined by Robbins and Judge (2013), ethical organizational culture means a culture that fosters high ethical standards among its members, respects stakeholder rights, and cares about the goals and means utilized to achieve those goals. In both the financial and performance realms, unethical business practices have been identified as one of the primary drivers of local government's poor performance (Van Baalen, Schutte 2015). According to several studies,

there are sufficient rules, laws, and regulations for the government to work ethically, effectively, and efficiently if it is motivated to do so. However, non-compliance with these rules and laws is a major source of unethical behavior. The (PSC 2011) found a few local government business practices that do not promote the growth of an ethical culture.

Initially, it was determined that the selection and/or recruitment committees of certain municipalities lacked a system requiring members to report potential conflicts of interest. Due to this, there was a possibility that favoritism and nepotism might influence hiring decisions (PSC 2011). The research also highlighted the fact that some municipalities lacked a security screening procedure for key positions such as chief financial officers and supply chain managers. Typically, this process includes reference checks, verification of qualifications, and criminal and credit checks (PSC 2011). Without this security screening method, the Municipality runs the danger of employing individuals who may be involved in unethical practices and corruption (Basheka and Mubangizi 2019). A growing trend in South African municipal government appears to involve fraud and corruption. The rate of fraud and corruption in local government operations has significantly increased because of inadequate internal controls within financial management systems (COGTA 2009). However, according to the report, the research conducted by Dintwe and Masiloane (2014) shows that the frequency of fraud and corruption is on the rise, with a special emphasis on the public sector. As a result, fraud and corruption cases are consuming an increasing amount of government resources and resources to pursue the offender. Since public funds are being illegally diverted away from their intended purpose for the advantage of the criminal, this increase threatens the local government's ability to achieve its objectives.

A lack of accountability and an ineffective disciplinary mechanism have been cited as contributing to underperformance in the public service. It appears that failure to execute or achieve objectives has no apparent consequences. Therefore, there is no convincing evidence that mediocre performance cannot be tolerated by all public officials. The absence of punishments for unethical behavior and poor performance also appears to influence senior managers' lack of commitment to improving compliance and performance (Nengwekhulu 2009). This topic is included in the study conducted by Afesis Corplan and the Department of Traditional and Local Government (Basheka and Mubangizi 2019). According to the study, forty percent of respondents (participants from the general public) indicated they no longer had

faith in municipalities and that it was pointless to denounce corruption because nothing would be done to resolve the issues (Basheka and Mubangizi 2019).

2.4.11 Lack of effective performance management systems

According to (Deloitte 2012), the inability of the local government to attain its objectives was due to weak or nonexistent performance management and monitoring procedures. Although the government has a performance management system, mismanagement is still the case (Baird, Schoch 2012). It was discovered that ineffective performance management systems are a challenge for many businesses, not only the local government of South Africa. According to Biron, Farndale (2011) the high-performing organizations, senior managers actively lead performance management systems rather than seeing them as routine tasks to be handled by human capital or incorporated into the daily operations of line managers.

The principal advantage of putting senior managers in charge is that the performance management system gets fully aligned with the organization's strategy (Biron, Farndale et al. 2011). The organization will be in a stronger position to achieve its strategic objectives with increased efficacy and efficiency. According to Nengwekhulu (2009) it was discovered that it is not surprising that there does not appear to be a positive correlation between performance bonuses and the performance that is being rewarded. As expected, both performers and non-performers will gain from this. As a result, the highest performers become discouraged because both good performance and non-performance are rewarded equally (Nengwekhulu 2009). Various authors cited by Baird, Schoch (2012) emphasize the importance of tying rewards to performance. This relationship encourages high performers to maintain their high level of performance and encourages low performers to step up their game (Baird, Schoch 2012).

The principal advantage of putting senior managers in charge is that the performance management system gets fully aligned with the organization's strategy (Biron, Farndale 2011). The organization will be in a stronger position to achieve its strategic objectives with increased efficacy and efficiency. According to Nengwekhulu (2009) it was discovered that it is not surprising that there does not appear to be a positive correlation between performance bonuses and the performance that is being rewarded. As expected, both performers and non-performers will gain from this. As a result, the highest performers become discouraged because both good performance and non-performance are rewarded equally (Nengwekhulu 2009). Various authors cited by Baird, Schoch (2012) emphasize the importance of tying rewards to performance. This

relationship encourages high performers to maintain their high level of performance and encourages low performers to step up their game (Baird, Schoch 2012).

2.4.12 Impact of corruption

There has been significant development in local government, but corruption is an obstacle. Interfering with official political procedures threatens democracy and good governance. It lowers the state's ability to provide equitable, high-quality services (Gumede 2011). It undermines the public's trust in the government. Furthermore, the government's capacity to pursue redistribution policies is hampered by the widespread belief that it is doing so to enrich a small number of prominent individuals rather than for the broader public benefit. Corruption in the courts weakens the rule of law; corruption in local government results in inadequate service delivery; corruption in elections and legislative bodies reduces accountability and distorts policymaking representation.

It wastes money and other resources that could have been used for development, job creation, and the alleviation of poverty. Corruption weakens the institutional ability of the government since rules are disregarded, cash is siphoned off, and public offices are bought and sold. In addition, corruption undermines democratic norms such as tolerance and trust, as well as the administration's legitimacy and credibility. Additionally, stability is lost. Corruption greatly damages the public sector and impedes effective government. According to the Public Service Anti-Corruption Strategy, corruption is associated with four distinct types of costs:

- Macro-fiscal included in this category are unpaid taxes and customs duties, license fees, traffic fines, and excessive expenditures resulting from corruption-related loadings and fronting on government contracts. As a result, it has significant socioeconomic costs.
- Decrease in economic activity and productive investment. Corruption entails disproportionately high costs for regions with a high desire for productive foreign capital inflows. Pervasive corruption creates an undesirable environment that discourages foreign investment. However, corruption attracts investors seeking rapid profits through unethical businesses.
- Many of the costs are borne by the poor and the general public. When resources are diverted from their intended purposes, the formulation of public policy and the provision of services are distorted.

➤ Lack of confidence in government institutions when services are purchased, and public authorities fail to maintain the people's trust and confidence in them, then public institutions lose credibility. Corruption can influence public spending in a variety of ways. Public investment programs have frequently benefited from instances of high-level corruption. This type of public spending is susceptible to corruption due to the influence of high-level public officials on investment project decisions. Occasionally, public projects have been implemented specifically to benefit certain regions or populations or to allow certain individuals or political groups the opportunity to receive "commissions" from the project implementers. Due to this, programs have been supported that would not have been justified based on objective criteria for investment selection, such as cost-benefit analysis. In turn, this has reduced the effectiveness of the spending (Tanzi 1999). Consequently, those who benefit immensely from access to products and services have utilized this as fertile ground for corruption and misappropriation of public resources. These are the obstacles to combating corruption

2.4.13 Challenges to curbing corruption in the South African Local Government

There are several legal gaps and weak enforcement powers that facilitate corruption in South Africa. Furthermore, it flourishes due to the extensive discretionary authority granted to public officials (Gumede 2011). It is asserted that South Africa's architecture for combating corruption still contains a few "legislative gaps," some of which pertain to the treatment of public personnel with multiple jobs.

Conflicts of interest and the "revolving door" phenomenon, in which famous public officials and politicians leave their posts in such sectors to work in the private sector in a related field while carrying their network of contacts and influence. As an example of how the PSC has limited capacity to examine the conflict-of-interest disclosures. This is because it currently operates only in three provinces. The author provides the following example to support this contention. In Gumede (2011), approximately 30% of all senior managers within the public sector are examined for disclosures. Regrettably, the PSC lacks the authority to prosecute infringers. Corrupt practices are audited by the Auditor-General, but the cases must be investigated by other authorities.

Provincial integrity committees, for instance, are unable to investigate corruption or penalize criminals. The government must, therefore, pay particular attention to the thousands of local government employees who have been accused of corruption but have not been disciplined by

their ministries. According to Resolution 1 of 2003's Disciplinary Code and Procedures, "the employer may suspend an employee on full pay or transfer the employee if the employee is alleged to have committed a serious offense and (ii) the employer believes that the employee's presence at work could compromise an investigation into alleged misconduct or endanger the safety or well-being of any person or state property." According to Section 7.2(c) of the Disciplinary Code and Procedures, "if an employee is suspended or moved as a precautionary measure, the employer shall hold a disciplinary hearing within one month or sixty days, depending on the severity of the problem and the length of the investigation."

Even for minor offenses, the MFMA requires more than sixty days to conduct disciplinary proceedings. It is too expensive for the government to have the personnel suspended with full pay while not providing municipal services. Therefore, it is advised that disciplinary hearings be accelerated to eliminate unnecessary delays and costs.

The African National Congress (ANC) dissolved the Directorate of Special Operations, formerly known as the Scorpions, at its 52nd National Conference in 2007. Former President Mbeki formed this multidisciplinary group in 1999 to investigate and prosecute corruption and organized crime. It belonged to a division of the National Prosecuting Authority (NPA) of South Africa (*Glenister v President of the Republic of South Africa and Others* 2011). In 2008, Parliament formally abolished the Scorpions. The argument here could be interpreted to defend corrupt officials of government under scrutiny by taking such a tactic. The surviving members of the Scorpions were given permission to begin working with the Directorate for Priority Crime Investigation (DPCI), also known as the Hawks. The Hawks is an agency that investigates "high-priority crimes," not just corruption. Who chooses which "priority offenses" are investigated? This may threaten the Hawks' political and executive influence (*Glenister v President of the Republic of South Africa and Others* 2011).

The Hawks could be condemned for their lack of independence. Therefore, it could be argued that the state has failed to respect, safeguard, promote, and enforce the Bill of Rights in contravention of Section 7(2) of the Constitution. The legislation that replaced the Scorpion's crime-fighting team with the Hawks is "unconstitutional" because the Hawks are "vulnerable to political influence." The Constitutional Court has reaffirmed that the administration is not complying with the Constitution (*Glenister v President of the Republic of South Africa and Others* 2011). Therefore, anti-corruption institutions should be shielded from excessive political participation. The essential condition for achieving this objective is a political

determination to resist corruption. Such political will must be incorporated into a comprehensive anti-corruption strategy. Depending on the demands and circumstances, the level of freedom may fluctuate. Experience suggests that a special body, department, or unit should have a distinct legal basis, mandate, and structural and operational independence. This is important for law enforcement agencies.

Internal controls, effective human capital management, and transparent methods for selecting and dismissing dishonest executives are vital for preventing excessive interference. Independence should not be synonymous with carelessness. Adherence to the principles of the rule of law, respect for human rights, regular performance reports to executive and legislative authorities, and public access to information about their activities are essential (Glenister v. President of the Republic of South Africa 2011). The Constitution does not mandate that the anticorruption unit works under political control, but it does mandate that a politician oversees law enforcement. Because such a body would be compelled to answer politicians, it should not be led by elected individuals, as this would damage its independence (Glenister v. President of the Republic of South Africa 2011).

The SA government's Protection of Information Bill (PIB), commonly known as the Secrecy Bill, is another cause for concern. Journalists, political parties, and some ordinary residents oppose it because it classifies certain information as classified and utilizes a vague notion of national interest to justify classification. According to the proposed legislation, anyone in possession of information regarding any aspect of the security services will face up to 15 years in prison. In addition, it proposes 25-year prison sentences for those caught accessing classified information. It grants the Minister of State Security the right to classify a variety of material, including information regarding independent commissions, local councils, and community development forums. In addition, information is kept out of the public realm by empowering departmental heads to develop internal classification standards, norms, and procedures for information classification and declassification. Notably, information disclosure, openness, and transparency are restricted to "national security," defined by a complicated omnibus law. This might be a formidable barrier to the disclosure of evidence indicating government misconduct and poor management (Protection of Information Bill). Consequently, the South African government could restrict information access if the "Secrecy Bill" is passed and implemented (Tiwana 2011).

Moreover, this will undermine the fundamental principles of good governance: accountability, openness, and transparency. A further cause for concern is that just 40% of local governments have anti-corruption policies of adequate quality and with little evidence of implementation. The remaining 60% either have inadequate, rudimentary plans or none. 10% of local governments have clearly articulated, well-integrated goals that are supported by evidence of planning and monitoring. In 45% of instances, departments within the local government that deal with corruption have defined objectives. 15% of the municipalities had advanced investigation capabilities, while 25% had only the bare minimum. The Public Service Commission (PSC) ruled that provincial Anti-Corruption Investigative Units were ineffectual and that the remaining government entities lacked even the most essential investigative capacities (Public Service Commission 2011).

The provinces must create centralized anti-corruption investigation units. The offices of provincial premiers should commit as many resources as possible to investigating corruption. Particularly, integrity management units should be developed by hiring qualified individuals and teaching officials forensic investigation techniques. Failure to do so will undermine efforts to build integrity within the municipality and have a negative impact on the successful prevention and reduction of corruption. The integrity management unit will supervise the correct coordination of cases in provincial ministries, as well as the evidence's integrity and the investigations' thoroughness (Public Service Commission 2011). Failure to do so will weaken efforts to enhance public sector integrity and have a detrimental impact on preventing and eliminating corruption. The centralized anti-corruption investigation teams should ensure that provincial departments coordinate investigations appropriately, that evidence is not tampered with, and that cases are thoroughly investigated (Public Service Commission 2011). Due to the dispersed nature of local government, investigation skills, coordination, and integration are required.

Utilizing resources and information effectively is a crucial component of the efficiency of the local governance framework. Financial management plans must be implemented simultaneously with human capital management techniques. Administrators must rigorously comply with the 2003 Municipal Finance Management Act (at the local government level for municipalities). Regardless of the different initiatives, underspending must be prevented and monitored. Many municipalities with qualified audits or disclaimers have concerns about deficient financial skills, poor financial management, a lack of financial controls, non-

compliance with labor legislation, dysfunctional labor forums, and a breakdown in the interaction between labor and management (Cooperative Governance and Traditional Affairs 2009; De Lange 2011). Investing in people is vital, especially in professions requiring technical, managerial, and leadership skills (Cooperative Governance and Traditional Affairs 2009). Promoting moral leadership to combat corruption and achieve good governance in the public sector is essential.

2.4.14 The cost of unethical behavior

Loss of life, freedom, and health are examples of the far-reaching impacts of corruption on society, which extend far beyond monetary losses. Corruption costs can be classified into four primary categories: political, economic, social, and environmental consequences. It is essential to recognize that corruption erodes faith in the political system, institutions, and authority, weakening society's social fabric (Index 2016). The public's mistrust or apathy might, therefore, be an additional hurdle to tackling corruption. It is impossible to determine the impact of unethical behavior, particularly corruption. For instance, it has been reported that corruption has cost South Africa R700 billion in public finances since the country's democratization in 1994 (Chiumia and Van Wyk 2015). It is asserted that there are no exact figures and that the actual cost cannot be calculated. Furthermore, it may be difficult to differentiate between money lost due to corruption and money spent in irregular or unapproved transactions.

2.4.15 Local Government Supply Chain Problems

A giant of anti-corruption research, who is considered one of the world's most prominent critics of corruption, introduces a 'corruption formula': $C14M+D-A$ ('Corruption is monopoly plus discretion plus accountability') (Klitgaard 1998). This is crucial for the municipal government since municipalities are required by law to provide monopolist services, such as water distribution, garbage removal, and sanitation. Municipalities have a great deal of discretion over the selection of service providers and the acquisition of services. If a local government deviates from the established procurement procedures for unapproved reasons and the accountability culture is poor, a corrupt environment may be created. According to the Auditor General, it is of particular concern that over sixty percent of municipalities did not comply substantially with SCM laws. According to the Auditor General, over forty percent of municipalities lack the necessary safeguards. These include policies, codes of conduct,

methods for reporting fraud, and documentation of processes for reporting and investigating potential fraud. The following typical findings were documented:

- No disciplinary board had been established in 73 municipalities.
- A fraud hotline was absent in 53 municipalities: and
- There are no policies for investigations in 50 municipalities.

As a result, 52% of municipalities discovered that allegations of financial malfeasance and fraud were not adequately investigated (Auditor General, 2016). There were potential instances of fraud in 61% of the municipalities examined by the Auditor General. The following were the most common types of fraudulent behavior:

- Suppliers submitted false declarations of interest
- Payments were made to possible fictitious suppliers
- Payments were made despite poor delivery by suppliers
- There were other SCM-related allegations, and
- Employees failed to disclose an interest in a supplier

In addition, the Auditor General revealed that the councils of more than half of the municipalities did not conduct the required investigations into all unlawful, irregular, unnecessary, and wasteful expenditures reported during the previous fiscal year. The most devastating consequence was that the municipality's largest donors to irregular expenditures were linked to negative outcomes. Despite national and local legislation as well as the legal and anti-corruption frameworks that have been established, it is evident that misuse of funds and lack of accountability in the supply chain at the local government level exist. It is obvious from the report of the Auditor General that little to no progress has been achieved in addressing persistent faults and problem areas. Most of the time, conditions are deteriorating. Without the necessary moral leadership and political will to take a position against the exploitation of public funds, the uncovered wrongdoings would continue unabated.

2.4.16 Combatting corrupt activities in the supply chain

The Organization for Economic Co-operation and Development (OECD) asserts that any effort to combat corruption in public procurement must begin with the maintenance of integrity. This involves the development of broad policies and codes of behavior for public authorities, in addition to these specific criteria for supply chain officials. An official's private interests should be prohibited from excessively influencing the performance of municipal duties and responsibilities, so specific restrictions and prohibitions should be included. Conflicts of interest can take the form of personal, family, and professional interests, gifts and hospitality, publication of private information, and possible employment. Consequently, the supplemental standards may include provisions relating to asset declaration requirements, whistleblowing protocols, and measures intended to protect whistleblowers (OECD, 2016).

A few OECD nations have enacted a unique code of conduct for SCM officials that tackles conflict of interest issues and combines this with training and activities to maintain integrity and transparency. The OECD advocates for more government openness and transparency as a safeguard for morality and the common good. This includes proactively ensuring that all information is accessible and available in an open format. It also highlights how strongly integrity and an anti-corruption stance are connected with transparency in the public sector, but that this association is not unavoidable and is contingent on numerous other conditions that must be met for accountability to be effective: People and civil society organizations must combine data accessibility with timeliness, data quality, processing capability, effective reporting, and whistleblower pathways in order to serve as so-called watchdogs (OECD, 2016). Assuming that confidentiality, fair treatment, and other legal duties in the procurement process are upheld, including a number of relevant external stakeholders during the procurement stages might promote transparency and integrity while ensuring sufficient scrutiny.

Using information and communication technology in public procurement, or "e-procurement," can increase openness and facilitate the acquisition of bids. By making it easier to detect irregularities and corruption, including bid-rigging schemes, e-procurement could minimize direct interactions between procurement officials and enterprises, hence increasing competition.

Digitalizing procurement methods enhances internal anti-corruption controls and the identification of integrity breaches, and it provides audit service trails that may aid in investigation efforts (OECD, 2016).

2.4.17 Management failures resulting in irregular expenditure.

Senior managers and departmental managers within the organization are responsible for establishing goals and attaining the related budgeted objectives; in the event of variances, managers must implement corrective actions to get the organization back on track. The performance of the manager and the responsibility center is evaluated by comparing the actual resources utilized to the projected resources and making calculated adjustments. The adoption of variance analysis enables the organization to modify its operations to conform to the projected budget or to revise its objectives (Lanen, Anderson 2013).

According to (Fourie, Opperman 2015), inadequate budgetary supervision by the authorities may be one of the primary causes of irrational expenditure. The connection between internal control, risk management, and irregular expenditure is explained. According to (Fourie, Opperman 2015), effective budgeting, internal financial controls, and risk management are essential for implementing the plans for municipal service delivery. A yearly budget is recognized as the municipality's key strategic tool for achieving the Integrated Development Plan (IDP). The annual budget should be result-driven, and anticipated results should be consistent with the Independent Development Programme's service delivery objectives (IDP).

The essential budget management tool known as the Service Delivery and Budget Implementation Strategy (SDBIP) develops a detailed strategy for executing the Annual budget and the Municipality's service delivery goals over the next twelve months. In addition, it evaluates the achievement of each revenue source's and expenditure vote's performance objectives and the submission of expected resource usage (Fourie, Opperman 2015). It is unlikely that a municipality can effectively provide services to its citizens if it does not manage irresponsible expenditures caused by poor risk management, planning, and financial controls. (Ensor, Robertson 2011), report that management errors are responsible for irregular expenditures, including failures in risk management, supply chain management, human capital management, and performance reporting.

2.5 Risk management

Risk management is the process of identifying, analyzing, controlling, and mitigating risk exposure in relation to specific business objectives (Stanleigh 2016). Another definition of risk management is the proactive management of organizational risks and prospective events. It has been confirmed that municipalities' willingness to assume risk is contingent on the need for

strong governance and financial growth (Thomas and Mitchell 2017). Municipalities should take risks to obtain returns on their investments depending on the organization's strategic choices (Thomas and Mitchell 2017). Municipal risk management is a comprehensive plan for managing risks to maximize the value of the municipality (Chapman 2011).

Risk management remains vital for a municipality's growth and survival in a competitive business environment. To gain a competitive advantage, organizations should classify risks and then determine ways to mitigate the risks that are stated to lower productivity. Risk management enables organizations to make accurate, error-free financial decisions. (Gitman, Juchau et al. 2015). It has been confirmed that the necessary risks and returns must be considered for municipalities to be as profitable as possible (Stanleigh 2016). Without a risk assessment, municipalities are susceptible to making decisions that prevent them from achieving their intended goals (Gitman, Juchau 2015). Risk management has assisted municipalities in reducing unanticipated, irregular, and wasteful resource allocation expenses. It enhances communication and provides the highest level of management with a concise summary of the potential dangers the municipality may face, enabling them to make better decisions. Strategic risks in a municipality are those that emerge from a director's objective-setting decisions. According to the Institute of Risk Management (IRM 2002), effective risk management emphasizes the treatment of risks. Additionally, it assists the municipality in identifying potential risk factors that could limit its growth.

2.6 Financial Management Challenges Facing the Municipalities

Despite the government's efforts, some urban governance issues, such as the lack of fiscal discipline across the country, have only become worse (Khanyile 2016). In the past few years, there have been numerous reports and articles in the media about inadequate financial responsibility. Community members have expressed their dissatisfaction with the delay in service delivery by municipalities, which hinders growth and development (Seitheisho 2019). In African countries, municipal governments lack the technological know-how and financial expertise to perform their duties effectively. As a result of insufficient capacity, especially among financial management units, many municipalities in the region are not able to deliver quality services (Nyide 2018).

2.7 Cash management issues and mismanagement of funds

The Municipal Finance Management Act (MFMA) Act 56 of 2003 defines cash management as a mechanism for regulating total expenditures, implementing the budget efficiently, reducing municipal borrowing costs, and maximizing the opportunity cost of resources. South African municipalities have cash management and investment policies in accordance with MFMA standards (Jacobs 2019). A cash management strategy is required to ensure that cash flow planning and investment decisions are made. This will ensure that unspent grant funds are effectively conserved and that they are used only for their intended purposes. However, many municipalities have difficulty implementing effective cash management systems (AGSA, 2019). According to AGSA's 2018-2019 audit results, municipal finances are administered in a manner that is inconsistent with prescribed and established accounting standards. The findings of the audit also paint a very dismal picture, revealing that many municipalities are bankrupt and unable to pay for water and energy.

Inaccuracies and inadequate tax collection, unauthorized, irregular, wasteful, and unnecessary spending, as well as a large reliance on government subsidies and grants or aid, are also evident (AGSA, 2020). According to the Deloitte & Touche (2013) study on effective cash management, the net liability condition of several South African municipalities includes similar impossibilities. In addition, the data reveal that a greater number of these municipalities issued indirect declarations of technical insolvency. This outcome can be attributed to the fact that municipalities appear to have difficulty with efficient cash management practices.

2.8 Lack of expertise in local government

Municipalities have undergone significant restorations and adjustments over the past several years, necessitating that all parties exhibit the required degree of skill (Laubscher 2012). Local government inexperience is a crucial factor in the failure of communities to obtain basic services (Seitheisho 2019). Literature has extensively examined how local governments lack the skills and technology to perform financial management duties (Ambe, 2019; Jacobs, 2019; AGSA, 2020). Consequently, consultants are unduly reliant on performing even basic financial management responsibilities (Ambe 2016). Local government capacity constraints are exacerbated by the nation's general dearth of technical skills. Capacity levels have been greatly influenced by the failure of local governments to attract and retain the necessary personnel, as well as a lack of financial resources relative to the severity of the community's requirements (Matlala, 2018). The weak correlation between financial management and clean audit results

is attributable to a general lack of public service skills and a more specific lack of appropriately qualified personnel in these institutions (Motubatse 2016).

2.9 PUBLIC PROCUREMENT CHALLENGES IN SOUTH AFRICAN LOCAL GOVERNMENT

2.9.1 The prescribed resolution to irregular expenditure

According to Section 32(6) of the MFMA, the accounting officer must report to the South African Police Service any instances of alleged improper expenditures that constitute a crime. In cases of significant irregular spending, investigations must be done when there are allegations of theft, fraud, or corruption. The municipal manager is obligated to investigate these issues, either internally or by engaging a service provider. The municipal manager is obligated to inform the Council of the investigation's results as soon as they become available and to initiate disciplinary action against anyone found to have acted dishonestly, been found guilty of severe misconduct, and caused financial losses to the municipality (De Lange 2013).

2.9.2 Framework to prevent and combat corruption.

The political and administrative leadership of South Africa has vowed to combat corruption. This is only feasible if political and administrative leaders set an honest example and cultivate an honest culture. Numerous people, including legislators, government officials, and municipal managers, have repeatedly addressed the issue of corruption in speeches and other interventions (Gumede 2011). The fight against corruption in the public sector must begin with ending political corruption, which serves as a breeding ground for other forms of dishonesty, such as administrative wrongdoing. This environment will severely impede efforts to reduce corruption in the public sector. Nonetheless, several techniques and applications are presented. Additionally, the effectiveness of these procedures and policies in preventing and eradicating corruption in the South African public sector must be examined.

2.9.3 Institutions to curb and prevent corruption.

There are several institutional frameworks outlined in Chapter 9 of the Constitution, for example, the Constitutional Court, the Public Protector, and the Auditor-General (Siswana 2007). To instill a culture of good governance in the public sector, it is imperative that institutions of governance, such as the Electoral Commission and Public Service Commission (PSC), as well as Parliament and provincial legislatures, enforce, secure, and monitor the

application of the aforementioned legal frameworks. These promote the conditions necessary for responsible governance in the spirit of democracy (Mafunisa 2000). These institutions are responsible for ensuring that public administration activities correspond to the Constitution's requirements and standards and are meant to promote good governance. Among the responsibilities of some of these institutions are:

- The Public Protector is responsible for investigating any alleged, suspected, inappropriate, or biased corruption in state affairs or public administration.
- To ensure the efficient and economical use of public resources, the Auditor-General is expected to audit and report on the accounts, financial statements, and financial management of all government departments at all levels.
- It is the obligation of the Electoral Commission to ensure a fair and free electoral process.
- Among other functions, the Department of Public Service and Administration oversees the national and provincial governments to combat corruption.
- The Constitutional Court is responsible for interpreting, defending, and enforcing the Constitution, helping to prevent the abuse of administrative power, and holding political officeholders and public officials accountable for their acts in order to promote good governance and combat corruption.
- Parliament oversees and investigates executive action or supervision through the submission of reports from entities that respond to its inquiries. Annual reports are produced by national agencies, state institutions that maintain constitutional democracy, municipalities, and sector education and training authorities. In this instance, parliamentary committees require government representatives to appear before them. Additional supervision responsibilities include site visits, committee reports and briefings, and budgeting.
- Provincial legislatures must develop mechanisms to (a) ensure that all provincial executive organs answer to them and (b) maintain oversight over (i) the use of provincial executive authority in the province, including the implementation of the law, and (ii) any provincial organ of the state (Constitution of the Republic of South Africa 1996). The power of Chapter 9 organizations to punish dishonest public officials using stringent laws must be improved. In addition, greater emphasis should be made on the prevention of corruption and the

identification and correction of systemic organizational and regulatory deficiencies that contribute to the public sector's susceptibility to corruption. To reduce the discretionary power of public and municipal officials and to increase the transparency of decision-making processes, preventive actions should focus on enhancing regulatory frameworks. All citizens should have a greater understanding of the Prevention and Combating Corruption, 2004 (Act No. 12 of 2004) and its regulations, as well as any other steps to control and prevent corruption. In spite of several measures to combat corruption in the public sector, corruption persists.

2.9.4 Ethical leadership is a sine qua non for curbing corruption and promoting good governance.

Recent corruption scandals in the public sector have raised vital questions regarding the role of leadership in creating ethical conduct. Consider good governance and the prevention of corruption to be the objectives of public sector ethical leadership (Naidoo 2011). Participatory leadership must be consistent with the rule of law, consensus-focused, accountable, transparent, responsive, effective, and efficient. This could ensure that corruption is reduced, community input is acknowledged, and the most vulnerable members of society have their voices heard during decision-making (Kroukamp 2011). The statement supports this viewpoint that public service executives should encourage the growth of democratic institutions and public sector ethics. According to (Van Aswegen and Engelbrecht 2009), ethical leadership "demonstrates" the ability to successfully position, construct, and manage a municipality, build employee competence, and focus organizational and human capital on producing results and performance that satisfy the ethical test for effectiveness and efficiency.

According to (Nørgaard 2022), being a moral leader entails being a moral manager and a moral individual. When they cultivate followers into leaders who prioritize the organization's interests over their own, ethical leaders foster an appreciation for what is ethically sound, significant, and correct. The moral person component of ethical leadership consists of a leader's personal characteristics, such as honesty, dependability, and integrity, as well as the moral nature of their acts (Van Aswegen and Engelbrecht 2009). Organize the various definitions of integrity into the five basic areas listed below: wholeness, consistency between words and actions, consistency during adversity, being true to oneself, and moral or ethical behavior. Integrity is the trait of being trustworthy and acting in accordance with one's declared moral principles. According to (Van Aswegen and Engelbrecht 2009), Most scholars feel that integrity is required for ethical and successful leadership. Leaders are known to value integrity more than

any other quality. To support the government, political and administrative officials must always act with integrity and promote the democratic ethos described in the Republic of South Africa's Constitution of 1996.

Discover evidence supporting the notion that ethical leadership relates to important follower outcomes, such as follower satisfaction, follower impression of the leader's performance, the desire to put in extra effort at work, and the readiness to discuss difficulties with management (Brown and Treviño 2006). Likewise, (Neubert, Carlson 2009) show that ethical leadership influences the perceptions of an ethical atmosphere among individuals. Ethical leadership predicts the view of a leader's effectiveness, followers' dedication to their employment, and their likelihood to raise difficulties with management. Therefore, moral, and competent leadership is eventually required to handle ethical problems such as corruption in the public sector of South Africa. When the conditions are met, anti-corruption measures will be implemented more effectively, supporting good governance.

Management must foster an organizational culture of openness and transparency to make unethical behavior evident and allow employees and managers to hold one another accountable. To correctly manage its ethical climate and to establish and preserve a culture that encourages ethical behavior, every department in the municipality needs an ethical program. Management could undertake various structural and procedural adjustments to institutionalize ethics and boost public sector culture (Van Aswegen and Engelbrecht 2009). These adjustments include establishing ethical codes and developing value statements, training in ethical management and corporate ethics, evaluating the ethical performance of public sector organizations, implementing sanctions for code violations, and establishing procedures for seeking advice or reporting violations (such as providing support for whistleblowers), establishing ethical hotlines, conducting ethical audits, establishing ethics committees, and publishing ethics newsletters. However, developing an ethical public sector in South Africa requires more than just morally upright leaders. It requires proactive control of ethics. These leaders must be motivated and committed to achieving the objective of a moral public sector.

2.9.5 Importance of budgetary control to decrease irregular expenditure.

According to (Leitch 2003), budgetary control is an instrument used by management to set goals, assess actual results, and instruct workers to adhere to the law to reach those goals. Combining financial and non-financial objectives, spending plans can also serve as a control

instrument (Ababio 2021). The position is that no financial control framework can be utilized more effectively than this financial plan, often known as a budget. A municipality's budget is regarded as the foundation of its financial control system and a control instrument.

The budgetary control framework is viewed as the actual output when measured against the objectives, while deviations are corrected (Brock, Herrington 1998). If actual outcomes are compared to the financial plan, management can modify its efforts to achieve the financial plan and even change its structures or objectives (Lanen, Anderson 2013). At the senior administration level, financial control is the only formal control method employed and plays an important role in achieving authoritative control, according to the author (Otley 1987). In fact, even in Japan, the significance of employing planning for cost arrangement and management is recognized. It appears that planning controls costs and is crucial to the arrangement process (Sakurai and Scarbrough 1997). The actual outcomes are compared to the budgeted objectives, and then corrective actions are taken to make up for any variances (Brock, Herrington 1998). A budget can execute financial control more effectively than any other institution, and budgetary management aids the municipality in establishing goals and comparing them to actual results (Ababio 2021).

2.10 MUNICIPAL FINANCIAL CONTROL SYSTEM

The primary purpose of imposing financial controls on government spending is to provide enough transparency and accountability about the generation, management, and use of public funds for the benefit of society (Ntonzima 2011). Examples of controls include clear policies, processes, and reporting, separation of roles and oversight, effective monitoring, auditing, and reporting, specified ways of reporting improper conduct, and a transparent response when wrongdoing is discovered (MacCarthaigh 2008).

The most integral core systems of a financial management system (FMS) are the planning, budgeting, accounting, financial control, and allocation systems (Van der Waldt and Du Toit 1999). A municipality cannot function properly without an Internal Audit Unit and an Audit Committee. Internal audit is a crucial aspect of the notion of governance (Christopher 2015). Through the Audit Committee, the internal audit function ensures the effectiveness and conformance of agency-oriented controls (Christopher 2015). To undertake efficient financial management, a municipality or municipal corporation must establish an internal audit unit

(Thornhill and Cloete 2014). Municipalities must work ceaselessly to acquire clean audit opinions, and auditing procedures must be transparent and accountable.

According to the MFMA, each municipality is obligated to have an internal audit unit. The Internal Audit Unit produces an internal audit program and risk-based audit strategy for each fiscal year (South African Local Government Association, 2012). Consequently, efficient expenditure management, effective external control, an engrained culture of solid public finances, and efficient management information systems are essential components of the municipal control system. (Abedian 2000). Senior management, made up of the head of the Supply Chain Management (SCM) unit and the chief financial officer, provides assurance by implementing essential financial and performance controls. One of these controls is the maintenance of complete, relevant, and accurate records to enable financial and performance reporting. These controls involve placing constraints on processing daily, monthly, and annual transactions (Auditor-General, 2015).

2.11 ETHICS IN PUBLIC FINANCIAL MANAGEMENT

The ideals, obligations, and standards of public service are derived from law, policy, and generally accepted public service conventions derived from these sources. The word "ethics" derives its etymological roots from the Greek term *ethikos*, which signifies custom. The Latin phrase *mors*, which translates to "custom" or "more," is a synonym or equivalent of the Greek word. Plato and Aristotle were two of the earliest Greek thinkers. Conceptualization of "ethics" as "what we ought to do" (Fatile 2013). Aristotle considered ethics as an immutable moral virtue that could be acquired through practice and education (Grint 2007). Ethics is a branch of philosophy examining and evaluating human behavior that seeks to find the fundamental principle that determines whether human behavior is good or bad, right, or wrong (Ikeanyibe 2009).

Considerations of what is good or wrong, correct, or improper behavior, and fair or unfair necessitate the use of judgment and reason while making ethical decisions (Fatile 2013). According to (Denhardt (1991), ethics is the dogged pursuit of moral values such as justice, equity, fairness, respect for individual rights, equity, human dignity, and the pursuit of the common good. Therefore, ethical behavior is vital for effective public financial management since it motivates government officials to act responsibly. As such, (Van der Waldt 2016)

defines ethics as the rules, standards, and principles that govern the behavior and actions of individuals.

2.12 IMPLICATIONS FOR MUNICIPAL CLEAN AUDIT OUTCOMES

The Municipal Finance Management Act (MFMA) requires accounting officers to prevent unlawful, irregular, fruitless, and wasteful expenditures by taking reasonable precautions. SCM infractions, which result in irregular expenditures, are mostly caused by conflicts of interest and noncompliance with controls. Conflict of interest where gifts and money were given to councilors, state employees, their immediate families, and state employees (Auditor-General, 2015). In every reviewed municipality, the Auditor-Reports consistently cited major findings of non-compliance with laws and regulations. Frequently, it is concluded that noncompliance with laws and regulations is the root cause of the total absence of basic internal controls designed to prohibit unethical activity and correct failures to accomplish objectives (Auditor-General, 2013; Auditor-General, 2014).

Auditor findings on unapproved, irregular, wasteful, and inefficient expenditures, as well as noncompliance with the law, were largely attributable to relaxed control settings. There do not appear to be fundamental controls to prevent irregular, unauthorized, pointless, and wasteful expenditures (Auditor-General, 2014). Efforts must be made to enhance the control environment (Auditor-General, 2015). When rule and regulatory violations go unpunished, as they often do since the Municipal Finance Management Act (No. 56 of 2003) did not indicate who was responsible or who might be held accountable, a false image is created that such violations are acceptable and accepted (Auditor-General, 2014).

Political and administrative leadership must have a zero-tolerance policy on legislative violations and conflicts of interest. Along with this approach, the Internal Audit Unit and Audit Committees must increase their efforts to identify violations of the law governing financial management. In addition, councils and administration/officials must investigate all unlawful, irregular, unnecessary, and wasteful spending and verify compliance with Section 32 of the MFMA. Furthermore, those with oversight responsibilities, such as the municipal Council and MPAC, must hold accounting officers and senior management fully accountable for achieving the requisite levels of confidence, ultimately resulting in improved audit outcomes (Auditor-General, 2015).

According to the MFMA, officials must possess specialized degrees in financial management and SCM expertise. The municipal ordinances also specify the minimum proficiency criteria for accounting officers, senior managers, finance officials, and other municipal officials in charge of SCM. Effective human capital management is necessary for establishing and sustaining a financial and performance control environment favorable to supervision and responsibility. It cannot be overstated how important it is for councils to ensure that municipal managers sign performance agreements with frequent performance assessments.

Non-compliance could be related to instances where a sincere mistake is made pertaining to:

- The advertisement for the tender was not posted on the website.
- An example of the Municipal Manager refusing to sign a document that contained information about the members of the bid committee and
- An instance when the website did not display the results of the bidding procedure.

Unless there are appropriate internal controls to ensure compliance with these standards for every procurement transaction, regardless of its monetary value, it will be extremely difficult to prevent irregular expenditure in accordance with SCM regulations.

2.13 NATIONAL TREASURY (NT) CIRCULAR No 68 UNAUTHORISED, IRREGULAR FRUITLESS WASTEFUL EXPENDITURE

National Treasury has noted unauthorized, irregular, fruitless, and wasteful expenditure as a key issue, and as a result, guidelines, and methods for dealing with such expenditure were recently issued in MFMA Circular 68 (10 May 2013). (UIF&WE). Municipalities are urged to create and introduce procedures and policies to:

- A) Prevent UIF&WE
- B) Identify and investigate UIF&WE
- C) Respond appropriately in accordance with the law and
- D) To address instances of UIF & WE conclusively.

National Treasury issued MFMA Circular No. 68, which addresses the accounting disclosure and legal consequences of Unauthorized, Irregular, Fruitless, Wasteful Expenditure (NT). The procedure to be followed for dealing with irregular expenditures is described. This stipulates that the Council may only write off irregular expenditures if a Council Committee investigation certifies them as irrecoverable. According to the circular, it is not advisable to deduct incorrect expenses. It is secondary to the recovery procedure and only permitted if the Council declares that the irregularity is irreparable based on the findings of an investigation (De Lange 2014).

Figure 2.1 Breakdown of Irregular Expenditure

There should be no doubt that irregular expenditure is a real problem judging from the AG's audit findings over a four year period as more fully detailed below:

DETAILS	NUMBERS OF AUDITEES	IRREGULAR EXPENDITURE			
		Identified By Auditees (Billion - R)	Identified During Audits (Billion - R)	Total (Billion - R)	% INC over previous years (Billion - R)
2008/09	89	0,748	2,5	3,2	-
2009/10	201	0,491	4,0	4,5	40,6
2010/11	231	2,0	5,0	7,0	55,6
2011/12	266	4,4	5,4	9,8	40,0
"Figures obtained from the Auditor-General's website"					
Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 200), the Remuneration of Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.					

From the financial year end 2009/09 to 2011/12, there has been an increase in irregular expenditure from R3.2 to 9.8 Billion. Figure one shows the breakdown of the number of audits carried out per financial year to the irregular expenditure identified per year under review.

The following steps need to be taken to eliminate irregular expenditure:

- Where practical, centralize all Supply Chain Management functions
- Appoint qualified and experienced Supply Chain Management Officers
- Introduce an SCM Records Management System where a separate file is maintained for every tender and procurement transaction above R30 000. A checklist is kept on file to ensure

all relevant SCM regulations regarding transactions have been complied with. All source documents relating to the award of the tender and all procurement transactions are kept on file.

- Regular SCM training sessions are essential for all employees involved in the SCM process.
- Quarterly internal audit of SCM transactions
- Regular SCM reports to the Council on the implementation of the SCM regulations and deviations from the SCM policy
- Keep a register of irregular expenditures and deviations from SCM regulations. A record is kept of the transactions, the type of expenditure, the person liable for the expenditure, and what measures were taken by the Municipality to address the matter.
- Institution of disciplinary processes where it has been established that officials are guilty of flouting the SCM regulations and policies and
- Finally, no payment to a service provider is made unless all checklists have been attached to the payment voucher to certify compliance with SCM policy.

2.14 Metropolitan councils over irregular expenditure

Auditor General (AG) Kimi Makwetu has advised large metropolitan municipalities in South Africa to handle and oversee tenders effectively. During the fiscal years of 2017 and 2018, the Metro Councils were accountable for 122 billion in illicit spending, according to Makwetu (Africa 2019). None of the metropolitan municipalities in the Western Cape, Eastern Cape, Gauteng, Free State, or KwaZulu-Natal had clean audit reports. Makwetu identified the Eastern Cape as having contributed the most R7.2 billion to unlawful spending in this fiscal year. (Africa 2019)

2.15 Supply Chain Management (SCM) role in local government

According to the 2015 municipal SCM evaluation, SCM in the public sector is vital for delivering products and services to inhabitants. Municipal SCM is a tool that facilitates the delivery of high-quality goods and services at competitive costs, on time, and in the correct locations. Assess how the public perceives the government's provision of goods and services to citizens (Manzini, Lubbe 2019). Therefore, municipalities must provide products and

services in an efficient, equitable, transparent, and just manner. Therefore, it is the government's responsibility to develop an SCM model that ensures value for money when obtaining items or services necessary to fulfill its purpose. SCM is crucial to the public sector's ability to provide the following services:

- Construction of roads
- Supply of water
- Supply of sanitation and sewerage systems; and
- The provision of electricity

According to the Municipal SCM Review from 2015, some of the negative implications of inconsistent local government SCM include

- Exorbitant prices are being charged by suppliers while there are cheaper suppliers
- Receiving the substandard quality of goods and services provided by contracted suppliers; and
- Corruption and waste of taxpayers' money by government officials

2.16 Supply Chain Performance Measurement System (SCPMS)

Supply Chain Performance Measurement System (SCPMS) promotes better inventory management, demand planning, and material ordering operations. Such comprehensive controls are required to stop the Municipality's earnings loss (Miloane 2021). In the government, SCPMS is not viewed as a unique department but rather as a branch of the National Department of Finance, unrelated to corporate goals, and indicates the degree to which the government and its departments have decentralized SCM implementation (Miloane 2021). Consequently, managers of public enterprises have the authority and capability to develop their own SCPMSs in conformity with the MFMA, which is uncommon among South African municipal administrations (Lundu and Shale 2015). Describe the resources governments allocate to their SCM systems to globalize and improve public SCM. Governments are installing new SCM systems that enable online bid management. Continue to state that the goal is to enhance tender accessibility, enhance efficiency, reduce government SCM costs, enhance

transparency, and reduce corruption (Lundu and Shale 2015). Explain how organizations utilize SCM strategies, including combining an entity SCM system with the Supply Chain Operation Reference (SCOR) model (Ganji Jamehshooran, Shaharoun 2015). It was proposed that organizations use models like the SCOR model as a guide to ensure effectiveness and efficiency in the SCM process (Weyers 2017).

2.17 Supply Chain Management (SCM) in South Africa and the Public Sector SCM Review

Demonstrates that corruption has been an issue in South African SCM at all levels of government, including the local level (Mantzaris 2017). Conflicts between political agendas and business administration tasks lead to fraud and corruption. Further evidence suggests that this has assumed a central role in procurement systems and procedures. As noted by Mantzaris (2017), embezzlement, extortion, fronting, irregular or wasted purchasing, and ghost suppliers are the underlying causes of fraud and corruption in local government supply chain management (SCM). Political interference and bribery have come to light over the years, especially in industries where the government is the principal service provider. These industries include the case for the provision of water, power, and transportation. The following are elements affecting South African SCM:

- A lack of appropriate bid committees
- Use of unqualified suppliers
- Incorrect utilization of the procurement process
- Insufficient controls and procedures in handling tender bids
- The appointment of bid committee members is not aligned with policy requirements; and
- Inappropriate motivation for deviations in the SCM process

The Auditor General is aware of various vulnerabilities in local government SCM in South Africa. In South Africa, public institutions are routinely accused of corruption and inefficiency (Rajin 2017). Protests against service delivery indicate that the public does not consider the

goods and services provided by the government to be worth the cost. According to the 2015 study of SCM in the public sector, ineffective SCM has the following negative effects:

- Suppliers charging excessive prices for goods and services that are of poor quality and unreliable; and
- Corruption and waste of taxpayers' money

The public sector SCM demonstrates that South African SCM system managers are unaware of their purchasing decisions' impact on the economy and society. To deliver the finest service possible in all areas of the public sector, these decisions must be of the highest value to the intended recipients. Budgets and strategic plans must be translated into goods and services using an effective SCM system. In accordance with the government's mandate, the SCM system's essential function is recognized, and it must also be adequately resourced and operated efficiently. Despite the mediocre performance of SCM systems, the government provides SCM legislation (PFMA, PPPFA, B-BBEE) as a framework for effective and efficient SCM to achieve its objective.

2.18 Public Audit Act (PAA) and its amendment

The PAA is the legal framework that requires the Auditor General to analyze and report on state institutions' financial and non-financial performance (Deliwe 2019). The AGSA must collaborate with other public actors to accomplish effective and efficient municipal financial management in carrying out these responsibilities. The PAA is the sole piece of legislation that requires an AGSA audit report, which describes how the government spends taxpayer dollars (AGSA, 2019).

2.19 Audit General of South Africa (AGSA) on Supply Chain Management (SCM) in local government

The AGSA (2019, 2018, 2017, 2016) highlights how straightforward it was to prevent, detect, and address material irregularities discovered in SCM non-compliance before they caused material financial losses. The material irregularities were caused by defective methods and judgment, not by human error. The above reports demonstrate that AGSA's message has been consistent. Managing public sector finances for the benefit of citizens necessitates a robust

control environment and processes to [1] achieve objectives, [2] address risks, and [3] ensure legal compliance.

According to the (AGSA 2019), good controls must be established over time, particularly in large and complex enterprises. In accordance with provincial guidelines, the laws provide comprehensive descriptions of the procedures for obtaining competitive bids, evaluating the submitted bids, and awarding contracts. However, issues arise when the standard purchase procedure is not followed. A competitive bidding procedure ensures that the pricing, quality, capability, and capacity of a supplier's goods and services are systematically assessed to prevent overpayment and supplier failure. The percentage of audited entities that materially breached significant laws grew marginally from 71.5 to 72.1% (AGSA 2019). The most significant cases of noncompliance were as follows:

- The poor quality of the financial statements submitted
- SCM weaknesses
- Unauthorized, irregular, unnecessary, and wasteful expenditures are not being prevented

2.20 The link between Corruption, Leadership, and Governance in the South African public sector

Pillay (2004) finds that a lack of concern for government corruption, inadequate methods to identify and reduce corruption, and ineffective leadership are major hurdles to good governance in South Africa (Sindane 2007). A successful anti-corruption campaign is also necessary to ensure good governance since good governance and its maintenance cannot flourish in an environment where corruption is out of control. Due to unethical leadership, corruption threatens the efficient management of a country by undermining its essential ideals, such as accountability, openness and transparency, and moral leadership. As a result, there is no correlation between good governance and corruption. This has a negative influence on the efficiency of the government. Accordingly, the government should be held accountable for how it spends public funds. Without transparency and accountability, it is more likely that corruption will arise and impair governance. Other problems include a general lack of transparent employment procedures, nepotism in staff hiring, poor financial controls, and the misappropriation of public resources (Seemela and Mkhonto 2007).

To combat corruption, the South African public sector should focus on creating an environment where it is not accepted, involving labor unions, local communities, the Public Service Commission (for the national and provincial government), and the South African Local Government Agency (SALGA) (for municipalities at the local level) in anti-corruption efforts, and discouraging or prohibiting unethical behavior. Developing moral and competent leadership is ultimately the solution to these ethical concerns (Bass and Steidlmeier 1999). Because corruption "denies growth and quality of life to the most vulnerable members of society," good governance is a fundamental right in a democracy that requires responsibility, openness, transparency, and accountability. Politicians and government officials must also promote good governance by operating responsibly, accountably, and openly. Several techniques and programs exist to combat corruption and promote good governance in South Africa (Siswana 2007).

2.21 Regulations for Procurement Practices

The increase in corruption in public sector tender bids and procurement procedures demonstrates that previous efforts to limit and prevent corruption have failed. Minister of Finance Pravin Gordhan stated in his Budget Speech that the National Treasury has "implemented new regulations requiring municipalities to submit annual bidding programs, limiting revisions to orders, and requiring publication of all directions. The finance minister added that significant progress has been made in identifying and prosecuting individuals whose actions constitute priority offenses and who have abused the system (Gordhan 2012). The National Treasury must also take the following steps to enhance the procurement capabilities of the public sector:

- Strengthen system fragmentation and bolster the national procurement architect

- By designating a chief financial officer (CFO) in the Human Capital Management (HCM) division, the National Treasury will examine the skills and competencies required for relevant public officials to perform the procurement function. The selection of all procurement officials will adhere to stringent HCM procedures

- National treasury plans will establish a national price reference system to identify deviations from the acceptable price

- The Ministers of Public Works and Finance will conduct a combined examination of the legality and cost-effectiveness of all government property leases
- The Municipality's capacity to set tender requirements will be enhanced. Given the prevalence of corruption in the contract and procurement process, it is evident that this is a positive development.

2.22 Management of Municipal Procurement

Supply Chain Management (SCM) is a vital tool for the management of government procurement in South Africa. SCM is vital for the effective financial administration of the South African municipal government. According to (Hanks, Davies 2008), SCM operates within a legal framework set by the national government and expanded by provinces and local governments to include specific laws, policies, and regulations. SCM attempts to add value at every stage of the procurement process. This is from the demand for goods or services to their acquisition, control of the logistical chain, and eventual use. By doing so, SCM intends to rectify deficiencies in current contract management, obsolescence planning, inventory and asset control, and procurement procedures. Adopting an SCM policy will assure uniformity in bid and contract documents, as well as promote the standardization of SCM procedures (National Treasury, 2003).

The laws and regulations stipulate the minimum requirements for supply chain and preferential procurement. National, provincial, and local municipal governments are permitted to expand and develop their programs, processes, and structures within the limitations of the national regulatory framework (Hanks, Davies 2008). National, provincial, and local municipalities manage most of the public procurement as a result. Because of this decentralized structure, the National Treasury law demands that state agencies establish three distinct committee types: bid specification, adjudication, and bid award committees. The division of labor promotes enhanced productivity and risk management. Some municipalities have elected to combine the adjudication committee and bid specification committee (Pauw 2011)

2.23 The legislative framework for procurement

Section 217 of the Constitution of the Republic of South Africa Act No. 108 of 1996 outlines the primary and general objectives of secondary procurement. Under Section 217(3) of the

Constitution, national legislation must establish a framework for the preferential procurement policy's implementation. This constitutional mandate led to the enactment of the PPPFA. Several further pieces of legislation regulate the purchasing practices of state organs, such as national and provincial departments and municipalities. Regarding "the determination of a framework for an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive, and cost-effective," the PFMA authorizes the National Treasury to issue regulations or instructions applicable to all institutions to which the Act applies (Watermeyer 2012). In addition, the MFMA's procurement regulations are comparable to the PFMA's, but contain more system-specific information. Section 112 of the PFMA Act No. 1 of 1999 authorizes the Minister of Finance to adopt a prescribed regulatory framework for SCM that covers several special challenges. In the SCM rules issued under the PFMA and MFMA Acts, which also define a high-level government policy, the standards for the governance of procurement procedures are specified. Each state agency must adopt its own practices and rules in accordance with the applicable legal framework (Watermeyer 2012).

Consequently, multiple legislative frameworks govern procurement procedures. Including the following:

- Constitution
- Public Finance Management Act 1 of 1999
- Municipal Finance Management Act No 56 of 2003
- Preferential Procurement Policy Framework Act No. 5 of 2000
- Broad-based Black Economic Empowerment Act 53 of 2003
- Promotion of Administrative Justice Act No 3 of 2000
- Promotion of Equality and the Prevention of Unfair Discrimination Act No 4 of 2000
- Construction Industry Development Board Act No 38 of 2000
- Prevention and Combating Corrupt Activities Act No 12 of 2004

2.24 Municipal SCM in practices

Historically, "meeting the requirements of the Tender Boards" was the primary focus of the municipal procurement process. After the abolition of public procurement processes, tender boards are now responsible for adhering to the procurement framework published by the South African government. The framework emphasizes SCM requirements. The requirements encompass demand, acquisition, logistics, disposal, risk management, and performance management. (Ambe 2016).

2.25 Supply chain management performance (SCMP).

Monitoring the performance of the supply chain entails doing a retrospective analysis to see whether the proper procedures and expected outcomes have been met. Provincial treasuries use a reporting template developed by the National Treasury to monitor the SCM implementation process in the relevant municipalities. Municipalities are urged to continually improve their supply chain management effectiveness (SCMP). Section 42 of the municipal supply chain regulations mandates that an SCMP provide an internal solid monitoring system.

2.26 Corruption in the Local Government Supply Chain Management Unit

Public procurement refers to the administrative procedures taken by the government to acquire the goods and services it requires from the private sector (Mantzaris 2014). The mechanism for providing government services is based on procurement. It promotes objectives that are indisputably secondary to procurement's core purpose, such as supporting social, industrial, and environmental activities. In South Africa, local government procurement is protected by the constitution and is recognized as a tool for redressing discriminatory laws and practices from the past (Ambe 2016).

Municipal procurement is one of the areas of government where corruption is most prone to occur. In addition to the number of transactions and the at-risk financial interests, the complication of the process, the close relationship between municipal authorities and enterprises, and the number of participants all raise the possibility of corruption (OECD, 2016). In this regard, (Mantzaris 2014) describes the several risks: Examples of corrupt practices specific to procurement transactions include bribery, extortion, embezzlement, nepotism, patronage systems, fraud, kickback schemes, false invoices, overpaying, fronting in Black Economic Empowerment (BEE) companies, inflated prices, unnecessary buys, payments made for goods or services not received, ghost suppliers on the "preferred suppliers list," the use of

shell companies, and "facilitation fees" demanded by state officials (a type of bribery). According to the findings of KPMG's 2013 Australian and New Zealand Biennial Bribery and Corruption Survey, it is difficult to assess the entire cost of corruption due to undetected or unreported frauds. Many frauds in the public sector occurred during the procurement process, and corruption was reported to account for over 30 percent of all incidents in the sector. Additional instances were identified on bid-rigging, such as collusive bidding (in which bidders have previously agreed on the contract winner, secret agreements regarding compensation, inflated profit taking, or taking turns to win contracts), improperly awarded contracts, and inflated profit taking (including possibilities for corruption during the tender evaluation and decision-making phases). Those who deliver the information from the evaluators to the decision-makers are frequently in a unique and influential position to influence the outcome (Mantzaris 2014).

2.27 Internal Control in Local Governments

It was argued that introducing internal controls would mitigate unwarranted risks in municipal financial management (Gyüre 2012). Furthermore, Gyüre (2012), due to the escalating financial risks, the research argues that the entire economy is now in jeopardy, not only the Local Municipalities. Among the internal control system's aims are implementing efficient and effective operational procedures and providing sustainable financial services (PricewaterhouseCoopers, 2009). Internal and external variables influence constitutional financial control in local municipalities, with budget preparation being under the external component and internal auditing coming under the internal component (Laubscher and Van Straaten 2009).

To be held accountable by the public, local governments must establish a trustworthy internal financial control system (Laubscher and Van Straaten 2009). In the public sector, the control function is essential for ensuring that financial resources are spent efficiently and preventing unnecessary waste. The internal control unit ensures that the public's financial actions are accurately recorded and reported (Kakumba and Fourie 2008). Implementing an effective internal financial control system in both the private and public sectors is the first step toward achieving sound financial governance. A municipality must offer services, and a good internal financial control system will give the management and accountability information necessary for service delivery (Fourie, Opperman 2015). Considering the belief that greater accountability is necessary for a healthy democracy and enhanced service delivery, managers

must implement solid internal control mechanisms and sound governance in each of their multiple areas of responsibility

2.28 Supply Chain Management

Each municipality is mandated by MFMA section 56 (2003) to execute the SCM policy. As stated previously, the Act stipulates that such a policy must be just, equitable, transparent, competitive, and cost-effective. It must correspond to the municipal SCM regulatory framework. According to (Intaher and Johanna 2012), Despite employing SCM as a tactical tool, municipal procurement in South Africa still faces tremendous barriers. According to the (AGSA 2019)., the SCM policies of many municipalities have not been revised to correspond to SCM requirements. According to the research, the administration of a number of municipalities has failed to document the rules and processes that govern their operations, resulting in numerous instances of noncompliance with the MFMA's requirements. (Ambe 2016) Also cited were the lack of appropriate controls and procedures for handling bids, the nomination of bid committee members who do not meet the policy's standards, and the absence of sufficient incentives for deviations from SCM processes and procedures. Corruption, incompetence, and neglect on the part of government employees contribute to deviation from SCM processes and policies (Matlala 2018).

2.29 Factors affecting the successful implementation of municipal financial management practices.

Capacity in structures with fully qualified and competent personnel is a vital success factor for efficient SCM deployment. The lack of qualified and skilled people in South African municipalities is a recurring problem in government and many other sectors (Moloto and Lethoko 2018). Consequently, the shortage of professional employees continues to be the primary obstacle to successful municipal financial management and SCM implementation. In addition, financial management necessitates that key authorities (such as municipal managers, chief financial officers, and other senior managers) possess the required knowledge and experience to fulfill their responsibilities and exercise their authority (AGSA, 2019; AGSA, 2020). Failure to appoint accounting officers may hinder municipal financial management (Tsheletsane and Fourie 2014). According to Matlala (2018), the shortage of professional employees continues to be the primary obstacle to successful municipal financial management and SCM implementation. In addition, financial management necessitates that key authorities

(such as municipal managers, chief financial officers, and other senior managers) possess the required knowledge and experience to fulfill their responsibilities and exercise their authority (AGSA, 2019; AGSA, 2020). Failure to appoint accounting officers may hinder municipal financial management (Ambe, 2019; Matlala, 2018; Seitheisho, 2019; AGSA, 2020).

The success or failure of a municipality also depends on the quality and quantity of its personnel, the efficacy of its leadership, and the management of its finances, among other variables (Motubatse 2016). Leadership enhancements are one of the primary contributors to improved audits. Nevertheless, local leadership and political officeholders fail to take responsibility for and implement the necessary measures to address these issues (AGSA 2020). SALGA (2020) concurs that municipal governance and leadership in the local government sector are deteriorating, with insufficient monitoring, inadequate consequence management, and instability at the senior management level.

Moloto and Lethoko (2018) assert that municipalities need knowledgeable managers with strong leadership skills to foster cooperative government. Furthermore, the aforementioned authors argue that hiring consultants can undermine the financial stability of a municipality because it demonstrates inconsistency in the administrative leadership of the municipality. Municipalities often struggle to hire and retain suitable staff (SALGA 2020). Poor recruiting practices, employee terminations, the inability to recruit and retain competent staff, high vacancy rates, a lack of performance management systems, and other related difficulties have regularly impacted the personnel management of local governments (Mbatha, 2016).

The adoption of financial management approaches is also impacted by the absence of effective performance management systems (PMS) and oversight, where formal procedures for monitoring and supervision must be followed or enforced (Wild, Chambers 2012). The PMS is a mechanism for evaluating how well a municipality is achieving its strategic goals and objectives. (Van der Waldt 2014). Chapter 6 of the Municipal Systems Act (MSA) (2000) requires municipalities to establish a performance management system. However, inadequate performance management and the absence of punishments for misconduct contributed to the local government's failure to comply with SCM criteria (Khanyile 2016). According to research, monitoring and evaluation systems utilized by municipalities are frequently ineffective and unconnected to financial management procedures (Seitheisho 2019). The article asserts that only the highest level of municipal management is examined internally. Therefore, the remaining municipal officials are not reimbursed for their services (Motubatse 2016).

2.30 Auditor General of South Africa on Supply Chain Management in Public Entities

According to AGSA (2019, 2018, 2017, 2016), the material irregularity findings on SCM non-compliance were not complex and could have been avoided, found, and addressed prior to the occurrence of significant monetary losses. Instead of human error, weak processes and poor judgment led to material defects. As the aforementioned reports demonstrate, the AGSA has been insistent over the years. Managing municipal finances for the benefit of people involves a solid financial management environment and processes in order to [1] achieve objectives, [2] address risks, [3] maintain legal compliance, and [4].

According to the (AGSA 2019), good controls must be entrenched over time, especially in a large and complicated municipality like Metro. In accordance with the recommendations of the National Treasury, laws describe the procedures for obtaining competitive bids, evaluating the submitted bids, and awarding contracts with clarity. However, issues arise when the standard purchase procedure is not followed. A competitive bidding procedure ensures that the supplier's goods and services pricing, quality, capability, and capacity are rigorously evaluated to prevent overpayment and supplier failure.

The percentage of auditees that materially violated important laws slightly increased from 71.5% to 72.1% (AGSA 2019). The following were major instances of non-compliance:

- The poor quality of the financial statements submitted.
- SCM weaknesses.
- Unauthorized, irregular, fruitless, and wasteful expenditure is not being prevented.

According to the (AGSA 2018), the government cannot continue to waste taxpayer money via carelessness, poor judgment, or inefficiency. Nonetheless, wasteful and inefficient spending continues to climb. In addition, the government and taxpayers incur losses that will be compensated for in the upcoming budget. The losses incurred by the government because of faulty processes not being followed are commonly neglected, and their repercussions have not been counted or documented in previous research (AGSA, 2017). In 2018–19, 65 percent of municipalities did not adhere to SCM laws. With the assistance of the inter-ministerial task force, the Northwest premier discovered 46 incidents of theft, fraud, and corruption, totaling R2.50 billion (AGSA, 2019). According to the MFMA, accounting officers or other

representatives are required to investigate the repercussions of noncompliance resulting in a financial loss. The presence or absence of fraud must be determined. Preparatory accountability for fraud is important. According to the Auditor General, the major reasons for noncompliance with the law were cases of fraud and procedural irregularities (Omar & Nawawi 2016). Defend that the fraud triangle hypothesis is the best framework for describing the prerequisites for participating in fraudulent activity.

2.31 Fraud Triangle Theory

Fraud is described as intentional misconduct that takes advantage of a person or event, resulting in a financial loss for the victim and a financial gain for the perpetrator (Asmah, Atuilik 2020). Three components make up the fraud triangle, which was emphasized and is comprised of three components. Schuchter and Levi (2016); Mansor and Abdullahi (2015) and Huang, Lin (2017) summarized three elements:

1. Pressure in most situations, financial pressure appears to be the primary incentive for dishonesty. These financial pressures are caused by avarice, people living beyond their means, unanticipated financial catastrophes, greed, bad credit, the inability to obtain credit, medical bills, and high educational prices. Non-financial pressure is an additional factor that must be considered. Not only is there a financial burden, but there are also other stresses. Other non-financial pressures include extramarital affairs, family or peer pressure, substance abuse, or inefficiency. Non-financial pressures to commit fraud also include workplace disparities and unfair treatment concerning promotions, compensation, and praise.

2. Opportunity: The possibility of fraud is created by ineffective internal controls and inadequate oversight. Another issue is the absence of charges against fraudsters. A weak ethical culture, exemplified by management's unethical tone, further limits opportunities. Consequently, weak corporate governance mechanisms and inadequate audit functions create the potential for fraud.

3. Rationalization: Two essential components comprise rationalization. The first need is that the fraudster believes they may avoid punishment by concealing the crime. The second factor is that the fraudster considers their actions reasonable given the circumstances. Due to both factors, the fraudster can maintain his reputation and self-esteem. Frequently, employees attempt to excuse their conduct by compensating for their poor income or missing incentives.

Some employees believe the municipality deserves embezzlement because of unlawful actions against them. Since then, the State Capture Commission of Inquiry has been established to investigate fraud charges in public enterprises and combat government fraud.

2.32 The Judicial Commission of Inquiry into Allegations of State Capture on Corruption

According to (Watch 2018), the former South African president formed the Judicial Commission of Inquiry into Allegations of State Capture to investigate allegations of fraud within government organizations and institutions. The commission aims to investigate pervasive fraud and corruption in public organizations. State capture refers to a culture of dubious activities and relationships that have rendered government institutions useless. The commission's founding has benefited individuals or organizations that, had they not been permitted to participate in criminal acts, would likely not have been awarded a government contract.

According to Mahlati (2020), the former head of procurement at South African Airways Technical (SAAT) was present at the inquiry to address allegations of fraud. A United States-based bidder was finally awarded an R1.2 billion contract to provide SAAT with parts. A company director who granted the contract also gave R2.5 million toward the purchase of a property for the departing head of procurement. Instead of placing her mother's funds directly into the director's account, the former head of procurement explained that this payment was related to the director's purchase of a home in the Eastern Cape from her mother.

Incidentally, Mahlati (2020) also reports that the former head of procurement denied sanctioning a questionable component sale to a company that won a multi-billion-rand contract in a tender process marred by allegations of bribery. Twelve Ground Power Units (GPU) were sold to an aviation company for less than half of their current market value. This aircraft company is also the one whose director remunerated the former head of procurement for real estate acquisition-related services. The 12 GPUs were purchased by South African Airways Technical for R800 000 each and then sold to the airline for R248 000 each. The aviation company subsequently sold these units to a Swiss airline for R3.3 million. These allegations of fraud, one of numerous that the committee of inquiry was tasked with investigating, call into doubt the ability of SCM systems to identify and prevent fraud in accordance with the government's mandate. The above-mentioned allegations make it unclear whether the government has invested in SCM controls to prevent such substantial losses.

In contrast to the public sector, the private sector often makes prudent investments in SCM to maximize shareholder value and ensure that its products and services meet the needs of its customers. The increasing budget deficit demonstrates that the public sector does not share the same attitude as the private sector. Throughout the years, the Auditor-General has frequently voiced concerns regarding SCM, which is the primary subject of this examination (AGSA, 2019).

2.33 Resource-Based Theory

Resource-based theory underpins municipal financial performance. Resources are essential for a municipality to generate surpluses to ensure financial viability while maintaining the required level of service delivery. In order to determine the requirements of the community, municipalities in South Africa create IDPs through a process of public consultation. The basis for addressing demands depends on the municipal resources available, including capital grants, cash reserves, the capacity of human resources, and the availability of infrastructure. The IDP is a crucial document for the municipality since it directs the provision of services. A budget is created based on the requirements listed in the IDP by the community. In the form of an SDBIP, both documents are joined together. The Annual Performance Report (APR) summarizes the municipality's financial performance as a result of the IDP and budget put into place through the SDBIP.

Figure 2.2 Shows how the resource-based theory is applied by South African municipalities.



2.34 Chapter summary

The chapter provided literature on the drivers of irregular expenditure and the role of the compliance within municipal settings in the South African supply chain management environment, using the eThekweni Municipality as a case study. A literature review on various sources and policies show indications of a need to ensure tightening of internal controls in the South African public finance space. Literature proves that South Africa has clear and sound policies and legislative framework for preventing and detecting instances of irregular expenditures. The National Treasury issues regulations for how government funds are to be managed as per the Public Finance Management Act. The literature review showed various examples of irregular expenditures, which are indicative of non-compliance with policies and regulations. South Africa has adopted various strategies and mechanisms to ensure compliance and proper management of taxpayer money. These include PFMA, Chapter 9 institutions, SCOPA, Protected Disclosures Act, Code of Conduct for Public Servants and Prevention and Combating of Corrupt Activities Act. These legal frameworks are presented to guide public servants for best use and management of public funds. Even so, literature validates that there has been little or no action taken against those who contravene these legal frameworks. This may be the reason why local municipalities are experiencing a irregular expenditures every year.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The previous chapter examined the theory and literature that relates to the primary causes of irregular spending and non-compliance within public sector space, focusing on the the eThekweni Municipality, and detailing the theoretical literature regarding the fundamentals of municipal finance management in eThekweni Municipality. **This current chapter provides the methodical approach to gathering and logically analyzing facts for a specific objective, define research. In order to provide data on a specific study issue, a methodological process and carefully organized methods are used, and hence explained in this write-up. The chapter**

outlines in detail the research methodology that was used to collect, prepare and process the data for this study.

3.2 RESEARCH APPROACH

This study utilized a qualitative approach by way of a deductive research design. By definition, a qualitative research approach is an exploratory and in-depth form of inquiry that seeks to understand complex and subjective nature of objects being investigated. It is a research approach that goes beyond numbers and statistics, focusing on capturing the richness and diversity of contexts, contents, thoughts, feelings, and behaviors. In carrying out the empirical research, the qualitative research method was chosen as a method of exploratory research because, as was stated in Chapter 1, it provides a comprehensive analysis of the issues under investigation. A study of this type provides a better understanding of the actions and behaviors of those who are responsible for implementing MFMA and SCM.

3.2.1 Research procedures

This component of the research project covers all of the research-related tasks that need to be completed in order to achieve the objectives of the study and produce answers that are actually usable for the problem (Opie 2019). To obtain a comprehensive understanding of the laws governing irregular expenditures in the municipality, a case study was conducted using a qualitative methodology (Fischer 2010).

3.10 Qualitative research design

To better comprehend human experience, qualitative research enables you to pose questions that are difficult to answer with figures. Through firsthand knowledge, accurate reporting, and quotations from real conversations, qualitative research seeks to gain a deeper understanding. It tries to comprehend how participants interpret their environment and how that interpretation affects their behavior. The study used a qualitative survey in the form of face-to-face interviews as its research method.

The empirical study's primary trends show that officials comprehend the notion of irregular expenditure, and so the causes of irregular expenditure included noncompliance. Another pattern discovered was the employment of inferior internal control measures to prevent and detect irregular expenditure, which resulted in the municipality earning a qualified audit

opinion. Furthermore, the weaker processes have resulted in irregular expenditure throughout the past period.

3.11 Study population

A study population is a general population from which a sample will be selected (Creswell and Creswell 2003). The study is limited to the eThekweni Municipality and the Auditor General's Office of South Africa. The sample consists of 20 individuals with extensive municipal financial management knowledge. In an exploratory study, Creswell and Creswell (2003) recommend a sample size of 30 or fewer.

The AG checks the spending of municipalities by looking at whether it has been used ideally and for the purpose intended. This is done by checking annual financial statements and other reports, and this is called an audit. The eThekweni Municipality submits financial statements every year, which the AG audits.

3.12 Sampling technique

The term sampling refers to selecting an individual or a sample of a population to come to a statistical conclusion and estimate the characteristics of the population (Diwekar and Kalagnanam 1997). As far as budgeting is concerned, this technique is cost-effective and in line with exploratory studies. Data was collected through a non-probability sampling of 20 municipal officials representing a substantial population of the region. The sample consists of municipal officials, the City Manager, the Deputy City Manager, the Chief Financial Officer, the Head of expenditure, the Head of Supply Chain Management, and the Head of Internal Control. Participants were selected based on their financial knowledge and expertise. In this study, judgmental sampling was used (Langseth 2016).

3.2.2 Sample size

As a research endeavor, a sample involves the study of individuals from the general population with similar characteristics (Creswell and Creswell 2003). Twenty (20) people with substantial experience in municipal financial management make up the sample of this study. The research was limited to eThekweni Municipality and the Auditor General of South Africa. In order to conduct an exploratory analysis, a sample size of fewer than thirty subjects is necessary (Creswell and Creswell, 2003).

3.2.3 Sampling technique

Sampling refers to the practice of selecting individuals from a community or selecting a subset of that community's members to serve as a representative sample for the purposes of drawing statistical inferences and estimating population characteristics (Diwekar and Kalagnanam 1997). This technique is congruent with exploratory research in terms of budgeting and is cost-effective. Twenty municipal officials make up the sample for this study, and non-probability sampling was used for sample selection. The sample was selected based on the financial expertise and knowledge of the participants. In this investigation, the technique of judgmental sampling was utilized (Langseth 2016).

3.3 Access to the participants

This involves both securing entry into eThekweni Municipality and ensuring that municipal authorities, the City Manager, the Deputy City Manager, the Chief Financial Officer, and the Heads of Expenditures, Supply Chain Management, and Internal Control will serve as informants during the interview section.

3.4 Duration of the Interviews

Because of the length of the questions, the interviews are scheduled for 60 minutes to allow participants ample time to answer all questions and do them justice. It is best to follow the 80-20 rule, which states that the interviewee should speak for 80% of the time at the start of the interview, and the interviewer should speak for 20% of the time after you've finished the interview questions.

3.5 Timeline for Conducting Interviews.

An interview timeline is a technique that interviewers use to arrange the flow of an interview with an interviewee. When the timeline should begin, and the end is a significant consideration. The interviews took place between October 2022 and November 2022, depending on the availability of the interviewee.

3.6 Data collection

Data collection is the process of gathering and evaluating data on specific variables in an organized manner, allowing one to answer pertinent questions and assess repercussions. Data collection is necessary for research in all academic fields, including the physical and social

sciences, the humanities, and business (Sapsford and Jupp 1996). Interviews with municipal authorities, the City Manager, the Deputy City Manager, the Chief Financial Officer, and the Head of Expenditures, Supply Chain Management, and Internal Control formed the data that textured the analysis in this study. Participation in this study was voluntary, and the privacy of participants' information was protected (Burgess 2001).

3.7 Data collection instruments

As a method of data collection, face-to-face interviews were adopted. These interviews were guided by a semi-structured interview schedule. Participants were guaranteed high levels of privacy and confidentiality. Participants were also informed before the interviews that participation was voluntary and not mandatory (Kielhofner and Coster 2006). Regarding the information they supply, strict confidentiality will be observed.

3.8 Choice of open-ended and close-ended questions

The open-ended questions allow the interviewer to obtain genuine insights into the municipality and the participant's experience in their own words. During the interview, the interviewer explores the participants' perceptions, beliefs, and attitudes related to the municipality.

3.8 Data analysis

The data were analyzed using content analysis. Data analysis is defined as the systematic examination of data and the arrangement of interview transcripts, commentary notes, and other non-textual materials collected by the researcher to gain a deeper understanding of the phenomenon (Seers 2012). The process of reducing massive amounts of data to a more manageable size is data analysis. It has been stated that **qualitative** data often consists of words rather than numbers. Using thematic content analysis, all data scripts for the transcription and recording of responses and other desktop data were coded. After classifying the data into numerous categories, headings for the various categories and their subcategories were established to facilitate analysis.

Silverman argues that researchers should quickly evaluate their collected data. Consequently, data analysis and result interpretation occur concurrently with data collection. This corresponds to the ideas and procedures outlined in the literature review. Combining these two concurrent

processes streamlined the procedure and assured the timely completion of the investigation. In addition, it ensured that all critical data was collected and analyzed immediately. This was done to reduce the chance of losing crucial data if data collection and analysis were handled separately. Several conclusions were reached as a result of drawing inferences from the gathered data.

3.9 Data interpretation

Data synthesis is the process of integrating diverse pieces of information to create larger, more cohesive wholes. Consideration of alternate theories or interpretations of one's data indicates how well the data supports the planned interpretation. Data interpretation is the application of techniques for reviewing data to draw an informed conclusion. The significance and implications of the analyzed data are determined by the facts' interpretation (Seers 2012). The process of applying known techniques to data to assign meaning and reach a suitable conclusion is data interpretation (Willig 2014). It entails using the outcomes of data analysis to make inferences from the researched relationships and then using those inferences to draw a conclusion (Keel 1996).

3.13 Ethical considerations

Appropriate ethical principles are important in all research studies including qualitative research where ethical considerations have a particular resonance due to the in-depth nature of the study process (Arifin, 2018:30). One of the ethical issues that the researcher encountered during the study was that the health and wellbeing of participants should take priority over research timelines (Jowett, 2020:2). According to Sobočan et al. (2019:1), ethical issues are inherent throughout the research process, from choosing what to study and how to study it, through analysis and dissemination of findings.

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

3.14 Summary

This chapter describes the research methodologies and approaches to the study, but it also reports on the replies to the many variables in the form of content analysis, which depicts the views of the sampled population of 80%. However, based on the findings and the nature of the municipality, the conclusions are not conclusive in all municipalities in KwaZulu-Natal, but these findings are based on replies from the sampled institutions. The discussion part was created to bridge the gap between empirical evidence and literature by summarizing the important results and recommendations. The final chapter provides an overview of the study as well as recommendations for further research.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION

The previous chapter provided a description of the methods and procedures that were followed in gathering the data and preparing it for analyses. This current chapter provides the data analyses that were applied in this study. Data analysis is simply the process of converting the collected data into meaningful information (Taherdoost, 2022:2). Qualitative research is notable and yet depends upon researcher's ability to conduct well-grounded, rigorous analyses and understand what it means to do qualitative analysis (Lester et al., 2020:95). The study sought to analyse how irregular expenditures and non-compliance impact the EThekwin

Municipality's ability to maintain financial stability. In this chapter, we will look at how the researcher gained access to the participant, the interview duration, and whether the participant has knowledge of irregular expenditures and noncompliance with supply chain management. We will also look at the impact and root cause of irregular expenditures and noncompliance and lastly end the chapter with key findings and discussion.

4.2 Pilot study

A pilot or preliminary study is a small-scale survey or a test of a particular research instrument, such as an interview guide. These proposed research components can be evaluated through a pilot study. The pilot study for CFO and AG helped the researcher prepare for the main study (Creswell and Creswell 2003).

4.3 Limitations of the study

- Budget constraints limited the study.
- Only 70% of the participants responded to the invitation to conduct interviews

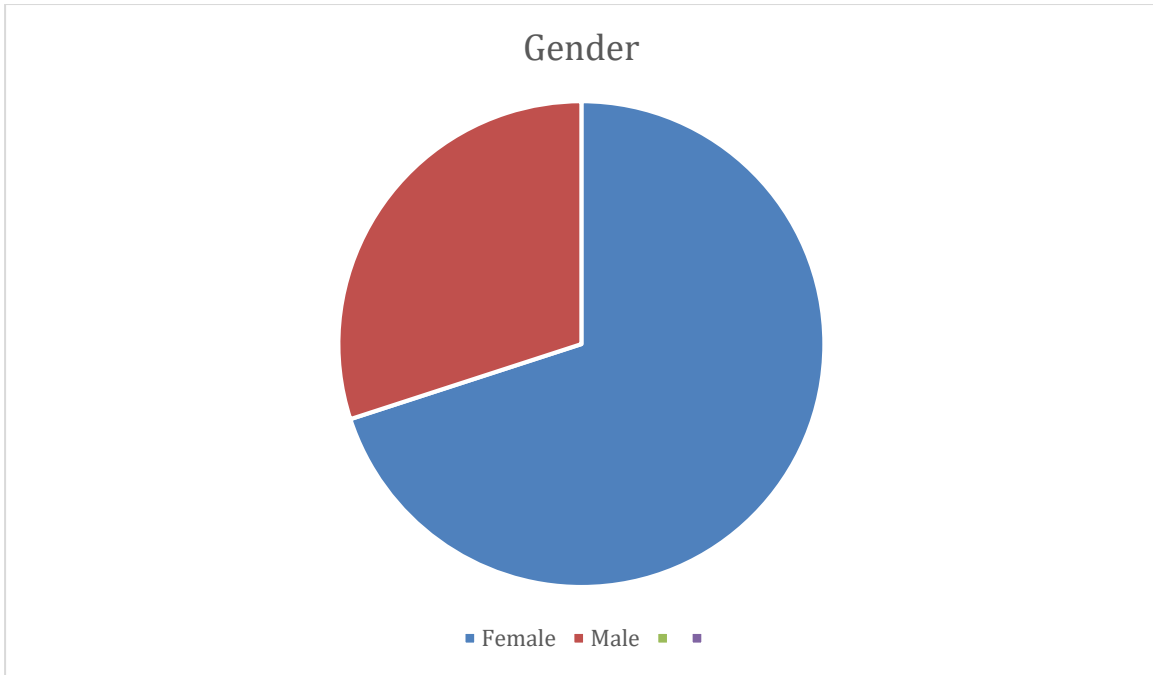
Most participants were familiar with the concept of irregular expenditures. Moreover, their definition was consistent with that found in the literature. Due to the refusal of officials to comply with the MFMA and Supply Chain Management standards, irregular expenditures persisted.

4.4 Preliminary data

4.4.1 Gender

The study's respondents are split roughly evenly across genders, with 30% being women and 70% being men. While the South African Local government aspires to a gender equality ratio of 50% in the workplace, this study demonstrates that males continue to dominate higher positions of employment in government. In the history of the eThekweni Municipality, a female accounting officer has never existed.

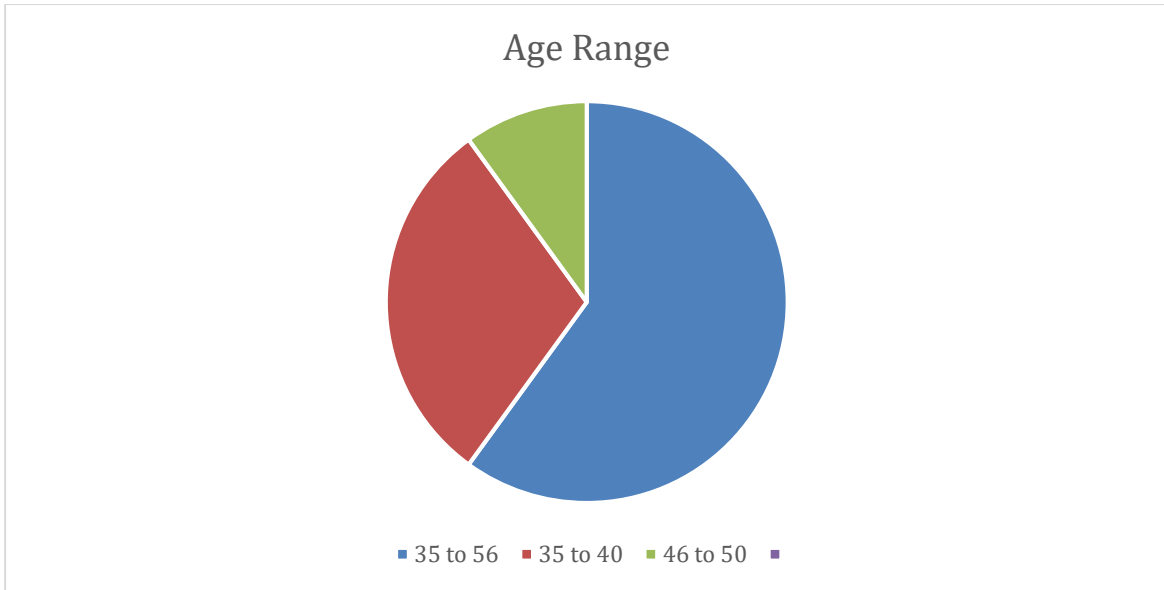
Figure 3 Gender



4.4.2 Age range

The respondents to the survey ranged in age from 35 to 56 and older. It's noteworthy that 60% of responders were between the ages of 35 and 40. A total of 30% of respondents were between the ages of 46 and 50, while 10% were over the age of 56.

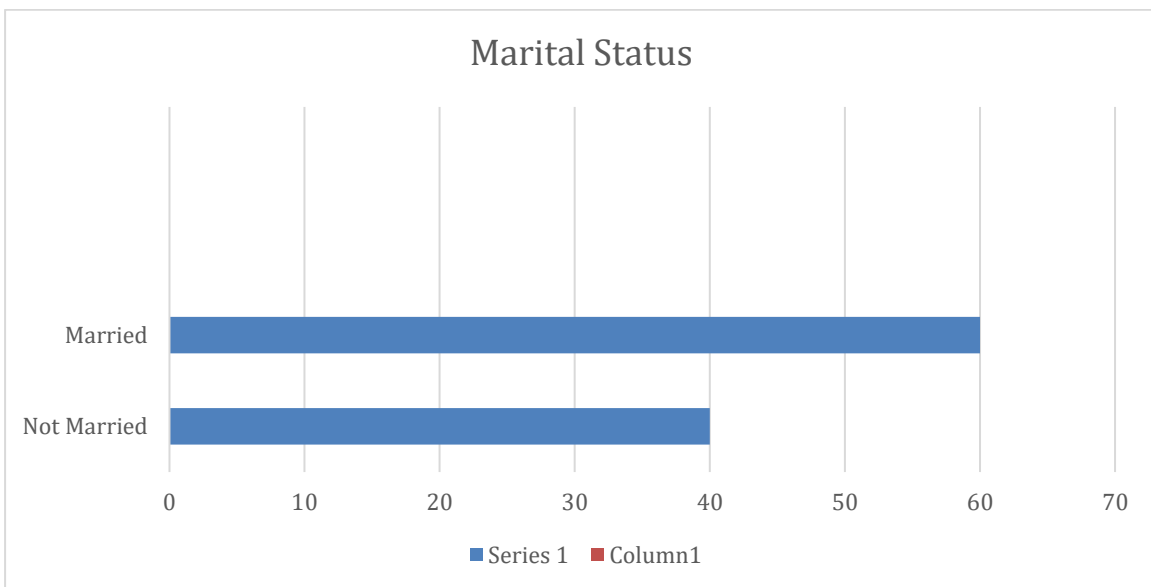
Figure 4 Age Range



4.4.3 Marital status

Only 40% of the studied population had never been married, according to the survey, which found that 60% of them were married.

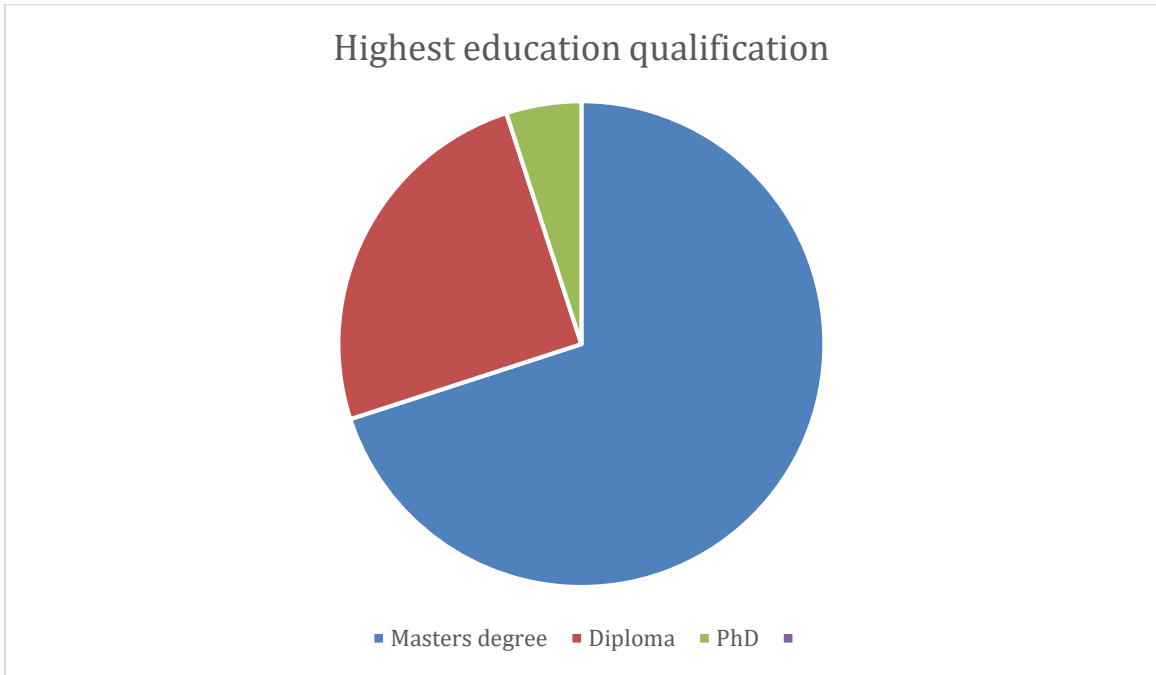
Figure 5 Marital Status



4.4.4 Highest education qualification

It is noteworthy that the study found that 70% of respondents have a Master's degree, 5% have a PhD, and another 25% have a diploma as a qualification.

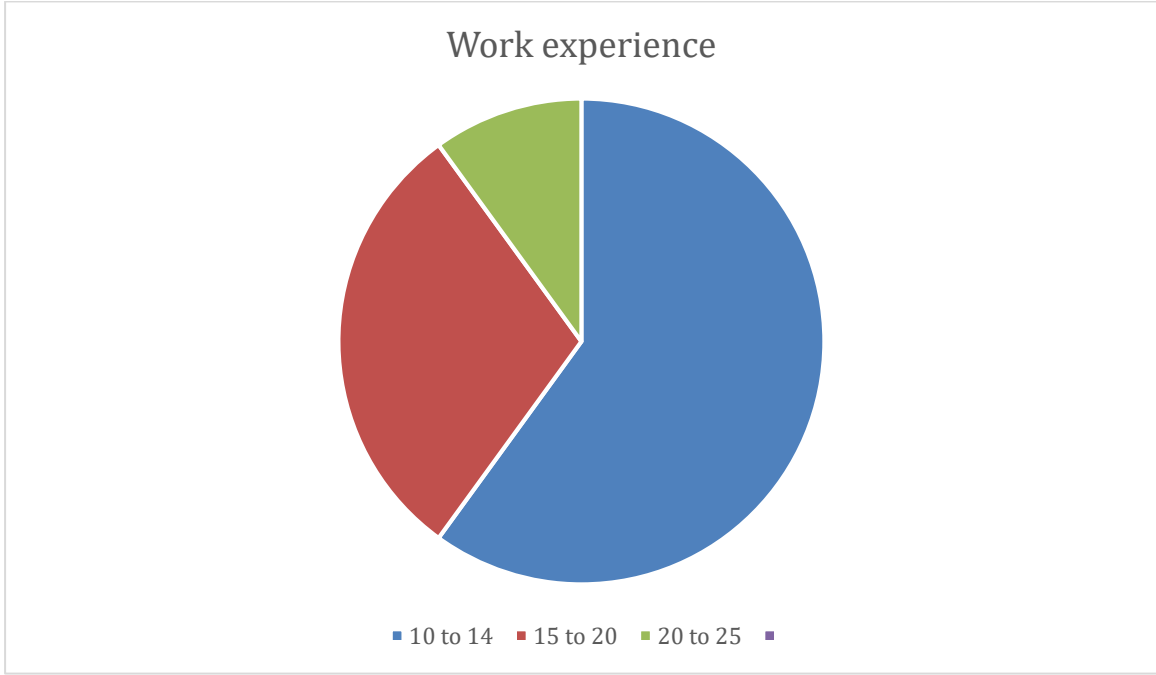
Figure 6 Highest education qualification



4.4.5 Work experience

The study found that around 60% of respondents had between 10 and 14 years of work experience, 30% had between 15 and 20 years, and 10% had been employed for between 20 and 25 years. It's noteworthy to see that responders with PHDs and diplomas make up the 10% minority group with the most employment experience. The ages of these responders range from 46 to 56.

Figure 7 Work Experience



4.4.6 Race group

When asked about their race, the participants revealed that most municipal finance role-players are black, according to the results.

Figure 8 Race Group

Race	Frequency
Black	10
White	2
Indian	8
coloured	2
Total	22

4.5 Familiarity with the concept of irregular expenditure

After evaluating the samples, it was discovered that many participants were familiar with the concept of irregular expenditures. In addition, the definitions provided correspond to the MFMA's stipulated definition. Evidently, the irregular expenditures of eThekweni Municipality were not due to ignorance of the idea of irregular expenditures. Therefore, authorities' disregard for the MFMA and Supply Chain Management was the primary cause of the ongoing irregular expenditures.

4.6 Analysis and Discussion

4.6.1 Current forms of irregular expenditures

Every participant emphasized that their financial conditions and lack/poverty leads them to breaking the law. This is the primary cause of most irregular expenditures. The following are some of the extracts of the assertions of the participants:

“Indeed, it may be irregular or go beyond your boundary in the supply chain environment outside the delegate's purview. Because of the nature of the business, it is necessary to read carefully and give yourself enough time to process the information. The order was already generated, even if the budget holder may not have approved the supplier's final expenditure. Thus, that may also result in an irregularity,

such as when the order was approved by a level five signatory rather than the proper designated official.” (**City Manager**)

“Actually, I believe it is usually when they disregard the law, hence irregular expenditures.” (**Deputy City Manager**)

These participants' replies confirm non-compliance with policies and laws as the primary cause of most irregular expenditure. This result is consistent with the findings of (Rispel, 2016), who contend that an increase in irregular spending may result from a lack of knowledge of the laws and rules governing public spending.

4.6.2 Participants understanding the concept of irregular expenditure

All participants generally demonstrated a comprehension of the notion of irregular expenditure. Clearly the participants are aware of the existence of both the controls, rules and regulations guiding their operations; but they also know what irregular expenditures are:

“Therefore, an irregular expense is one that has been incurred by the municipality that has conducted a transaction involving an expenditure that was in violation of a specific law, prescriptive regulation, instruction, or other legal precedent.” (**City Manager**)

“First, when the work done is not budgeted for, it is irregular, in my opinion. And after that, the procurement procedure keeps going. That seems like one irregularity to me, but there may have been other irregularities as well, such as the delegated authority possibly failing to approve the request during the procurement procedure. Neither the budget holder nor the budget's custodian gave their approval.” (**Chief Financial Officer**)

This finding was validated by comparing participant responses to the definition of irregular spending provided by the Municipal Finance Management Act 56 of 2003 (MFMA), which states that an irregular expenditure is an expense incurred without compliance with regulations.

4.6.3 Volume of Irregular Expenditures

The participants reached a general consensus that, in contrast to preceding years of operation, the municipality is not currently dealing with a substantial number of irregular expenditures in 2023.

“I’m not certain. I believe an average number would be appropriate because, although we don’t always follow the rules, we have some sort of system in place. Since I work in internal control now, for instance, if I ask someone a question and say, “This, That, and That,” they will now explain why it was done that way. However, I don’t believe there are many instances of irregular expenditure, but I know there were probably more than once.” **(Internal Control)**

“Although there may be some irregular expenditure, I do not believe it is as prevalent as it was before. I think that our audits have always been good. I have only encountered irregularities once or twice in the five years I have worked at the municipality. To the best of my knowledge, however, I do not believe that there are many of them; instead, they only come up occasionally when I happen to be involved in something that may have occurred in my section or elsewhere in the process.”
(Head of Supply Chain Management)

This result is consistent with the literature analysis in Chapter 2 of the municipality’s financial status, which demonstrates a notable decrease in irregular expenditures in the 2020–2021 fiscal year relative to prior fiscal years.

4.7 Identified challenges

Although eThekweni Municipality continued to achieve the most excellent audit results, with 70% of audits being clean, the increase in irregular expenditure is concerning, according to the 2019–2020 Auditor General Report. Obviously, there are risks associated with procurement procedures, and unethical procurement methods might slow progress and lead one to wonder about the potential causes. (Mazibuko, 2017)

4.7.1 Training

Participants think that the eThekweni Municipality does not give enough training on irregular expenditures priority.

“Inadequate training, awareness campaigns, and, you know what, I haven’t mentioned it to you yet, but the municipality’s constant policy changes. You know, you get used to doing things a certain way because of a policy that was approved by the municipal council, and then a month or two later, they feel the need to review the policy and make changes.” **(Chief Financial Officer)**

“You know what? I did not attend any workshops or training sessions, and I'm not even sure if any were presented concerning it. I would recommend that seminars and training be provided on this specific irregular expenditure.” **(Internal Control)**

“I believe that I do not state that a workshop has to be conducted on every policy. People must agree, and as I previously mentioned, the supply chain delegation and its modifications have not been shared with employees properly” **(Chief Financial Officer)**

“Since the municipality has employed me for more than five years, I can firmly state that I have never participated in training for Supply Chain Management. I generally learned about it through my work, so I have never heard of or participated in an activity on irregular expenditure.” **(Internal Control)**

This research supports the findings of (Sah, 2021) that there are significant inefficiencies in the way procurement processes are managed due to inadequate monitoring and evaluation, insufficient training, and deficiencies in credentials, knowledge, experience, and cooperation.

4.7.2 Lack of knowledge

Participants highlight lack of knowledge as one of the challenges in the eThekweni Municipality.

“Yes, as I mentioned earlier, one of the contributing elements is ignorance, including ignorance on the part of management or employees.” **(Chief Financial Officer)**

“as authorities know the accountability factor's ramifications, they will exercise due diligence by reading, interpreting, and understanding the documents and seeking further clarification so they won't be overly familiar with a particular process.” **(Heads of Expenditures)**

“Either ignorance or disinterest could be the only explanation. Over the years, I have encountered a variety of workers: those who lack experience in their field and those who only attend work to fulfil their legal obligations and collect their pay check at the end of the month. As a result, people come and go without much concern, performing the bare minimum and not giving a damn about doing the right thing. That's what I think about that. The main issue is most likely ignorance and insufficient training. **(Heads of Expenditures)**

The participants' opinions are bolstered by supporting statements asserting that the discrepancy between stakeholder knowledge and actual practice is related to improper application of procurement procedures. Examples of these statements include municipalities prioritizing staff training and information sharing, lack of project monitoring and evaluation, and other factors contributing to subpar work.

4.7.3 Misunderstanding between staff and management

Participants indicated the following.

“The staff's and management's perspectives are very different because the staff is the one doing the actual work and has to make sure payments are made, purchases are made, and services are provided. On the other hand, management is viewing it from an auditor's standpoint.” (**Chief Financial Officer**)

“It's fascinating, you know, because I was thinking about it. I was thinking about how you defined the transparent engagement model, so I would appreciate any clarification. As you are aware, we were instructed not to speak with supply chain practitioners or officials directly. Instead, we were advised to work with state accountants in the finance department, which is acceptable. However, occasionally, we seek clarification from supply chain practitioners when we approach them. Additionally, I have discovered that, particularly in our chief director's supply chain, internal control, and finance departments, there is always resistance when internal control is brought up. It seems like there is nothing we can do.” (**Heads of Expenditures**)

An internal control environment shapes an organization's decisions and actions and serves as the basis for the entire internal control system. Misunderstandings between employees and management lead to ambiguity and reduce the efficacy of existing controls.

4.7.4 Control irregularity and fraudulent activities

There were no fraudulent actions in the municipality that any of the participants knew about individually.

“Yes, perhaps staff members are unaware that if a municipality is found to be missing millions of rands in irregular expenditure, it may be assumed that we are engaging in

dishonest or corrupt activities due to the idea that there is a lot of fraud and corruption occurring in South Africa.” (**Chief Financial Officer**)

“There is undoubtedly fraud and other issues, but you are aware of some of them that I am unaware of as they withhold information from us.” (**Heads of Expenditures**)

“I have never come across an erroneous or deceptive expense. That would require an investigation and evidence of fraud to support it.

Look, I'm not aware of any fraudulent behavior, but from what I gather, human mistakes are more often committed.” (**City Manager**)

Fourie (2018) emphasizes that not all unusual spending indicates fraud, improperly managed resources, or criminal activity; some irregular expenditures may be related to staff members' potential ignorance of policies and procedures.

4.8 Impact of Irregular Expenditure in the National eThekweni Municipality for the Past Five Years

The empirical data during 2017–2018, 2018–2019, and 2019–2020 demonstrated that irregular expenditure had both financial and non-financial consequences. It was non-financial in the sense that the eThekweni Municipality's reputation, public trust, and resident confidence were affected. Several negative impressions caused the media to portray the municipality as having irregular expenditures and non-compliance. Even though these phrases have been used interchangeably over the past five years, fraud and corruption are not included in the MFMA's definition of unusual expenditures. As a result, irregular expenditures cannot be categorized as fraud or corruption, as they are essentially a failure of compliance and financial management.

4.9 Root causes of irregular expenditure in the eThekweni Municipality for the past five years

The goal of the MFMA is to better ring-fence, manage, uphold, and utilize financial affairs to generate value for the municipality, save money, and achieve other socioeconomic benefits, such as job creation and empowerment, while enhancing service delivery. The poor performance of local government has been heavily attributed to unscrupulous business practices in both the financial and performance sectors.

The city has no history of holding officials accountable for purchasing goods and services on behalf of the council in contravention of the law, resulting in irregular spending. The Municipal Public Accounts Committee (MPAC), the city's oversight committee, recently presented a report addressing these concerns.

The R1 billion in unapproved expenditures incurred by the eThekweni Municipality for the 2019–20 fiscal year is less than the R2.3 billion incurred in the previous fiscal year. Despite a substantial decrease in irregular spending, R1.07 billion in irregular expenditures remains unacceptable. We believe a lack of consequence management for officials whose activities lead to irregular spending is the primary reason why the city cannot prevent irregular expenditures.

The auditor general found that inadequate measures did not prevent R2.6 billion in improper expenditures. According to statistics, most of the irregular spending arises from supply chain management (SCM) infractions.

According to the report, many erroneous expenditures occurred from permitted deviations when competitive bidding would have been more judicious. These deviations also involved invalid revisions to SCM contracts and a disregard for the competitive bidding procedure that led to the inability to get three quotes.

After the AG's office handled the issue, the municipality decided to create several measures to assure the administration of harsh penalties. These measures included the following: allowing or incurring irregular, unneeded, and wasteful expenditures.

The Municipal Finance Management Act, 56 of 2003, describes the general tasks and responsibilities of accounting officers, including the implementation of rules to prevent irregular expenditures.

In other words, the accounting officer has the authority to make decisions pertaining to the governance of the municipality and its entities. The accounting officer must implement reasonable safeguards to prevent unauthorized expenditures. The Municipal Finance Management Act, 56 of 2003, and Treasury Regulations are utilized by every municipality's accounting officer in order to ensure effective and efficient expenditure controls, risk management, and the use of funds for their intended purposes. Consequently, it is evident that

failing to comply with the required financial management standards, which included the following, was a significant contributor to the municipality's irregular expenditures:

- Absence of internal control systems, particularly with regard to the city's Supply Chain Management (SCM) plan
- The lack of municipal officials having the required qualifications in supply chain management, human capital management, and finance.
- The Internal Audit Unit and the Audit Committee lacked the required competencies to assist the municipality in identifying financial difficulties early and implementing preventative measures to remedy them.
- Disclosures of irregular spending were made; nevertheless, the completeness of the municipal reports was uncertain due to the absence of a registry for irregular spending.
- Internal controls and mechanisms are being circumvented, particularly by upper management.
- Absence of MFMA-compliant file management systems and adequate documents to track 30-day payment invoices
- The high rate of senior management churn led to the municipality's instability. Staff members or officials who have disobeyed the law or violated norms and standards have not managed the consequences of their actions.

Research indicates that accounting officers design financial management systems to guarantee that municipal funds are spent effectively, efficiently, and affordably. Before designing expenditure management policies and internal control risk management methods to protect resources and monitor expenditures, the accounting officer must understand financial management requirements. To enforce MFMA implementation and prevent irregular expenditures, the accounting officer must select a qualified Chief Financial Officer (CFO) for the municipality's team.

The accounting officer assigns the CFO's responsibilities in accordance with financial management policies. These specifications must emphasize the institution's competent and

efficient financial management. Sound budgeting and budgetary control are integral to the control of expenditures and the prevention of irregular spending. In addition, the efficient operation of internal controls and the prompt disclosure of financial issues are essential.

4.10 Amount of irregular expenditure identified by the eThekweni Municipality for the past five years before AGSA audits.

The Municipal Finance Management Act 56 of 2003 stipulates the implementation of procedures to prevent improper expenditures by accounting officials. Using these methods, the municipality can update the register and prepare a report on out-of-the-ordinary expenditures before the AGSA commences its audit process, which will typically also reveal irregular expenditures. The municipality has been unable to detect and identify irregular spending due to supply chain regulatory non-compliance, which is one of the underlying causes of poor or nonexistent internal controls.

In 2018–19, eThekweni Municipality received a qualified audit opinion with conclusions from AGSA due to the lack of completeness of its report on irregular spending. To ensure the accuracy of any erroneous expenditures listed on the annual financial statement, AGSA advised the municipality to review all transactions performed since the end of the 2018–21 fiscal year.

According to the eThekweni municipality, their turnaround approach includes monthly reporting on procurement plans and the substitution of Section 36 of the SCM for competitive bidding for urgent needs. Monitoring projects must continue throughout the fiscal year. The committee has requested a list of contracts in violation of supply chain regulations and the Municipal Finance Management Act. The committee will quickly reprimand any officials who violate the regulations.

4.11 Mechanisms created to improve accountability and compliance in the eThekweni Municipality.

The study found that strengthening the Supply Chain Management (SCM) unit is essential to the turnaround process. To ensure compliance with financial and procurement rules. The unit has concentrated its efforts mostly on the inspectorate component to prevent incorrect expenditures and enhance supply chain management compliance requirements (SCM). This is in conformity with the MFMA and SCM, which require accounting officers to implement

measures to avoid unauthorized spending and other forms of financial loss. It is essential to emphasize that all of these ongoing efforts are part of the finance committee's plan for a turnaround.

4.12 Targets that measure the effectiveness of expenditure controls to prevent irregular expenditure.

The effectiveness of expenditure control can be measured by comparing the number of interrupted transactions to the number of stated transactions. Due to the Annual Performance Plan's (APP) objective, irregular expenditures will be included in the municipality's monthly and quarterly performance reports to the Audit Committee, allowing for regular monitoring. This may lessen the likelihood of uncovering large amounts of unlawful spending later in the fiscal year, when it may be too late to take immediate action.

4.13 Role of line managers in detecting and preventing irregular expenditure in their respective sections/units within the eThekweni Municipality

The findings of this study reveal that line managers believe the finance department is responsible for discovering and preventing unlawful spending. Contrary to MFMA, which allocates such responsibilities to authorities other than the accounting officer, the majority of respondents reported that all relevant municipal line managers had outsourced the job of monitoring expenditures to finance managers. It is commonly considered that monitoring expenditures is the finance department's responsibility or a small group of personnel. Therefore, it is the role of the accounting officer in the office of the city manager, Auditor General, and Compliance to monitor and prevent improper expenditures. The reluctance of some line managers to embrace full responsibility for financial management systems, even though they are responsible for managing the budgets of their respective departments, is part of a mentality that contributes to the out-of-control increase in irregular expenditure.

Although it is vital to include the responsibilities of managers to ensure the achievement of desired results, expenditure restrictions should be incorporated into the overall planning objectives. This should be enforced at a variety of municipal levels. As stewards of the institution's resources, the entire management is responsible for knowing financial management tools and managing the institution's funds. Instead of focusing solely on deliverables, they highlight the vital role that line managers play in ensuring improved asset management and increased governance. This further impedes the consolidation of the financial

management office, which frustrates line managers and places a single office responsible for an enormous invoice backlog. Consequently, processing invoices and authorizing orders becomes inefficient. This may be because if all line managers knew and accepted financial management as a responsibility, they would have been required to manage a greater volume of work.

4.14 Role of internal oversight and external structures such as the expenditure management committee, internal auditors, and the audit committee.

Findings indicate that the municipality lacks a committee for expenditure management. The MFMA (2003) stipulates that the accounting officer picks a qualified CFO capable of enhancing financial management systems. The report reveals that the municipality's expenditure management is the responsibility of the Office of the Chief Financial Officer. Considering the volume of unlawful spending identified during the previous five years, the examination revealed that the function of internal auditors has been negligible at best. According to the study, internal auditors have not been focused on the internal control system; as a result, the AGSA no longer relies on the information supplied by internal auditors. The report also highlighted the significance of external oversight institutions, namely the Standing Committee on Public Accounts (SCOPA) and the Standing Committee on Appropriations (SCoA).

These committees increased municipal compliance by keeping the incoming government on its toes. It was immediately evident that the municipality required a CFO with the necessary credentials, an independent audit committee with experience, and internal auditors equipped to provide effective financial and risk management systems and expenditure controls to combat the culture of irregular spending.

4.15 Consequence management against transgressors in the eThekweni Municipality

According to the report, officials who made or accepted irregular expenditures did not always face effective and appropriate disciplinary action. An overwhelming number of instances of non-compliance were uncovered during the investigation. A lack of internal controls, particularly in supply chain management, was also one of the primary causes, which meant that senior management carried responsibility. According to the study, policy-changing circulars were routinely disseminated without training the relevant people. These were implemented

based on the opinions of personnel. Additionally, the analysis revealed that the Finance Delegations were out of date.

4.16 Research findings

The study included eighty percent of top eThekweni Municipality officials. From the reactions to the empirical evidence, the following significant conclusions were drawn:

4.16.1 Familiarity with the Irregular Expenditure Concept

- Many municipal authorities, including the heads and deputy heads of several departments, were aware of inappropriate spending. According to the definition, irregular expenditure occurs when acceptable financial and procurement policies are disregarded or broken in some way.

4.16.2 Measures or steps taken by line/ division managers/ section managers to ensure the prevention of irregular expenditure.

- Many of the municipality's line managers, deputy managers, and senior managers agreed that the expenditure unit was accountable for the rules and procedures governing financial management.

4.16.3 Impact of Irregular Expenditure for the past five years in the eThekweni Municipality

- In the eThekweni Municipality, unauthorized expenditures caused both monetary and non-monetary harm. (i) The Municipality lost the public's faith and trust due to its persistent irregular expenditures. The media presented the Municipality as a municipality with irregular expenditures due to numerous complaints. In eThekweni Municipality, this caused serious non-monetary damage. (ii) Since irregular spending was not accurately recorded in prior fiscal years, about R2.3 billion in irregular spending was reported for the 2018-2019 fiscal year, even though it included spending from prior fiscal years.
- Even though fraud and corruption are not included in the definition of irregular expenditure, their effects on the municipality during the past five years have been conflated with irregular expenditure as if they were equivalent.

- Due to an inadequate report on irregular expenditures prevented the municipality from receiving an unqualified audit opinion, so the number of irregular expenditures in 2019 increased significantly.

4.16.4 Root causes of irregular Expenditure for the past five years

The underlying factors are listed as follows:

- Municipal Systems Act and Municipal Finance Management Act 56 of 2003 violations. Lack of employee training to enable the error-free application of policies and failure to update essential policies, including SCM and financial needs.
- Inadequacies or the absence of internal control and risk management systems continue to be a problem in the eThekweni Municipality. The Municipal Finance Management Act, No. 56 of 2003, mandates that accounting officials develop measures to prevent improper expenditures.
- Non-compliance with the MFMA, which accounted for the greatest sum of R2.3 billion during the 2018-2019 fiscal year, was also responsible for a substantial amount of irregular spending. Weak internal controls and other anti-irregular spending measures were to blame.
- Because the municipality's accrual system was not totally under control, transactions were not recorded until money was either paid or received.
- The inability to locate qualified candidates for Supply Chain Management, the Trading Services Cluster, and the Expenditure Unit, as well as the authority's lack of honesty.
- The absence of an independent audit committee to ensure effective internal control mechanisms and good governance and the shortage of employees in the Internal Auditor's office.
- The eThekweni Municipality continues to struggle with senior management's slow response and implementation of AGSA's findings and recommendations.
- Although there was a lack of consequence management and no action was taken against the officials who violated the Municipal Finance Management Act 56 of 2003's procurement regulations and prescripts, authorities were able to recover a portion of the irregular expenditure amounts.

- The Municipality experienced instability because of a high rate of worker turnover, especially at the highest levels of management. This hindered major efforts to strengthen governance and continuous development.

4.17 Key findings

- During the past five years in the Municipality, where all budget expenditures are still accounted for, the Trading Services Cluster has contributed more to overall irregular expenditures. This was due to inadequate internal controls, the absence of additional safeguards against inappropriate spending, and poor financial management.
- The incapacity of the Internal Auditor Office to ensure efficient internal control mechanisms, compliance with the Supply Chain Management Policy, and the lack of an independent audit committee.
- Persistent irregular expenditure patterns in a municipality have serious financial and non-financial repercussions. As a result of the R2.5 billion reported in the 2018–19 fiscal year, the general public's negative opinion and mistrust of the institution intensified.

4.18 Discussion of key findings

The study examines the high prevalence of irregular spending within the eThekweni Municipality. Senior officials from the eThekweni Municipality participated in the study. Principal research findings indicate that the persistence of erroneous spending within the eThekweni Municipality can be attributed to a few critical phenomena. These phenomena include the failure to appoint officials who are suitably qualified for the positions they will hold. In addition, they also fail to adhere to financial management guidelines and Supply Chain Management policies. According to the literature, as described in Chapter 2, any expenditure that is not made in accordance with established financial management standards is considered an irregular expenditure.

Consequences also include the absence of consequence management or disciplinary action against officials who disregarded or violated the Municipal Financial Management Act's procurement norms and standards. The MFMA defines the necessary actions to prohibit such conduct. Considering this, even the Auditor General (2019) expressed worry over the lack of

implementation of his findings and recommendations by the Executive. Among the problems was the instability generated by personnel turnover, especially at the executive level.

A clear recruiting and retention strategy, which would assure the recruitment and retention of sufficiently competent officials, was one solution presented by participants to address these difficulties. It was highlighted that the accounting officer must choose a Chief Financial Officer (CFO) who is adequately qualified to implement financial management systems and ensure that municipal budgets are utilized effectively, efficiently, and economically. In addition, the analysis revealed the necessity to establish inside the office of the Chief Financial Officer (CFO) a unit whose primary function would be to ensure compliance in finance and Supply Chain Management (SCM). To improve financial management systems, the CFO should be responsible for ensuring that the office has enough trained employees.

The study indicated that enough capacity must be maintained within the internal control unit and the independent audit committee. This will enable efficient, effective risk management and adequate internal control systems. Internal controls are vital for providing reasonable assurance, safeguarding assets from illegal use or disposal, maintaining accurate accounting records, and confirming the correctness of the Municipality's financial data. The importance of the risk management plan as part of the Municipality's internal control system for preventing potential financial losses is emphasized. To ensure the adoption of internal controls for effective financial management and increased governance, the municipality must create a fully functional Internal Audit Office and an independent Audit Committee.

Many line managers interviewed in the study identified good financial management as the key responsibility of the finance division. Consequently, line managers were not required to have competence in financial management. This event highlights the necessity for interventions to empower line managers in financial management for them to appreciate the need for solid governance and proper financial management in their companies.

According to the report, many line managers do not believe they should be held accountable for failing to control irregular expenditures in their districts. To achieve overall objectives, expense control is a critical component of the line manager's expenditure management responsibilities. This highlights the significance of including all municipal programs and line managers. In addition, it was suggested that line managers, who are responsible for the management, should understand financial management principles. Managers must manage and

control resources and take full responsibility for how these resources are utilized within their sectors.

Some participants highlighted that some policies, especially in the field of supply chain management, must be adjusted to accommodate the proposed enhancements. According to the conclusions of the study, for the Municipality to attain improved levels of performance and compliance, staff members must participate in ongoing training. This is part of staff development. Even while the MFMA mandates the development and implementation of measures to prevent irregular expenditures, it is crucial to recognize that improved budgeting and account reporting, as well as stronger procedures and internal controls of budget commitments, are the cornerstones of expenditure controls.

The literature emphasizes the need for effective internal and external reporting systems. It also emphasizes the core goals of spending control and accountability that accounting instruments for public organizations should accomplish. According to the literature, to prevent unauthorized expenditures, the accounting officer must always ensure that regulations and processes are followed. Further proving the effective, economic, and efficient use of municipal funds, this scenario is only achievable if suitable financial management systems can be guaranteed. In addition, robust internal controls, a risk management system with sufficient capacity, and the disciplined conduct of the authorities will always ensure effective governance.

4.19 Chapter Summary

The research methodology and study protocols are both broken down and addressed in this chapter. On the other hand, it also contains information on the responses to the various elements in the form of content analysis. This is to represent the perspectives of 80% of the population that was sampled. The findings cannot be considered definitive due to the nature of the EThekweni Municipality in KwaZulu-Natal and the findings themselves; rather, the results are based on the input received from the institutions that were sampled. By offering a summary of the most relevant findings and recommendations, the function of the discussion section is to close the gap that exists between empirical evidence and the previous research that has been conducted. In the ensuing and final chapters, an overview of the research is presented, along with recommendations for additional research.

CHAPTER FIVE (5)

SUMMARY, RECOMMENDATIONS, IMPLICATIONS AND CONCLUSION

5.1 INTRODUCTION

The previous chapter provided a description of the data processes and analyses for the study. Participants' responses were explored and analyzed using content and thematic analysis. The literature in the discussion section is congruent with the primary conclusions and recommendations since it supports the empirical findings. This chapter summarizes the previous chapters' observations, suggestions, and conclusions.

5.2 DEFINITION OF THE RESEARCH PROBLEM

The study problem was identified in Chapter One as being caused by irregular expenditures by the eThekweni Municipality that appear to violate numerous Municipal Financial Management Act provisions. A clearer understanding of the study's objectives was achieved by introducing the concept of irregular expenditures. Furthermore, a description of the public financial structure within the context of municipal government has been provided.

The following are some examples of research questions: According to Supply Chain Management (SCM) and the Municipal Financial Management Act (MFMA), what are eThekweni's irregular expenditures? What are the repercussions for breaking the Supply Chain Management and Municipal Financial Management Acts? Why has the municipality of eThekweni not implemented measures to reduce irregular expenditures? What steps have been taken to curb the rising amount of improper spending and corruption? This research has satisfactorily addressed these concerns, as indicated in Chapter 3's findings section. A qualitative research strategy is identified as the preferred approach. However, it was only applicable to eThekweni Municipality.

5.3 THEORETICAL ISSUES ON THE IMPACT OF IRREGULAR EXPENDITURE

An analysis of the financial context of municipalities is presented in Chapter 2, along with a literature review and discussion of local government policies. There have been numerous studies undertaken on the consequences of illegal spending and non-compliance, but none of them addressed the financial viability of eThekweni Municipality. Thus, the present study can examine this topic in greater depth. Senior officials were sampled using the judgmental

sampling technique. This group of individuals was selected as a sample because they actively contributed to the strategic management of eThekweni Municipality.

5.4 DISCUSSION OF RESEARCH APPROACH AS A QUALITATIVE SURVEY

This study used face-to-face interviews as its primary research method. Interviews were scheduled with a sample of senior eThekweni Municipality officials. Within one month, the sample response rate was 80 percent. The study's principal findings reveal that officials are aware of unlawful spending. Accordingly, violations of the Supply Chain Management rules and the Municipal Financial Management Act were among the reasons for irregular spending.

5.5 RECOMMENDATIONS

5.5.1 Recommendation One

Other recommendations include a full assessment of SCM reports for compliance before placing an order for goods and services. In addition, the development and implementation of a specific compliance checklist to authorize SCM procurements.

5.5.2 Recommendation Two

In addition, there would be a monthly evaluation of the procurement schedule at meetings of the Executive Management Team and other pertinent oversight bodies and management of the consequences of noncompliance.

5.5.3 Recommendation Three

The EThekweni Municipality should guarantee that the appropriate authorities, particularly those with competence in supply chain management, human capital management, and financial management, are selected to run the Municipality and should undergo regular training.

5.5.4 Recommendation Four

The EThekweni Municipality should also guarantee that all units are correctly created in accordance with the Municipal Financial Management Act. This study found that not following the stipulations of the Act was responsible for the significant number of irregular expenditures over the past five years.

5.5.5 Recommendation Five

The eThekweni Municipality ought to consider forming a committee to oversee expenses. This will enable the Municipality to monitor expenditures, keep an eye out for warning signs, and track its performance in preventing irregular spending. This will enable it to rapidly implement the required actions. The expenditure management committee will meet once a month to review the work of the financial management offices, such as the office of internal control and the expenditure unit. This is because their purpose is to ensure compliance with Municipality regulations. To build a culture of MFMA practice comprehension and skill sharing, this group should consist of managers from diverse municipal clusters and units.

5.5.6 Recommendation Six

A recommendation is made that section 36 of the Supply Chain Management Act be incorporated into the Municipal Finance Management Act 56 of 2003. In violation of this clause, management has deviated from approved procurement practices.

5.6 RESEARCH IMPLICATIONS

It is advisable that internal control systems of the municipality consider having clear channels of communication and make sure that feedback filter down to operational staff. When areas of concerns are identified by the internal controls, policy awareness sessions, workshops or training to be provided in line with mitigation. The internal control systems and compliance staff need to be equipped with knowledge and skills to better understand SCM process. The internal controls the standards state that compliance staff must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.

5.6.1 Control environment within the municipality

The findings of the study confirmed that management take irregular expenditures very seriously, but that there is a need to clear lines of dissemination of information and provide policy training to capacitate staff. When checklists are used as a form of a control, it is recommended that constantly, staff members are to be reminded of their importance and value in the process.

5.6.2 Implications for future study

Based on the findings of the study and the fact that these findings relate to the eThekweni Municipality and that other municipalities face similar challenges; the researcher recommends that similar study could be conducted in other departments.

The literature review revealed that little research on irregular expenditures in South African metropolitan municipalities has been done. There is a need for further research on this issue as it is currently one of the government's main concerns. This research study investigated the irregular expenditure, there is a need for research on the impact of irregular expenditures on service delivery. Currently most municipalities across the country are experiencing an increase in protests that are related to failure by municipalities to deliver services. This study has also revealed a gap in the procurement planning; it will be interesting to find out how poor procurement planning contributes to the increasing numbers of irregular expenditures.

5.7 CONCLUSION

This chapter summarizes the study's findings, as well as several recommendations designed to assist the eThekweni Municipality in addressing its challenges. The municipality may find these recommendations helpful in the future as it strives to prevent illegal spending. The research investigation identified the issue as a persistent rise in the amount of illegal spending in local government.

Face-to-face interviews were used to collect data as part of the qualitative research process. Even though the findings indicate that senior management comprehends the notion of irregular expenditures, the Municipality continues to struggle to identify the causes highlighted in the findings. This included a lack of suitably qualified staff in the Internal Audit unit and Finance Cluster, inadequate internal control systems, and a risk management strategy. Additionally, a few line managers assumed that the finance department was solely responsible for the expenditure unit. One of the key barriers was the absence of consequence management or disciplinary action against officials who broke the regulations.

This study recommends that all managers obtain the proper training to assume responsibilities in financial management. This is because they also oversee municipal budgets. Effective internal controls are required by the MFMA. It is prudent to hire competent personnel with expertise in local government finances. Additionally, it is necessary to activate the Internal Audit division and establish a separate Audit Committee. Like other performance goals, the

Municipality must publish a quarterly report on irregular expenditures and keep up-to-date irregular expenditures register. Therefore, the current situation in the municipality will undoubtedly improve. Future research has also been proposed in this area.

References

- Ababio, E. (2007). "Bloodhounds on municipal financial management: What goes awry?" Journal of Public Administration **42**(5): 3-14.
- Abedian, I. (2000). "Management Controls and Ethics in Public Finance Management." Journal of the Institute for Public Finance and Auditing.
- Shareef, M. A., (2022). "Stakeholders conflict and private–public partnership chain (PPPC): supply chain of perishable product." The International Journal of Logistics Management **33**(4): 1218-1245.
- Nørgaard, R. R. (2022). "Ethical Leadership Understandings in Public Professional Organisations." Scandinavian Journal of Public Administration **26**(3): 3-23.
- Akker, v. d. L. (2009). "Ethical leadership and trust: It's all about meeting expectations."
- Ambe, I. and J. Badenhorst-Weiss (2011). "An exploration of public sector supply chains with specific reference to the South African situation." Journal of Public Administration **46**(3): 1100-1115.
- Ambe, I. M. (2019). "The role of public procurement to socio-economic development." International Journal of Procurement Management **12**(6): 652-668.
- Asiedu, K. F. and E. W. Deffor (2017). "Fighting corruption by means of effective internal audit function: Evidence from the Ghanaian public sector." International Journal of Auditing **21**(1): 82-99.
- Asmah, A. E., et al. (2020). "Antecedents and consequences of staff related fraud in the Ghanaian banking industry." Journal of Financial crime.
- Auditor General (2018) Consolidated Report on the Local Government Audit Outcomes 2015/16. Pretoria. Available at: <http://www.agsa.co.za/Portals/0/MFMA2014-15> (accessed
- Auditor General South Africa (AGSA). 2016. *Consolidated General Report on the Local Government Audit Outcomes*. AGSA. <http://www.agsa.co.za>
- Auditor General South Africa (AGSA). 2016. Consolidated general report on national and
- Auditor General South Africa (AGSA). 2017. Consolidated general report on national and
- Auditor General South Africa (AGSA). 2019b. Audit act amendments aim to foster clean
- Auditor-General South Africa (AGSA). (2019). *Integrated Annual Report 2018-2019*.
- Auditor-General South Africa (AGSA). (2020). *Auditor-general releases municipal audit results under the theme - "not much to go around, yet not the right hands at the till" - Media Release*.

- Baird, K., (2012). "Performance management system effectiveness in Australian local government." Pacific Accounting Review.
- Basheka, B. and B. Mubangizi (2019). "Citizen-driven approaches in fighting corruption: a comparative analysis of Uganda's and South Africa's local government systems." Journal of Public Administration **47**(3): 636-655.
- Bass, B. M. and P. Steidlmeier (1999). "Ethics, character, and authentic transformational leadership behavior." The leadership quarterly **10**(2): 181-217.
- Biron, M., et al. (2011). "Performance management effectiveness: lessons from world-leading firms." The International Journal of Human Resource Management **22**(06): 1294-1311.
- Boateng, D. (2008). "Government service delivery lies in supply chain management, not centralised procurement." Smart Procurement.
- Brock, H. R., et al. (1998). Cost Accounting: Principles and Applications, McGraw-Hill/Irwin.
- Brown, M. E. and L. K. Treviño (2006). "Ethical leadership: A review and future directions." The leadership quarterly **17**(6): 595-616.
- Burgess, T. F. (2001). "Guide to the Design of Questionnaires." A general introduction to the design of questionnaires for survey research **30**(4): 411-432.
- Carcello, J. V., et al. (2005). "Changes in internal auditing during the time of the major US accounting scandals." International Journal of Auditing **9**(2): 117-127.
- Chapman, R. J. (2011). Simple tools and techniques for enterprise risk management, John Wiley & Sons.
- Chiumia, S. and A. Van Wyk (2015). "Has SA lost R700 billion to corruption since '94? Why the calculation is wrong." Africa Check **30**.
- Christopher, J. (2015). "Internal audit: Does it enhance governance in the Australian public university sector?" Educational Management Administration & Leadership **43**(6): 954-971.
- Cloete, J. J. N. (1998). South African public administration and management, Van Schaik Publishers.
- Cooperative Governance and Traditional Affairs (COGTA). 2009. *State of Local Government in South Africa - Overview Report National State of Local Government Assessments*. [Online]. <http://www.cogta.gov.za/index.php/2014-04-29-10-00-08/reports-1/general-reports-1/934-state-of-local-government-report-2009-1/file> [Accessed: 23 September 2022].

- Cooperative Governance and Traditional Affairs. 2009. *Overview report: national state of local government assessments*. Boksburg.
- Creswell, J. W. and M. Hirose (2019). "Mixed methods and survey research in family medicine and community health." Family medicine and community health **7**(2).
- Creswell, J. W. and J. Creswell (2003). Research design, Sage publications Thousand Oaks, CA.
- De Lange S. 2011. Irregular State Expenditure Jumps 62%. *Business Day* (accessed on 27 October 2022).
- De Lange S. 2011. Irregular State Expenditure Jumps 62%. *Business Day* (accessed on 20 October 2022).
- De Lange, D. (2013). "Irregular expenditure is harming the image and reputation of municipalities: irregular expenditure." IMFO: Official Journal of the Institute of Municipal Finance Officers **14**(1): 30-33.
- De Lange, D. (2014). "Disclosure of irregular expenditure-have we shot ourselves in the foot?" IMFO: Official Journal of the Institute of Municipal Finance Officers **15**(1): 20-21.
- De Lange, D. 2011. State blows R26, 4bn in spree of waste. *Pretoria News*. 20 October.
- Deliwe, M. C. (2019). "The potential impact of the Public Audit Amendment Act of 2018, on the effectiveness of the Auditor-General South Africa." Southern African Journal of Accountability and Auditing Research **21**(1): 47-57.
- Deloitte & Touche (2013). *Municipal Clean Audit Efficiency Series: Effective Cash Management*.
- Deloitte. 2012. *Municipal Clean Audit Efficiency Series – Leadership Ownership*. [Online].
Dissertation, University of Johannesburg.
- Diwekar, U. M. and J. R. Kalagnanam (1997). "Efficient sampling technique for optimization under uncertainty." AIChE Journal **43**(2): 440-447.
- Draai, E. and O. Oshoniyi (2013). "Scarce and critical skills for local government: assessing the Nelson Mandela Bay Metropolitan Municipality." Journal of Public Administration **48**(si-1): 867-882.
- Duncan, J. B., et al. (1999). "Internal control systems in US churches: An examination of the effects of church size and denomination on systems of internal control." Accounting, Auditing & Accountability Journal.
- Dubihlela, J., & Sandada, M. (2014). Impact of Strategic Planning on Small and Medium-Sized Enterprises' (SMEs) Performance: The Role of Employee Participation, Implementation

Incentives and Evaluation and Control. *Journal of Economics*, 5(1), 45–55. <https://doi.org/10.1080/09765239.2014.11884983>

Ensor, J., et al. (2011). "Eliciting the dynamics of leading a sustainable event: Key informant responses." *Event Management* 15(4): 315-327.

Fatile, J. O. (2013). "Ethics and performance in the Nigerian public sector." *International Journal of Advanced Research in Management and Social Sciences* 2(10): 132-151.

Fawcett, S. E., et al. (2007). *Supply chain management: From vision to implementation*, Pearson Prentice Hall Upper Saddle River, NJ.

Ferry, L., et al. (2015). "Accountability and transparency in English local government: moving from 'matching parts' to 'awkward couple'?" *Financial Accountability & Management* 31(3): 345-361.

Fischer, C. T. (2010). "Qualitative research methods." *The Corsini Encyclopedia of Psychology*: 1-2.

Fourie, D. (2007). "Financial control measures enhancing good governance." *Journal of Public Administration* 42(7): 733-743.

Fourie, M.-L., et al. (2015). *Municipal finance and accounting*, Van Schaik Publishers.

Ganji Jamehshooran, B., et al. (2015). "Assessing supply chain performance through applying the SCOR model." *International Journal of Supply Chain Management* 4(1).

Gitman, L. J., et al. (2015). *Principles of managerial finance*, Pearson Higher Education AU.

Glenister v President of the Republic of South Africa and Others. RSA Constitutional Court. 2011. <http://www.saflii.org/za/cases/ZACC/2011/6.pdf> (accessed 17 September 2022)

Godfrey, A.-M. (2018). "Hong Kong Securities and Futures Commission (SFC) highlights operating, control and compliance deficiencies in asset management industry." *Journal of Investment Compliance*.

Gordhan, P. 2012. Budget Speech. RSA: Pretoria <http://www.treasury.gov.za>. (accessed 28 September 2012).

governance in the public sector.

Gumede, W. (2011). "Tackling corruption." *The Journal of the Helen Suzman Foundation* 60: 15-23.

- Handfield, R. B., et al. (2011). Sourcing and supply chain management, South-Western Cengage Learning Boston, MA.
- Hanks, J., et al. (2008). "Sustainable public procurement in South Africa." Sustainable Development.
<http://deloitteblog.co.za/www102.cpt1.host-h.net/wp-content/uploads/2012/12/Municipal-Clean-Audit-Efficiency-Series-Leadership-Ownership.pdf> [Accessed: 13 June 2022].
<http://www.agsa.co.za/Reporting/PFMAReports/PFMA2015-2016.aspx> Date of access: 27 March.
<https://www.agsa.co.za/Portals/0/AuditPerspectiveAGApril2019.pdf> Date of access: 18 March.
<https://www.agsa.co.za/Reporting/PFMAReports/PFMA2016-2017.aspx> Date of access: 27
<https://www.theirm.org/knowledge-and-resources/risk-management-standards> Date
- Huang, S. Y., et al. (2017). "Fraud detection using fraud triangle risk factors." Information Systems Frontiers **19**(6): 1343-1356.
- Index, C. P. (2016). "Transparency International [Electronic resource]." Access mode: https://www.transparency.org/news/feature/corruption_perceptions_index_2016.
- Institute of Risk Management (IRM) . 2002. A risk management standard.
- Intaher, M. A. and A. B.-W. Johanna (2012). "Supply chain management challenges in the South African public sector." African Journal of Business Management **6**(44): 11003-11014.
- Iossa, E. and S. Saussier (2018). "Public private partnerships in Europe for building and managing public infrastructures: an economic perspective." Annals of Public and Cooperative Economics **89**(1): 25-48.
- Jacobs, N. P. (2019). Local government revenue enhancement: a case study of Umsobomvu Local Municipality, Stellenbosch: Stellenbosch University.
- Jeppesen R. 2010. *Accountability in public procurement — transparency and the role of civil society*. United Nations Procurement Capacity Development Centre. [Online]. Available at www.unpcdc.org (accessed on 27 June 2022).
- Jeppesen, R. (2010). "Accountability in public procurement: Transparency and the role of civil society." United Nations Procurement Capacity Development Centre: 235-304.
- Kakumba, U. and D. J. Fourie (2008). "Enhancing local government systems and processes towards accountability: the case for external control agencies in Uganda." Journal of Public Administration **43**(si-1): 121-135.

- Kanyane, M. (2006). "Municipal skills challenges for accelerated service delivery in South Africa." Journal of Public Administration **41**(3): 112-118.
- Keel, H. G. B. (1996). "Data interpretation and quality control." Immunoassay. Academic Press, San Diego, California: 51-95.
- Kgatle, M. S. (2018). "The role of the church in the# FeesMustFall movement in South Africa: Practical Theological reflection." HTS: Theological Studies **74**(1): 1-8.
- Khanyile, M. W. (2016). Evaluation of financial accountability, financial control and financial reporting at Umtshezi Municipality: a case study.
- Kielhofner, G. and W. J. Coster (2006). "Developing and evaluating quantitative data collection instruments." Philadelphia: FA Davis.
- Klitgaard, R. (1998). "International cooperation against corruption." Finance & Development **35**(001).
- Koma, S. B. (2010). "The state of local government in South Africa: Issues, trends and options." Journal of Public Administration **45**(si-1): 111-120.
- Kroukamp, H. (2011). "Efficient and responsive public services: Are departments of public administration and management at universities playing their rightful role." Administratio Publica **19**(3): 20-32.
- Lanen, W., et al. (2013). Fundamentals of cost accounting, McGraw-Hill Education.
- Langseth, P. (2016). Measuring corruption. Measuring corruption, Routledge: 23-60.
- Laubscher, L. (2012). "Challenges on financial control and accountability in South African municipalities." Journal for New Generation Sciences **10**(1): 63-79.
- Laubscher, L. and F. Van Straaten (2009). "Teoretiese verklaring van finansiële beheer en verantwoording by munisipaliteite in die Republiek van Suid-Afrika."
- Leitch, M. (2003). "Risk management and beyond budgeting." Internal Controls Design.
- Lopez-Acevedo, G. C., et al. (2010). "Challenges in monitoring and evaluation: an opportunity to institutionalize M&E systems."
- Lundu, B. L. and N. Shale (2015). "Effect of integrated financial management information system (IFMIS) implementation on supply chain management performance in the devolved

- government systems in Kenya: A case of Nairobi city county government." International Academic Journal of Procurement and Supply Chain Management **1**(5): 1-26.
- Luyt, D. (2008). Media and advocacy head of the public service accountability monitor (PSAM), at the monitor (PSAM). United Nations Social Forum on.
- MacCarthaigh, M. (2008). "Public service values."
- Mafunisa, M. (2000). "Corrupt cities: a practical guide to cure and prevention." Journal of Public Administration **35**(4): 331-332.
- Mahlaba, P. (2004). "Fraud and corruption in the public sector: An audit perspective." Service Delivery Review **3**(2): 84-87.
- Mahlati, Z. (2020). "Former SAA Technical's procurement head to resume testimony at the Zondo commission." African News Agency.
- Makwetu, T. K. (2009 - 2015). " Auditor-general reports ".
- Mansor, N. and R. Abdullahi (2015). "Fraud triangle theory and fraud diamond theory. Understanding the convergent and divergent for future research." International Journal of Academic Research in Accounting, Finance and Management Science **1**(4): 38-45.
- Mantzaris, E. (2014). "Public procurement, tendering and corruption: Realities, challenges and tangible solutions."
- Mantzaris, E. (2017). "Trends, realities and corruption in supply chain management: South Africa and India." African Journal of Public Affairs **9**(8): 121-134.
- Manzini, P., et al. (2019). "Improvement of infrastructure delivery through effective supply chain management at north west provincial department of public works and roads." Journal of Public Administration **54**(1): 117-129.
- Matlala, L. S. (2018). *Challenges of Financial Control and Accountability in South African Municipalities*. M.A.
- Mathee, C. A. (2005). The potential of internal audit to enhance public supply chain management outcomes, Stellenbosch: University of Stellenbosch.
- Mazibuko, G. and D. J. Fourie (2017). "Manifestation of unethical procurement practices in the South African public sector." African Journal of Public Affairs **9**(9): 106-117.
- McCarthy, N. (2006). "Report of the Auditor-General." Free State, Bloemfontein **30**: 1-7.

- McCarthy, N.G. 2006. Report of the Auditor-General, Free State, Bloemfontein, 30 June:1—7.
- Mchopa, A. (2015). "Integrating contract management practices into the achievement of value for money in tanzania public procurement: Evidence from selected procuring entities in moshi municipality." Journal of public procurement.
- Migiro, S. and I. Ambe (2008). "Evaluation of the implementation of public sector supply chain management and challenges: A case study of the central district municipality, North west province, South Africa." African Journal of Business Management 2(12): 230.
- Miloane, T. (2021). The role of Supply Chain Management in South African public entities' influence on taxation expenditure and revenue, North-West University (South Africa).
- Moloi, T. (2018). "Analysing the human capital capabilities in the enterprise risk management function of South Africa's public institutions." Business and Economic Horizons 14(2): 375-388.
- Moloto, K. and M. Lethoko (2018). Municipal Financial Viability and Sustainability in South Africa: A Case of Molemole Local Municipality, Limpopo Province, South Africa, International Conference on Public Administration and Development
- Motubatse, K. N. (2014). "Perceived role of internal auditing in fraud prevention and detection in South African public sector national departments."
- Motubatse, K. N. (2016). An evaluation of factors affecting the progression to clean audit outcomes in South African municipalities.
- Municipal Demarcation Board. 2012. *State Municipal Capacity Assessment 2010/2011 National Trends in Municipal Capacity*. [Online]. http://led.co.za/sites/default/files/cabinet/orgname-raw/document/2012/state_of_municipal_capacity_assessment_2010_11_national_trends_report.pdf [Accessed: 23 September 2022].
- Munzhedzi, P. H. (2016). "South African public sector procurement and corruption: Inseparable twins?" Journal of Transport and Supply Chain Management 10(1): 1-8.
- Naidoo, G. (2011). "Adopting an appropriate leadership approach to improve Public Service Delivery in South Africa."
- Naidoo, M., et al. (2019). Insights on Doctoral Research, Graduate School of Business and Leadership, University of KwaZulu-Natal.
- Naidoo, V. and R. Verma (2019). Green marketing as a positive driver toward business sustainability, IGI Global.

- National Treasury. 2005. *Supply chain management: A guide for accounting officers and municipal entities*. Republic of South Africa.
- National Treasury. 2007. *Framework for Managing Programme Performance Information*. [Online]. <http://www.treasury.gov.za/publications/guidelines/FMPI.pdf> [Accessed: 25 July 2022].
- National Treasury. 2012. *The state of local government finances and financial management as at 30 June 2012*. [Online]. http://mfma.treasury.gov.za/Media_Releases/The%20state%20of%20local%20government%20finances/Documents/00.%20State%20of%20LG%20finance%20Report%20combined%20-%202011-12%20-%2025%20Oct%202012_website.pdf [Accessed: 23 September 2022].
- Nengwekhulu, R. (2009). "Public service delivery challenges facing the South African public service." *Journal of Public Administration* **44**(2): 341-363.
- Neubert, M. J., et al. (2009). "The virtuous influence of ethical leadership behavior: Evidence from the field." *Journal of business ethics* **90**(2): 157-170.
- Neubert, M. J., et al. (2009). "The virtuous influence of ethical leadership behavior: Evidence from the field." *Journal of business ethics* **90**(2): 157-170.
- Ntonzima, L. (2011). "Public financial controls: can South African municipalities improve?" *Journal of Public Administration* **46**(3): 1010-1022.
- Nyide, C. J. (2018). "The role of financial management information in strategic decision-making in municipalities: evidence from KwaZulu-Natal, South Africa." *International Journal of Applied Business and Economic Research*. Oct. 2019.
- OECD (Organisation for Economic Co-operation and Development) (2016) *Preventing Corruption in Public Procurement*. Paris: OECD.
- OECD (Organisation for Economic Co-operation and Development) (2016) *Preventing Corruption in Public Procurement*. Paris: OECD.
- of access: 20th December 2022.
- Oluka, P. N. and B. C. Basheka (2014). "Determinants and constraints to effective procurement contract management in Uganda: A practitioner's perspective." *International journal of logistics systems and management* **17**(1): 104-124.
- Omar, M., et al. (2016). "The causes, impact and prevention of employee fraud: A case study of an automotive company." *Journal of Financial crime*.

- Opie, C. (2019). "Research procedures." Getting Started in Your Educational Research: Design, Data Production and Analysis: 159.
- Otley, D. T. (1987). Accounting control and organizational behaviour, Heinemann London.
- Otto, P.M., Dubihlela, J. & Benedict, O.H. 2020. Employee Usage of Mobile Devices Within South African Municipalities, Implications on Policy and Employee Training. International Journal of Interactive Mobile Technologies, (iJIM) 14(20):23, DOI: 10.3991/ijim.v14i20.15747
- Patterson, E. R. and J. R. Smith (2007). "The effects of Sarbanes-Oxley on auditing and internal control strength." The Accounting Review: 427-455.
- Pauw, C., et al. (2009). Managing Public Money: Systems from the South, Sandton, South Africa: Heinemann Publishers.
- Pauw, J. (2011). "Public procurement and supply chain management. Study guide program in public procurement and supply management." Pretoria, South Africa: Centre for Business Management, University of South Africa.
- Pauw, J.C. 2011 Public procurement and supply chain management. Study Guide, programme in Public Procurement and Supply Management. Pretoria, South Africa: Centre for Business Management, University of South Africa.
- Pauw, J.C. 2011 Public procurement and supply chain management. Study Guide, programme in Public Procurement and Supply Management. Pretoria, South Africa: Centre for Business Management, University of South Africa.
- Pillay, S. (2004). "Corruption—the challenge to good governance: a South African perspective." International Journal of Public Sector Management.
- Public Service Commission (PSC). 2011. *Report on the Assessment of Recruitment and Selection Practices in respect of Section 57 Managers and Municipal Managers*. [Online]. http://www.psc.gov.za/documents/2011/Reporton_Recruitment_and_Selection_TO_PRINT.pdf [Accessed: 22 September 2022].
- Public Service Commission (PSC). 2011. *Report on the Assessment of Recruitment and Selection Practices in respect of Section 57 Managers and Municipal Managers*. [Online]. http://www.psc.gov.za/documents/2011/Reporton_Recruitment_and_Selection_TO_PRINT.pdf [Accessed: 22 September 2022].
- Public Service Commission. 2011. *Profiling and analysis of the most common manifestations of corruption and its related risks in the Public Service report*. Pretoria: Government Printer.

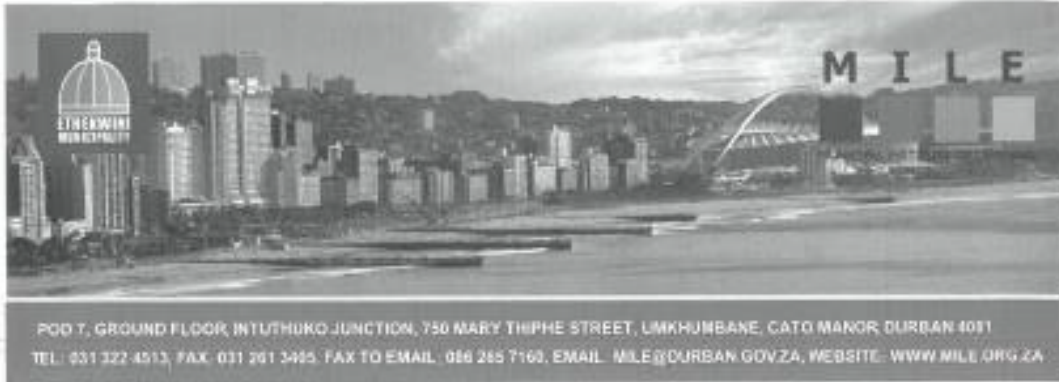
- Rajin, R. G. D. (2017). A model for the prevention of corruption and corruption-related offences at Gauteng police stations.
- Robbins, S. and T. Judge (2013). *Research in Organizational Behavior*.(15 utg), New Jersey: Prentice Hall.
- Robbins, S. P. (2008). *The Truth about Managing People*. Upper Sadle River, New Jersey: Pearson Education, Inc.
- Sakurai, M. and D. P. Scarbrough (1997). Japanese cost management, Thomson Crisp Learning.
- Sapsford, R. and V. Jupp (1996). Data collection and analysis, Sage.
- Schuchter, A. and M. Levi (2016). "The fraud triangle revisited." Security Journal **29**(2): 107-121.
- Seemela, P. and X. Mkhonto (2007). "Fundamentals for good governance in the public sector." Journal of Public Administration **42**(5): 200-211.
- Seers, K. (2012). "Qualitative data analysis." Evidence-based nursing **15**(1): 2-2.
- Seitheisho, J. (2019). Assessment of factors that relate to qualified audit reports in the two municipalities, North-West University.
- Sheoraj, R. (2007). "The state of skills readiness in the South Africa public service: an overview of provincial and local government." Master's thesis, University of Pretoria, South Africa.
- Sindane, A. (2007). "Sustaining good governance: is ethics and anti-corruption initiatives and agencies the answer?" Journal of Public Administration **42**(5): 121-221.
- Sing, D. (2012). "Human resource challenges confronting the senior management service of the South African public service." Public Personnel Management **41**(2): 379-388.
- Siswana, B. (2007). "Governance and public finance: a South African perspective." Journal of Public Administration **42**(5): 222-234.
- Smit, P. and G. d. Cronje (1992). "Management principles: a contemporary South African edition." Kenwyn: Juta.
- Soudry, O. (2007). "A principal-agent analysis of accountability in public procurement." Advancing public procurement: Practices, innovation and knowledge-sharing: 432-451.
- South African Local Government Association (SALGA). (2020). *Revised strategic plan 2017-2022/ annual performance plan 2020-2021*.

- Stanleigh, M. (2016). "Risk management... the what, why, and how." Business Improvement Architects.
- Stemele, B. M. (2009). Assessing good governance in procurement at the Lejweleputswa District Municipality, Stellenbosch: University of Stellenbosch.
- Tanzi, V. (1999). "Governance, corruption, and public finance: An overview." 1999). Governance, Corruption and Financial Management. Asian Development Bank.
- Thomas, G. and J. Mitchell (2017). "The Future Of Risk Management Ten Years After The Crisis." online]<http://www.oliverwyman.com/content/dam/oliverwyman/v2/publications/2017/sep/OW-Future-of-Risk-2017.pdf>,(12.05. 2019).
- Thornhill, C. and J. J. N. Cloete (2014). South African municipal government and administration, Van Schaik Academic Publishers.
- Tiwana, M. 2011. Why South Africa must not enact the Secrecy Bill. <https://www.civicus.org/news-and-resources/502-why-south-africa-must-not-enact-the-secrecy-bill> (accessed 17 September 2022).
- Treasury, N. (2003). Municipal Finance Management Act, No. 56 of 2003. N. Treasury. Pretoria, Government Printers.
- Treasury, N. (2018). national treasury, Pretoria.
- Tsheletsane, I. and D. J. Fourie (2014). "Factors hindering public financial management and accountability in South Africa."
- Van Aswegen, A. S. and A. S. Engelbrecht (2009). "The relationship between transformational leadership, integrity and an ethical climate in organizations." SA Journal of Human Resource Management 7(1): 1-9.
- Van Baalen, S., et al. (2015). "Capacity self-assessment as a catalyst for improved municipal service delivery." Journal of the South African Institution of Civil Engineering 57(1): 2-15.
- Van der Waldt, G. (2014). "Implementation challenges facing performance management systems in South African municipalities: selected cases."
- Van der Waldt, G. (2016). "Towards an e-governance competency framework for public service managers: The South African experiment."

- Van der Waldd, G. and D. Du Toit (1999). Managing for excellence in the public sector, Juta and Company Ltd.
- Van Zyl, D. C. (2006). Strategic supply-chain management by Matatiele Municipality, Stellenbosch: University of Stellenbosch.
- Visser, C. B. and P. W. Erasmus (2002). The management of public finance: a practical guide, Oxford University Press.
- Watch, C. (2018). "Corruption and the law in South Africa." Corruption Watch.
- Watermeyer, R. B. (2012). "A framework for developing construction procurement strategy." Proceedings of the Institution of Civil Engineers-Management, Procurement and Law 165(4): 223-237.
- Weyers, M. (2017). An application of the supply chain operations reference model for the service supply chain for standardised back office services, Stellenbosch: Stellenbosch University.
- Wild, L., et al. (2012). "Common constraints and incentive problems in service delivery." Overseas Development Institute, London.
- Williams, T. (2018). Role of management, corporate governance, and Sarbanes-Oxley in fraud: A focus on the precious metals industry. Sustainability and Social Responsibility: Regulation and Reporting, Springer: 391-409.
- Willig, C. (2014). "Interpretation and analysis." The SAGE handbook of qualitative data analysis 481.
- Zakaria, K. M., et al. (2016). "Internal controls and fraud—empirical evidence from oil and gas company." Journal of Financial crime.
- Zhang, Y., et al. (2018). "Effects of risks on the performance of business process outsourcing projects: The moderating roles of knowledge management capabilities." International journal of project management 36(4): 627-639.
- Zhou, G. (2012). "Fiscal management in Zimbabwe." International Journal of Economics and Business Modeling 3(1): 152.
- Akker, v. d. L., et al. (2009). "Ethical leadership and trust: It's all about meeting expectations."
- Brunette, R., et al. (2019). "Reform in the contract state: Embedded directions in public procurement regulation in South Africa." Development Southern Africa 36(4): 537-554.

- Ensor, J., et al. (2011). "Eliciting the dynamics of leading a sustainable event: Key informant responses." Event Management **15**(4): 315-327.
- Fourie, D. (2018). "Ethics in municipal supply chain management in South Africa." Local Economy **33**(7): 726-739.
- Fourie, M.-L., et al. (2015). Municipal finance and accounting, Van Schaik Publishers.
- Mahlati, Z. (2020). "Former SAA Technical's procurement head to resume testimony at the Zondo commission." African News Agency.
- Naidoo, V. and R. Verma (2019). Green marketing as a positive driver toward business sustainability, IGI Global.
- Neubert, M. J., et al. (2009). "The virtuous influence of ethical leadership behavior: Evidence from the field." Journal of business ethics **90**(2): 157-170.
- Watch, C. (2018). "Corruption and the law in South Africa." Corruption Watch.
- Watermeyer, R. B. (2012). "A framework for developing construction procurement strategy." Proceedings of the Institution of Civil Engineers-Management, Procurement and Law **165**(4): 223-237.

APPENDIX A



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

23 May 2022

RE: LETTER OF SUPPORT TO B.A. MDLULI, STUDENT NUMBER 220029990 - GRANTING PERMISSION TO USE ETHEKWINI MUNICIPALITY AS A STUDY SITE

I am pleased to inform you that the Supply Chain Management Unit and Municipal Institute of Learning (MILE) in eThekweni Municipality recently recently considered a gatekeeper request from Brian Ayanda Mduli to use eThekweni Municipality as a research study site leading towards a Master of Business Administration degree. The request is to collect data for a research study entitled "The Impact of Irregular expenditure and non-compliance on the financial sustainability of the eThekweni Municipality."

We wish to inform you of the acceptance of this request and hereby assure the student of our utmost cooperation towards achieving his academic goals; the outcome which we believe will help eThekweni municipality improve its services. The student is reminded of the data collection conditions, ethical considerations as well as the current health related regulations when conducting the research. The student is expected to contact Dr Collin Pillay to share the findings and recommendations with the beneficiary unit on completion of his research.

Wishing the student all the best in his studies.

Supported

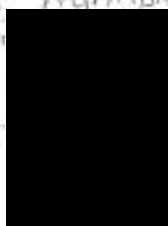
Mr. Andre Petersen
Head: Supply Chain Management Unit
eThekweni Municipality



Dr. Collin Pillay
Program Manager: MILE
eThekweni Municipality

I, BRIAN AYANDA MDULI hereby accept as mandatory that I will comply fully as per the conditions

Signed:



Date:

23/05/2022

APPENDIX B

TITLE: The impact of irregular expenditure and non-compliance on the financial sustainability of the eThekweni Municipality

- Please tick the appropriate blocks with an X.
- Write comments eligibly with block letters, where necessary.
- Please use a black pen to complete this questionnaire.

The aim of the study is:

- assess the impact of irregular expenditure in the eThekweni Municipality; and
- To assess expenditure control measures in the eThekweni Municipality.

Section A:

Bibliographical information:

1) Gender

M	
F	

2) Age

35 - 40 years	
41 - 45 years	
46 - 50 years	
51 - 55 years	
56 - and more	

3) Marital status

Never married	
Married	
Divorced	
Widowed	

4) Race group

Black	
White	
Indian	
coloured	
Other (specify):	

5) Highest educational qualifications

PHD	
Masters	
Honours	

Postgraduate diploma	
Degree	
Diploma	
Certificate	

6) Years of working experience

Between 5 – 10 years	
Between 10 – 14 years	
Between 15 – 20 years	
Between 21 – 25 years	
Between 25 – 30 years	
More than 30 years	

Section B: Kindly answer the following questions briefly.

1. Are you familiar with the concept of irregular expenditure, and how do you define it in your... organization?

.....
.....
.....

2. What has been the impact of irregular expenditure in the national eThekweni Municipality since (2016/17 – 2018/19)? Please explain.

.....
.....
.....

3. What has been the main root cause of irregular expenditure in the eThekweni Municipality from (2016/17 – 2018/19)? Financial year? Please...explain.

.....
.....
.....

4. (a) How much the eThekweni Municipality has identified irregular expenditure through its systems before the AGSA audit process? (b) What is the amount of irregular expenditure that has been identified by AGSA during audits for the past five years?

.....
.....
.....

5. What has been the role of the internal auditors and the Audit Committee of the eThekweni Municipality to ensure stronger internal control systems to prevent irregular expenditure for the past five years?

.....
.....
.....

6. How much of the irregular expenditure has passed the condoning test in the past five years in the Metro?

.....
.....
.....

7. Are line managers taking any specific, concrete steps to detect and prevent Irregular Expenditure in their respective units/sections, as required by section 172 (1 to 3) of the Act?. Please explain.

.....
.....
.....
.....
.....

8. Do line managers monitor expenditure and provide monthly expenditure reports with red flags/ early warnings of irregular expenditure?

.....
.....
.....
.....
.....

9. Is there an Audit Committee that regularly monitors the Metro's expenditure? Please elaborate on the role and powers of the Committee.

.....
.....
.....
.....

10. What has been the role of the external oversight structure to ensure that the Metro improves the level of compliance with MFMA to prevent irregular expenditure? Please explain.

.....
.....
.....

11. What have been the consequences for those Municipal officials who have not been able to comply (transgressors) with MFMA for the past five years? Please explain.

.....
.....
.....
.....

12. Does the organizational culture recognize and reward expenditure controls, efficiency, cost-effectiveness, and compliance? Please explain.

.....
.....
.....
.....

13. What concrete measures/mechanisms have been established by the Municipality to improve levels of compliance with the MFMA, as well as Provisional and Treasury Regulations? Please explain.

.....
.....
.....
.....
.....

14. Are there targets to measure the effectiveness of expenditure control systems to prevent irregular expenditure? Please explain.

.....
.....
.....
.....
.....

15. What constraints has the Municipality experienced in implementing MFMA? Please explain.

.....
.....
.....
.....
.....

16. Is there a need to amend MFMA to ensure effective and efficient implementation or full compliance? Kindly provide a recommendation to ensure improved compliance and effective implementation.

.....
.....
.....
.....

APPENDIX C

Dissertation

ORIGINALITY REPORT

6 %	0 %	0 %	6 %
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to University of KwaZulu-Natal Student Paper	4 %
2	Submitted to Mangosuthu University of Technology Student Paper	1 %
3	Submitted to Walter Sisulu University Student Paper	<1 %
4	Submitted to North West University Student Paper	<1 %
5	Submitted to University of Witwatersrand Student Paper	<1 %
6	Submitted to Asia Pacific University College of Technology and Innovation (UCTI) Student Paper	<1 %
7	Submitted to Ghana Intitute of management and Public Administration Student Paper	<1 %
8	Submitted to University of Zululand Student Paper	<1 %

APPENDIX D



RESEARCH GATEWAY

21 Vlottenberg Street
Pretoria, Gauteng
South Africa
0184

9 February 2023

To whom it may concern

Re: Proofreading and editing of dissertation

I, O.J. Alabi of Research Gateway, hereby confirm the proofreading and editing of the dissertation "The impact of irregular expenditure and non-compliance on the financial sustainability of the eThekweni Municipality" by B.A. Mdluli in January 2023.

Comments were made about grammatical anomalies in MS Word Track Changes and review mode by the insertion of comment balloons prior to returning the document to the author. Corrections were made in respect of grammar, punctuation, spelling, syntax, tense, and language usage as well as sense and flow. Reference guidelines and additional comments were provided to assist with corrections.

Please contact me at 073 569 8203 or at damilarealabi40@yahoo.com regarding any queries that may arise.

Kind regards,



Dr. Oluwatobi Alabi



(Only complete this section if applicable)

ACKNOWLEDGEMENT: BREACH OF ETHICAL PROCESSES AT UKZN

I, the undersigned,

Supervisor name : Pelsor, Theunis Gert
School : Grad School Of Bus & Leadership
Staff / student number : 50604

acting as supervisor in the above stated project, do hereby acknowledge that:

1. The University of KwaZulu-Natal's (hereinafter "UKZN") Research Ethics Policy (V) does not make provision for Retrospective Ethics Approval;
2. All researchers (both students and staff) at UKZN are obliged to be familiar with this policy;
3. I have been informed that research cannot be done without prospective full ethical clearance as per the policy and guidelines of the University;
4. I have failed to verify whether the Applicant obtained Final Ethical Clearance in accordance with the UKZN Research Ethics Policy (V) for the above stated Project;
5. The appropriate disciplinary processes will follow, should this occur again.

I further acknowledge that should there be any legal implications/actions emanating from research in terms of ethical violations, I will be personally liable, jointly and severally with the Applicant, for any legal action that may arise from my failure to verify whether the Applicant obtained Final Ethical Clearance in accordance with the University of KwaZulu-Natal's Research Ethics Policy (V).

Signed at Westville on the 21 day of Feb

Signature of supervisor (where applicable): _____

Signed at _____ on the _____ day of _____ 2023

Signature of Chair (HSSREC): For Chair _____ Date: 22 February 2022

Cc: College Dean of Research:
Cc: Academic Leader Research: Dubhela, Jobo
Cc: School Administrator: Mojapelo, Zikhona Tankiso