

**PROVINCIAL SUPPORT FOR MUNICIPAL FINANCIAL MANAGEMENT IN THE
LIMPOPO PROVINCE**

by

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Declaration

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I declare that the above thesis is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of a complete reference.

I further declare that I submitted the thesis to originality checking software and that it falls within the accepted requirements for originality.

I further declare that I have not previously submitted this work, or part of it, for examination at Unisa for another qualification or at any other higher education institution.

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Date 06/04/2022

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Abstract

This study is investigating the relationship between the Limpopo Provincial Treasury (LPT) and municipalities in the Limpopo Province of South Africa. The nature of the relationship is referred to as municipal financial intergovernmental relations. Municipal financial intergovernmental relations are in the main provincial-local relations. The key actors in municipal financial relations are the provincial treasuries and municipalities.

Municipal financial intergovernmental relations were and continue to be mired by controversy. Non-compliance with legislation and underperformance characterised municipal financial management. The Auditor-General South Africa (AGSA) and National Treasury (NT) decried the state of municipal financial management. This scenario was applicable to municipalities in Limpopo Province, hence the study adopted the following problem statement: *Are provincial governments in South Africa fulfilling their mandate to assist municipalities to maintain sound financial management?*

The purpose of this study was to determine whether the LPT fulfilled its mandate to assist municipalities to maintain sound financial management. The main research objectives of the study are: 'to explore structural functionalism as a theoretical lens for this study' and 'to examine the policy framework for municipal financial intergovernmental relations. This is a retrospective longitudinal study conducted in the Limpopo Province of South Africa. The LPT was selected using purposive sampling as the unit of analysis. Monitoring and support were identified as the units of observation. The data were collected from public records and journal articles. Narrative texts and tables were used to present the data. Documentary analysis was used to appraise and analyse the collected data. The main findings for this study are that the LPT was monitoring and supporting municipal financial management. In addition, the study found that evaluation existed only in name. Despite these findings, non-compliance and underperformance were incessant. This study concluded that the LPT fulfilled its mandate to assist municipalities to maintain sound financial management.

Keywords

Provincial – local relations; municipal financial intergovernmental relations; municipal financial management; public finance; intergovernmental relations; documentary analysis; structural functionalism

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Acronyms

AGSA	Auditor-General of South Africa
AIC	African Independent Congress
ANC	African National Congress
APP	Annual performance plan
APR	Annual performance report
CC	Constitutional Court
COGHSTA	Department of Cooperative Governance, Human Settlements and Traditional Affairs
Cogta	Department of Cooperative Government and Traditional Affairs
DA	Democratic Alliance
DHET	Department of Higher Education and Training
DM	District Municipality
DORA	Division of Revenue Act
DPLG	Department of Provincial and Local Government
ECTA	Electronic Communication and Transaction Act, 25 of 2002
FFC	Financial and Fiscal Commission
IDP	Integrated Development Plan
IFP	Inkatha Freedom Party
IFRA	Intergovernmental Fiscal Relations Act, 97 of 1997
IGR	Intergovernmental relations
IGRA	Intergovernmental Relations Framework Act, 13 of 2005
IYM	In-year Monitoring
LM	Local Municipality
LPT	Limpopo Provincial Treasury
MEC	Member of Executive Council

MFMA	Local Government: Municipal Financial Management Act, 56 of 2003
MSA	Local Government: Municipal Systems Act, 32 of 2000
MSAA	Local Government: Municipal Systems Amendment Act, 7 of 2011
NDM	Nkangala District Municipality
NNP	New National Party
NT	National Treasury
OLGA	Organised Local Government Act, 52 of 1997
PPA	Public Audit Act, 25 of 2004
PFMA	Public Finance Management Act, 1 of 1999
PIGF	Premier Intergovernmental Forum

CHAPTER ONE-GENERAL INTRODUCTION AND BACKGROUND TO THE STUDY

1.1. Introduction

This chapter introduces the study of provincial support for municipal financial management in South Africa by conceptualising intergovernmental relations (IGR). Furthermore, this chapter introduces the South African model of IGR to bring the concept of IGR closer to the focus of the study, which is intergovernmental fiscal and financial administration and management relations between provincial governments and municipalities. In this chapter the keyword mandate is discussed. The problem statement, purpose statement and research questions discussed, pin down the study to a chosen focus. In this chapter, the motivation and significance of the study are discussed. The chapter also describes the research strategy, data collection and analysis, the truthfulness of findings, ethical considerations and limitations of the study. This chapter concludes by presenting the structure of the thesis. This is indicated in the layout of chapters.

1.2. Background to the study

South Africa comprises nine provinces, namely, Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape, North West and Western Cape (section 103 of the Constitution of the Republic of South Africa of 1996, hereafter referred to as Constitution, 1996). In this study, the investigation is confined to the Limpopo Province in particular. The next section describes Limpopo Province in relation to the problem statement.

Limpopo Province is situated on the northern part of South Africa bordering Botswana, Mozambique and Zimbabwe (Retrieved from <https://www.britannica.com>). Limpopo Province comprises five district municipalities, namely, Capricorn, Mopani, Sekhukhune, Vhembe and Waterberg (Local Government: Municipal Structures Act (117/1998): Notice in Terms of Section 12 of the Act: Disestablishment of Existing Municipalities and Establishment of New Municipalities, Provincial Notice No. 94 of

2016 hereinafter referred to as Section 12 Notice). In addition to the five district municipalities, Limpopo Province, hereafter referred to as the province, comprises 22 local municipalities (Section 12 Notice). The number of local municipalities was reduced from 25 to 22 during the local government restructuring in 2016 (Section 12 Notice).

The Limpopo Provincial Government consists of 12 departments. The LPT is one of the 12 government departments and coordinates the fiscal and financial management functions on behalf of provincial government in accordance with the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA) and the Public Finance Management Act, 1 of 1999 (PFMA). The LPT is required by section 71 of the MFMA, to periodically prepare and submit reports about the state of municipal fiscal and financial management to the NT and the Provincial Executive Council. Since 2012, the LPT decried the quality of reports submitted by municipalities in the province. The LPT insinuated that it was difficult to depict the correct state of municipal fiscal and financial management owing to the poor quality of reports coming from municipalities (LPT: Report on Consolidated MFMA S71 Monthly Budget Statement at 30 June 2012). During the 2013-14 audit period, the Auditor-General of South Africa (AGSA) echoed the sentiments of the provincial treasury. The AGSA posited in their 2013-14, 2014-15 and 2015-16 audit reports that municipalities produce poor quality reports.

Municipalities were also guilty of non-compliance to legislation concerning the submission of financial reports in terms of section 71(1)(a) of the MFMA. Section 71(1)(a) of the MFMA commands municipalities to submit reports in both electronic and hardcopy formats. The purpose of submitting hardcopy reports is to ensure that the municipal manager properly signs the reports and senior management of each municipality duly considered the reports (Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations). According to the LPT: Municipal Budget Performance Statement as at 31 October 2009, most municipalities submitted reports in electronic format and did not submit hardcopies as required. According to section 71(1)(a) of the MFMA, submission of reports in one of the prescribed formats in exclusion of the other is as good as not having submitted reports during the reporting period.

During the 2011/2012 financial year, some municipalities did not submit reports. If they did submit, they submitted after the prescribed timelines have passed (LPT: Report on consolidated monthly financial statements as at 31 October 2011). Non-compliance to legislation concerning the submission of financial reports in prescribed formats and timelines calls into question the role LPT played in correcting such an anomaly.

During the 2008/9 financial year, the majority of municipalities in the province were also found wanting in respect of planning. Assessments conducted by provincial treasuries on municipal budgets and integrated development plans (IDPs), reveal glaring disjuncture between the two. The IDP is a municipal strategic plan containing programmes and projects a municipality intends implementing (section 25 of the Local Government: Municipal Systems Act, 32 of 2000; Geldenhuys, 2005: 58). The IDP directs municipalities to allocate resources. The budget must talk to the IDP. It stands to reason that any disjuncture between the IDP and budget is a serious anomaly and is symptomatic of the poor state of municipal fiscal and financial management in municipalities in the province.

The challenges faced by municipalities in the province are not limited to the ones discussed above. The majority of municipalities have limited capacity to raise and collect revenue (LPT: Municipal Budget Performance Consolidated Statement as at 31 May 2009) on the one hand and had consultants performing functions prescribed for the chief financial officers on the other hand (Auditor-General of South Africa of South Africa: Limpopo MFMA 2013-14: General Report on the Local Government Outcomes of Limpopo).

The relationship between LPT and municipalities, as far as financial management is concerned, is a function of IGR. To better contextualise this relation, a discussion on co-operative government and IGR is necessitated. Provincial supervision of municipal financial management is an IGR activity. IGR derives its existence from the concept of co-operative government. From the above, it follows that discussing the two concepts of IGR and co-operative government is necessary in order to locate the discussion on provincial supervision of municipal financial management within the appropriate theoretical context. The next section conceptualises cooperative government and IGR.

1.3. Conceptualising co-operative government and IGR

According to Malan (2012: 117, 2005: 230, 2002: 234), Biyela, Nzimakwe, Mthuli and Khambule (2018), Edwards (2008: 67) and Tau (2015: 802), there is a conceptual difference between cooperative government and IGR. In this section, the concepts of cooperative government and IGR will be discussed, starting with the concept of cooperative government. In line with Malan (2012, 2002) and Edwards (2008), the concepts will be discussed separate from each other without ignoring the relationship between them.

Malherbe (2006: 812) defines co-operative government as "... co-operation among distinct constitutional entities and not the mere domination on one over others". Mathebula (2011: 840) concurs with Malherbe as far as the conduct of each sphere of government over the other is concerned, that there must be mutual trust among the spheres of government. However, Mathebula (2011) expanded the definition by stating that co-operative government is a philosophy underpinning cooperation and IGR. According to Mathebula (2011: 840), "... co-operative government is simply a governance philosophy based on a reciprocal obligation of spheres of government to trust, support and assist one another in co-ordinating service delivery to the community. It would include a legal, political and moral obligation to inform and consult one another as well as co-operating with and coordinating efforts on matters of common concern and joint projects, therefore patterning intergovernmental collaboration and cooperation to ensure the success of national developmental projects". The view of Mathebula (2011) that co-operative government is a 'philosophy' gained support from Malan (2012) and later Biyela *et al.* (2018: 230). Malan (2012: 117) used the words "basic values" to define co-operative government. The word philosophy is used synonymously with the word values. The words philosophy and values as used in the context of Malan (2012) and the Constitution, 1996 refer to "principles or standards of behaviour" (Concise Dictionary & Thesaurus, 2003). According to Malan (2012: 117), "Co-operative government represents the basic values of the government as stipulated in section 41(1) of the Constitution, 1996, as well as the implementation of those values through establishment of structures and institutions". Despite the passage of time the description of cooperative government remained the same, that is, the notion of 'philosophy' underpinned the description.

Phakathi (2020) borrowed from Mathebula (2011) to define cooperative government, particularly the concept of Ubuntu. According to Phakathi (2020: 135) defines Ubuntu as "... a philosophy which takes the bigger picture view of things". The value of respect permeates the conception of cooperative government and is central to its description. According to Maluleke (2019: 89) "Cooperative governance is perceived as a defined relationship between the various spheres of government in South Africa and in terms of which those spheres are expected to cooperate with one another in good faith. The expression 'in good faith' is an attribute of Ubuntu.

Emerging from the definitions above is the general agreement that co-operative government is more concerned with government's worldview on cooperation by spheres of government. In this study, the researcher adopts the view that co-operative government is more about the basic values as espoused by the Constitution of the Republic of South Africa, 1996.

There are many means to realise co-operative government, among which is IGR (Malan, 2005: 230; Biyela *et al.*, 2018: 230). Therefore, defining IGR is necessary. Scholars define IGR differently. According to Mathebula (2011: 834), there is a 'scholarly definitional contest' as far as the concept of IGR is concerned. Reddy (2001: 22) defines IGR as "The mutual horizontal and vertical relations and interactions between government institutions". In the same vein, Mubangizi (2005: 635) defines IGR as mutual relations nurtured by continuous negotiations for power and resources aimed at achieving government objectives in an effective and efficient manner. The expression 'the one who pays the piper calls the tune' is comparable to the practice of IGR in South Africa and elsewhere. According to Maluleke (2019: 96) "Power and authority are critical aspects that determine the control and functionality of the various spheres of government. They determine the allocation, distribution and utilisation of resources, influence policy and strategic operations, and define the relationships between the various spheres of government". National government controls the purse and imposes its will on all other spheres of government. This notion of power being concentrated in one authority is disputed by Gallagher (2008). According to Gallagher (2008: 399) "Focault refuses to accept that power can be concentrated in the hands of a particular set of people". IGR is also defined in terms of interactions, institutional arrangements and structures. Malan (2002: 233) refers to IGR as a "... set of formal

and informal processes as well as institutional arrangements and structures for bilateral and multilateral cooperation within and among three spheres/tiers/levels of government”.

Reddy (2001) defines the concept only in terms of actions between and among the spheres of government. Malan (2005) expanded the definition by adding institutional arrangements and structures for interactions. Malan (2005) further classified the interactions as both formal and informal. The definition of the concept of ‘IGR’ evolved from mere actions to include institutions and structures. Further evolution happened when Mubangizi (2005) defined the concept by including the purpose of the interactions, which is effectiveness and efficiency. In this study IGR shall mean the interactions both formal and informal, institutional arrangements and structures of cooperation among the spheres of government with the aim of supervising one sphere by the other. In this study, supervision shall mean the monitoring of, support of regulating and intervening in by one sphere of government over the other.

Governments and scholars approach IGR differently across the globe. According to Hatting (1988: 67-71 in Du Toit *et al.* 1998: 249), there are four approaches to the study of IGR, namely, the constitutional/legal approach, the democratic approach, the financial approach and the normative/operational approach. A detailed discussion on the approaches to IGR is undertaken in Chapter 2 paragraph 2.3 of this study.

According to Bello (2014: 68), there are three different models of IGR, namely, the overlapping-authority model, the inclusive-authority model and the coordinate-authority model. The overlapping-authority model postulates that the spheres/tiers are equal before the law. The inclusive-authority model encapsulates spheres/tiers as the agents of national government. The coordinate-authority model emphasises functional autonomy. Chapter 2 of this study dealing with the literature review will carry the discussion of approaches (Ch.2, s2.3) and models (Ch.2, s2.4) of IGR forward. The next section discusses the contextual framework.

1.4. Contextual framework

Shafritz, Russel, Borick and Hyde (2017: 20) define Public Administration as "... the study of the art and science once of management applied to the public sector". This study investigated the municipal financial intergovernmental relations which government-to-government relations. Public Administration is interdisciplinary by nature. According to Shafritz *et al.* (2017: 20) Public Administration "As a field of study, it is inherently cross-disciplinary because it encompasses so much of political science, sociology, business administration, psychology, law, anthropology, medicines, forestry, and so on". This study reminiscent of Public Administration drew sources from various fields unrelated to Public Administration.

Public Administration as a field of study is important to advance the scholarship and practice in public administration and management. One of the leading professional bodies on Public Administration in South Africa, namely, the South African Association of Public Administration and Management in its quest to advance the scholarship and practice of public administration and management held a conference during September 2022. The theme of the conference was: "Towards 30 years of democratic public administration, management and government" (<https://saapam.co.za>). The sub-themes of the main theme constituted the 'hot spots' in the field, namely, Professionalisation of the public service: challenges and opportunities, Public finance, Auditing and financial management, Ethics and governance in the public sector, Public Administration, Local Government Administration and University Education (<https://saapam.co.za>).

This study is in the area of Public Finance. Previous studies indicated in s1.6 of this study demonstrate what was investigated. Key among the areas investigated was provincial supervision of local government (Steytler, 2008; Mathenjwa, 2015), particularly, the role of provincial government in undertaking intervention in terms of section 139 of the Constitution, 1996 (Mathenjwa, 2015). Glaringly, the role of the LPT in municipal financial management was not known or documented. This study will expand the knowledge in public finance by investigating the role of LPT in the supervision of municipal financial management and suggesting a model that will guide her actions. The next section examines the history of IGR in South Africa.

1.5. Historical development of IGR in South Africa

South Africa experienced IGR over a long period albeit under different political dispensations, namely, pre-apartheid, apartheid and later democracy (Mathebula, 2004: 73; 105). South Africa, as it stands today, went through four major constitutional evolutions, namely, the formation of a Union of South Africa in 1910 (union phase), the Constitution of South Africa as a Republic in 1961 (republic phase), the introduction of Coloureds and Indians in the political system in the 1980s (tricameral phase) and the 1994 democratic breakthrough (democratic phase) (Mathebula, 2004: 74; van Heerden, 2007: 39). To contextualise this study, a detailed discussion of the nature of IGR during the different constitutional epochs, namely, union phase, republic phase, tricameral phase and democratic phase will be discussed. The next detailed discussion focuses on the history of South African IGR during the four major constitutional epochs.

The South African Act, 1909, was the first Act which constituted South Africa as a Union. The Union of South Africa (Union) consisted of four provinces, namely, Cape of Good Hope, Natal, Transvaal and Orange Free State at that time. Municipalities existed in all the four provinces and were the responsibility of each respective provincial authority.

Section 85 of the South African Act, 1909, states that:

“85. Subject to the provisions of this Act and the assent of the Governor-General in Council hereinafter provided, the provincial council may make ordinances in relation to matters coming within the following classes of subjects (that is to say):

(vi) Municipal institutions, divisional councils, and other local institutions of a similar nature”.

The system of government was multi-tiered with the central government at the top and provinces and municipalities below. A Governor-General who was appointed by the King headed the Union. Part III, section 8 of the South Africa Act, 1909, vested the

executive government in the King, administered by the King himself or by a Governor-General as his representative.

Provinces were a second layer authority under the Union. Chief executive officers administered provinces. The Governor-General was responsible for the appointment of a chief executive officer for each province (Section 68 of South Africa Act, 1909). However, provinces did not have the power to appoint their chief executive officers or determine their salaries. Parliament determined salaries of chief executive officers in terms of section 69 of the South African Act, 1909. Provinces were responsible for local authorities in line with section 85(vi) of the South Africa Act, 1909.

It is evident from the foregoing, that the system of government established by South Africa Act, 1909, was hierarchical in nature. Provinces were dependent on both the Union and Parliament to appoint their chief executive officers. The Union as used in the preceding sentence refers to national government in South Africa established by the South Africa Act, 1909. The Governor-General in Council appointed the chief executive officer. Section 68 of the South Africa Act, 1909 stipulates as follows:

“68(1) In each province there shall be a chief executive officer appointed by the Governor-General in Council, who shall be styled the administrator of the province, and in whose name all executive acts relating to provincial affairs therein shall be done”.

From the preceding section, it is clear that provinces did not have authority over appointment of personnel, but the Governor-General in Council did. The Governor-General in Council referred to the Governor-General (Section 13 of the South African Act, 1909) and the Governor-General is appointed by the King and accountable to the King not the provincial authority (Section 9 of the South African Act, 1909).

In 1961 the Republic of South Africa Constitution Act, 32 of 1961 was promulgated. The system of government remained the same except the replacement of the King by the State President. The number of provinces and municipalities remained unchanged. Similar to the previous dispensation, the executive government had authority over provinces and municipalities while provinces had responsibility over municipalities.

Section 84 of the Republic of South Africa Constitution Act, 1961, enjoined provinces to be responsible for municipalities.

The period 1951 and 1994 experienced the establishment of ten homelands, namely, Bophuthatswana, Ciskei, Gazankulu, KaNgwane, KwaNdebele, KwaZulu, Lebowa, Transkei, Qwaqwa and Venda (Bantu Authorities Act, 68 of 1951; De Villiers, 1993: 90). The homelands were created as ethnic enclaves to exclude Africans from the political life of the Republic. Four homelands, namely, Bophuthatswana, Ciskei, Transkei and Venda were given independence (Bantu Constitution Act, 21 of 1971), even though their status was only recognised within the Republic of South Africa. The introduction of homelands did not alter the IGR prescribed by the Republic of South Africa Constitution Act, 1961, because the homelands were not regarded as part of the Republic, albeit imaginary. Administration of black affairs remained the power of the State President (Section 95 of the Republic of South Africa Act, 110 of 1983; De Villiers, 1993: 89).

The Republic of South Africa Constitution Act, 110 of 1983, hereafter referred to as the Tricameral Act, replaced and repealed the Constitution Act of 1961. The Tricameral Act added two new houses, namely, House of Representatives for Coloured people and the House of Delegates for Indians to Parliament alongside the whites-only House of Assembly. The other notable change brought by the Tricameral Act was the IGR between central government and provinces. Unlike the Constitution Act of 1961, provinces were consulted when there was reorganisation of government functions. Section 98(3) of the Tricameral Act enjoined the State President to consult with the executive committee whenever a function of a province is re-assigned to a minister or a department. Other than the envisaged consultation, the system remained the same with the central government dictating the agenda.

The period since the formation of the Union until 1994 was characterised by a hierarchical system of government. Tiers of government were subordinated to one another. National government had authority over both provinces and municipalities, while provinces were responsible for municipalities. Provinces existed until they were de-established in 1986 (s2 of the Provincial Government Act, 69 of 1986). As pointed out earlier, provinces did not have the power to pass legislation except ordinances that

were applicable once assented to by the Governor-General and later the State President. Provincial councils were empowered to make rules regulating conduct of their proceedings, and the rules had full force and effect unless and until disapproved by the Governor-General or State President (section 74 of South Africa Act, 1909; section 73 of Republic of South Africa Constitution Act, 1961). Sections 74 of South Africa Act and section 73 of Republic of South Africa Constitution Act, 1961 are the same as far as the making and repudiation of the rules are concerned, but different in as far as the Governor-General and the State President are concerned. The two constitutions (South Africa Act, 1909 & Republic of South Africa Constitution Act, 1961) suggested that if the Governor-General (State President) was not pleased with any of the rules made by the provincial council he should write to the provincial council declaring the rules invalid. As discussed earlier, provinces had authority to pass ordinances establishing and regulating municipalities. However, the ordinances were effective to an extent approved by the Governor-General. Based on the above, it is evident that provinces had power to an extent allowed by the Governor-General (the State President). Municipalities were administrative centres without any decision-making power. Barlè and Uys (2002: 155) argue that “local authorities were generally known as municipalities and were “creations” of the higher authorities and enjoyed no constitutionally entrenched charter or home rule rights”. Effectively, provinces and municipalities did not have real power to administer their own affairs.

The transition from apartheid to democracy was characterised by negotiations. Parties to negotiations agreed to establish a transitional legal framework as it would have been a mockery of transition to operate under the system which was being phased out owing to its repressive and divisive nature (Convention for a Democratic South Africa: Declaration of Intent, 1991). The Republic of South Africa Act 200 of 1993, hereinafter referred to as the Interim Constitution, underpinned the transitional legal framework. The Interim Constitution was later replaced by the Constitution of the Republic of South Africa, 1996, hereinafter referred to as the Constitution, 1996. The Constitution, 1996 altered the state of affairs from apartheid to democracy. Furthermore, the Constitution, 1996, established a new system of government with three spheres not tiers; each sphere with originating powers as enshrined in the Constitution, 1996 (section 40 of the Constitution, 1996). According to Tapscott (2000: 121), “The decision to describe different levels of government as ‘spheres’ rather than ‘tiers’ was

a conscious attempt to move away from the notion of hierarchy with all the connotations of subordination". Reddy (2001: 24) argues that "The new Constitution refers to 'spheres' instead of 'tiers' of government. It seeks to emphasise the new relationship among the levels of government...". The system of government as envisaged by the Constitution, 1996, is non-hierarchical and the spheres have equivalent status.

The Constitution, 1996, established South Africa as a unitary state with three spheres of government, namely, national, provincial and local government (Barlè & Uys, 2002: 140). There is one national government, nine provincial governments and local government. Chapter 4 of the Constitution, 1996, provides for the creation of Parliament. Parliament consists of the National Assembly and the National Council of Provinces. According to section 46 of the Constitution, 1996, the National Assembly consists of not fewer than 350 and not more than 400 elected members. The legislative authority of the national sphere of government vests in Parliament. The National Council of Provinces (NCOP) comprises representatives from the nine provinces.

Chapter 5 of the Constitution, 1996 makes provision for the election of the President and the national executive. This chapter further established the President as Head of State and the national executive, namely, Cabinet. According to section 91 of the Constitution, 1996, the Cabinet comprises the President, Deputy President and ministers.

Chapter 6 of the Constitution, 1996, established provinces. There are nine provinces, namely, Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape, North West and Western Cape. In all the provinces, there are provincial legislatures and provincial executives. Provincial legislatures comprise elected officials. The legislative authority of provinces vests in provincial legislatures (Section 104 of the Constitution, 1996).

Section 125 of the Constitution, 1996, provides for the provincial executives. The executive authority of provinces vests in the Premier of the province. The provincial executive comprises the Premier and not fewer than five and not more than ten

members appointed by the Premier from among the members of the provincial legislature.

Chapter 7 of the Constitution, 1996, provides for the establishment of the local sphere of government. The local sphere of government consists of all the municipalities in the Republic of South Africa hereafter referred to as the Republic. Unlike national and provincial spheres of government, the legislative and executive authority of a municipality vests in the Municipal Council (section 151(a)). Municipal Councils exercise legislative authority by making and administering by-laws in its area of jurisdiction. According to section 156(1), a Municipal Council has executive authority over matters listed in Part B of Schedule 4 and Part B of Schedule 5 of the Constitution, 1996, and any other matter assigned to it by national or provincial legislation. The Municipal Council makes major decisions of the municipality. Municipal Councils approve policy and plans, and monitor implementation thereof. The mayor or executive committee of a municipality processes matters for consideration and decision by Municipal Council. The mayor or executive committee has limited decision-making powers.

Chapter 4 of the Constitution, 1996, is devoted to 'co-operative government'. According to section 40 of the Constitution, 1996, the three spheres of government are distinctive, interdependent and interrelated. The spheres are distinctive in that their form and functions are different from each other. Schedule 4 and 5 of the Constitution, 1996, provide the functional areas for each of the spheres. There are shared functional areas and functional areas that are exclusive to a sphere. The spheres are distinct from each other in that each sphere has exclusive powers over specific matters. The constitutional principles of interdependence and interrelatedness resonate with functional areas of concurrent competence. The spheres depend on each other for their performance (Geldenhuys, 2005: 54). According to De Villiers (1994: 430), no sphere of government can function effectively without cooperation with the other because of the "... inter-dependency and interrelatedness of some government functions, spill-overs in services". Societal challenges are multifaceted in nature. In an endeavour to address societal challenges, the spheres of government must coordinate their efforts. Policy development is the responsibility of all spheres of government. Therefore, spheres of government must cooperate where such policy affects the other

sphere. In addition, provincial and local government rely on national government for their capacity and guidance in service delivery. National government guides provincial and local government through circulars and other means to implement national policy. It is this resonance in the constitutional principles of interdependence and interrelatedness and functional areas of concurrent competence that cooperation becomes necessary. Cooperation between and among spheres is immortalised by chapter 3 of the Constitution, 1996.

The state comprises three branches, namely, the executive, the legislature and the judiciary. Cooperation between the three spheres of government happens at two branches, namely, legislative and executive branches. At the legislative branch, cooperation assumes the form of consultation. Section 154(2) of the Constitution, 1996, orders both national and provincial government to consult local government whenever introducing draft legislation affecting local government.

At the executive branch, cooperation between and among the spheres is representative in nature. Section 41(2) of the Constitution, 1996 prescribed that an Act of Parliament be promulgated providing for IGR. The object of the Act of Parliament is to provide structures for IGR on the one hand. On the other hand, the Act must provide mechanisms and procedures to facilitate the settlement of IGR' disputes. The IGR Act, 13 of 2003 (IGRA) gave effect to section 41(2) of the Constitution, 1996.

Between 1994 and 1997, IGR were ad-hoc. According to De Villiers (2012: 673), the IGR between national, provincial and local spheres of government, as envisaged by the Constitution, 1996, remained ad-hoc until 2005. There were no guidelines or regulations to guide the way the three spheres of government should cooperate; common sense was the order of the day. It was only after 1997 that IGR were formalised, albeit not in line with Chapter 3 of the Constitution, 1996, prescribing the development of legislation regulating IGR. This was owing to the passing of the IFRA. The IGR were of a limited scope between 1997 and 2003. The IGR were only limited to fiscal and financial management matters. According to Part 2, section 1 of the IFRA municipalities are not directly represented in the Local Government Budget Forum, but represented by the South African Local Government Association (Salga). Between 1997 and 2005, there was no law prescribing the role of local government in the

structures established by the IFRA. Between 1997 and 2005, the formal IGR between the three spheres of government were limited to cooperation in fiscal, budgetary and other financial matters.

The IGR prescribed by the IFRA and the IGRA are narrow as far as the role of provincial governments in municipal financial management is concerned. Nowhere in the IFRA and IGRA is the role of provincial government mentioned. Chapter 5 of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA) fills the void in the IFRA and IGRA. The MFMA stipulates the intergovernmental fiscal relations between provincial governments and municipalities.

De Villiers (2012:671) lauds the South African model of IGR anchored on legislation. Furthermore, De Villiers (2012: 672) maintains that countries with multi-tiered governments can learn from South Africa by implementing IGR through legislation on the one hand. On the other hand, Mubangizi (2005: 636) argues that "... without finding means for enforcing and institutionalising these relations, efficient and effective service delivery can be seriously compromised". On the contrary, Tapscott (2000: 127) argues that codifying IGR might aggravate intergovernmental tensions rather than relieving them. In addition, Malherbe (2006:811) indicates that the IGRA asserts the national sphere of government as the dominant partner in the IGR in South Africa. Chapter 2 of this study will provide a detailed exposition of views and arguments on IGR. The historical development of IGR in South Africa is the evolution of the mandate of spheres of government in relation to each other. To understand this evolution, it is crucial that the word mandate is defined. The next section defines the word mandate.

1.6. Defining the word mandate

Words carry different meanings depending on who defines them. The word 'mandate' like other words have different meanings. Hershey (1994: 228) posits that "... political scientists and others differ on how the concept mandate should be defined". According to Hershey (1994: 228), there are three types of mandates, namely, policy mandate, personal mandate and party mandate. According to Hershey (1994: 228), a policy mandate is a "... mandate granted to a policy agenda or even a particular issue". A typical example is the endorsement of the African Independent Congress (AIC).

During the 2016 municipal election, the members of AIC, a political party founded on the backdrop of cross boundary issue affecting communities in Matatiele, was elected because of its stance on the cross-boundary issue. Personal mandate is a mandate granted to a individual leader, independent of policy agenda (Hershey, 1994: 228). Sometimes voters endorse or reject individual leaders based on the personal aura or demeanour of the individual leader. Voters elect or do not elect a leader because of their policy position or according to an issue. A party mandate is a mandate granted to a party with the hope that the party will address the challenges faced by voters and fulfil their aspiration (Hershey, 1994: 231). Akin to the AIC scenario, a party will be endorsed or rejected based on its stance on a particular issue or policy agenda, hence party mandate. According to Hershey (1994), a mandate is a direction conferred by an election.

Lovell and Tobin (1981: 319) define "... mandates as responsibilities, procedures, or activities that are imposed by one sphere of government on another by constitutional, legislative, administrative, executive, or judicial action". According to Hattingh (1998: 40), "... a mandate is interpreted as a normal relationship of coercion in a general sense between higher and lower bodies".

In this study, the definition by Lovell and Tobin (1981) will be used to define the word mandate as it relates to the role of provincial governments in municipal financial management. The mandate of provincial governments in municipal financial management will refer to responsibilities, procedures or activities imposed on provincial governments by the MFMA.

There are different views as to when the word 'mandate' originated. One school of thought suggested that the word of "mandate of heaven" originated during the Zhou dynasty (1047-771 BCE; Glanville, 2010: 331; Zhao, 2009: 419). The Chinese, as other societies in the world, believe that rulers are installed through God's will. Therefore, the concept of mandate was associated with heaven, hence the 'mandate of heaven'. The 'mandate of heaven' is used as a measure to determine whether the emperor is sufficiently capacitated to rule. The 'mandate of heaven' is characterised by four principles, namely:

- Heaven grants the emperor the right to rule (Glanville, 2010: 331; Zhao, 2009: 419);
- Since there is only one heaven, there can only be one emperor at any given time (Glanville, 2010: 331);
- The emperor's virtue determines his right to rule (Glanville, 2010: 331; Zhao, 2009: 419); and
- No one dynasty has a permanent right to rule (Glanville, 2010: 331).

Another school of thought suggests that the word of mandate originated during the 16th century. The word originated from the Latin concept 'mandatum' meaning 'something commanded'. The concept mandatum is a combination of two words 'manus', meaning 'hand' and 'dare' meaning 'give'. The concept mandare was influenced by French 'mandat' (<http://www.oxforddictionaries.com> on the 20 June 2015). Now that the context was provided, the process to conceptualise the study begins. The next section conceptualises the study by discussing the problem statement.

1.7. Problem statement

Municipal financial management was characterised by incessant non-compliance to the MFMA. This non-compliance was caused amongst others by lack of consequence management and oversight by the political office bearers charged with the responsibility to oversee municipal administration. Non-compliance to legislation leads to impugned reputation and poor governance. Consequence management and evaluation of interventions are some of the measures which can be employed to embed the culture of compliance. The problem statement is a statement that states the problem the research wants to solve. According to Badenhorst (2007: 19), "The problem statement is a clear, well-constructed paragraph that succinctly states the problem your research will help solve". In this study the main question that the research wants to solve is the following: *Are provincial governments in South Africa fulfilling their mandate to assist municipalities to maintain sound financial management?*

The process to solve the main research question seems to be uncomplicated. An instrument to test whether provincial government fulfilled their mandates was designed. The limitation in solving the main research question was access to information.

Mokgoro (2005), Lund, Kleintjies, Kakuma, Flisher, & the MHaPP Research Programme Consortium (2010) and Turok (2010) investigated the capacity of provincial governments to implement national legislation and policy. Humby (2015), Mathenjwa (2014a, 2014b, 2015) and Steytler (2008) focused on provincial supervision of local government. The authors referred to did not work on IGR in public finance except Mathenjwa (2015). Mathenjwa (2015) investigated the role of provincial government in undertaking intervention in terms of section 139 of the Constitution. According to Mathenjwa (2015: 63), the word supervision includes "... monitoring of, intervention in and support of local government". Mathenjwa (2015) did not investigate the monitoring of and support of local government. Therefore, the gap exists in the previous research in that little is known about the role of provincial governments in municipal financial management as far as monitoring of and support of local government is concerned, particularly the role of provincial treasury in municipal financial management.

As pointed out above, South Africa is a government comprising three spheres, namely, national, provincial and local governments. The relationship between the spheres is the relationship of interdependence. Municipalities occupy the third sphere of government, namely, local government. Local government is located closest to communities and is enjoined by the Constitution, 1996, and section 84 of the Local Government: Municipal Structures Act, 117 of 1998 (MSA) to deliver basic services. The national and provincial governments are duty-bound to assist local government to perform its function and execute its responsibility, hence the principle of subsidiarity (Blank, 2009; Magwaza, 2015; Mathenjwa, 2015; Kirkby, Steytler & Jordan, 2007; Steytler, 2005: 271; 272; 278; Shoburgh, 2010; Wroniszewska, 2015). The principle of subsidiarity means that local government is given the power to execute certain functions with the other spheres supporting and intervening when local government fails (Mathenjwa, 2015: 62; Kirkby *et al*, 2007 145). Local government is the sphere of government closest to communities; therefore, it is the appropriate sphere of

government to deliver basic services (Abbadio, 2007: 4). Local government being the appropriate sphere is required to possess the requisite capacity to execute its mandate.

Section 34 of the MFMA instructs provincial governments to support municipalities to deal with financial, fiscal and budgetary matters. This legislative provision is consistent with sections 154(1) and 155(6) of the Constitution, 1996, which advocate for the capacitation of local government. The reason for supporting municipalities is to create capacity so that the 'principle of subsidiarity' is actualised (Blank, 2009; Magwaza, 2015; Mathenjwa, 2015; Shoburgh, 2010; Sibanela, 2007; Wroniszewska, 2015).

1.8. Purpose statement

The purpose of this study was to determine whether provincial governments in South Africa are fulfilling their mandate to assist municipalities to maintain sound financial management with specific reference to Limpopo Province. This study contributes to the body of knowledge of Public Administration by providing empirical insights on provincial supervision of municipal financial management. Researchers must make it clear at the outset what they want to achieve with their work (Hofstee, 2006: 86). The research objectives for this study are discussed in the next paragraph.

1.9. Research objectives

Mouton (1996: 101) argues that "the research objective or purpose gives a broad indication of what researchers wish to achieve in their research. The research objective concerns itself with the "why of the study". The research objectives for this study are:

- To review the literature on IGR.
 - a. To discuss the arguments in the literature on IGR with specific reference to the relations between provincial and local spheres of government.

- b. To identify the gap in the body of knowledge in Public Administration concerning municipal financial intergovernmental relations.
 - c. To contribute to the body of knowledge Public Administration by providing empirical insights on provincial supervision of municipal financial management.
- To explore structural functionalism as the assessment framework for identifying, describing and documenting provincial supervision of municipal financial management.
 - To analyse the policy framework underpinning municipal financial IGR.
 - To describe the research design and methodology applied in this study.
 - To present and analyse the collected data.
 - To propose a new model for municipal financial intergovernmental relations.

1.10. Research questions

According to Hofstee (2006: 85), "Research questions are used to name as precisely as possible what the study will attempt to find out". The research questions for this study are:

- How can the arguments in literature on IGR, particularly, provincial-local government relations be explained? What is the gap in the knowledge on IGR and how can it be filled?
- Does structural functionalism help explain provincial-local government relations, such as, provincial supervision of municipal financial management?
- How can the policy framework underpinning municipal financial IGR be analysed?

- Which research design and methodology are appropriate for this study?
- How can the collected data be presented and analysed?
- How can the municipal financial intergovernmental relations model be reconfigured?

1.11. Motivation and significance of the study

The motivation for this study derives from the continuous failure by municipalities in South Africa to maintain sound financial management. The Auditor-General of South Africa decries the state of municipal financial management (Auditor-General of South Africa. General report on the audit outcome: Limpopo 2013 – 14). In addition, some municipalities are unable to meet their financial obligations. Eskom and water boards are the highest single creditors that municipalities owe and the debt is increasing at an alarming rate every year since 2010 by major defaulters (National Treasury: Presentation to Portfolio Committee on CoGTA, 2015). This and other challenges faced by municipalities motivated this study.

This study will expand knowledge in the field of public administration public administration by providing empirical insights on provincial supervision of municipal financial management. This study will fill a gap left by previous researchers, particularly the gap as far as municipal financial intergovernmental relations is concerned.

This study will also contribute in the discourse to address challenges faced by municipalities in the Limpopo Province as far as financial management is concerned. Moreover, this study will suggest practical ways on how provincial governments can support municipalities to maintain sound financial management. These measures will be encapsulated in the ‘model’ which will be discussed in Chapter Seven.

1.12. Unit of analysis and observation

The unit of analysis for this study is LPT in Limpopo Province of South Africa. The units of observations are the activities that LPT in the province embarked upon to assist in municipal financial management, namely, monitoring and support.

1.13. Focus of the study

This study limits its attention to the IGR between provincial government and municipalities in South Africa as far as municipal financial management is concerned. This study is a longitudinal study of the municipal financial management spanning five years from 1 July 2008 to 30 June 2013. The municipal financial year starts on the first day of July every year and ends on 30 June. The MFMA was promulgated in 2003 and became effective in 2004. The MFMA was implemented in phases from 1 December 2004 to the first half of 2008. Full implementation of the MFMA commenced on 1 July 2008. The period 1 July 2008 to 30 June 2013 is the first five years of the full implementation of the MFMA. This study will examine provincial – local relations relating to the mandate of provincial treasury on municipal financial management in Limpopo Province.

This study is confined to the provincial government department in the Limpopo Province responsible for assisting municipalities administer their financial affairs, hereafter referred to as the provincial treasury.

1.14. Research strategy

This study is based largely on the reading and interpretation of documents, namely, annual reports, scholarly books and journal articles, papers, performance plans, circulars, correspondences between provincial government and municipalities, legislation, regulations and policies. The primary sources for this study comprise annual reports, performance plans, oversight reports, circulars, letters, legislations, regulations and policies. Conversely, secondary sources for this study comprise books, journal articles and papers.

More often than not, studies are characterised as either qualitative or quantitative or a mixture of both. Characterising studies suggest that knowledge is only valid if the study underpinning such knowledge is either quantitative or qualitative or mixed methods research. However, scholars like Friedrichs and Kratochwil (2009: 701) subscribe to pragmatism. These scholars suggest that for as long as a rigorous process was followed in finding the truth, even if the process cannot be pigeonholed as either quantitative or qualitative or mixed-methods, the conclusion will have the same status as knowledge and truth arrived through the traditional scientific methods.

Every study is unique in its research approach, context and significance. With the uniqueness in mind, researchers are supposed to have the liberty to choose a research design and design studies in such a way that they will achieve the objective of their studies and answer research questions. Dewey (1931) in Goldkuhl (2004: 1) posits that “An empiricism which is content with repeating facts already past has no place for possibility and liberty”. This study concurs with that of Friedrichs and Kratochwil (2009) who asserts that there are alternatives to traditional scientific methods in the quest to obtain warranted knowledge and the alternative for this study is documentary research.

As already stated, this study used document analysis. Unlike other studies, which subordinated document analysis to other methods, this study used document analysis as the method of collecting and analysing data. The choice of research approach is in line with Mogalakwe (2006). Mogalakwe (2006) is a proponent of documentary research and defended it as a method similar to other methods or even better. Mogalakwe (2006: 221) posits the following:

Although social surveys, in-depth interviews and participant observation have been tried and tested, they are not the only ones available nor are they always useful. There is another research method that is often marginalised or when used it is only as a supplement to the conventional social surveys. This is the documentary research method or the use of documentary sources in social research. This method is just as good and sometimes even more cost effective than social surveys, in-depth interviews or participant observation.

Wesley (2010) echoes the sentiments by Mogalakwe, even though he did so in the political science discourse. Wesley (2010: 1) argues as follows:

Qualitative document analysis remains one of the most common, yet methodologically misunderstood components of political research. While analysts are accustomed to incorporating manifestos, speeches, media reports, and other documents as evidence in their studies, few approach the task with the same level of understanding and sophistication as when applying other, more quantitative methods.

Document analysis is the method of choice when studying public organisations and policies. According to Balfour and Mesaros (1994: 560), "... public organizations and policies are texts because their stories are told in extensive bodies of written documents, files and studies". A detailed discussion of the research methods is undertaken in Chapter 5 of this research dealing with 'research design and methodology'. Research strategy underpins the how and what of data. The section which follows discusses information collection and analysis.

1.15. Data collection and analysis

The data for this study were extracted from documents, namely, legislations, policies, annual reports, books, journal articles, oversight reports, performance plans, letters, circulars, regulations and papers. Data mean "facts and statistics collected together for reference or analysis" (Google). The process to make sense out of the data commenced after a sizeable amount of data were collected. Narrative texts, tables and figures were used to present the data.

1.16. Validity of the study

Research is about finding the truth or an approximation of the truth. The process towards finding the truth is characterised by threats which must be identified and addressed. According to McMillan and Schumacher (2010: 104), validity "... refers to the truthfulness of findings and conclusions".

The trustworthiness of the findings is the function of the quality of information. The information for this study was collected from reliable sources, namely, policy documents and reports plus correspondences. Owing to the nature of the information sources, the process to collect data cannot be influenced. Therefore, the trustworthiness of the findings is guaranteed.

1.17. Limitations of the study

The most notable limitation of this study was unavailability of documents. The unavailability of documents is caused by amongst others poor records management practices prevalent in the public sector. The disclaimer of opinion by auditors is a manifestation of poor records management practices among other causes. To circumvent the limitation of unavailability of documents, the researcher relied on the typicality of available documents. Available documents were compared to check similarity and available documents were confirmed to be typical. This gave assurance that unavailable documents were typical of those documents which were available.

1.18. Ethical considerations

The researcher wrote to the head of department for the provincial treasury requesting access to the research site. The researcher requested the university to validate the researcher's candidature in the selected study area in support of the request for access to the research site. The researcher also applied for an ethical clearance certificate from the university.

The researcher explained to the LPT that the information supplied would be used only for the purpose of this study and nothing else. The researcher requested the LPT to allocate an official to serve as a link between the researcher and the provincial treasury. All data requests were done through the identified official.

1.19. Theoretical framework: Structural functionalism

Every study is underpinned by theory. This study is underpinned by structural functionalism. The research on IGR concerns itself with interactions and the purpose

on those interactions. Structural functionalism is identifiable by two key concepts, namely, functions and structures. Chapter 3 of this study provides an insight on the relationship between the interactions and the key concepts of structural functionalism. Structural functionalism straddles many epochs and domains. The history of structural functionalism is traceable back to the years 1800s (Barton *et al*; Spencer; Urry (in Potts, Vella, Dale & Snipe, 2016: 165). This theory was applied in the fields of sociology, anthropology, planning, public administration and the arts. Structural functionalism began to be a formal theory and a method during the period of Talcott Parsons (Sato, 2011). The discussion on the theoretical framework is taken further in Chapter 3 of this study. The next section discusses the legislative and policy framework underpinning municipal financial IGR in particular and provincial-local IGR in general.

1.20. Policy framework underpinning municipal financial IGR

The provincial treasury derives its existence from the PFMA. The study of municipal financial IGR is partly the study of legislations and policies enacted to transform South Africa from apartheid to democracy. The concept of IGR found expression in the Constitution, 1996, and manifested in other legislations and policies that were developed thereafter. The IGRA was enacted to give effect to Chapter 3 of the Constitution, 1996. Other sectoral legislations and policies provide some form of interaction between provincial governments and municipalities. This section provides a brief exposition of what the reader must expect in Chapter 4 of this study. The next section discusses the structure of the thesis.

1.21. Structure of the thesis

This chapter provides an overview of the structure of the thesis. This research comprises seven chapters, namely, Chapter One-Introduction to the research, Chapter Two-Literature review, Chapter Three-Theoretical framework: Structural functionalism and systems theory, Chapter Three-Policy framework underpinning municipal financial IGR, Chapter Five-Research methodology, Chapter Six-Presentation, analysis and interpretation of the research findings, Chapter Seven-

Summary, conclusions and recommendations. The following is a brief description of what each chapter deals with.

Chapter One-General introduction and background to the study

This chapter introduces the study by giving a brief background to the study, defining the problem, purpose statement, research objectives and research questions. This chapter introduces the concept of IGR and the South African model of IGR. In addition, this chapter discusses the keyword 'mandate'. This chapter also discusses the reasons why the researcher is undertaking the study and the importance thereof. The focus of the study, research strategy, data collection and analysis, validity of the study, limitations of the study and ethical consideration were considered. Lastly, this chapter considered the theoretical framework, the policy framework underpinning municipal financial IGR and the layout of the thesis.

Chapter Two-Literature review

This chapter starts by considering the process and rationale for the literature. The origin of IGR, approaches to the study of IGR, models of IGR were discussed. This chapter further considered the effects of human behaviour on IGR, types of interactions and their influence on IGR, legislation and IGR and political bias. Monitoring and evaluating the practice of IGR, challenges facing IGR, purpose of IGR structures of IGR in South Africa were also key in this chapter. This chapter further examined the locus of municipal financial management at the provincial sphere of government. Levels, tiers, or spheres of government and provincial-local relations were debated.

Chapter Three-Theoretical framework: Structural functionalism

This chapter discusses the theoretical framework appropriate for this study. The history of structural functionalism is discussed. The key concepts of structural functionalism, namely, functions and structures are discussed. Criticisms of structural functionalism are identified and described. Rationale for choosing structural functionalism is discussed.

Chapter Four-Policy framework underpinning municipal financial IGR

This chapter describes the policy framework underpinning municipal financial management in particular and provincial-local IGR in general. In particular, this chapter discusses among others the Constitution, 1996, PFMA, MFMA, MSA, IFRA, MPRA, Organised Local Government Act (OLGA), 97 of 1997 and the Public Audit Act, 25 of 2004 (PAA).

Chapter Five-Research design and methodology

This chapter describes the research methodology applied in this research. This chapter starts by discussing research design. The sources of data and credibility thereof are indicated and analysed. Target population and sampling are discussed. Issues relating to access to research site, information collection techniques and information analysis strategies are discussed. Lastly, this chapter discusses ethical considerations.

Chapter Six-Presentation, analysis and interpretation of research findings

In this chapter empirical evidence is presented and analysed. The locus of the study was presented. Data presentation and analysis formed the backbone of this chapter. In addition, analysis of research findings and sub-conclusions were considered. The sub-topics in both sections are as follows: monitoring, support, performance planning, organisational structure and performance reporting.

Chapter Seven-Summary, conclusions and recommendations

This chapter concludes the study. Summary of findings and conclusions are discussed. Recommendations of the study are elaborated upon. Suggestions for further study are indicated. The conclusion to the main research question is debated.

CHAPTER TWO-LITERATURE REVIEW

2.1. Introduction

IGR are key to cooperative government. Provincial and local government relations have manifested in various ways to enhance service delivery and accountability. Numerous legislations in South Africa mandate provincial and local governments to cooperate. It is against this background that Chapter 2 of this study reviews the literature on IGR and cooperative government in general and provincial – local government relations in particular.

This chapter is structured in terms of 13 thematic areas, namely, the process and rationale for the literature review, origin of IGR, approaches to the study of IGR, models of IGR, the effects of human behaviour on IGR, types of interactions and their influence on IGR, the effects of legislation on IGR, political bias, monitoring and evaluating the practice of IGR, challenges facing IGR, purpose of IGR, structures of IGR, the locus of municipal financial management at the provincial sphere of government and concludes by discussing provincial supervision of local government. The next section considers the process and rationale for the literature review.

2.2. Process and rationale for the literature review

A literature review is the foundation of almost all research. According to Mouton (2001: 86), “When you embark on your study, one of your first aims should be to find out what has been done in your field of study. You should start with a review of the existing scholarship or available body of knowledge to see how other scholars have investigated the research problem that you are interested in”. Babbie (2014: 463) contends that “A review of the literature is the way we learn what’s already known and not known”. From the scholarship it is evident that every study stands on the shoulders of other scholars. This draws its focus from studies that investigated similar phenomena and is aimed at improving the scholarship.

Legislations, policies, annual reports and other related documents were identified and selected for a review of this research. The following keywords combination were used

to search for the literature: provincial-local relations, provincial supervision of local government, challenges facing IGR in South Africa. The articles were sorted based on relevance. Articles written in English and accredited by the Department of Higher Education and Training (DHET) were selected during the pre-selection stage. Summaries and or abstracts of pre-selected articles were reviewed for final enrolment. In certain instances, the entire article was skimmed read to establish relevance to this study. Further resources were identified from the list of references of selected articles. It was intriguing to find that almost every study on IGR cited Wright (1982, 1988), particularly on the 'origin of IGR'.

The literature for this study comprises books, papers, legislations, regulations, policies and journal articles. Selected books in the field of Public Administration written by scholars of note with impeccable credentials were used. Wright is the pioneer in the study of IGR. He has written at least three editions on IGR during the years 1978, 1982 and 1988. Kahn, Madue and Kalema (2016) have written two books on IGR. Kahn *et al.* are professors who have established themselves as researchers worthy of recognition. Discussions on IGR are mired in controversy concerning their origin. The section that follows will unravel the controversy surrounding the origin of the concept of IGR.

2.3. Origin of IGR

According to Wright (1988: 13; 1982: 6), the term IGR (IGR) became part of the American vocabulary since the 1930s. In South Africa, IGR existed before the union phase; however, the concept was never used (Edwards, 2008: 67). The colonial British regime controlled the colonies of Cape of Good Hope and Natal remotely from Britain. The governors were the proxies of the British King. Laws and policies applicable in the former British colonies were conceived and approved in Britain. The leadership and management arrangements in the Boer Republics of Transvaal and Orange Free State were different.

During the colonial era, local government existed in the Cape Colony under the Dutch colonial government until abolished by the British colonial rule on the 31 December

1827 (Tsatsire, Taylor, Raga & Nealer, 2009: 131). Local government in the Cape colony was re-established in 1836 after the passing of the Cape Municipal Ordinance No. 9 of 1836 and assumed the form of board of commissioners (Tsatsire *et al.*, 2009: 131). Election to the board of commissioners was reserved for persons paying property tax as only property owners could be elected as commissioners (Tsatsire *et al.*, 2009: 131). The Cape Municipal Ordinance, 1836, formed the basis for the passing of Natal Municipal Ordinance (1847) and adapted by the Orange Free State and Transvaal Boer Republics in 1856 and 1877 respectively (Tsatsire *et al.*, 2009: 131). Venter (in De Villiers, 1993) argues that service provision was reserved for whites and blacks were not part of any government programme (De Villiers, 1993: 89). The relationship between the English and the Afrikaners was adversarial (De Villiers, 1993: 87). It was only after the two warring sides made peace that South Africa was constituted as a Union with four provinces. Even after the formation of the Union, Britain continued to remotely control South Africa with more territorial scope. The jurisdictional area under the British rule was increased by the inclusion of the provinces of Orange Free State and Transvaal during the formation of the Union of South Africa in 1910. South Africa was no longer divided into British polity comprising the Cape of Good Hope and Natal on the one hand and Boer polities comprising Orange Free State and Transvaal on the other hand.

The relationship between South Africa and Britain was a principal-agent relationship. (Mathebula, 2004: 119-120). Hattingh (1998: 40) argues that "A relationship of agency is established when a higher authority instructs a lower authority to perform a specific task ..." (also see Shapiro, 2005: 263). Britain through the King set policies and rules while the governor implemented and enforced those rules and policies. The principal-agent relationship between South Africa and Britain existed until 1961 when South Africa was constituted as the Republic. Since 1961, nothing changed except that the King was replaced by the State President (Mathebula, 2004: 120). The system of government remained the same but the British colonial rule was repudiated. Provincial governments remained as they were during the British rule (Tsatsire *et al.*, 2009: 132). Similarly, local government was the same with no political power, but administrative centre of the province.

IGR is a defining feature of every multi-tiered/sphered government (De Villiers, 2012: 672; 674; Malan, 2012: 116). South Africa had three tiers of government before the de-establishment of provinces in the 1980s (Constitution Act, 1961; South African Act, 1909). Notwithstanding the fact that administration of black affairs did not fall within the scope of operation on any tier of government, but the sole preserve of the State President, the administration of other nationalities happened within the three tiers of government.

During the period prior the democratic phase, the Public Administration discourse gave little or no attention to the concept of IGR. The Constitution, 1996 and Interim Constitution, 1993 during the onset of the democratic phase and repudiation of apartheid, occasioned more attention and interest to the study of IGR in South Africa. According to De Villiers (1997: 469), the notion of IGR became an integral part of South African constitutional, political and administrative theory and practice immediately after the 1994 breakthrough. Numerous working papers, workshops, conferences and policy documents in the topic have understood something clearly at last since the implementation of the 1993 Constitution. De Villiers (1997), Reddy (2001), Mettler (2000) and Thornhill (1997) were among the first South African authors to write about the term IGR. The Constitution, 1996, opened floodgates in the Public Administration discourse as far as IGR is concerned. Some of the issues covered are federal-unitary debate (Venter: 2005; Mathebula: 2004), legislation and IGR (Malherbe, 2006; Steytler, 2008; Mathebula, 2004; de Villiers, 2012), national-provincial relations (Mokgoro, 2000; Mathebula, 2004), national-local relations (Humby, 2012), provincial-local relations (Crawford, 1950; Mettler, 2003; Mathenjwa, 2014; Humby, 2015; Makoti & Odeku, 2018; de Villiers, 1997) and challenges facing IGR (Malan, 2012, 2005, 2002; Edwards, 2008; Thornhill, 2009; Kahn *et al*, 2016). The list is not exhaustive but an illustration of how the IGR captured the imagination of scholars and practitioners alike.

2.4. Approaches to the study of IGR

Scholars differ on the aspects they investigate when studying IGR. According to Hattingh (1998: 10), there are four approaches to the study of IGR, namely,

constitutional/legal approach, democratic approach, financial approach and normative/operational approach. This section discusses the four approaches to the study of IGR as espoused by Hattingh (1998).

2.4.1. Constitutional/legal approach

In South Africa, IGR emanates from the Constitution, 1996 (Chapter 3 of the Constitution). The Constitution, 1996 dictated that legislation guiding the establishment of IGR structures, their operations and dispute resolution mechanisms must be promulgated. On the basis of the statement above, some scholars thought it wise to use the legislation to inquire about IGR. According to Kahn *et al.* (2016: 6), “The constitutional/legal approach uses the constitution and other legislative provisions as the starting point for the study of IGR” (see Malherbe, 2006; Reddy, 2001; Steytler, 2008; Du Toit *et al.*, 1998: 249). Kahn *et al.* (2016: 6) posit that the constitutional approach presents two fundamental weaknesses/problems, that is, acceptance of information contained in legislation to be accurate and unchanging, until amended by another legislation. The second weakness is that the approach operates on the assumption that relations between government institutions only exist within the framework of legislation permitting such relations. This assumption is only true in South Africa because of its unique nature of IGR (Reddy, 2001: 8; De Villiers, 2012: 686). The researcher differs from Kahn *et al.* (2016) concerning their assertion that accepting information in legislation to be accurate and unchanging, until amended by another legislation. The source or basis of most decision in government is the law. It is common cause that the law is correct and unchanging unless amended through the parliamentary or court processes. Whoever feels that the information contained in legislation is not accurate must approach the court with a view to declare those sections that are inaccurate and invalid. Anyone behaving contrary to the letter and spirit of the law offends the principle of legality or is acting ultra-vires.

2.4.2. Democratic approach

The democratic approach to the study of IGR emphasises the notion that provincial and local governments are independent entities (Du Toit *et al.*, 1998: 249). The Constitution, 1996, established three spheres of government, which are among others,

interdependent. This view is sponsored by Tau (2015). According to Tau (2015: 802), "... provincial and local government are spheres in their own right, and are not a function or administrative implementing arm of national and provincial government". This approach is contrary to the position of Wright (1988: 44) that provincial and local governments are the 'minions' of national government. Proponents of the democratic approach argue that provincial and local governments must be given more powers and independence. The independence of provincial and local governments is utopian. In a country like South Africa, the indivisibility of the state mitigates against having provincial and local governments that are highly independent of national government. National government sets national norms and standards which must be observed in the entire country. Any departure from the prescribed norms and standards may bring tensions.

2.4.3. Financial approach

The financial approach to the study of IGR concerns itself with the fiscal and financial IGR between and among the spheres of government (Du Toit *et al.*, 1998: 249). The three spheres of government are tied at the hip by the flow of financial and fiscal resources from national government to provincial and local government on the one hand and provincial government and local government on the other hand (Kahn *et al.*, 2016: 7). The flow of financial resources within the three spheres of government has inherent tensions. The upper spheres of governments will always have the power over the lower spheres (Kahn *et al.*, 2016: 7). The actions of higher structures irrespective of their intentions have unintended consequences of aggravating the tensions.

Intergovernmental fiscal relations became the subject of consideration by government during and after apartheid. According to Fourie and Valeta (2014: 131), "Fiscal relations between national and sub-national governments have over the years, emerged as one of the fundamental issues of governance, development and policy debates". In South Africa, various committees and commissions were established to probe the relationship between the spheres of government. During apartheid, the Borckenhagen Commission, Browne Committee, and the Croeser Working Group were established to investigate and provide recommendations on the desirable approach to fiscal relations between the levels of government (Cameron, 1991: 173;

Hattingh, 1998: 12). The Croeser Working Group was later converted into the Permanent Finance Liaison Committee (Cameron, 1991: 176).

Unlike during apartheid, during the democratic phase, intergovernmental fiscal relations were made a constitutional and legal feature of the South African polity. Section 220 of the Constitution, 1996, established the Financial and Fiscal Commission (FFC). The FFC was established as a primary advisory body to spheres of government (D Visser & Ayele, 2014: 2). As pointed in paragraph 2.13, the IFRA was promulgated to deal with the intergovernmental budgetary issues. The FFC is central to the passing of budget and Division of Revenue Act (DORA). Furthermore, the FFC plays a role when re-assignment of functions between spheres of government is considered (De Visser & Ayele, 2014: 5). The assigning sphere of government is enjoined to demonstrate that it has considered the views of the FFC when deciding on assignment of functions (De Visser & Ayele, 2014: 5-6).

The Division of Revenue Act is passed annually to allocate funds to the spheres of government. DORA and the MFMA empower transferring officers and the NT to withhold or stop allocations. The stopping or withholding of allocations aggravates the tension between the spheres.

2.4.4. Normative/operational approach

The normative/operational approach is a comprehensive approach looking at all the dimensions including, constitutional, democratic and financial aspects having a bearing on governmental relations between and among governmental bodies (Kahn *et al.*, 2016: 8; Du Toit *et al.*, 1998: 250). The normative/operational approach to the study of IGR is more rigorous compared to the three other approaches, namely, constitutional/legislative approach, democratic approach and financial approach (Kahn *et al.*, 2016: 7-8). As already mentioned in paragraph 1.3, that models of IGR will be discussed, the next section discusses models of IGR.

2.5. Models of IGR

According to Kahn *et al.* (2016: 38), “The study of IGR has given rise to the development of various theoretical models that reflect the diversity of the state formations the world over”. However, Wright (1988: 40; 1982: 30) argues that there are three generic types of authority models, namely, coordinate authority, inclusive authority and overlapping authority. Models are used to provide simplified descriptions of the phenomenon under study. Models have their own weaknesses. Nonetheless, they are useful in formulating predictions (Wright, 1988: 40). Despite the existence of numerous models, this study will focus on the three generic authority models as espoused by Wright (1988: 40).

2.5.1. Coordinate authority model

The coordinate authority model is an authority model where there is a clear separation between the national and provincial governments (Wright, 1988: 40; Mathebula, 2004: 119). According to Belo (2014: 68), the various spheres of government are having functional competence in certain critical services. The democratic phase possesses elements of the coordinate authority model. Schedule 5 of the Constitution, 1996, provides a list of functional areas that are meant for each sphere. The functional areas are reserved for each sphere unless the sphere fails or neglects to execute the obligation as provided for the functional area. Schedule 5 Part A of the Constitution, 1996, provides functional areas exclusive to the provincial government. Neither national government nor local government can perform any of the functional areas exclusive to provincial government without her concern. The only way through which national government can perform any of the functions listed in Schedule 5 Part A is when provincial government fails or neglect to execute its obligations. National government after having assessed the situation at a provincial sphere and satisfied that the situation cannot improve will intercede in terms of section 100 of the Constitution, 1996. Municipalities can perform any of the functions listed in Schedule 5 Part A if the executive authority at the provincial sphere of government can assign any of the listed functions areas exclusive to provincial government.

The autonomy of each sphere of government as far as the exclusive functional areas is concerned, is guaranteed by the Constitution, 1996. No sphere of government is allowed to interfere on the autonomy and independence of another. Mathebula (2004: 119) argues that “the co-ordinate authority model advocates a non-interference paradigm of IGR”.

2.5.2. Inclusive authority model

The inclusive authority model is a model characterised by hierarchy (Wright, 1988: 40). Provincial and local government are the agents of the principal, namely, the national government (Belo, 2014: 68). In an inclusive authority model, provincial and local governments are dependent on the dictate of national government. Provincial and local governments have limited power. According to Wright (1982: 36), state and local governments depend totally on decisions that are nationwide in scope and arrived at by the national government (see Crawford, 1950: 399). The indivisibility of the South African polity suggests the setting of norms and standards that are applicable across provinces and municipalities. Actions of provincial and local governments are underpinned by national policy. The classical example is the appointment of senior managers in municipalities (Local Government: Regulations on appointment and conditions of employment of senior managers; Steytler, 2008: 520). National government promulgated the Local Government: Municipal Systems Amendment Act, 7 of 2011 (MSAA). The main object of the MSAA is to standardise hiring practises and remuneration levels in local government, particularly as it relates to senior managers. Municipalities irrespective of their circumstance cannot vary their remuneration levels of their senior managers as prescribed by a national authority. This scenario became a reality in 2014 after the national government arrogated itself powers to determine salaries of senior managers at the local sphere of government (Regulation 42 of the Local Government: Regulations on appointment and conditions of employment of senior managers). National government assumed executive authority in local government as far as conditions of service for senior managers consistent with the inclusive authority model.

Modipane and Sebola (2010: 405) prior the promulgation of MSAA, argued in favour of centralising the planning and budgeting processes relating to the Municipal

Infrastructure Grant (MIG) reminiscent with the inclusive authority model. Notwithstanding the authority by municipalities to identify projects and apportion MIG funds, general conditions are set and monitored by national government, hence conditional grants. Modipane and Sebola (2010) advocate for the revocation of this authority to plan and budget for MIG. The implications of the suggestion by Modipane and Sebola (2010) are that municipalities will be turned into agencies of national government on the one hand. On the other hand, the suggestion will be inconsistent with the Constitution, 1996 as far as the powers and functions of municipalities are concerned.

According to Wright (1988: 44), provincial and municipal governments are the 'minions' of national government. The inclusive authority model is reminiscent of the colonial, union and republic polities. The colonies of Cape of Good Hope and Natal were dependent on the British regime for direction between 1806 and 1910. The governor were the representatives of the King in the colonies, hence the principal-agent relationship (Mathebula, 2004: 119).

During the union phase (1910-1961), the authority relationship remained the same with increased jurisdictional scope (South African Act, 1909; Mathebula, 2004: 120). The former provinces of Transvaal and Orange Free State were part of the union and subject to the rule by the King (South African Act, 1909). Provincial governments were the agents of national government. All provincial legislations were valid only if ratified by national government (Mathebula, 2004: 120). The governor was appointed by the King and provincial governments did not have the power to dismiss him (Section 68 of the South African Act, 1909). Municipalities existed in name only. Provincial government promulgated ordinances to govern municipalities. As already indicated above, the ordinances could not be enforced until and unless assented to by the Governor-General (Section 90 of the South African Act, 1909).

The British regime lost grip of the South African political system when the Republic was established in 1961. The political system that existed during the union phases persisted with the exclusion of the King. The State President replaced the King. Provincial and municipal governments continued to exist as governing entities in name only (Mathebula, 2004: 123).

2.5.3. Overlapping authority model

Belo (2014: 68) describes the overlapping authority model as a model where the spheres of government are equal before the law. Belo (2014: 68) posits that the Constitution, 1996, delineates and regulates the activities of all spheres of government. The overlapping authority model has the following characteristic features: subnational areas of governmental operations involve national, state and local units (or officials) simultaneously, the area of autonomy or single jurisdiction independence and full direction are comparatively small and the power and influence available to any one jurisdiction (or official) is substantially limited (the limits produce an authority pattern best described as bargaining) (Agranoff & Radin, 2015: 139; Wright, 1988: 49). MIG is an IGR grant allocated to municipalities to finance the provision of infrastructure for basic level of services. MIG is a municipal infrastructure funding arrangement containing all existing capital grants for municipal infrastructure into a consolidated grant (DPLG, 2004: 6). Municipalities utilise MIG to provide infrastructure for basic level of services. MIG is a conditional grant allocated to municipalities to provide infrastructure for basic level services, namely, water infrastructure, roads infrastructure and sanitation infrastructure (DPLG, 2004: 6). The implementation of projects through MIG involves national government, provincial and local governments in the governmental operations of municipalities simultaneously. The Department of Corporate Governance and Traditional Affairs (Cogta) is responsible for coordinating the actions of other national government departments as far as local government matters are concerned and establishing teams providing technical support among others. The provincial Cogta provides technical support and monitor the implementation of MIG (DPLG, 2004: 24).

Akin to South Africa, the activities of all spheres are delineated and regulated by the Constitution, 1996 (Schedules 4 & 5 of the Constitution, 1996). Since the dawn of democracy and the demise of apartheid, the South African government is constituted into three spheres of government, which are, distinctive, interdependent and interrelated. The spheres of government have concurrent and exclusive functional competence. Schedule 4 of the Constitution, 1996, dealing with concurrent functional areas is consistent with the first characteristic. There are concurrent functional areas shared by all the three spheres. Environmental management is one of the concurrent

functional areas shared by all the three spheres. Tourism is also another functional area shared by all the three spheres of government. There are also those functional areas that are shared by only national and local government. Water provision is a functional area shared by national and local governments, even though the operational activities are distinct. Provincial governments do not have direct roles as far as water function is concerned. The role of provincial government in the water function is limited to the monitoring of implementation of infrastructure grant. Provincial governments do not have units dedicated to water function, but national government has regional offices responsible for water business in various provinces (<https://www.dws.gov.za/topmanagement.aspx>).

There are functional areas that are concurrent to national and provincial governments only (Schedule 4A of the Constitution, 1996). Health is one of those functional areas that are concurrent to national and provincial governments only. Since the dawn of democracy, the health portfolio was withdrawn from local government (Section 34 of the National Health Act, 61 of 2003). Primary healthcare used to be the responsibility of local government, but that has changed and local government is no longer responsible for primary healthcare (Section 32(2) of the National Health Act, 2003).

Schedule 5 of the Constitution, 1996 dealing with exclusive functional areas is consistent with the second characteristic feature of the overlapping authority model. Each sphere of government has a functional area delineated to it only. International and national airports and defence are the functional areas exclusive to national government. Ambulance services is a functional area exclusive to provincial governments. Street lighting and trading are functional areas reserved for local government.

As indicated above, the MSAA orders national government to regulate appointment and remuneration of senior managers in municipalities. Unlike remuneration which is rigidly established, municipalities are allowed space to deviate from the prescriptions of the MSAA as far as the appointment of senior managers is concerned. Municipalities are allowed to depart from the prescriptions of the MSAA only after the national executive authority has approved the request to do so (see section 54(6) of the MSA as amended by the MSAA). The waiver of formal requirements provided for

in the MSAA is consistent with some of the decision-making processes appropriate for overlapping authority situations (Agranoff & Radin, 2015: 140). IGR are impacted upon by human beings. To understand how human beings affect IGR, the next section discusses the effects of human behaviour on IGR.

2.6. The effects of human behaviour on IGR

There is sufficient agreement among scholars that human behaviour has an effect on the practice of IGR (Vigoda-Gadot, 2003: 9; du Toit, van der Walddt & Chemanais, 1998: 25; Mathebula, 2004: 142; Wright, 1988: 17; 1982: 11; Malan, 2005: 240; 2012: 120; Kahn *et al.*, 2016: 16; Hatting, 1998: 19). Despite agreement on the significance of the human element on the practice of IGR, little is known or documented about the role of appointed officials. According to Wright (1982: 301), “Compared to scholarly and popular attention to the state politics and to governors and legislators, the attention devoted to the state administrators have been miniscule”. Little is known about the role appointed officials play as political office bearers in municipalities. The dual role played by administrators, that is, as political party office bearers and appointed officials distorts the IGR. Administrators are conflicted because they oversee and implement political decisions. Administrators implement political decisions as employees and oversee implementation of those decisions as elected leaders in their own right, hence conflict of interest. To contextualise the foregoing, the influence of politics on IGR will be discussed in paragraph 2.8 dealing with political bias. Therefore, not every elected official is significant in the IGR arena (Wright, 1982: 12).

Officials participating in IGR have perceptions about each other, what Wright (1988: 243) referred to as “images”. These perceptions have a potential to frustrate IGR. More often than not officials across the spheres of government, hold contrasting views about each other. These contrasting perceptions tend to aggravate the intergovernmental tensions. Pressman (in Wright (1988; 1982), spelled out the perceptions as follows:

“Local officials images of national officials

- National officials are too far away to understand a city’s problems or politics.

- National officials are big-time spenders whose main concern is getting the money spent rather than using funds economically, creatively and thriftily.
- National officials are naïve and impractical, lacking a sense of what might be attainable in local politics and unrealistically optimistic about the ease with which urban problems can be solved.
- National officials are two-faced. They tell one story, a rosy one, at the outset of a programme but a different one in the administrative follow-through phase.
- National officials are tied in knots by their own bureaucratic procedures and by legislative restrictions that produce confusing and convoluted operations.

National officials images of local officials

- Local officials do not see the whole picture and tend to take a narrow, limited approach in designing program or policies; they are too close to specific problems to see the larger, systemic interrelationships among them and tend to treat symptoms of urban problems rather than causes.
- Local officials want federal money but shirk responsibility for through-going program design and a strong problem-solving focus; local participation in grant programs is either purely political or purely perfunctory and without enthusiasm, or both.
- Local officials are often restricted, and wish to be restricted, by local bureaucratic procedures such as city charter provision, purchasing regulations, civil service rules, and the like, these constraints are cited by local officials to explain or “make excuses” for not meeting a federal deadline or grant requirement.
- Local officials respond to specific-interest forces in the city rather than to a broader public-interest view; local decisions are guided, if not dominated in the direction of favouring the “establishment” or local power elite” (Wright, 1988: 244).

A similar view is held by Crawford (1950) in his study of the relationship between provincial and local governments in Canada more than three decades earlier. Crawford (1950) argues that provincial governments have no confidence in local

governments and vice versa Crawford (1950: 399). This, he argued, militated against better relationships between provincial and municipal governments (Crawford, 1950: 398). Five decades later this view is still relevant. Cameron (ibid) and Cameron (2002b) maintain that municipalities are inefficient. Cameron (2002: 123) "The Department of Finance's view is that many of the financial problems of local authorities are owing to their inefficiency".

It is evident that local and national officials have contrasting views about each other. It is the view of the researcher that the "images" as postulated by Pressman are also applicable in the South African polity (in Wright (1988: 244). However, some of the "images" are repudiated by the planning framework, particularly the integrated development plan (IDP) which instructs all the spheres of government to participate in its formulation (Section 24(1) of the MSA, 2000; Mufamadi in Malan, 2005: 234; 15 Year Review Report, 2008: 19; Mashamba, 2008: 422I).

The implication of this contrasting views is what Wright (1988: 245) referred to as "hostility". According to Wright (1988: 246), hostility "... signifies personal animosity in IGR". Wright (1988: 246) further argues that "When one actor is viewed as questioning the motive and/or goodwill and public character of another, then hostility is a likely result". From Wright's assertion, it is clear that the IGR tend to be more personal than professional. The relationship between and among actors in the IGR is personal in nature and has an effect on the egos of the actors (see Kahn *et al.*, 2016: 16). The knowledge systems and beliefs of the IGR actors determine the nature of interactions. Therefore, it requires maturity on the part of IGR actors to make IGR a success.

NT and provincial treasuries hold a dim view of the capacity of municipalities. According to Cameron (2002: 482), the NT highlights that local government inherently is inefficient and there needs to be stronger central financial control and guidance. This view has estranged NT and provincial treasuries from municipalities. Municipalities become suspicious of any programme from the two other spheres as they are sometimes treated with disdain. The view of the NT aggravates the tension with negative consequences on the IGR. Nonetheless it is crucial that the NT must have control for all the policy issues concerning municipal financial management and

determination of a formula to allocate resources. Failure to centralise these matters shall perpetuate unevenness.

Local government is not allowed interpretive freedom (Steytler, 2008: 521; 529). The NT produces circulars and guidelines on every aspect of municipal finance. Furthermore, the NT regulates local government matters ranging from budgeting to expenditure control, hiring of the chief financial officers and the practice of performance management through the exposition of non-financial indicators. This overregulation of local government matters by NT is a manifestation of the view that local government is inherently inefficient.

IGR is necessary for service delivery to happen with limited tensions. To have harmonious IGR relationships without hostilities, the perceptions of the IGR actors on each other must be altered. Malan (2005: 240) argues that "... political office-bearers and officials in the public sector must change their mindset to embrace cooperation". Wright (1988: 247) proposes four strategies to alter the perceptions that IGR actors hold of each other, namely, purpose strategy, procedural or process strategy, training and education strategy, and structural change strategy. A brief description of the strategies is provided hereunder.

Purpose strategy as the name suggests is a strategy where emphasis is on devoting time and resources to gain agreement on the ends or purpose sought by the several participants in an intergovernmental relation activity (Wright, 1988: 247). This strategy is akin to the agenda setting phase in the policy process (Meyer & Cloete, 2005: 97). The procedural process strategy is a strategy that concerns itself with processes and procedures of IGR (Wright, 1988: 247). This strategy deals with the identification of officials and institutions to the intergovernmental arrangement on the one hand. On the other hand, this strategy concerns itself with agreement on dispute resolution mechanisms. Training and education strategy involves the development of awareness of perceptions, namely, perceptions of others and the self (Wright, 1988: 247). This strategy seeks to make IGR actors aware of the diversity that exists in the IGR space. The techniques and tools of managing diversity are crucial in ensuring that there is harmony between and among the IGR actors. Structural change is a strategy wherein the positions and/or the organisations are restructured to repudiate hostility (Wright,

1988: 247). The now abandoned project of creating a single public service was such strategy in South Africa to make IGR work. According to a *Strategy Toward the Development of the Overarching Legislation for the Single Public Service*, 2006, (hereinafter referred to as the 'strategy') "To achieve government's priorities as spelt out in numerous policy documents and strategies, it will be a key task to work toward the optimal configuration of the state so that the public service is seen and functions as one..." (Strategy, 2006: 3).

Depending on the type of challenge experienced, one or combination of strategies might be employed to address the challenge. A rigorous process to identify the cause of the discontent must be embarked upon so that the challenge is not misdiagnosed. The type of challenge will inform the strategy or strategies to be employed to bring about change. IGR are the interactions of human beings and structures. Section 2.7 discusses the 'types of interactions and their influence on IGR'.

2.7. Types of interactions and their influence on IGR

IGR comprise both formal and informal interactions (Malherbe, 2006: 1; Fiseha, 2009: 98; De Villiers, 2012: 672; Malan, 2012: 120; Malan, 2005: 227; Malan, 2002: 233; Geldenhuys, 2005: 56). The nature and character of the interactions depend on the relations among and between the actors. Formal interactions are mandated interactions (Wright, 1988: 22). The IGRA prescribed the kinds of interactions that must happen between and among public officials. In addition to the IGRA, legislations, policies and regulations enforce interactions between and among the spheres. The MFMA prescribes the formal interactions that must happen between national and local government on the one hand and provincial and local governments on the other hand.

Municipalities prepare and submit their draft budget to the provincial treasury for review and possible contribution (s22(a) & s23(1)(b) of the MFMA). Once provincial treasuries have commended on the draft budget, municipalities will subject the draft budgets to rigorous consultation processes which will culminate in their approval. The MFMA further regulates reporting between national and provincial governments on the one hand and provincial governments and municipalities on the other hand. Section 71 of the MFMA directs municipalities to prepare and submit monthly financial

statements to their various provincial treasuries by not later than ten working days after the end of each month. Similarly, provincial treasuries are mandated to consolidate the section 71 reports from municipalities and submit to the NT. Failure by municipalities to prepare and submit section 71 reports have serious implications. Municipalities that are failing to behave in a manner so prescribed, aggravate the tensions between those municipalities and provincial treasuries. Formal interactions are more often than not rigid and have a tendency of disturbing the IGR.

Informal interactions among and between the public officials reinforce the formal interactions. While formal interactions are fixed and periodical, informal interactions are continuous. The desire to improve public administration can only happen where there is continuous interaction between and among public officials. According to Geldenhuys (2005: 56), it is the interactions that will define the success of IGR. Telephone calls, emails and chats are the most effective ways to cementing the relationship between and among public officials. It is through the informal interactions that the scepticism that characterises the relationship between and among public officials will be addressed. People get to know each other when they continuously interact. Positive conversations happen outside the realm of formality. As mentioned above that 'formal interactions are mandated interactions', it is necessary to understand how legislation affects these interactions. Paragraph 2.8 discusses legislations and IGR.

2.8. Legislation and IGR

There are contrasting views on what becomes of the effect of legislation on IGR. According to Fiseha (2009: 107), "A central issue that often emerges in relation to the organization of IGR is whether or not the institutions, processes and guidelines for IGR should be stipulated in the constitution, in a proclamation, or whether it should be left to evolve on its own". On the one hand, there are those who argue that legislating IGR is a necessity (De Villiers, 2012: 692; Mubangizi, 2006: 636; Fiseha, 2009: 107; Chakunda, 2015: 46; Mettler, 2003: 222). On the other hand, there are those who believe regulating IGR might hamper the project of nation building or reinforce the dominance of national government over the other spheres (Mathebula, 2004: 198; Tapscott, 2000: 127; Malherbe, 2006: 6). Nonetheless, the Constitution, 1996,

prescribes the promulgation of a law describing the processes of IGR, structures for IGR and dispute resolution mechanisms.

De Villiers (2012: 68) posits that formalising IGR is beneficial in many ways. In addition, De Villiers argues that formalising IGR creates certainty and accountability. Various government departments are tasked with the responsibility to monitor IGR. At the national sphere of government, Cogta is tasked with the responsibility to oversee IGR and report same to the national legislature (Malan, 2012: 116). At the provincial sphere of government, the Department of Cooperative Governance, Human Settlements and Traditional Affairs (Coghsta) is enjoined to oversee the practice of IGR even though she is not obligated to provide report to the national legislature (Malan, 2012: 118). The responsibility to oversee the practice of IGR imposes accountability on the part of Cogta and Coghsta.

Before the advent of IGRA, IGR were ad-hoc. The regularity and agenda of intergovernmental forums depended on the whims of national ministers and their provincial counterparts (De Villiers, 2012: 682). There was no certainty and accountability on anybody or structure to implement IGR. The hierarchical, top-down approach that was prevalent prior the formalisation of IGR in South Africa, will no longer exist contrary to Malherbe (2006: 6) and Venter (2005: 494) who argued that the IGRA serves to reinforce the dominance of national government over the other spheres.

In his study of the system of IGR in Ethiopia, Fiseha (2009: 107) argues in favour of what he called 'formalising' IGR (see Chakunda, 2015: 46). Fiseha (2009: 107) on the one hand argues that there are two grounds supporting the notion of legislating IGR, namely, resolving potential centre-state conflicts and enhancing interaction between the spheres of government. On the other hand, Chatisa (2010) and Mukonza (2012) in Chakunda, posit that in addition to tensions arising out of jurisdictional overlaps, provided additional two reasons, namely, enhancing autonomy of the spheres of government and promoting administrative efficiency.

Tau (2015: 804) disagrees with Malherbe when arguing that the IGRA establishes a framework for the national government, provincial and local government to promote

and facilitates IGR rather than reinforcing the dominance of national government over provincial and local government. Mathebula (2011: 1419) argues that the hierarchy among the spheres is not for command and instruction purposes as in a tier system but encompasses mutual interactions and support within the national and subnational context. National government is responsible to secure the sovereignty and indivisibility of the state. In securing the sovereignty and indivisibility of the state, national government must not impinge on the independence of the other spheres of government. According to Malan (2012: 112), "... the institutions of government can operate in mutual trust and good faith and in a state of institutional harmony".

Mathebula (2004) is a proponent of informal IGR. He held the view prior the promulgation of the IGRA and contrary to the view of Wright (1988; 1982) that IGR are both formal and informal. Mathebula subscribes to the international model of IGR, such as German IGR model which is unwritten. The German model of IGR is regulated by an unwritten constitutional norm of *Bundestreue* (De Villiers, 1994: 432; Edwards, 2008: 66). Mathebula believes that formalising IGR will aggravate the tensions. A similar view is held by Tapscott. However, Mathebula and Tapscott did not foresee the flexibility of IGRA as far as the types on interactions are concerned. Contrary to the views of Mathebula and Tapscott, De Villiers (2012: 693) owing to the benefit of hindsight, argued that formalising IGR lead to more informal interactions which creates a spirit of 'camaraderie' among the actors. From the above, it is evident that scholars sharply differ on the effect of legislation on IGR.

Scholars also differ on the effect of legislation on IGR as far as democratising the state is concerned (Mathebula, 2004; De Villiers, 2012). The main objective of the 1994 democratic breakthrough is to repudiate apartheid and create a democratic order. South Africa until 1994 had never tasted democracy. Therefore, the major issue in creating a new political order is nation building. Mathebula (2004: 198) advises against formalising IGR or delaying formalisation as this might aggravate the tensions on the one hand. On the other hand, De Villiers (2012: 692) posits that formalising IGR contributes to the deepening of a democratic culture.

Legislating IGR creates certainty in respect of who does what, how and when. Even though scholars differ on the aspect of legislating IGR, the researcher stands on the

side of those who are vehement that IGR be formalised. Mathebula (2004: 198) argues that the Constitution, 1996, repudiates the legal vacuum through obligatory clause of cooperative government. However, this view is contrasted by Palmer, Moodley and Parnel (2017: 103) in their assertion that in the absence of clearly defined measures to implement IGR, the system will become vulnerable to abuse (Mettler, 2003: 222). The researcher concurs with Palmer *et al.* (2017) in that without legislating IGR might draw the situation to the era of ministerial prerogative. Ministers and MECs will establish and de-establish structures as and when they deem necessary. Ministers and MECs will establish the rules and throttle them through the throats of officials at other spheres as it was during the ad-hoc phase. The above scenario was clearly unpacked by Chakunda (2015) in his study of intergovernmental balance of power in Zimbabwe. Chakunda (2015: 46) argues that:

So far, it appears the legal basis and framework for managing IGR in Zimbabwe is not transparent, inconsistent, lacks clarity and is subject to political manipulation. In the absence of a clear framework regulating IGR, the relationship is mired in confusion; ambivalences and vagueness leaving the centre with predatory authority that have often been hijacked to advance parochial political and personal interests and thereby negatively affecting not only the discretion of subnational tiers of government but their administrative efficiency as well.

Some of the most developed nations of the world found it imperative to legislate IGR contrary to Mathebula (2004) who argues that “IGR legislation route should not only be delayed but avoided, thereby giving the cultural environment a growth path and a chance” (Mathebula, 2004: 199). In the United States of America (USA), IGR were legislated twice, in 1953 and 1968 (Conlan, 2006: 663; 666). The USA after the Kestnbaum Commission promulgated legislation establishing the Advisory Commission on IGR hereinafter referred to as the ‘Commission’ (Conlan, 2006: 664). Contrary to the South African case, the Commission was independent of the executive branch of the state, but similar as far as consultative status is concerned (Conlan, 2006: 665). Legislating IGR did not end with the 1959 legislation establishing the Commission. In 1968, the USA adopted the Intergovernmental Cooperation Act of 1968 hereinafter referred to as the ‘Act’ (Conlan, 2006: 666). The Act was adopted to institutionalise IGR and enforce compliance.

Among others, the Act was enacted to:

- “Achieve the fullest cooperation and coordination of activities among the levels of government in order to improve the operation of our federal system in an increasingly complex society;
- Establish coordinated intergovernmental policy and administration of development assistance program; and
- Provide for the acquisition, uses, and disposition of land within urban areas of federal agencies in conformity with local program” (Intergovernmental Cooperation Act of 1968).

It is clear from the preceding statement of purpose that promulgating the Act was to regulate the practice of IGR. The decision to regulate IGR was arrived at long after the informal spell of IGR. The USA government recognised that legislating IGR enhances accountability, certainty and intergovernmental analysis.

The Act is different from the IGRA in that it specifies the areas of cooperation, namely, planning for infrastructure development and land administration while the IGRA captures the areas of cooperation in broad terms. The structure of IGRA is consistent with the views of Fiseha (2009: 107) on what the legislation regulating IGR must cover, that is, to state in broad terms matters regulated by IGR. The IGRA asserts in broad terms the responsibilities of the IGR structures. This study contends that stating the responsibilities of IGR structures in broad terms is a weakness of the IGRA. The IGRA must tease out specific issues requiring cooperation and indicate how they must be handled.

Contrary to Tapscott (2000) and Mathebula (2004), Conlan (2006: 670) argues that legislative indifference led to the demise of institutions of IGR in the USA. IGR suffered a pushback because of legislative indifference and tensions got aggravated. The system of IGR moved from cooperation to opportunism (Conlan, 2006: 667). Immediately after establishing the commission, the “paradigm of cooperative federalism blossomed” (Conlan, 2006: 666). However, with the passage of time, the nature of IGR became intrusive and “no longer cooperative” (Conlan, 2006: 667). The

system of IGR became opportunistic in that it allowed and encouraged actors to pursue their immediate interest with little regard for the institutional or collective consequences (Conlan, 2006: 667). This view gained support from Bowling, Fisk and Morris (2020). Burke (in Bowling et al., 2020: 513) argued the “In many ways, it depended on “where you sat” and partisan politics in the states played a large role in whether states would revolt, sue, and push back against what was seen as overreach, or whether the state would collaborate and expand on federal initiative”.

From the foregoing, it is evident that not legislating for IGR, cooperative government will remain a pipedream. The notion of mutual trust and faith characterising relations among the spheres of governments are non-existent. National and provincial leaders impose their decision on local leaders with tensions flaring up.

The IGR provides a ‘carrot-and-stick’ approach to IGR. It is carrot-and-stick in a sense that it does not limit interactions to formal interactions only, but also allow the flexibility to meet the requirements of different environments. South Africa did not have the luxury to develop IGR like other countries before her as Mathebula argued. The project of rebuilding the country was urgent and could not wait for IGR to organically evolve from the informal interactions similar to other countries, such as the USA, Germany and Belgium. Reddy (2001: 21) argues that “There is an urgent need to introduce legislation to formalise intergovernmental relations”. This view is supported by Oliveira, Barabashev, Tapscott, Thompson and Qian (2021) and McEwen, Kenny, Kenny and Swan (2020). According to Oliveira *et al.* (2021: 251) “... where the responsibilities of different echelons of government are not constitutionally defined and working relationships between and within them are not further made explicit in legislation the risk of discord and conflict is likely to be high”. McEwen *et al.* (2020: 634) argue that “As early as 2002, the House of Lords Constitution Committee expressed concern at ‘the sheer extent of the reliance on goodwill as the basis for intergovernmental relations within the United Kingdom’”. The project of rebuilding the country cannot depend on the whims of provincial and national leaders as it used to be, but on a clearly defined path and agenda. According to Mubangizi (2005: 636) “... without finding means of enforcing and institutionalising these relations, efficient and effective service delivery can be seriously compromised”.

The IGRA created an opportunity to enable IGR to evolve from the informal interactions. According to Fiseha (2009: 107),

Besides, there is enough evidence indicating the fact that IGR by its nature is dynamic and hence, however regulated it may be, there is a need to leave some room for flexibility and for it to evolve. Such dynamism and flexibility enables IGR to adapt to changing social, economic and political realities.

While the IGRA prescribed minimum structures of IGR, it also allows for creation of additional structures, such as, MEC-Mayors' Forum and Chief Financial Officers' (CFOs') Forum informed by socio-economic and political realities.

It is true that new 'multi-tiered' governments can learn from South Africa by legislating IGR as it was observed in the studies of system of IGR in Ethiopia and Zimbabwe. Chakunda (2015) studied IGR in Zimbabwe after the promulgation of their Constitution [Amendment No. 20] of 2013. The Constitution of 2013 altered the system of government by providing for provincial councils, metropolitan councils and local government which were not provided for in the Constitution of Zimbabwe Amendment No.19 (Chakunda, 2015: 47). South Africa is exemplary to Zimbabwe because there is legislative clarity regulating the practice of IGR which is absent in Zimbabwe. The study of IGR in Ethiopia by Fiseha (2009), focused on guidelines and institutions of IGR. The reason that Ethiopia may learn from South Africa is premised on the constitutional/legal nature of IGR prevalent in Ethiopia. IGR in Ethiopia are not defined in the Constitution and are heavily dependent on political party machinery (Fiseha, 2009: 108; 130). IGR that are dependent on party loyalty are not sustainable. The changing nature of the political landscape can negatively affect the practice of IGR, particularly where IGR is in its infancy, such as Ethiopia. The solution to this situation is institutionalising IGR through a framework of some sort. The next section discusses the effect of politics on IGR.

2.9. Political bias

Politics is at the core of public administration. According to Vigoda-Gadot (2003: 14), "Public administration, deals with political behaviour, processes and institutions".

Political parties and their members have a significant impact on governmental operations in general and IGR in particular. The three spheres of government are inhabited by political parties and individuals who are either politically inclined or active politicians in their own right. The actions of individuals and their political parties affect IGR either positively or negatively depending on which side of the political divide the political parties are. Political biases might occur because of either intraparty tensions or what is popularly known as 'factions' or interparty tensions.

According to Chakunda (2015: 46):

... differences in political ideologies and the perceived subjectivity to particular political party philosophies in Zimbabwe have led to a subjective and speculative perception over the objectivity of central government intervention in provincial and local government affairs on the one hand and the capability of these subnational governments to manage their affairs effectively with minimal central government supervision on the other hand...

For more than two decades, the African National Congress (ANC) was the government at national and in most provinces and municipalities in South Africa. Eight of the nine provinces are under the leadership of the ANC except the Western Cape which is led by the Democratic Alliance (DA). Most municipalities are under the leadership of the ANC whilst the some are either led by the DA, Inkatha Freedom Party (IFP) or coalition – led.

There are 39 municipalities in the Eastern Cape Province (EC). There 23 in the Free State Province, 11 in Gauteng Province (GP), 54 in KwaZulu-Natal Province (KZN), 27 in Limpopo Province, 20 in Mpumalanga Province, 31 in the Northern Cape Province, 22 in the North West Province and 30 in the Western Cape Province (<https://municipalities.co.za> accessed on the 28 February 2019).

Six municipalities were hung, that is, no single political party could establish municipal government and 11 are coalition-led during the 2011-2016 municipal term (<https://municipalities.co.za> accessed on the 28 February 2019). In the Eastern Cape Province, one municipality was hung while the other was DA-led and the remaining

are ANC-led. In Gauteng three municipalities were DA-led while the remaining were ANC-led. In KZN Province 12 municipalities were IFP-led, three were hung and the province is ANC-led. In Limpopo Province, one municipality was coalition led, one was DA-led while the remaining 25 municipalities and the provincial government were ANC-led. In the Northern Cape, two municipalities were hung, one is coalition led and the province was ANC-led. Western Cape Province comprises majority of coalitions with nine coalition-led municipalities and rest DA-led (<https://municipalities.co.za> accessed on the 28 February 2019).

The type of intergovernmental relationships between provincial governments and municipalities are based on who is leading the province and the municipality. The political landscape is such that municipalities and provinces might be belonging to the same political party on the one hand. On the other hand, a municipality and the province might be from opposing political parties, such as, the Eastern Cape Province, Gauteng Province, KZN, Limpopo Province and the Western Cape where municipalities and provincial governments are from opposing political parties (<https://municipalities.co.za> accessed on the 28 February 2019). The relationships where provinces and municipalities belonging to the same political party will be subjected to the dictates of the head-office. Political parties have a centralising tendency in terms of policy positions and deployment.

According to Du Toit *et al.* (1998: 252), "... all members of political parties in all the spheres of government are expected to 'toe the line' once decisions have been made on a national executive level". Decisions of upper structures are binding on lower structures. National leadership determines who occupies which position and under which conditions (Twala, 2014: 161). Local leaders, such as ANC 'deployees' differ with the leadership of upper structures at their own peril, unless they have influence and relationships with certain leaders who are more influential (Twala, 2014: 162). Du Toit *et al.* (1998: 252) argue that both elected representatives and officials can make use of their political contacts to lobby for support.

The relationships where municipalities and provinces are belonging to opposing political parties will be characterised by heightened tensions (Steytler, 2005: 272; Mathenjwa, 2014b: 200). According to Ajam and Fourie (2014: 50-51),

...invoking a section 100 intervention is discretionary for the national government. There are no other legislative guidelines on when section 100 should be invoked. This raises the potential problems that a section 100 intervention might be delayed until it is too late to take effective pre-emptive or remedial action (especially if the same party is in power both in the national government and in the affected province), or that an intervention might be arbitrarily invoked for political reasons (for example, to discredit an opposition party governing a provincial government).

When national government intervenes in provincial government where the same party is in power, it does so to salvage the image and the reputation of their own party. Otherwise, it intervenes to settle factional scores. The intervention by national government in Limpopo Province in 2012 was characterised by those in support of the sitting ANC provincial executive committee as a witch-hunt. During the 2012, there were raging factional battles for and against then President Zuma (Makana, 2012). Limpopo Province was classified under those who were against President Zuma, so any attempt to intervene in Limpopo Province was viewed with suspicion. According to Ajam and Fourie (2014: 54), the article in the *Mail & Guardian* dated 15 December 2011 titled “*Treasury revolt over Limpopo ‘interference’*” alleged that the Limpopo intervention was politically motivated.

The other scenario is where the province and municipality fall under different political parties, such as, ANC-led province and DA municipalities in the Eastern Cape, ANC-led province and DA municipalities in Gauteng provinces ANC-led province and DA and IFP municipalities in KZN and DA-led province and ANC municipalities in the Western Cape Province. The Member of the Executive Council (MEC) treated the municipalities differently even though they presented with similar issues. In an article by Mathenjwa (2014a: 190; 198) assessing the provincial supervision of local government, he made use of municipalities of UMvoti, UMgungundlovu and Langeberg to demonstrate his reasoning. UMvoti Local Municipality and UMgungundlovu District Municipality municipalities led by the IFP and ANC respectively, were in the process to appoint municipal managers (Saville, 2010; MEC *KwaZulu-Natal v Yengwa* (147/09) [2010] ZASCA 31 (26 March 2010)). In both cases, the persons appointed by Municipal Councils did not have the prescribed qualifications. However, the provincial government requested the court to set aside

the decision of UMvoti Local Municipality to appoint the municipal manager in transgression of the prescriptions of the regulations. The decision of provincial government was correct. However, the same could not be done to UMgungundlovu District Municipality because the provincial government and district municipality were led by the same party, the ANC, as opposed to UMvoti Local Municipality which was led by the IFP.

The tendency to act in a hostile manner when a provincial government and municipalities, is not limited to double standards. Provincial governments also misconstrue their power when participating in an intergovernmental arena. The Langeberg Municipality in the Western Cape Province is the case in point (Mathenjwa, 2014a: 184). Langeberg Municipality is a DA-led municipality in the Western Cape Province whereas the provincial government was led by the ANC in 2014. The provincial government assumed powers not conferred on it by the Constitution, 1996, or the legislation, by investigating the internal affairs of a political party (Mathenjwa, 2014a: 191). The provincial government entered the sacred party politics arena to score cheap political goals.

National government and provincial governments are duty-bound to support municipalities to execute their powers and perform their functions (section 154(1)). If a municipality fails or neglects to execute its powers and perform its functions, provincial governments can intervene in terms of section 139 of the Constitution, 1996. In the same vein, national government can intervene if a provincial government fails to execute executive obligation in terms of section 100 of the Constitution, 1996. Failure by provincial government to play its role as far as municipalities are concerned does not constitute one of the reasons for national government to intervene in terms of section 100 of the Constitution, 1996. It is not understandable why the failure by provincial government to perform its function in relation to monitoring and supervision of municipalities is not classified as an executive obligation despite it being imposed on provincial governments by the Constitution, 1996, like all other obligations. The discrepancy talks to the notion that IGR as being treated as a 'by the way' issue which does not constitute the core of government business.

The other dimension of the influence of politics in the IGR concerns public officials other than elected officials. Some public officials are politically inclined. Some appointed public officials are political leaders in their own rights. Appointed officials who are leaders in their political parties create politico-administrative challenges. In an endeavour to address challenges occasioned by tensions between administrators and elected public officials, national government caused the enactment of the Local Government: Municipal Systems Amendment Act, 7 of 2011 (MSAA). Chief among the object of the MSAA is to regulate the participation of senior managers of municipalities in party politics. What the MSAA did not envisage is that some municipal officials below the status of senior manager are politically active and hold senior positions in their various political parties as opposed to the councillors. Some of these officials are leaders in their own right and have a bearing on the way government entities interact. The above scenario where some municipal officials are political office bearers, orders elected public officials to account to them contrary to the requirements of Chapter 10 of the Constitution, 1996. At the provincial sphere of government, the limitation for senior managers to become political office bearers was never legislated. Some administrators at the provincial government serve as political leaders while their political principals do not hold any political leadership positions. Some government employees are de facto principals of their political principals in government by virtue of being political office bearers. It is the view of this study that government employees are playing a dual role in the intergovernmental space, that is, as subordinates to elected public officials and as principals to elected public officials, therefore distorting the IGR.

Political parties select and deploy officials to positions in a political system, such as Republicans and Democrats in the USA and the ANC and the DA in South Africa (Twala, 2014: 159; 161). Deployed officials are put into positions to advance the agenda of their various political parties. Therefore, if a deployed official does not have the political power as compared to an administrator, the deployed official might be cautious to make decisions with far-reaching implications. The above scenario existed in Nkangala District Municipality (NDM) when Charles Makola, hereinafter referred to as Makola, was the chairperson on the ANC in the Nkangala region, deputy chairperson of the ANC in Mpumalanga Province as well as the municipal manager between 2003 and 2012. During the tenure of Makola as both the chairperson and

municipal manager of ANC Nkangala region and NDM respectively, the executive mayor was accountable to him on the one hand. On the other hand, he was accountable to the executive mayor. As the leader of the ANC in the region, he would dictate party mandates to the executive mayor. According to the DA, the election of Charles Makola as Deputy Chairperson of ANC Mpumalanga presented a conflict of interest in that he would dictate to the Municipal Council as he did with the executive mayor when he was the regional chairperson (“Conflict of Interest”, 2008). The feeling of insecurity by deployed officials exists because of the fear for a purge or redeployment. According to Lodge (2005: 744) “... insecure leadership is detrimental to the progress of good public administration”. Policy implementation requires commitment and capacity from the political leadership. Political leadership must act without fear. According to Thornhill (2012: 62), the success of any policy is determined by the ability of the executive to give effect to the decisions of the governing body. This brings the study to the other issue of monitoring of IGR.

2.10. Monitoring and evaluating the practice of IGR

According to Thornhill *et al.* (in Malan (2005: 239), monitoring is defined as the periodic oversight of a process, or the implementation of an activity with the purpose of determining to what extent the objectives of an organisation are achieved so that a timely action can be taken to correct any deficiencies that are detected. Monitoring is a continuous process to obtain information about the state of a project or programme. The monitoring as an activity can be regarded as keeping the finger on the pulse (Swanepoel & De Beer, 2011: 211).

Evaluation is an integral part of a project (Swanepoel & De Beer, 2011: 211). The practice of IGR like any other policy must be monitored and evaluated. Information about the practice of IGR must be collected and analysed. Included in the analysis is the evaluation of the legitimacy and correctness of the information (Swanepoel & De Beer, 2011: 211). According to Swanepoel and De Beer (2011: 211), situations or reality are evaluated through information that in turn must be evaluated to ascertain its authenticity and correctness. Govender and Reddy in Mthethwa and Jili (2016: 107) define evaluation as “... an assessment of the value of an intervention, in relation to its specific purpose to the relevant beneficiaries through synergistic interactions and

interrelations of the systems, environment and stakeholders to enhance the value of future interventions”. According to Vyas-Doorgapersad and Zwane (2014: 72), “Evaluation is helpful in offering valuable suggestions and recommendations for improvement” (also refer to Ababio, Vyas-Doorgapersad and Mzini, 2008: 11). From the foregoing assertions, it is evident that evaluation is about outcomes as opposed to outputs. Evaluation is concerned with the effects of programmes and not limited to the assessment whether objectives were met or not.

Support and intervention are underpinned by proper monitoring and evaluation. For a higher authority to intervene where performance lapses are identified, correct and authentic information must be collected and analysed. Lack of monitoring might lead to untimely intervention and/or inappropriate intervention. The success of any intervention or support depends on a clear process of monitoring and evaluation. One of the impediments to the development of IGR is lack of a proper, clear and recognisable process for monitoring and intervention (Malan, 2005: 240).

Malan (2005: 239) asserts that provinces monitor municipalities in two ways, namely, by determining whether a municipality meets its executive obligations in terms of legislation and how well it performs its functions. Provinces can be able to intervene if information about the municipalities is continuously collected and analysed based on a clear process with clear indicators are set. IGR more often than not are impeded by lack of clear monitoring and intervention processes (Malan: 2005: 239) or capacity of the provincial government.

According to Agranoff and Mcquire (2003: 3), “Collaboration does not just happen. Like operating within the city hierarchy, collaboration must be managed, albeit in a different way”. IGR as a collaborative activity must be subjected to a rigorous process of monitoring. A deliberate programme to monitor how spheres of government interact with each other is a necessity. Spheres of government must develop and agree on a set of indicators to manage IGR. The set of indicators delineates the powers and functions of each sphere as far as IGR is concerned and creates accountability among the spheres of government. In the absence of a clearly defined monitoring framework, the situation will be as it was prior the promulgation of the IGRA. Ministers and MECs will arrogate to themselves the ability to drive the IGR agenda. According to Palmer,

Moodley and Parnel (2017: 103), “Neither the Constitution, nor any guiding document, states the specific indicators or threshold for intervention, and, in the absence of consistent performance monitoring systems and minimum standards for monitoring, this power is open to abuse”. This brings the discussion to the challenges facing IGR.

2.11. Challenges facing IGR

IGR are characterised by many challenges, with some structural while others behavioural and procedural (Malan, 2012: 121). It is not the intention of this study to enlist and discuss all challenges affecting IGR, but to focus on those challenges related to shared jurisdiction, political conflict, status of structures of IGR and interests of public officials. According to Coetzee (2010: 91), “There is a structural tension derived from the concurrent functions in the Constitution”. This tension arising from shared policy space results in lack of clarity in the division of powers and functions (Kirkby *et al.*, 2007: 149; Sogoni, 2010: 23; Coetzee, 2010: 91; Mafolo, 2016: 239; Steytler, 2005: 278)). Lack of clarity between the spheres of government is a major challenge that might result in turf wars, fragmentation and duplication. To address this challenge, spheres of government must coordinate their efforts, develop and agree on the scope of each in relation to a shared function, and continuously interact to mediate tension that might arise owing to encroachment by one sphere on the competence of another sphere (Malan, 2012: 116).

The other challenge facing IGR relates to political conflicts. As discussed in paragraph 2.9 above, political conflicts are serious impediments to IGR. Political conflicts manifest as intraparty and interparty tensions. Political parties gain political power based on their electoral manifesto. Once a political party is in government, it must endeavour to implement its mandate. In implementing its mandate, a political party will experience internal and external tensions. To circumvent the effects of political conflicts, a protocol institutionalising IGR must be crystallised in legislation. A long-term policy agenda is necessary to focus the work of governing parties on the service delivery objective. Political parties must endeavour to improve the living conditions of their followers.

The fact that intergovernmental forums, such as MINMECs and clusters do not have executive powers is a weakness which caused the forums to be overlooked. According to Piper in Mafolo (2016: 236), the fact that ward committees have no formal powers but they are consultative community structures, is a weakness, which often causes the structures to be bypassed during decision-making. Intergovernmental forums are similar to ward committees because they are established to facilitate consultation among spheres of government and more often remain talk-shops (Malan, 2005: 232; 235). Intergovernmental forums set priorities. However, the priorities might not see light unless regularised by an executing authority charged with the responsibility concerned. Programmes and projects for various government organs are determined by executing authorities in those organs. For decisions of the intergovernmental forums to find expression in line function government organ, they must be internalised by the executing authority in that line function government organ, such as the Department of Human Settlements. Some executing authorities might decide not to incorporate decisions of the intergovernmental forums in their plans, therefore, rendering the intergovernmental forums ineffective. A clear process must be mapped to ensure that intergovernmental forums are not overlooked during decision-making. Discussions and recommendations of intergovernmental forums must be permanent features in the agenda of executive committees. This will ensure that decisions and recommendations of intergovernmental forums are considered by structures with executive powers and are given the required authority.

Elected and appointed officials more often than not frustrate the practice of IGR. Individuals are self-interested and tend to align the work of government to their personal ideals (Dixon, 1995: 3; Oakes, 2016: 138; Waterman & Meier, 1998: 174; Shapiro, 2005: 267). Whenever personal ideals clash, conflicts arise. To address the effects of negative energy arising from bad blood among officials, public servants must adhere to the prescriptions of Chapter 10 of the Constitution, 1996. Elected officials must subscribe to the Normative Guidelines, which include supreme political authority, public accountability, efficiency and effectiveness, legal probity and societal values (Mathebula, 2004: 131).

Public officials and institutions do not interact for the sake of interacting; they do so to serve a defined purpose. IGR are purposive interactions. Section 2.12 discusses the purpose of IGR.

2.12. Purpose of IGR

The Constitution, 1996, enjoins the spheres of government to cooperate with each other. The question is 'why should the spheres cooperate with each other?' In answering this question, one is called to provide reasons why IGR are necessary. According to Agranoff and McGuire (2003: 3), collaboration is purposive. As already mentioned, IGR are one of the means to give effect to cooperative government. In addition to the above overarching reason, there are many other reasons why IGR are necessary. Notwithstanding the plethora of reasons why IGR are necessary, in this study the following reasons will be discussed: attainment of developmental goals, avoiding turf wars, eliminating duplications and wastages and deepening democracy.

The major function of government is to identify development challenges, conceive policy to address the development challenges and pursue the policy to give it practical meaning (Reddy, 2016: 7; Layman, 2003: 10; Malan: 222). Scholars agree on this reason as espousing the purpose of IGR (Malan, 2005: 226; 2012: 115; Greyling & Auriacombe, 2016: 193; Thornhill, 2009: 673; 676; Mathebula: 2004: 112; Edwards, 2008: 72; Makoti & Odeku, 2018: 99; Crawford, 1950: 399). South Africa has set herself to eradicate the service delivery backlogs inherited from the apartheid regime (Reddy, 2016: 7; Amusa & Mathane, 2007: 271). In an attempt to realise the objective of democratic agenda, South Africa joined other nations of the world and adopted the Millennium Development Goals (MDGs) in 2000 (Statistics South Africa, 2015). The MDGs are the goals adopted during the United Nations (UN) Millennium Summit in 2000. The Millennium Summit adopted eight development goals, namely, reduce extreme poverty and hunger by half relative to 1990, achieve universal primary education, promote gender equality and empowerment of women, reduce child mortality by two thirds relative to 1990, improve maternal health, including reducing maternal mortality by three quarters relative to 1990, prevent the spread of HIV/AIDS, malaria and other diseases, ensure environmental sustainability and develop a global partnership for development (Sachs & McArthur, 2005: 347) These MDGs formed the

core of the South African development agenda. The process to attain the development goals requires the spheres of government to cooperate through an effective system of IGR (Malan, 2012: 115; 2005: 229; Greyling & Auriacombe, 2016: 193; Christensen & Laergreid, 2008: 100; Kroukamp, 2011: 40).

The MDGs were designed to be achieved by 2015. The period from 2012 to 2015 was characterised by dialogue on the post-2015 development agenda while committing to expedite the MDGs agenda (United Nations (UN), 2012: 63; Gaffney, 2014: 20; Griggs *et al*, 2013: 305). During 2012 in the Conference on Sustainable Development, the UN adopted a document titled '*The Future We Want*'. The '*Future We Want*' contains 283 commitments, among which is the establishment of an Open Working Group (OWG) (UN, 2012: 1). The OWG comprised representatives from 30 nations (UN, 2012: 20). The OWG was tasked to prepare and submit a report containing proposal for sustainable development goals to the UN General Assembly at its 86th session for consideration and action (Gaffney, 2014: 20). The OWG identified 19 focus areas, namely,

- poverty eradication;
- food security and nutrition;
- marine resources, oceans and seas;
- education, sustainable consumption and production;
- climate, sustainable cities and settlements;
- promoting equality,
- energy;
- economic growth;
- infrastructure;
- industrialisation;
- ecosystem and biodiversity;
- water and sanitation;
- peace and non-violent societies;
- capable institutions;
- gender equality and women's empowerment;
- employment and decent work for all;

- means of implementation;
- health; and
- population dynamics (Gaffney, 2014: 20; UN, 2012: 29).

During September 2015, the UN General Assembly adopted the Sustainable Development Goals (SDGs), namely, no poverty, zero hunger, good health and wellness, quality education, gender equality, clean water and sanitation, affordable and clean energy, decent work and economic growth (Jha *et al.*, 2016: 1; UN, 2015a: 14; UN, 2015b). The SDGs were a departure from the MDGs in that they were not only focusing on poverty reduction, but included the protection of the environment (Gaffney, 2014: 20; Griggs *et al.*, 2013: 305).

South Africa in an endeavour to actualise the requirements of SDG13 which is concerned with combating climate change and its impact, set in motion a process to regulate carbon emission levels produced the Carbon Tax Policy Paper, 2013, and Carbon Tax Bill, 2018, among other policy instruments. The main thrust of the Carbon Tax Policy Paper was to reduce greenhouse gas emissions and facilitate the transition to a green economy. The Carbon Tax Bill was introduced to provide for the imposition of a tax on the carbon dioxide (CO₂) equivalent of greenhouse gas emissions in the main. Consumers of goods with high carbon emissions will be punished while conduct associated with green economy will be rewarded. Griggs *et al.* (2013: 307) argue that “National policies should, like carbon pricing, place a value on natural capital and a cost on unsustainable actions”.

IGR are important to avoid turf battles (Malan, 2012: 116) which might result in duplications and inefficiencies (Kirkby *et al.*, 2007: 151). All governments and state organs are obligated by the IGRA to achieve the objectives of the IGRA by attempting to avoid intergovernmental disputes when exercising their powers and performing their functions (see section 37(1)(a) of the IGRA). Intergovernmental Dispute Prevention and Settlement: Practice guide: Guidelines for Conflict Management Regulations, 2007, in Part 3 outlines four causes of disputes, namely, problems in communication or information, conflict of interest over financial matters and other scarce resources, conflicts of power and distance, and animosity between the parties.

Disputes often arise because of inadequate communication, shortage of information, or lack of information sharing. Structures of IGR meet long after decisions were made and implemented, therefore, creating challenges of communication and information sharing (Malan, 2005: 240). Parties left out of the communication loop become suspicious, such as the continual marginalisation of DA-led municipal priorities by the New National Party (NNP) district municipality in the Western Cape through poor communication and deliberate decisions (Kirkby *et al.*, 2007: 154). The suspicion of malaise results in deep-seated discontent among the parties to IGR. Government institutions are bound to consult each other whenever decisions that have effect on the status of the other sphere are to be made. More often, information sharing is limited to policy making. National government and provincial governments whenever they conceive and design projects for implementation in a particular locality, the authority in that space is not properly informed. Sector department submit programmes and projects to municipalities for inclusion in their IDPs (Mashamba, 2008: 435). These plans were never discussed with municipalities to determine as to whether indeed such are priorities in that space.

The then Department of Provincial and Local Government (DPLG) noted in the 15 Year Review Report on the State of IGR in South Africa, hereinafter referred to as the '15 Year Review Report' that "National sector departments initiate policy or programmatic changes with municipal impact individually without assessing the cumulative impact of these sectoral policies on the local government sphere as a whole and on various types of municipalities" (15 Year Review Report, 2008: 17). This goes against the spirit of the MSA as far as integrated development planning. Government departments and state organs are required to signal their intention to provide service to local government through the integrated development planning process to avoid conflicts. It is the requirement of the Constitution, 1996, particularly section 41(1)(h)(ii) that all organs of the state inform one another on matters of common interest.

As discussed in paragraph 2.11 above, conflicts arise when financial, material and political interests of parties are in opposition. The South African polity is characterised by interparty and intraparty tensions (Kirkby, Steytler & Jordan, 2007: 154). The Constitution, 1996, brought a natural tension to the intergovernmental space

concerning who has the power and does not have the power over certain matters. The notion of concurrent powers in schedules 4 and 5 suggests that spheres must extensively consult with each on what constitutes the mandate of one sphere over the other sphere. Lack or inadequate consultation can result in serious tensions that might escalate into serious squabble requiring the attention of the courts, contrary to the spirit of the Constitution, 1996, concerning resolution of disputes. The other source of conflict arising from power dynamics is the extent to which provincial government has supervisory power over local government (Kirkby *et al.*, 2007: 155). There is a suspicion that provincial governments exceed their power when dealing with municipalities with a serious negative effect on their relationship. In an endeavour to mediate the tensions, parties to the IGR must agree on guidelines to regulate their conduct and exercise their power. This brings the discussion to the issue of structures of IGR in South Africa.

2.13. Structures for IGR in South Africa

The IGRA and IFRA prescribe structures for IGR. The IFRA provides for two structures of IGR, namely, the budget council and the local government budget forum. The budget council comprises the Minister of Finance and the MEC for finance for each province (s2 of the IFRA). The budget council is a structure in which the national government and provincial governments consult on financial, fiscal and budgetary matters (s3 of IFRA). The budget council is a national-provincial IGR forum dealing specifically with fiscal, financial and budgetary issues affecting a province or provinces. The budget council does not discuss matters affecting national government, except national policy that has a bearing on provincial government (s3 of IFRA).

The local government budget forum comprises the Minister of Finance, the MEC for Finance of each province, five representatives of SALGA national chapter and one representative of SALGA for each province (s3 of IFRA). The local government budget forum is a body in which the national government, provincial governments and organised local government consult on financial, fiscal and budgetary matters affecting local government. Municipalities do not participate directly in the business of the local government budget forum but through representation. Provincial government departments responsible for local government are omitted from the business of the

local government budget forum. As to why the provincial government departments are excluded from the local government budget forum can be left for speculation, safe to mention that MEC for local government in each province is responsible for financial matters of local government (see section 136 of the MFMA read with section 6(c) of the IGRFA).

The IGRA, Parts 2, 3 & 4, established the following intergovernmental structures: President's Co-ordinating Council, national intergovernmental forums, provincial intergovernmental forums, interprovincial forums, district intergovernmental forums, inter-municipality forums, and intergovernmental technical support structures. The IGRA excludes government departments as IGR structures even though they play a role as such. In this study, provincial governments will be regarded as intergovernmental structures in line with Chapter 2 of the MFMA and their capacity to carry this task will be investigated.

The President's Co-ordinating Council hereinafter referred to as the "Council" comprises the President, the Deputy President, the Minister in the Presidency, the Cabinet member responsible for Finance, the Cabinet member responsible for the public service, the Premiers of the nine provinces and a Municipal Councillor designated by SALGA (section 6(1) of the IGRA). Section 7 of the IGRA describes the role of the Council as a consultative forum for the President.

The Council is responsible among others:

- to raise matters of national interest with provincial governments and organised local government and hear their views on those matters;
- to consult provincial governments and organised local government on the implementation of national policy and legislation in provinces and municipalities and the co-ordination and alignment of priorities and strategies across national, provincial and local governments;
- to discuss performance in the provision of services in order to detect failures and to initiate preventive or corrective action when necessary; and

- to consider reports from other intergovernmental forums on matters affecting the national interests (s7 of the IGRA).

Part 2 of the IGRA establishes national intergovernmental forums hereinafter referred to as “MINMEC”. MINMEC is a national intergovernmental forum established by a Cabinet member to facilitate IGR in the functional area for which that Cabinet member is responsible (s9(2) of the IGRA). MINMEC comprises the Cabinet member responsible for the functional area for which the forum is established, any deputy minister appointed for such functional area, MECs of provinces who are responsible for a similar functional area in their respective provinces and a councillor designated by Salga national (s10 of IGRA).

MINMEC have similar roles as the President’s Co-ordinating Council to an extent that those roles are confined to a defined functional area. In addition, MINMEC reports to the President’s Co-ordinating Council (s12 of the IGRA). A Cabinet member responsible for a MINMEC may refer any matter to the budget council and local government budget forum after consultation with the President and Cabinet member responsible for finance (sections 11, 12 & 13 of the IGRA).

The President’s Co-ordinating Council and the MINMEC differ from the budget council and local government budget forum in that the Council and MINMEC concern themselves with matters of national interests while the budget council and local government budget forum concern themselves with matters affecting provinces and municipalities respectively. The budget forum and the local government forum are structures of national standing. The participation of provinces in the local government budget forum is limited to matters affecting them, unlike in the President’s Co-ordinating Council and the MINMEC where their views on matters on national importance is central. Similarly, the participation of local government in the local government budget forum is limited to the matters affecting municipalities.

At the provincial sphere of government, the IGRA establishes the Premier Intergovernmental Forum (PIGF), interprovincial forum and any other forum the premier might deem necessary (s17; s21 & s22 of the IGRA). The PIGF comprises the premier of the province, MEC responsible for local government, any other MEC

designated by the premier, the mayors of district and metropolitan municipalities in the province, the administrator of any of those municipalities if the municipality is subject to an intervention in terms of section 139 of the Constitution, 1996, and a Municipal Councillor designated by the organised local government in the province (s17 of the IGRA). The PIGF is established to promote and facilitate IGR between the province and municipalities in the province (s16 of the IGRA). According to section 18 of the IGRA, the PIGF is a consultative forum for the premier of a province and local governments in the province, discusses and consult on matters of mutual interests, including:

- The implementation in the province of national policy and legislation affecting local government interests;
- Matters arising in the President's Coordinating Council and other national intergovernmental forums affecting local government interests in the province;
- Draft national policy and legislation relating to matters affecting local government interests in the province;
- The implementation of national policy and legislation with respect to such matters;
- The development of provincial policy and legislation relating to such matters;
- The implementation of provincial policy and legislation with respect to such matters;
- The co-ordination of provincial and municipal development planning to facilitate coherent planning in the province as a whole;
- The co-ordination and alignment of the strategic and performance plans and priorities, objectives and strategies of the provincial government and local governments in the province; and
- Any other matters of strategic importance that affect the interests of local governments in the province

The PIGF reports to the Presidents' Coordinating Council once a year (s20(a) of the IGRA). In addition to the above forums, s28 of the IGRA established municipal intergovernmental forums, namely, the district intergovernmental forums and the inter-municipality forums. The district intergovernmental forum is established to

promote and facilitate IGR between the district municipality and the local municipalities in the district (s24 of the IGRA).

The keywords in s16 and s25 of the IGRA are 'promote' and 'facilitate'. According to Collins Concise Dictionary & Thesaurus, the word promote means "to encourage the progress or success of". According to Collins Concise Dictionary & Thesaurus, the word facilitate means "to make easier the progress of". From the explanations in the dictionary, it is clear that provincial and districts intergovernmental forums do not enjoy constitutional authority to assert themselves on the intergovernmental actors. This is consistent with s32 of the IGRA on the status of intergovernmental forums. Section 32 of the IGRA describes intergovernmental forums as structures for consultation and discussion with no executive decision-making power whatsoever (see Malan (2005: 233)). The next section unbundles the location of municipal financial management at the provincial sphere of government.

2.14. The locus of municipal financial management at provincial sphere of government

Provincial supervision of municipal financial management is a concurrent function between the provincial treasuries and provincial Cogta. Provincial support for municipal financial management according to the MFMA and the Constitution, 1996, resides in two departments, namely, the provincial treasury and the departments responsible for local government (s34, s35 & s136 of the MFMA; s139 & s155(6) of the Constitution, 1996). The concurrency of the provincial supervision of municipal financial management has inherent tensions. Without clear distinction between what becomes the role of provincial treasuries as opposed to provincial government departments responsible for local government, tensions will be aggravated. According to Coetzee (2010: 91):

Competitive forces and functions of the three spheres of government impede the cooperation between the three spheres and cause unnecessary tension. The result is fragmentation and lack of accountability. This also results in a negative influence on service delivery as was the case in various municipalities.

Kroukamp (2011: 34; 2008: 146) supports the view of Coetzee when arguing,

...that the respective roles and responsibilities of each sphere of government were not always clear, gave rise to a situation whereby fragmentation, confusion and duplication occurred as various and different interpretations prevailed (see Steytler, 2005: 278 – 279).

To ensure friendly relations, government departments affected by tensions arising out of the division of powers and functions, are advised to develop and agree on procedures and structures for consultation and coordination. The procedures must, among others, define the scope of each provincial government department in relation to the other, roles of IGR units, the manner of interactions and deadlock breaking mechanisms (Steytler, 2005: 280). The next section discusses levels, tiers or spheres of government.

2.15. Levels, tiers or spheres of government

The use of the terms levels, tiers and spheres of government evolved with the changing political landscape. In South Africa, the terms levels and tiers were used during apartheid to demonstrate the hierarchical relationship between the spheres of governments (Cameron, 2002a: 475; Amusa & Mathane, 2007: 267). The term sphere entered the political space after the introduction of the Interim Constitution, 1993 and the Constitution, 1996. The term sphere is used to denote the shift from hierarchical to less hierarchical relationships (Cameron, 2002a: 478). Tapscott (2000: 121) argues that “The decision to describe the different levels of government as ‘spheres’ rather than ‘tiers’ was a conscious attempt to move away from the notion of hierarchy with all connotations of subordination. In practice, however, this has not generally proven to be the case, as the essence of hierarchy remains prevalent in intergovernmental relations”. Despite this view, Tapscott (2000) continues to use the terms of levels, tiers and spheres interchangeably. Unlike Tapscott, Amusa and Mathane use the terms ‘tier’ and ‘sphere’ based on their correct context, namely, ‘tier’ during apartheid and ‘sphere’ post-apartheid.

Reddy (2001) concurs with the views of Tapscott as far as the use of the term spheres as opposed to tiers (see Amusa & Ayele, 2014: 265). Reddy (2001: 21) argues that “The new Constitution refers to spheres instead of tiers of government and seeks to emphasise the new relationships of cooperation among the levels of government”. According to Reddy (2001: 21), the spheres have equal status, are self-reliant, inviolable and possess the flexibility to define and express their unique character. Section 2.16 deliberates on provincial-local relations.

2.16. Provincial-local relations

IGR are classified as national-provincial, national-local and provincial-local relations. This study focuses on the provincial supervision of municipal financial management, which is provincial-local relations.

In a comparative study of provincial-local IGR in Germany, Austria, Belgium in relation to South Africa, De Villiers (1997: 489) contends that provincial – local IGR received little attention from scholars and practitioners alike. The author chose to investigate the three countries because they exhibit similar characteristics relevant to the South African debate, in particular the structuring and facilitation of IGR between local and provincial governments (De Villiers, 1997: 470). This he contends was so owing to large interests given to national-provincial IGR, particularly in Germany. In the three case studies under consideration, De Villiers (1997: 478; 480; 482) indicates that there are no formal structures for provincial – local IGR. To provide a firmer basis for cooperation, De Villiers (1997) contends that attention must be given to the formalisation of IGR between local and provincial governments (De Villiers, 1997: 489). The reason for his conclusion is based on the following realities:

- In Austria, the right to hearing local government (*Stellungnahme*) is entrenched in the federal and *Lande* constitutions to ensure that the views of local government are heard.
- In Belgium the institutions of local government, the boundaries of local governments and the provinces (counties) and their powers are protected by

the federal constitution and cannot be altered by legislation of the *geweste* (De Villiers, 1997: 478).

- Germany created a *Kommunaler Rat* by law to render advice to the Land government on matters affecting local government (De Villiers, 1997: 479; 481).

Mettler (2003) set in great details challenges facing provincial – municipal relations. He reviewed the MSA and the Constitution, 1996, as far as monitoring and supervision of local government by provinces is concerned. In his assessment, he found that the municipal monitoring by a province is fragmented and some legislations predate the Constitution, 1996, therefore, not in sync with the procedures provided for in section 139 of the Constitution, 1996 (Mettler, 2003: 221). To have effective IGR, Mettler (2003: 225) suggests two dimensions for the relations between provincial and local government. The first dimension concerned itself with the establishment of mechanisms, processes and procedures that will facilitate the relations between the provincial and local government (Mettler, 2003: 225). The second dimension concerned itself with the consideration of the relations between the province and individual municipalities (Mettler, 2003: 225). To this end, he suggested relations between district and metropolitan municipalities in exclusion of local municipalities. The second dimension is based on a false notion that district municipalities are responsible for local municipalities, forgetting that local municipalities are institutions in their own right and are independent from district municipalities (see Mathenjwa, 2014: 142).

Mathenjwa (2014b), in his study of contemporary trends in provincial government, supervision of local government in South Africa contends that IGR have shortcomings. Mathenjwa assessed seven municipalities and concluded that:

- Some provinces encroach on the affairs of municipalities (Mathenjwa, 2014b: 140; Makoti & Odeku, 2018: 100);
- Some provinces disrespect the constitutional and functional integrity of municipalities; and

- Supervision of local government is marred by party-political consideration when municipalities are supervised by a provincial government led by a different political party leading the municipality (Mathenjwa, 2014b: 200).

To address these challenges, Mathenjwa (2014b: 200) suggests that Cogta must issue instructions and guidance to the provincial Cogta on their monitoring and intervention functions. Mathenjwa (2015: 74) argues that "... the obligations of provincial government toward local government are designed to support local government rather than to destroy it" (see Makoti & Odeku, 2018: 110). The intentions of supervising local government are more to breathe life into local government than to frustrate it. The conduct of provincial government discussed and assessed by Mathenjwa (2014b) is appalling to say the least. Provincial government behaved contrary to the object of the laws governing supervision of local government in particular and the constitutional provision of cooperative government in general.

A study was conducted on constitutional obligations imposed on a provincial government in instances where a municipality cannot provide basic services as a result of a crisis in its financial affairs. Mathenjwa (2015: 59) describes the provincial supervision of provincial government in terms of both the Constitution, 1996, and the MSA. He specifically described the provincial intervention in terms of section 139 of the Constitution, 1996, and the MFMA, particularly the imposition of a financial recovery plan. The study concluded that failure of local government reflects badly on the provincial government's ability to supervise local government (Mathenjwa, 2015: 74).

In another study on "Challenges facing the supervision of local government in South Africa", Mathenjwa (2014a: 142) argues that there are two shortcomings characterising IGR, namely, poor representation of local government in the premier intergovernmental forum and the weak status of intergovernmental structures. Intergovernmental structures are weak in that they do not have executive powers and their decisions are mere recommendations to various executing authorities. Through the assessment of the IGRA by Mathenjwa (2014a), particularly as it relates to the composition of premier IGR forum, concluded that the exclusion of local municipalities is a weakness that requires correcting.

Although comprehensive studies on provincial – local relations were documented, no studies on the role provincial treasuries played in facilitating municipal sound financial management has been documented, especially in South Africa. The literature review suggests that the role of provincial treasuries in provincial – local relations in South Africa and its effects on municipal financial management has been less discussed or documented. This study, therefore serves to fill the gap created by the absence or lack of documented research on whether provincial treasuries played their legal role in supervising municipal financial management.

2.17. Conclusion

This chapter discussed the literature relevant for this study. This chapter discussed how the literature was searched and selected, the standing of the scholars and scholarship. Furthermore, this chapter evaluated views and arguments on the origin of the IGR, approaches to the study of IGR and models of IGR. The views and arguments on the effects of human behaviour on IGR, types of interactions and their influence on IGR and the effects of legislation on IGR were evaluated. The scholarship was evaluated in relation to political bias, monitoring and evaluating practices of IGR and challenges facing IGR. This chapter further discussed views and arguments on the purpose of IGR, structures of IGR and the locus of municipal financial management support at the provincial sphere of government.

The literature for this study was sourced from credible authors and sources with multiple accreditations. The scholarship revealed that IGR in South Africa captured the imaginations of the scholars and practitioners alike immediately after the dawn of democracy. However, governmental relations existed prior the formation of the union of South Africa in 1910. The literature further revealed that South Africa cannot be defined in terms of a single authority model. Different epochs during the evolution of the South African polity suggested different models of IGR or a combination of two or more models.

This study asserts the role human behaviour plays in the practice of IGR. This chapter emphasised the dual role of administrators in the practice of IGR as both administrators and political bosses, therefore, muddying the political space.

This study concurs with other scholars on legislating IGR. In legislating IGR, this study created clarity in terms of what becomes the role of actors in the practice of IGR. This study concurs with De Villiers (2012) that legislating IGR enhances the relationship among actors and creates platforms for friendly relations in line with the IGRA. According to Reddy (2001: 22), “it is generally accepted that IGR are an integral part of the wider field of Public Administration”. Public Administration is a domain of politics, politicians, public officials and the public. IGR as an integral part of public administration are characterised by imposing political phenomenon. In this chapter, it was revealed that politicians often act with impunity by either overreaching or acting with bias.

Monitoring and evaluation are fundamental to every government programme. IGR in South Africa were not monitored as they should since the dawn of democracy in 1994 except for the reviews which happened on an interval of five and ten years respectively. To satisfy the reporting requirements imposed by plethora of legislation more time was spent on reporting and less on analysis (Steytler, 2008: 530). This is so owing to the onerous reporting requirements imposed by multiplicity of legislations attached to local government (Steytler, 2008).

Focus on IGR refers to the relations between individuals and structures. This chapter found that government departments are often left out when debates on IGR ensue. Furthermore, the chapter found that there is fragmentation in terms of municipal financial management support at the provincial sphere of government and lack of clarity as to who is responsible for what in the supervision of municipal financial management. The provincial treasury and provincial Cogta are charged with the responsibility to oversee municipal financial management. A detailed exposition of the findings will be discussed in Chapter 6 of this study. Now that the study is anchored in the literature a detailed discussion on the theoretical framework underpinning this study will follow. The chapter that follows is where the theoretical framework is discussed.

CHAPTER THREE-THEORETICAL FRAMEWORK: STRUCTURAL FUNCTIONALISM

3.1. Introduction

Chapter 2 of this study provided the review of the literature on IGR and cooperative government. The review of the literature was done to anchor this study in the scholarship and identify a knowledge gap. Chapter 1 of this study introduced the subject of theoretical framework (Ch.1, s1.19: 25). In this chapter a detailed discussion of the theoretical framework is pursued. According to Grant and Osanloo (2014: 13), “The theoretical framework is the ‘blueprint’ for the entire dissertation inquiry. It serves as the guide on which to build and support your study, and also provides the structure to define how you will philosophically, epistemologically, methodologically, and analytically approach the dissertation as a whole”. This chapter will examine the theoretical framework by firstly discussing the rationale for using structural functionalism in this study. Secondly, structural functionalism will be described. Thirdly, the history of structural functionalism will be described. Fourthly, the key concepts of structural functionalism, namely, functions and structures will be discussed. Fifthly, criticisms of structural functionalism will be considered. Lastly, structural functionalism and IGR will be considered. The next section discusses the history of structural functionalism.

3.2. The rationale for structural functionalism

The focus of this study is the role of the provincial treasury in relation to the municipal financial management. In this section, the researcher will demonstrate why the current study employed structural functionalism as the appropriate theoretical framework.

Municipal financial IGR exhibit most characteristics of structural functionalism, namely, causal relationship (Sato, 2011), interaction (De Villiers, 2012, Mann, 1977), necessity (Sato, 2011), purpose (Mahner & Bunge, 2001), structure (Barbano, 1968; Chilcott, 1998; (Lehman, 1966; Radcliffe-Brown, 1952; Seidl, 2004), function (Lafleur, 1941; Lehman, 1966; Mahner & Bunge, 2001; Potts *et al*, 2016) and boundedness (Munch,

1994). These characteristics are not all the characteristics of structural functionalism, but a sample to illustrate the point that functional analysis can be applied in this study. The supervisory activities of monitoring and support have a potential to influence the state of municipal financial management. This notion is consistent with the component idea of cause and effect as described by Sato (2011: 1). Therefore, the use of the idea of cause and effect is not the strict sense of causation as there might be factors other than the supervisory activities of monitoring and support that might affect municipal financial management.

Chapter 2 of this study described IGR as formal and informal interactions (Ch.2, s2.7: 45). Chapter 2 of this study described the effects of human beings on IGR (Ch.2, s2.6: 41). Municipal financial IGR as one form of IGR can be described in terms of both the interactions and effects of human beings. The interactions are the human activities that characterise the relationship between the officials from both the provincial treasury and municipalities and are interdependent (Sato, 2011: 2). The actions of the officials from the provincial treasury inform and are informed by the actions of officials from municipalities.

The provincial treasury was established to supervise, among others, municipal financial management (s5(4) & s34 of the MFMA). The supervisory activities of monitoring and support are necessary but not sufficient for sound financial management to occur. For sound financial management to occur, the provincial treasury must fulfil its mandate of supervising municipalities. The mandate of the provincial treasury as far as municipal financial management is concerned, is necessary and consistent with the necessary idea espoused by Sato (2011: 1).

The supervisory activities of support and monitoring do not happen for their own sake. Monitoring and support are purposeful. Monitoring assists in determining how municipalities are performing their financial management functions (see Ch.2, s2.10: 58). The process involves collecting and analysing information to inform the actions of the provincial treasury (see Ch.2, s2.10: 58; Mthetwa & Jili, 2016: 102). Areas requiring support differ from one municipality to the other. There are also those weaknesses that are common to municipalities and those that are prevalent in particular municipalities. As a result, the aim of monitoring and support is to ensure sound

financial management. However, monitoring is not the end but a stepping stone to critical assessment of the collected information, hence evaluation (see Ch.2, s2.10: 58). It is crucial for the provincial treasury to possess the skills to evaluate information from municipalities to determine effects of programme implemented to improve the capacity of municipalities. According to Mello (2018: 5), “The failure of interventions could be ascribed to the lack of monitoring and evaluation of interventions and transitions when appointed administrators leave after interventions”. No doubt, individuals best perform oversight and supervision when properly capacitated and skilled.

The notion of purpose is consistent with the sixth notion of **function**, hence teleofunction (Mahner & Bunge, 2001: 80). According to Mahner and Bunge (2001: 84), teleofunction is the type of functionalism that suggests functions are “... being useful to somebody or at least being intended to be useful to somebody” (see Ch.3, s3.6: 105). The central thrust of teleofunction is purpose. The activities of monitoring and support are underpinned by the notion of purpose that is why they are teleofunctional.

Münch (1994) argues that there are norms, roles and rules defining the boundaries of a system. According to Münch (1994: 17), “There are boundaries that define what is within and what is outside the system. Social norms and roles and clear rules of membership in a social system play a major part in defining those boundaries”. The municipal financial IGR are regulated by legislation and policies. The legislations and policies define role players in the municipal financial IGR, their roles and the conduct expected of each role player.

Nevertheless, municipal financial IGR, like all other IGR activities are not free from controversy. Contradictions and tensions are unintended consequences of municipal financial IGR, hence latent function. The contradictions and tensions that become evident during the interactions between the provincial treasury and municipality are not part of the initial plan; they are what can be referred to as ‘by-products’ in biology. Lehman (1966: 279) defines latent functions as functions “... which are neither intended nor recognised”. These contradictions and tensions manifest when municipalities are aggrieved by the actions of the provincial treasury. This feature is

one among other reasons why structural-functionalism is the appropriate theoretical framework for this study.

Municipalities must be central to the design and delivery of support initiatives from the provincial treasury; that is, municipalities must be treated as equal partners in the municipal financial intergovernmental activities. This is consistent with the provisions of the IGRA and the notion of episodes as espoused by Luhman (Ch.3, s3.4: 84). It is on this basis once more that the researcher advocates for the use of structural functionalism as the theory of choice for this study.

The arena of municipal financial IGR is the interaction between the provincial treasury and municipalities on the one hand, and Coghsta and municipalities on the other hand. The provincial treasury and municipalities are interdependent as far as municipal financial management is concerned. The best way to analyse municipal financial IGR is when it is perceived as a system of interacting actors. Structural functionalism as an approach views the subject of analysis in terms of systems thinking (Ludbey, 2016: 6; Atwater, 2010: 36; Ibharhokanrhowa, 2016: 68). From the above, it is evident that this study applies the concepts and approach of structural functionalism. The rationale for using structural functionalism was described in this section. To take the discussion forward, the next section describes structural functionalism.

3.3. Understanding structural functionalism

Structural functionalism is a theory underpinning certain studies. A theory can be used as a tool of analysis (method) or a lens of thinking. According to Ritzer (1975: 159), “structural-functionalism is oriented to the analysis of social structures and institutions”. Mann (1977: 1) argues that structural functionalism is a holistic approach that tended to treat societies or wholes as having characteristics similar to those of organisms. Potts *et al.* (2016: 165) support Mann (1977) by clarifying the kind of thinking that structural functionalism is, namely, systems thinking. Ritzer (1975) describes structural functionalism as a tool of analysis whereas Mann (1977) describes structural functionalism as a lens. Sato (2011) supports Mann (1977) in describing structural functionalism. According to Sato (2011: 1), “Functionalism is one

of the most prevalent modes of thinking in sociology". In this study, structural functionalism is defined as the lens through which municipal financial IGR will be studied.

There are two fundamental premises which drive this study to adopt structural functionalism as a theory. The **first premise** relies on the use of the postulates of structural functionalism, the part-whole idea, the necessary condition idea and the positive value idea. The **second premise** is the use of the concept function in this study.

The parts-to-whole relationship between the provincial treasury and municipalities to the municipal financial management and their contribution to maintain sound financial management, provides an explanatory model to understand the supervisory activities of monitoring and support. Municipalities provide reports to the provincial treasury and in turn the provincial treasury uses these reports to monitor compliance and identify areas requiring support.

This study subscribes to the necessary condition idea. The supervisory activities are necessary albeit not sufficient conditions for sound financial management. The supervisory activities of monitoring and support are precursors to any other supervisory activity. The subsequent monitoring and support to municipal financial management trigger the other supervisory activities of intervention and regulation. From this, it is evident that the supervisory activities of monitoring and support are necessary for municipal financial management.

The **third and fourth** premises are intertwined. The reason for adopting structural functionalism is the adoption of the concept of 'function', which is consistent with the 'positive value idea'. The question this study addresses is not whether monitoring and support affected municipal financial management, but what did the LPT do to monitor and support municipalities. Therefore, this study is not about the effects of the supervisory activities, but the function served by monitoring and support.

The four premises discussed in the preceding paragraphs expand the application of structural functionalism to municipal financial management, hence 'structural

functional theory of municipal financial management'. Structural functionalism has undergone metamorphosis over a long period. The next section tracks the historical evolution of structural functionalism.

3.4. Historical evolution of structural functionalism

Structural functionalism straddles many disciplines and epochs. The disciplines range from sociology (Ritzer, 1975; Sato, 2011), anthropology (Radcliffe-Brown, 1952; Vincent, 1986; Mann, 1977; Nash, 1997; Chilcott, 1998), planning (Potts, Vella, Dale & Snipe, 2016), religion (McCauley & Lawson, 1984; Segal, 2010), politics (Groth, 1970; Lane, 1975), philosophy (Mahner & Bunge, 2001), humanities (Procter, 1980), management (Hendry & Seidl, 2003) to the arts (Oring, 1977). According to Barton *et al.* and Spencer and Urry (in Potts *et al.*, 2016) "Structural functionalism is an early form of systems thinking that emerged in the 1800s out of the works of French and British sociological philosophers Comte, Spencer and Durkheim who explored and developed the application of the biological metaphor to understand society" (Potts *et al.*, 2016: 165; also refer to Harper, 2011: 2, 8; Chilcott, 1998: 103; Babbie, 2003: 36).

According to Mann (1977: 3), the most substantial contribution of structural-functional school was between 1930 and 1955. The contribution of structural-functional school was based upon fieldwork conducted in African tribes (Mann, 1977: 3). Structural functionalism was dominant in the social anthropology discourse. Mann (1977: 1) argues that structural functionalism assumed the central movement in modern British social anthropology. Mann (1977: 2) declared Malinowski and Radcliffe-Brown as the more active associates and founders of functionalism and structural functionalism. British social anthropology derived its existence from the works of Emile Durkheim (Mann, 1997: 2)

In the 1900s, British anthropologists Radcliffe-Brown (1953) and Malinowski (1922) "... further developed and applied the sociological construct of structural functionalism as a means of framing ethnography and overcoming the limitations of diachronic approaches to understand change" (Potts *et al.*, 2016: 165). Radcliffe-Brown (1952: 188) argues that "Professor Lowie announced that the leading though not the only

exponent of functionalism was Professor Franz Boas”. Barabano (2008) argues that there was a thread of continuity from Radcliffe-Brown and Malinowski to Talcott Parsons. From the preceding paragraphs of Section 3.4 of this chapter, it is clear that functionalism has a long history of existence. Its existence was relayed from one scholar to the other, therefore, improving the scholarship.

According to Sato (2011: 2, 5), “Talcott Parsons (1951) marks the beginning of functionalism as a formal theory and a method in sociology. His theory ‘structural-functionalism’ is based on the ideas of cause and effect, part-whole and necessary condition” (also see Potts *et al.*, 2016: 166). Sato (2011) further argues that there were three major approaches to functionalism each best represented by Parsons, Merton and Luhman. Nash (1997: 2) earlier contended that structural functionalism gained academic prominence in the field of anthropology during the 1950s. Nash (1997) maintains that structural functionalism underpinned every ethnographic research. It is worth mentioning that Vincent (1986: 331) pointed out that folklore attributes the academic success of functional theory to Bronislaw Malinowski and Arthur Reginald Radcliffe-Brown. From the foregoing, it is evident that structural functionalism fascinated the imagination of scholars across many academic fields at the same time. Structural functionalism became the theoretical force in political science during the 1960s and 1970s. Lane (1994: 461) argues that many resources of comparative politics were directed at the structural-functional movement in political science in the 1960s and 1970s.

Structural functionalism was a pre-occupation of educationalists and anthropologists alike. According to Chilcott (1998: 104), structural functionalism “... has had a long tradition in the formation of the field of anthropology and education”. There were collaborative efforts between anthropologists and educationalists. Chilcott (1998: 104) maintains that “During the 1954 Stanford Conference on education and anthropology, sponsored by the Stanford School of Education and the American Anthropological Association, the notion of functionalism was persistent throughout the papers and the discussions”. From the above, it is evident that structural functionalism as theory and method received much attention in the anthropology-education debate.

Three decades after the academic prominence, structural functionalism experienced a decline. According to Nash (1997: 2), he "... watched at least three of these paradigmatic isms sink into wasms. The first great wave was structural-functionalism. This survived into the 1970s and 1980s". Potts *et al.* (2016: 162, 169) note that structural functionalism was abandoned during the 1980s. Similarly, Lane (1994: 461) observed that there was a decline in interest in structural functionalism in political science. According to Lane (1994: 4), "... the loss of structural-functionalism as a dynamic theoretical force within comparative politics was also a response to a specific failure, the failure of an approach to transform itself into an at least formalized theory". Despite the assertions by Potts *et al.* (2016) and Lane (1994), structural-functionalism continues to be utilised even though it was not at a high rate as previously used.

Structural functionalism re-emerged as a theory and method to guide research in the 1900s and 2000s. Structural functionalism continues to be applied in many disciplines, namely, anthropology (Chilcott, 1998), politics (Lane, 1994), religion (Segal, 2010); philosophy (Marner & Bunge, 2001); planning (Potts *et al.*, 2016) and management (Hendry & Seidl, 2003) to name but a few. Even though different strains of structural functionalism in these studies were applied, what remains is that structural functionalism re-emerged during the 1990s and 2000s. Structural functional approaches have once again attracted the imagination of scholars across academic disciplines.

As already indicated in this section, structural functionalism straddled many disciplines. Planning scholars used structural functionalism to frame their studies. Potts *et al.* (2016), in their study of the governance of planning systems, used structural-functional approaches for analysis. Potts *et al.* (2016: 162) describe structural-functional approaches as highly useful and practical.

In their study of 'the structure and significance of strategic episodes', Hendry and Seidl (2003) relied on the structural-functional approach to frame research on the practice of strategy. The authors framed their study using the Niklas Luhmann's social systems theory (Hendry & Seidl, 2003: 175). At this point, it is important to indicate that social systems theory is synonymous to structural functionalism (Babbie, 2004: 36). Hendry and Seidl (2003: 176) were interested in Luhmann's social theory, particularly his

treatment of change within a recursively-reproduced system of practice. Hendry and Seidl (2003:176) focused their attention on Luhmann's concept of 'episodes' because according to them it was through episodes that organisations were able to routinely suspend their normal routine structures of discourse, communication and hierarchy and create the opportunity for reflexive strategic practice. The notion of suspending normal routine structures of discourse, communication and hierarchy is consistent with the conceptualisation of IGR as a practice of equal actors. However, the structures of IGR established by the IGRA are used to communicate decision from national and provincial spheres of government and do not have the authority to enforce their decisions (see Ch.2, s2.11: 61).

Hendry and Seidl (2003: 189) developed a framework for a systematic study by focusing attention on three critical aspects of episodes, namely, initiation, termination and conduct. A detailed exposition of the three aspects of episodes is presented hereunder. **Initiation** concerns itself with ways in which the episodes are set up, determining which structures are or are not suspended and the de-coupling of episodes from the organisation as a whole (Hendry & Seidl, 2003: 189). **Termination** concerns itself with the ways the episodes are terminated, within which the focus is on the mechanisms for 're-coupling' the strategic reflection with the organisation (Hendry & Seidl, 2003: 189). **Conduct** is more about the ways in which the episodes are conducted, within which the focus is on the discourses generated and the types of reflection achieved (Hendry & Seidl, 2003: 189). The supervisory activities of monitoring and support can be treated as episodes and be analysed using the above framework.

Harper (2011: 5) argues that "The structural-functionalist argument suggests that, while the overall system relies upon each function, it is the interdependency and the ensuing interaction among structures that determine the extent to which a system meets its stated needs" (also see Chilcott, 1998: 103). Of equal importance is the contribution of this inter-dependency feature to maintaining the harmony to the overall system (Harper, 2011: 5). According to Ritzer (1975: 159), "The structural-functionalist is concerned with the relationship between structures, between institutions and between structures and institutions". This study argues that structural-functionalism is

mainly concerned with the relationship between the functions and their relationship with the structures and by extension to the outcome of their interactions.

Mahner and Bunge (2001) studied the concept of function from the perspective of biology, social science and technology. The authors found that there were five notions of functions in biology, namely, internal activities, external activities (role), internal activity cum role, aptation and adaptation (Mahner & Bunge, 2001: 79). The authors concluded that all the notions of function can be associated with social science and technology (Mahner, 2001: 82). Distinct from biology, the authors concluded that the actions in social science and technology are purposive, hence teleofunction (Mahner & Bunge, 2001: 82). The notion of teleofunction brought about the sixth notion of function.

Lane (1994: 461) in her study of essays published in "Crises and Sequences in Political Development" argued that "structural-functionalism in political science was in fact closer to achieving true theoretical status than it seemed to observers in the 1970s". Lane (1994: 461) argues that structural functionalism would have realised the theoretical status if the ideas behind it were remodelled to satisfy the critics' restrictions of vagueness and ambiguity.

Lane (1994) relied on the rationale choice theory as a guide to formalise structural functionalism as a microanalytic theory. According to Lane (1994: 465),

To define the axioms which underlie a theory, one must know what questions to ask. Rational choice theory serves here as a guide in the formalization of the microanalytic structural-functionalism model by defining four questions. How are the actors defined? What are the actors' goals? What cognitive and decision-making is involved? And what is the interrelationship between the participants?

In trying to reassert structural functionalism as a microanalytic theory, Lane focused her attention on the four questions raised above. According to Lane (1994: 466), the **first axiom** states that "the actors are defined as groups rather than individuals. Most frequently, the terms are "elites", "masses" and the "government"". Lane (1994: 466) maintains that notwithstanding the issue or issue area individual interests will form

themselves into temporary unified groups for a specific issue. The importance of defining actors as groups stems from the fact that structural functionalism worked with groups, not individuals (Lane, 1994: 466). In the context of this study, the actors are the government institutions. Government institutions and individuals attached to those institutions are the main players in the municipal financial IGR.

According to Lane (1994: 467), the **second axiom** posits that “the actors are self-interested but will vary in how they define their self-interest (for example, Pye’s elite); socialization is a major factor in establishing goals”. The motives of actors determine the behaviour of actors. Pye (in Lane, 1994) argues that elites behave differently in different countries and circumstances (Lane, 1994: 467). The apartheid government was intransigent towards the black majority. The motive of the then government was meant to satisfy the interests of its constituency, namely, the white population while suppressing the black population on the one hand. On the other hand, the democratic government is based on the will of the majority, therefore, influencing its decision towards the electorate. According to Lane (1994: 467), structural functionalism is different from rational choice theory in that structural functionalism advocates multiple motives such as national purity compared to rational choice theory which believes in economic development. Rational choice theorists were not amused by the decision by some individuals who choose national purity instead of economic development (Lane, 1994: 467). Rational choice theory assumes that actions are rational and people make decisions after having conducted an opportunity-cost exercise. National purity as one of the motives of structural functionalism appeals to the emotions and psyche of those making choices.

The **third axiom** postulates that “... there is not only goals variance but pervasive cognitive variance among acting groups...” (Lane, 1994: 468). Individuals and groups respond differently to the same issue. Repressive regimes are intolerant to protest action and can cause mayhem and death while democratic governments advocate for freedom of assembly, demonstration, picket, and petition. South Africa is one of the countries in the world, which affords its citizens the freedom to assembly, demonstration, picket, and petition, which is enshrined in the Constitution, 1996. According to Lane (1994: 468), there is an agreement between rational choice theory and structural-functionalism as far as diversity of response to similar stimuli. Chapter

2 (s2.9: 51) of this study indicated that the behaviour of provincial governments to municipalities are different despite the issue being the same.

According to Lane (1994: 468), “The **final axiom** defines interaction not as exchange, where everyone is said to benefit, nor as war, where the payoffs are often zero-sum, but as ongoing competitive struggle among different types of actors with varying cognitions, goals, and resources”. This axiom defines the outcome of the interactions between different stakeholders. As from the beginning of 2020, there has been a widening gap between organised labour and the government in South Africa (<https://www.news24.com/economy/the-trust-is-gone-say-public-sector-unions-as-apex-court-ends-hopes-of-wage-deal-20220301>). The cause of disagreement is the implementation of the *Public Service Co-ordinating Bargaining Council (PSCBC) Resolution 1 of 2018*. The interest of government is to ensure cost containment because of a poor economic outlook while the interest of organised labour is to ensure the welfare of its members. The debate found expression in the 2020 Medium Term Budget Policy Speech by the then Minister of Finance, Mr Tito Titus Mboweni. Mr Tito Titus Mboweni was the appointed Minister of Finance during the sixth administration between the years 2018-2021. The relationship between different organs of state, namely, the three spheres of government in South Africa is characterised by contradictions and tensions that require continuous engagement, particularly, where allocation and management of resources are concerned.

Mann (1977) in his article titled ‘*Functionalism, Structures-Functionalism: An Analysis*’ analysed the theory of structural functionalism as used in the study of culture. Mann (1977: 1) argues that the rise of functionalism and structural functionalism opposed evolution and diffusionism, at least in their purest forms. According to Mann (1977: 1), structural functionalism was no longer defined in terms of the evolutionary concepts of survival and reconstruction. According to Mann (1977: 1), Malinowski opposed the functionalist theory on the basis of evolutionist assumptions which have a direct bearing on the study of contemporary primitive and peasant societies. The evolutionary assumptions that Malinowski and Radcliffe-Brown rejected are:

- “That existing primitive societies represented the early stages of human social development;

- That these societies could themselves be placed on an evolutionary scale in terms of certain fixed criteria of development;
- That the evolutionary history of a society, or group of neighbouring societies, could be reconstructed in terms of the presence of certain characteristics which were clues to the past; and
- That the presence of certain characteristics which did not fit a particular stage of development could be interpreted as survivals of the past” (Mann, 1977: 2).

The researcher concurs with Malinowski (in Mann, 1977) that certain attributes of primitive societies are relevant today as they were relevant then. To substantiate this argument, Malinowski (in Mann, 1997) contends that “many of the institutions of primitive society such as those governing the settlements of disputes or the allocation of resources did, in fact, meet the same sorts of requirements as do more specialized judicial and economic institutions of our own society” (Mann, 1977: 5). To this end, Mann (1977: 5) maintains that functional analysis adopted three interconnected postulates, namely,

- “That standardized social activities or cultural items are functional for the entire social or cultural system;
- That all such social and cultural items fulfil sociological functions; and
- That these items are consequently indispensable”.

The first postulate assumes that a social or cultural system comprises integrated parts which work together to sustain the system, hence functional unity. This postulate is the fundamental principle of what is referred to as ‘holistic functionalism’. A detailed discussion of the functional postulates is carried in Section 3.6 of this chapter discussing the ‘criticisms of structural functionalism’.

Malinowski made a huge contribution to the study of structural functionalism. According to Mann (1977: 5), Merton classified Malinowski’s major contributions into three kinds, namely,

- “He suggested a method of ethnographic enquiry;
- He developed specific ideas to interpret particular phenomenon; and

- He attached the common preconception of primitive man as irrational and dominated by custom”.

In his study of structural functionalism as a heuristic device, Chilcott (1998: 103) concluded that “... structural functionalism as a method for conducting fieldwork and as a format for analysis of ethnographic data remains a powerful model”. The reason for Chilcott to contend that structural functionalism is a powerful model is premised on its mechanical nature and as a heuristic device (Chilcott, 1998: 103). Chilcott (1998: 107) avers that structural functionalism is easily understood by professional educators and useful in solving their problems.

Chilcott (1998: 103) maintains that structural functionalism can be used as a method free from its theoretical baggage. According to Chilcott (1998: 106), “If functionalism is both a theory and a method (Jarvie 1965: 25) and if functionalism is criticized as a theory, one may disregard the theoretical components and focus on the explanatory problem-solving component of functionalism”. From the above, it is clear that structural functionalism comprises two components, namely, a theoretical component and an explanatory problem-solving component. The theoretical component provides the lens through which research is seen. The explanatory problem-solving component comprises the method followed to resolve the research problem. Chilcott (1998) posits that structural functionalism as a method is helpful in explaining circumstances and situation, hence a heuristic device.

According to Chilcott (1998: 106), using structural functionalism as a methodology results in two classes of questions, namely, the why questions and the what questions. The first class of questions are questions of the form: Why do people do things? Why do they think that they do things? Why do they say that they do things? and other related questions. The second class of questions is what are the unintended repercussions of their actions on the institutional network? (Chilcott, 1998: 106). The first set of questions are questions whose answers provide the rationale for the actions. The second class of questions are more of questions where the results were never anticipated. A closer look at the classes of question indicates that the ‘why questions are consistent with the manifest function of Merton on the one hand. On the other hand, the ‘what question’ is consistent with the definition of latent function by

Merton (Chilcott, 1998: 104). In this study, the 'why questions' are adapted to read as follows: Why does the provincial treasury support municipalities? Why does the provincial treasury monitor municipalities? The 'what question' is, What are the unintended consequences of the actions of the provincial treasury on municipalities? The answer to the 'why questions' are 'good governance' and 'sound financial management' and 'improved municipal financial IGR'. The answer to the 'what question' of this study is in most cases aggravation of tensions consistent with Wright's (1988) concept of 'images'.

Porter and Córdoba (2008) in their article titled '*Three views of systems theories and their implications for sustainability education*' focused on the notion of systems thinking as it pertains to sustainability pedagogy. The authors relied on systems thinking and other literature to develop three broad approaches to systems thinking, namely, functionalist, interpretive and complex adaptive systems (Porter & Córdoba, 2008: 1). The authors averred that the functionalist approach is the backbone of organisational studies and remains strongly in play today (Porter & Córdoba, 2018: 3). According to Porter and Córdoba (2008: 4)

“Functionalist methodologies operationalize the system as a straightforward, though often very complex, linear mechanism with clear boundaries, beginnings, and ends. Once the components of the system and their relationships are clarified, its parameters may be quantified, analysed, and optimized, meaning that the most efficient and effective solution may be calculated, given any set of goals and priorities”.

Some functions have a need to fulfil. Mahner and Bunge define the concept of function in terms of value (Mahner & Bunge, 1991: 78). The authors distinguish between valuable and invaluable functions, which they referred to as 'aptation' and 'malaptation' (see Ch.3, ss3.5.1: 99). Similarly, Sato (2011: 1) derived a basic component idea of positive value (see Ch.3, ss3.5.1: 97). It is evident from the foregoing that not all functions are valuable while others are valuable. Malinowski, Radcliffe-Brown and Parsons (in Chilcott, 1998) argue that “The functionalist tradition also postulate that social systems meet certain needs and suggests that there are functional imperatives that must be met in order for a group to survive” (Chilcott, 1998: 103; also see Lehman, 1966: 277). Chilcott (1998: 103) argues that societies are similar to organisms and

have needs like organisms. In the current study, the question that requires response is 'what need is met by the actions of the provincial treasury in the municipal financial IGR?'. To answer the question, one must answer the 'why questions' indicated earlier in this section.

Chilcott (1998: 105) applied the precepts of functionalist model to the school society, namely, social structure and social organisation. Chilcott (1998: 105) gave example of the organisation of work in a school whereby the principal, teacher and student have certain tasks to perform as part of the total activity called schooling. Schooling in the sense of Chilcott comprises the combination of individual tasks of each principal, teacher and student. According to Chilcott (1998: 105), "... the arrangement of the roles of the principal, the teacher, and the student provides the social structure". This view is supported by Atwater (2010), Ibharhokanrhowa (2016), Ludwey (2016) and Fink (2011). Atwater (2010: 36) argued that different groups of agents perform different tasks to accomplish greater good of the whole.

Fink (2011) immediately after Atwater (2010) adopted the same approach to social structure. According to Fink (2011: 13) "The higher education system can be treated as social structure specialising in education. Some of the structural roles are those of the faculty (or instructors) and students. More specifically the roles that can be categorised into groups within the system". Ibharhokanrhowa (2016: 68) posited that "Structure refer to the arrangement of roles which a social system is constituted". Ludbey (2016: 6) argued that "The theory of structural functionalism is grounded in the observation that society is a system. This system is embedded within the concept of a social cultural consensus with various parts that can be differentiated and stratified". It is evident that the authors describe structural functionalism as a system with actors performing different roles to give life to the whole.

Lehman (1966) analysed Merton's use of the concept of function and related concepts of dysfunction, manifest and latent functions and functionalism. The cause-effect relationship between two elements was central in the analysis of the concept of function. According to Lehman (1966: 277) there are three variants of the cause-effect relationship, namely, the one item causes the other, or is part of the cause of the other or enable the other to occur. In the final analysis, Lehman (1966) concluded that

Merton's explanation regarding causal relationships is weak because causal statements lack scientific adequacy.

According to Lehman (1966: 279), Merton defined manifest of an item as the objective consequence contributing to the change of the system intended and recognised by participants. A similar view is held by Theophilus and Joseph Mutau (2020). Theophilus and Joseph Mutau (2020: 5) argued that "Manifest functions are the intended functions of an institution or a phenomenon in a social system". Lehman (ibid) argues that there are three independent criteria for manifest function, namely,

- "that the consequence contributes to the adjustment of the system;
- that the items which produce those consequences be performed for the purposes of producing those consequences; and
- that the contribution of those consequences to the adjustment of the society be recognized by the participants".

The criteria indicated above are used to classify functions as either manifest or latent functions.

In his study of politics, Groth (1970: 486) focused on the three basic problems of structural functionalism, namely, terminological ambiguity, indeterminacy of relationships among 'things political' and confusions of facts with values. The first problem of terminological ambiguity relates to the use of terms by structural functionalism. According to Groth (1970: 487), there are those terms that possess a degree of empirical concreteness and those that are inherently loose. Groth (1970) illustrates his argument through the term 'legislature'. Groth (1970: 487) argues that the legislature is an example of a structure that possesses a degree of concreteness in that it has a legally-constitutionally determined membership, a group life and is specific to a particular state.

According to Groth (1970: 487), some functional terms such as state-building, value-making, are terms that are loose. The meanings of these functional terms depend on the perception of the observer. In the South African context, there are multiple

meanings for the term 'political interference'. The term political interference is loose because it might mean different things to different individuals. To a politician, the term political interference might mean oversight which is warranted and in keeping with the mandate of the politicians. To the municipal official, political interference might mean arrogating responsibilities that do not belong to politicians, hence over-reaching.

On the problem of indeterminacy of relationships among 'things political', Groth (1970: 489) maintains that the change in one component will bring about change in the other components and the entire system. Groth (1970: 490) posits that how the change in any part of the political system affects other parts and the whole cannot be explained. In the main, Groth (1970: 490) avers that there is no criterion to measure the relationship among 'things political'. An example of indeterminacy of relationships among 'things political' is the poor state governance practices in the municipal space which are at times blamed at the lack of political will to mete consequence management on the one hand. On the other hand, the collapse might be ascribed to the lack of skill and capacity among municipal officials. The extent to which politicians or municipal officials affect the system cannot be explained.

The other problem of structural functionalism is confusion of facts with values. The appraisals of the general condition of the nation-state vary depending on who does the appraising and as to which facts are important and how (Groth, 1970: 491). What Groth (1970) meant is that the value attached to facts is conditional to the feelings, emotions and judgement of individuals making determination. The value attached to any political event will remain abstract because there is no common formula to measure a political event. Different individuals attach different values to political events depending on which side of the political fence they are sitting. According to Groth (1970: 498), "Within any given polity men frequently seek mutually contradicting objectives and while at any given time there is obviously a pattern of mores, attitudes, institutions, and other cultural manifestation...".

Segal (2010) in the study of responses by philosophers to Hempel's attack on structural functionalism focused on the logic of reasoning, namely, cause and effect.

Hempel (in Segal, 2010: 343) argues that the valid deductive argument might take the form:

PREMISE: If religion, then stability

PREMISE: Religion

CONCLUSION: Therefore, stability.

According to Segal (2010), Hempel subscribes to the above logic and referred to the reverse logic as fallacious. Segal (2010: 344) rejects Hempel's claim. According to Segal (2010: 344) "What is thus claimed is not that stability *may* be caused by religion but that it *must* be caused by religion". The use of the word "must" by Segal demonstrates that religion and only religion causes stability. This notion by Hempel is false to the extent that it excludes other causes. Akin to the supervision of municipal financial management, it cannot be claimed that the provincial treasury and the provincial treasury alone can be credited for sound municipal final management. Other government departments and entities have a part to play in ensuring sound municipal final management.

HAK (2007: 296) after being intrigued by Stanke and Finke castigating structural functionalism resolved to investigate the utility of structural functionalism in explaining conversion and (re-)affiliation. In investigating whether structural functionalism can explain the same facts as Stark and Finke could, HAK formulated questions to direct the study, namely, (i) What does a structuralist theory on conversion and (re-)affiliation look like? (ii) And to what extent can it explain the same phenomenon that is explained in Stark and Finke's theory? (iii) Can it explain more "facts" than Stark and Finke can? (HAK, 2007: 296). The essence of this article was to extricate structural functionalism from the unwarranted criticism levelled by Stark and Finke, which the article did with thoroughness. HAK joins other scholars before him who argued in support of structural functionalism as a theory to explain certain phenomena even better than what is claimed.

Barman (2022) studied religion of three theoretical perspectives of sociology, namely, the functionalist, the conflict and the interactionist. Barman (2022) lauds functionalism for its utility in the analysis of religion. According to Barman (2022: 25) "The

functionalist doctrines unlike other theorists argue that religion always serves several functions in society". Invoking the functionalist concept of function is not the sole preserve of religious scholarship. Napitu, Corry, Simanjuntak and Amal (2022) invoked the functionalist notion that every element has a function. Napitu *et al* (2022: 2) argue that "The functional paradigm has the assumption that everything has a function and this function can explain its existence in the socio-cultural life of the community". These arguments demonstrate that structural functionalism is applicable in various academic domains and topics.

Kalu (2011: 120), in the study of nation-building, observed that nation-building was external and top-down. This observation is true because countries that have experienced challenges had visitors in their territories in the name of nation-building. Kalu (2011: 119) contends that the approaches adopted by other nations were wrong, particularly as they relate to the reconstruction process. The countries focused on wrong things. According to Kalu (2011: 120), focusing on nation-building as an objective is flawed and the reconstruction project can only succeed if institution-building is given first preference.

In his quest to understand nation-building, Kalu (2011: 122) adopted the structural functional approach to explain the process. Kalu (2011: 122) focused on four elemental features of structural functionalism, namely, structure, function, interdependence and equilibrium and evolutionary change. The focus in these elemental features was based on the believe that the elemental features can help achieve the reconstruction ideal (Kalu, 2011: 122). There are two main concepts underpinning structural functionalism, namely, function and structure. The next section discusses these two main concepts of structural functionalism.

3.5. Key concepts of structural functionalism

Structural functionalism is characterised by two main concepts, namely, functions and structures. According to Potts *et al*. (2016: 167), "The key concepts of defined structures and their functionality are at the heart of structural-functionalism...".

3.5.1. Functions

Potts *et al.* (2016: 168) contend that functions are the glue that binds the structures together as well as the relationship between the structures. Sato (2011) avers that the use of the concept of function in mathematical sense is different from the sociological sense. Sato's view supports Mahner and Bunge (2001: 75, 92) in their argument that there was plurality of function concepts, meaning that different scholars or disciplines perceived the concept of functions differently. Sato (2011: 1) argues that in mathematical sense, the concept of function assumes the cause-effect relationship. In a sociological sense, the concept of function is used in a narrower sense, that is, with one or another of the three component ideas, namely, part-whole idea, necessary condition idea and positive value idea. Lehman (1966) before Sato defined the concept of function in terms of cause-effect relationships. Lehman (1966: 275) argues that "The function of the item (or a function of the item) consists in its consequences (or the consequences of its activity) which contribute causally to the 'adaptation or adjustment' of the system of which it is part". Chapter 2 (s2.12: 60) of this study discussed the purpose of IGR consistent with Lehman (1966) on the exposition of the concept of function. Lehman (1996: 276) further defines the concept of function as an 'activity' of the structure.

According to Chilcott (1998: 104), "Merton expanded the meaning of function by distinguishing between a manifest function, the overt recognized purpose of a social activity, and the latent function, the covert or unintended purpose of the activity". The preceding statement recognises that there are intended and unintended consequences to any activity or activities. Intervention of one sphere of government in the operations of another sphere is a classic example. A sphere of government after having observed an anomaly in the operations of another sphere might intervene with the purpose of correcting the anomaly. Moreover, the intention of the intervening sphere of government is pre-determined. The actions of the intervening sphere of government has a potential of affronting the sphere of government in which the intervention is intended, therefore aggravating tensions. The tension resulting from the intervention by one sphere of government on another sphere of government was not part of the initial plan, hence unintended. The notion of function describing intervention

of one sphere of government on another sphere of government is best described by the notion of function as defined by Merton.

Malinowski (in Chilcott, 1998) defines function “as the satisfaction of a need” (Chilcott, 1998: 103; Lehman, 1966: 277). Social systems do not exist for their own sake. Social systems exist for a reason, that is, to meet certain needs. According to the Chapter 2 subsections 4(a) & 4(b) of the MFMA, the provincial treasury was established to among others support and monitor municipalities. In the above sense, provincial treasury was established to meet the need for sound financial management in municipalities on the one hand and the whole of provincial government on the other hand.

Lafleur (1941) used the concept of function in an ‘if-then’ format. Lafleur (1941: 478) argues that “one entity is a function of another when an expression involving the second can be used to define the first” (also see Sato, 2011: 1). More than seven decades after Lafleur (1941), The relationship posited by Lafleur (1941) is a causal relationship between two entities, that is, the behaviour of one entity resulting from the behaviour of the other entity. Smith (2010: 741) in an article titled ‘Seeing other people’ used if-then reasoning to analyse the relationship between functional role and perceptual anticipation. Sato (2011: 1), however, argues that the concept function is used in a narrower sense in sociology. It is used with one or another of the component ideas of part-whole idea, necessary condition ideas and positive value idea.

Mahner and Bunge (2001) examined the number of concepts of function available in biology, social science and technology. The authors analysed the notions of function occurring in biology to examine whether these notions can be applied in social science and technology. According to Mahner and Bunge (2001: 76), the term function is used in at least five different but related senses. According to Mahner and Bunge (2001: 76, 77), the basic concepts of internal (biotic) activity and external (biotic) activity help define the other three notions of function. Mahner and Bunge (2001) distinguish internal activity from external activity in the sense that internal activity is what happens inside the subsystem whereas external activity is the role of the subsystem. The authors used the heart to elucidate their argument. The authors referred to the

performance of rhythmic contractions happening inside the heart as the internal activity and the pumping of blood as the external activity (Mahner & Bunge, 2001: 77).

Mahner and Bunge (2001: 78) argue that the other three notions of function are called effects not functions. Their argument was based on the fact that these notions of function entail nothing as to the value or usefulness of the corresponding activities. These effects were either called aptation or malaptation or nullaptation depending on the nature of their value. Mahner and Bunge (2001: 78) refer to a valuable function of a subsystem as 'aptation' and disvaluable function as 'malaptation'. The authors called a neutral function 'nullaptation' (Mahner & Bunge, 2001: 78). The classification of the notions of function are consistent with the description of the Merton's concept of function. According to Mahner and Bunge (2001: 78), any activity that is an aptation is called a function. From the preceding sentence, it is clear that the definition of the term function is limited to activities that have valuable role, hence aptation.

Mahner and Bunge (2001: 78, 81) conclude that all the five concepts of functions occur in the social science literature, but differ to those in biology because there is a further notion in the sense of intention, purpose or goal. Mahner and Bunge (2001: 78, 81) argue that functions of social systems and human individuals often involve purposive actions, hence teleofunction.

According to Mahner and Bunge (2001: 81), the absence of a clear definition of the concept of functions mar the relevant literature in technology. The authors however argues that the concepts of function are applicable in artefacts as they are applicable in social science even though some artefacts do not have internal activities of interest to their users (Mahner & Bunge, 2001: 81). In the light of some artefacts not having internal activities, Mahner and Bunge (ibid) argue that the 'internal activity cum role' may not always be applicable or useful to technology. The authors juxtaposed a computer to hammer or screwdriver in relation to internal activities but still concluded that the notions of function are applicable.

In this study the definition of the concept function by Lehman (1966: 276) which states that "the function of the item is the activity of that item which contributes to the maintenance of the structure of the society" will be adopted. The supervisory activities

of the LPT, namely, monitoring, support and intervention were intended to affect the practice of financial management in municipalities. The scenario painted in the preceding sentence is consistent with Lehman's definition of the concept function. According to Mann (1977: 2), "The label of "structural-functionalism" is an outcome of 'function' and 'social structure' combination". In order to satisfy Mann, it is not sufficient to define the concept of 'function' without discussing the concept 'structure'. The next subsection discusses the concept of 'structure'.

3.5.2. Structures

The concept of structure derives its existence from sociology. Barbano (1968: 41) argues that sociology is a discipline that can lay claim to the use of the word 'structure'. Different scholars define the concept structure differently. Radcliffe-Brown (1952: 191) argues that the concept of 'social structure' is used in a number of different senses, some of them very vague. According to Radcliffe-Brown (1952: 190), social structure denotes a complex network of social relations connecting human beings.

The sociological tradition suggested two alternatives, namely, persons or actions as basic elements of the social system (Seidl, 2004: 7). According to Seidl (2004: 7), Luhmann rejected either persons or actions as basic elements of autopoietic social system. Luhmann suggests treating communications as the basic element of a social system, even though the concept of actions cannot be rendered completely irrelevant (Seidl, 2004: 11). According to Luhmann (in Seidl, 2004), the concept communication comprises three related terms, namely, information, utterances and understanding (Seidl, 2004: 7). So, according to Luhmann (in Seidl, 2004), the concept of communication as the basic element of a social system underpins the description of the concept 'structure'.

According to Seidl (2004: 9), "Luhmann conceptualises social structures as expectations". Seidl (ibid) argues that "In every situation certain communications are expected and not others". Expectations are recursively reproduced through the communications (Seidl, 2004: 9). Whenever an expectation is confirmed, it will continue to function as a structure (ibid).

Chilcott (1998: 105) defines social structure as the arrangement of persons in relation to each other. The keywords in the above definitions are 'persons' and 'relation'. In the context of the current study, 'persons' would mean LPT and municipalities. The relationship between the LPT and municipalities provides the social structure for the municipal financial IGR.

There is a difference in how the social structure is viewed. On the one hand, Radcliffe-Brown (1952: 192) regards social structure as not being static, but a dynamic continuity. On the other hand, Sewel (in Potts *et al*, 2016) regards structures as the most static elements of a system (Potts *et al.*, 2016: 167).

The structure shapes the behaviour of human beings. Individuals behave consistent with the norms and standards prescribed by organisations to which they are affiliated. Radcliffe-Brown (1952: 190) argues that the social phenomena being observed in any human society are not the immediate results of the individual human beings but the result of social structure to which they belong. Therefore, it is evident that the concept of structure assumed the character of an organisation.

According to Radcliffe-Brown (1952: 192), in the study of social structure, the concrete reality with which we are concerned is the set of actually existing relations at a given moment of time, which link together certain human beings (also see De Villiers, 2012: 691; Mann, 1977: 3). Social interactions are key to the success of any IGR activity. Structural functionalism is not free from criticisms. The next section discusses criticisms of structural functionalism.

3.6. Criticisms of structural functionalism

The evolution of structural functionalism was characterised by different viewpoints. The viewpoints relate to the freeing of structures from systems and functions (Barbano, 1968), empiricism versus universalism (Münch, 1994), part-whole idea (Ritzer, 2008; Babbie, 2003; Walby, 2007; Potts *et al.*, 2016), alternative structures (Ritzer, 1994) and assumptions of structural functionalism (Babbie, 2003).

The major difference between Merton and Parson was on the conception of functionalism. Münch (1994: 119) argues that Merton's version of functionality was empirical in nature as opposed to the analytical functionalism of Parsons. Similarly, Ritzer (2008: 254) argues that "Merton's position was that all functional postulates rely on non-empirical assertions based on abstract, theoretical systems". According to Ritzer (2008: 251), the functional unity of society

... holds that all standardized social and cultural beliefs and practices are functional for society as a whole as well as for an individual in society. This view implies that the various parts of a social system must show a high level of integration. However, Merton maintained that although it may be true of small, primitive societies, this generalisation cannot be extended to larger, more complex societies.

Contrary to Merton, Ritzer (2008: 251) maintains that all social and cultural forms and structures have positive functions. Babbie (2003: 37) argues in support of Merton's view that a false assumption is made to conclude that all functions have a positive effect. According to Babbie (2003: 37), "In applying the functionalist paradigm to everyday life, people sometimes make the mistake of thinking that functionality, stability and integration are necessarily good, or that the functionalist paradigm makes that assumption".

Ritzer (2008: 254) supports functional indispensability as opposed to Merton who argues that there are structural and functional alternatives. Mahner and Bunge (2001) support the notion of functional alternatives in their philosophical study of the concept of 'function'. Mahner and Bunge (2001: 83) refer to functional alternatives as 'functional equivalence'. According to Mahner and Bunge (2001: 83), functional equivalence refers to where two different systems produce the same results. The difference between the proponents of functional indispensability and those of functional equivalence or alternatives lies in the conception of functionalism. Most proponents of functional alternatives believe that structural functionalism lacked the empirical aspect, whereas the others viewed it as the theory of analysis.

Babbie (2003: 36) concurs with the part-whole notion as espoused by Parsons (also see Chilcott, 1998: 103; 105; Mann, 1977: 5; 6). He gave two practical examples to

support his assertion, namely, a human body and automobile. In the two examples, Babbie (2004: 36) argues that each part has a specific role and the parts acting together service the whole. He contended that none of the parts will function except as a part of the whole. Contrary to Babbie, Walby (2007: 454) argues against the notion of part-whole. Walby (ibid) argues that “Each institutionalized domain and each set of social relations are here conceptualized as systems, not parts of its systems. This avoids the rigidity of the notion of a system as made up of its parts”. However, the assertion by Babbie (2004) gained support from Potts *et al.* (2016). Potts *et al.* (2016: 167) argue that “Structural-functionalism conceptualises society as a system of interacting parts that promote stability or transformation through their interactions” (also see Harper, 2011: 5).

According to Chilcott (1998: 104), there are two major criticisms to structural functionalism, namely, that functionalism is a static model of society and it emphasises integration. Chilcott (1998: 104) argues that owing to the static nature of functional tradition, structural functionalism cannot account for change. Chilcott (1998: 104) argues that overemphasising integration results in failure to deal with dysfunction. However, according to Goldschmidt (in Chilcott, 1998), to address the deficiencies of structural functionalism, the functionalist should view the term function as a verb and not a noun (Chilcott, 1998: 104). Goldschmidt (in Chilcott, 1998) argues that by viewing function as a verb and not a noun, the focus must be on the process of functionalism rather than on the institution (ibid).

Chilcott (1998) is also a critic of structural functionalism. Chilcott’s criticism relates to equating society to organisms on the one hand. According to Chilcott (1998: 104), “... personal reservation about the theory of functionalism is its use of a biological model to study society and explain social behavior”. On the other hand, Chilcott (1998: 104) criticised structural functionalism for not having the ability to explain the origin of custom. Chilcott (ibid), however, downplays the inability of structural functionalism because anthropologists studying education are not studying origins. Despite the criticisms levelled against structural functionalism, Chilcott maintained that the theory can be used as a method of interpretation and analysis.

There are different views concerning the relationship between the concepts of structure and function. Barbano (1968: 40) asserts that the concept of structure was subordinated to the concept function. Barbano (1968: 40) highlights that Merton freed the concept of structure from the concept of system and function. Barbano's view is contrary to that of Lehman. Lehman (1966: 276) avers that "In a functional analysis, then, one would have to specify the structure of the society prior to determining what functions items have". It is the view of the researcher that the concepts of structure and function are intertwined.

The municipal financial IGR are what is called 'many-to-one functions' in mathematics. The provincial treasury and Coghsa are both responsible for municipal financial IGR, albeit differently so. This notion is consistent with the assertion by Potts *et al.* that "... multiple institutions may have the capacity to fulfil the same role" (Potts *et al.*, 2016: 171).

Hendry and Seidl (2003: 179), in their study of the structures and significance of episodes, concluded that social systems are not structures of action but systems of action. Hendry and Seidl (2003: 179) and Seidl (2004: 7) borrowed from Luhmann the definition of communication, which has three elements to it, namely, information, utterance and understanding. Seidl (2004) differentiates information from utterance in terms of the questions asked. According to Seidl (*ibid*), information is concerned with what is communicated on the one hand. On the other hand, utterance is concerned with how and why something is communicated (*ibid*). Hendry and Seidl (2003: 179) agree with Luhmann that information and utterance constitute actions whereas understanding is not. Arnoldi (in Potts *et al.*, 2016) contradicted the conclusion of Hendry and Seidl (2003). Arnoldi (in Potts *et al.*, 2016) contend that the argument that social systems are systems of communications and not systems of actions was flawed. According to Arnoldi (in Potts *et al.*, 2016), "Systems theory, however, depicted from structural functionalism in its perhaps flawed recognition that social systems are systems of communication rather than systems of action" (Potts *et al.*, 2016: 166).

Mahner and Bunge (2001: 84) distinguish between two different kinds of functionalism, namely, adaptationist functionalism and teleological functionalism (or teleofunctionalism). According to Mahner and Bunge (2001: 84), adaptationist

functionalism refers to functionalism that prophesises that every item of certain kinds serves some function. Adaptationist functionalism is also defined in terms of two things performing the same function while their material and compositional difference do not matter (ibid). Teleological functionalism refers to the notion that functions are being useful to somebody or at least being intended to be useful to somebody (Mahner & Bunge, 2001: 84). The authors argued that “The term ‘functionalism’ also designates the thesis that every item of certain kinds (biological, social, or technical) serves some function (“purpose”)” (Mahner & Bunge, 2001: 84). The authors used the term function to refer to an aptation, an adaptation or intention (ibid).

Mahner and Bunge (2001: 86) criticise traditional teleological functionalism as no longer tenable as far as viewing everything as being purposive or goal-seeking. This argument follows from the argument in sub-section 3.5.1 that not all actions are valuable, hence dysfunction, malaptation and nullaptation. These terms ‘malaptation’ and nullaptation are consistent with Merton’s terms of dysfunction and malfunction. It is important to know the theory or theories used in the study of IGR.

Segal (2010: 347) asserts that there are problems besetting functionalism, namely, the problem of backward causation, the problem of anthropomorphism and the problem that function means more than effect. Concerning the problem of backward causation, Segal (2010: 347) argues that the “... present behavior is explained by future goals, so that the effects precede the cause”. Segal used prayer and wellness on the one hand and heart beat and blood circulation on the other hand to demonstrate his argument. Prayer and heart beat are actions while wellness and blood circulation are the goals. The problem of backward causation implies that the effects precede the cause (Segal, 2010: 347). The next section discusses the structural functionalism within the context of studies of IGR.

3.7. Structural functionalism and IGR

This chapter illustrates that structural functionalism is a theory of choice as far as the study of municipal financial management is concerned (Ch.3, s3.2: 79). None of the authors cited in Chapter 2 of this study indicated their chosen theory for their studies.

The fact that the authors did not indicate their choice of theory does not make their studies atheoretical. Various studies on IGR invoked principles and concepts of structural functionalism. Reddy (2001) defines IGR in terms of interactions between government institutions (Ch.1, s1.3: 5). Mubangizi (2005) defines IGR among others in terms of the notion of attainment of objectives (Ch.1, s1.3: 5). According to Mubangizi (2005), the primary objective of IGR is to achieve government objectives. This definition used the 'satisfying of need' as espoused by structural functionalism.

Chapter 2 of this study discussed authority models (Ch.2, s2.5: 36). These authority models suggest that government is a system of interrelated components (Ch.2, s2.5: 36). The notion of 'system of interrelated components' is consistent with the part-whole postulate of structural functionalism. Each of these components has a role to itself and the entire system. This part is consistent with the theory of universal functionalism.

It is the view of the researcher that Malherbe (2006) relied on structural functionalism to analyse the effect of IGRA. Malherbe (2006) called on the notion of 'latent function' to conclude that the IGRA confirms the national dominance on the other spheres of government. He illustrated his argument firstly by indicating that the existing structures on IGR are used as conveyer belts for national decisions and programmes (Malherbe, 2006: 811). According to Malherbe (2006: 811), this tendency is contrary to the Constitution, 1996 that advocates respect among the spheres of government. Secondly, Malherbe (2006: 813) argues that national government neglected to fulfil its constitutional responsibility of assisting the other spheres of government to execute their responsibilities and perform their functions and in the process undermining the other spheres of government.

Edwards (2008: 80), in her study of challenges of IGR in South Africa, proposed two strategies to improve IGR, namely, transferring of powers to provinces and local government and strengthening of coordination. According to Edwards (2008: 81), transferring of powers and functions will enhance the rights and status of local government, therefore, impacting on IGR. The transferring of powers and functions is consistent with the description of 'social structure' by Mann (1977). The second strategy of strengthening coordination talks to the notion of 'satisfying the need'.

Edwards (2008: 82) argues that strengthening coordination is important to promote effective IGR and efficiency. The needs in this regard are effective IGR and efficiency.

3.8. Conclusion

This chapter discussed structural functionalism as the theoretical framework for this study. It also discussed the historical evolution of structural functionalism. The discussion on the historical evolution of structural functionalism focused on two distinct but related areas, namely, the timelines and disciplines. Structural functionalism was traced from the 1800s through to the 2000s. The dominant thinking on structural functionalism was discussed. Further to the discussion of the history of structural functionalism, the key concepts of structural functionalism, namely, functions and structures were discussed. The criticisms of structural functionalism were explained. The section on criticisms of structural functionalism focused on the notion of structures. The scholarship on IGR was assessed to determine whether structural functionalism was utilised and found that even though not explicitly stated, the authors relied on structural functionalism to pursue their various researches. The discussion on the rationale for employing structural functionalism as the appropriate theoretical framework underpinning this study closed this chapter. The choice of structural functionalism relied on the definition of the concept of IGR in Chapter 1, which consistently referred to the key concepts of structural functionalism, namely, functions and structures and the purpose thereof. Chapter 2 of this study deliberated on the approaches to IGR, one of which is legal approach. The next chapter will discuss the 'legal and policy framework' underpinning this study.

CHAPTER FOUR-POLICY FRAMEWORK UNDERPINNING MUNICIPAL FINANCIAL INTERGOVERNMENTAL RELATIONS

4.1 Introduction

In Chapter 3 the theoretical framework was discussed. The rationale for choosing structural functionalism was central to the discussions in Chapter 3. IGR in particular, and more specifically municipal financial IGR derive their existence from legislation. Legislation are the reference points when conducting municipal financial intergovernmental relations. Roles and responsibilities are clarified by legislation. Role clarification is consistent with view held by Chilcott (1998: 105), Atwater (2010: 36), Ibhahokanrhowa (2016: 68), Ludbey (2016: 6) and Fink (2011: 13). To understand the municipal financial intergovernmental relations policy perspective, it is imperative to analyse the policy framework underpinning municipal financial intergovernmental relations. This chapter discusses the policy framework underpinning municipal financial IGR. The Constitution, 1996, is the supreme law in South Africa and all legislation are derived from it. Section 4.2 analyse the Constitution, 1996.

This chapter discusses the policy framework governing municipal financial intergovernmental relations since 1994. According to Manyaka (2014: 129), “The policy framework for municipal finance in South Africa consists of legislation and policy documents that contain government’s intentions with regards to financial management and administration in municipalities”. In discussing the policy framework, the Constitution, 1996, and laws enacted pursuant to the requirements of the Constitution, 1996 will be considered as municipal financial management is a constitutional responsibility. The next section discusses the Constitution, 1996.

4.2 The Constitution of the Republic of South Africa, 1996

The Constitution, 1996, was assented to on 10 December 1996 and came into effect on 4 February 1997 after a protracted struggle to rid the country of apartheid (www.concourt.org.za). As indicated in the introduction of this chapter, the Constitution, 1996 is the supreme law governing all aspects of life in South Africa

inclusive of fiscal and financial IGR. Section 41 of the Constitution, 1996, prescribes the principles of co-operative government and IGR. Section 41 of the Constitution, 1996 directs the spheres of government and all organs of state among others to:

- Respect the constitutional status, institutions, powers and functions of government in the other spheres;
- Not assume any power or function except those conferred on them in terms of legislation;
- Exercise their powers and perform their functions in a manner that does not encroach on the geographical, functional; and
- Co-operate with one another in mutual trust and good faith by –
 - Fostering friendly relations;
 - Assisting and supporting one another;
 - Informing one another of, and consulting one another on, matters of common interests;
 - Co-ordinating their actions and legislation with one another;
 - Adhering to agreed procedures; and
 - Avoiding legal proceedings against one another.

The main thrust of section 41 of the Constitution, 1996 is respect and cooperation among the spheres of government. However, there are contradictions concerning resolution of disputes through legal proceedings. According to Mathenjwa (2014a: 143), there are contradictions within the IGRA. The contradictions relate to the resolution of disputes contained in Chapter 4 of the IGRA. Section 40 of the IGRA directs spheres of government to resolve disputes without involving the courts on the one hand. On the other hand, section 39 of the IGRA excludes disputes concerning an intervention in terms of section 100 or 139 of the Constitution, 1996. Interventions in terms of section 100 and/or 139 of the Constitution, 1996 are at times marred by disputes such as dispute relating to the juridical grounds for intervention. There are times when provincial interventions are based on nefarious intention, therefore, resulting in disputes. According to Makoti and Odeku (2018: 68) interventions must be “justifiable and legal”. Disputes arising from interventions in terms of section 100 or

139 of the Constitution, 1996 are not regarded as intergovernmental disputes and allow disputants to follow the judicial process in contrast with section 40 of the IGR. Section 41 further directs that an Act of Parliament regulating cooperative government and IGR be enacted. The IGR Framework Act, 13 of 2005 was promulgated to give effect to section 41 of the Constitution, 1996.

Section 100 of the Constitution, 1996, prescribes national intervention in provincial administration. Furthermore, the Constitution, 1996, directs national government to intervene in provincial administration whenever provincial administration fails or neglects to fulfil executive obligation. The measures that national government implements in instances where provincial government fails or neglects to fulfil an executive obligation includes issuing of a directive or assuming of a responsibility (Section 100(a) & 100(b) of the Constitution, 1996). Provincial government is charged with the responsibility to intervene in a municipality in instances where municipalities fail or neglect to fulfil executive obligation such as approving the budget or revenue raising measures to give effect to the budget (Section 139(4) of the Constitution, 1996). If the provincial government fails or neglect to intervene, national government can intervene in the space of provincial government in terms of section 100 of the Constitution, 1996, the MFMA and the MSA, which will be discussed later in this chapter.

Whenever national government intervenes in a provincial administration in terms of section 100 of the Constitution, 1996, the provincial government becomes part of the process to adjudicate the matter through the National Council of Provinces. This is different from provincial intervention in local government. Details regarding provincial intervention are discussed in the next paragraph.

The Constitution, 1996, orders provincial government to intervene in a municipality if a municipality cannot or does not fulfil an executive obligation. Section 139 of the Constitution, 1996 states:

139. (1) When a municipality cannot or does not fulfil an executive obligation in terms of the Constitution or legislation, the relevant provincial executive may

intervene by taking any appropriate steps to ensure fulfilment of that obligation, including –

- (a) Issuing a directive to the Municipal Council, describing the extent of the failure to fulfil its obligations and stating any steps required to meet its obligations;
- (b) Assuming responsibility for the relevant obligation in that municipality to the extent necessary to –
 - (i) Maintain essential national standards or meet established minimum standards for the rendering of a service;
 - (ii) Prevent that Municipal Council from taking unreasonable action that is prejudicial to the interest of another municipality or to the province as a whole; or
 - (iii) Or maintain economic unity; or
- (c) Dissolve the Municipal Council and appoint an administrator until a newly elected Municipal Council has been declared elected, if exceptional circumstances warrant such a step (also see Mello, 2018: 5).

Provincial interventions are mired by controversy, that is, whenever a provincial intervention is challenged, the decision of the provincial government to intervene is reversed. Toxopeus (2019) argued that the controversy is caused by lack of regulation to guide and regulates provincial intervention despite the Constitution, 1996 directing that legislation be passed to regulate the provincial interventions. Section 139(8) directs that a national legislation be enacted to regulate the implementation of s139 inclusive processes established herein. Toxopeus (2019) identified four scenarios which constitute problems arising from lack of legislation to guide provincial interventions. According to Toxopeus (2019) the problems are (i) definitional in nature, such as the definition of an ‘executive obligation’ and ‘exceptional circumstances (ii) intervening in instances of failure extends beyond the conditions stipulated in the Constitution, 1996 (iii) lack of clarity on the issuing of notice prior to the provincial

intervention (vi) failure of procedural requirements strictly adhering to stipulated timeframes.

Section 139 of the Constitution, 1996, provides for three types of interventions, namely, issuing of a directive, assuming responsibility for a relevant obligation in that municipality, or dissolving a Municipal Council (Mello, 2018: 5). Masehela, Mamogale and Makhado (2012: 349) misread section 139 of the Constitution, 1996, by concluding that provincial intervention means total takeover by provincial government. Masehela *et al.* (2012: 349) argue that "... in accordance with section 139 of the Constitution, where the provincial power to intervene is exercised, the duties/powers and functions of a municipality are completely taken over, therefore implying that a municipality becomes directly accountable to the provincial legislature". This assertion by Masehela *et al.* accounts for one part of section 139 of the Constitution, 1996, namely, section 139(1)(c) dealing with dissolution of Municipal Council.

Mello (2018: 5) classified the issuing of directives as pseudo intervention. When issuing a directive, the intervening party must describe the nature of failure and propose measures to address the failure (section 139(1)(a) of the Constitution, 1996; Mello, 2018: 5). The types of intervention differ in terms of the degree of failure by the municipality to perform an executive function. Infractions with minimum impact calls for a less severe intervention while infractions threatening the integrity and survival of the municipality invite harsh or severe intervention.

Notwithstanding the use of the word 'may' in section 139(1) indicated earlier, provincial governments have no choice but to intervene whenever conditions necessitating intervention present themselves (see Roos & Stander, 2012: 170). According to Mathenjwa (2015: 63):

... the Constitution imposes an obligation on provincial government to intervene in local government on three occasions, namely, when a municipality is either unable to, or does not fulfil executive obligation in terms of either the Constitution or legislation, if a municipality fails to approve a budget or any revenue-raising measures necessary to give effect to the budget, and if a municipality fails to provide basic services as a result of crisis in its financial affairs.

Failure by a provincial government to intervene in a municipality when conditions for intervention exist will cause the national government to intervene on its behalf. Section 139(7) of the Constitution, 1996 provides as follows:

139. (7) If a provincial executive cannot or does not adequately exercise the powers or perform the functions referred to in subsection (4) or (5), the national executive must intervene in terms of subsection (4) or (5) in the stead of the relevant provincial executive.

Subsection 139(7) is different from subsection 139(1) in that the former uses the word 'must' and the latter uses the word 'may'. The word 'must' clearly denote that the national government is obliged to assume the functions of a provincial government if a provincial government cannot or does not perform its function.

The intervention in a municipality by a provincial government demonstrates that intervention in a municipality is not the sole preserve of a provincial government. The national government is also authorised by the Constitution, 1996, to intervene in a municipality albeit under different conditions compared to a provincial government. According to Mathenjwa (2015: 64), "It should be noted that the power of one sphere of government to intervene in another sphere of government is authorised by the constitution and is not confined to a single sphere of government" (also see Makoti & Odeku, 2018: 70).

Intervention in a municipality does not happen to satisfy the self-serving reasons of the other spheres of government. Interventions occur to salvage the integrity of a municipality (Mathenjwa, 2015: 64). Whenever a sphere of government intervenes in another sphere of government, it annoys the normal functioning of the sphere of government where intervention is taking place. According to Steytler and De Visser in Mathenjwa (2015: 63), "... intervention comprises the most powerful form of supervision over local government". Intervention is a powerful form of supervision because it intrudes the autonomy of another sphere (Mathenjwa, 2015: 64; Mathenjwa, 2014b: 179; Makoti & Odeku, 2018: 69).

Evidence abounds concerning intervention in municipalities based on unjustifiable reasons. According to Mathenjwa in Makoti and Odeku (2018: 74) “... there is sufficient evidence to conclude that interventions into affairs of municipalities are often marred by political party considerations instead of genuine reasons based on municipality’s failure to discharge its executive obligations” (also see Chigwata, 2019: 48; Makoti & Odeku, 2019: 72; Mathenjwa, 2014a: 141). This phenomenon of intervening in another sphere based on nefarious reasons is not limited to South Africa. The neighbouring Zimbabwe is also suffering from this anomaly. According to Chigwata (2019: 46), “In general, the supervision and dismissal of mayors in Zimbabwe seem to be less a reflection of genuine supervision but more a manifestation of power politics at play”.

The despicable act of spheres of government intervening in another sphere of government occurs despite the existence of measures to curb such. Mathenjwa (2015: 65) argues that:

...the substantive requirements that should be satisfied before provincial government can intervene in a municipality, are that there must be a crisis in the financial affairs of the municipality; the crisis must result in the municipality’s serious or persistent breach of its obligation to provide basic services and the breach must be material to the municipality’s obligation to provide basic services.

Mathenjwa’s argument derives from the Constitution, 1996, particularly subsection 139(5). For any intervention to occur, the intervening sphere of government must have established the reasons for such intervention. Accordingly, no intervention must happen whenever conditions for intervention exist prior establishing motivation for intervention. This assertion supports the view of Makoti and Odeku (2019). According to Makoti and Odeku (2019: 74), “This presupposes that before any intervention, the provincial council must satisfy itself that intervening is the only remedy in the circumstances in order to rescue the ailing municipality”. Nevertheless, provincial government is required to be cautious before deciding to intervene.

Provincial governments do not have unlimited powers to intervene in municipalities. There are measures in place to protect municipalities from unwarranted interventions. According to Mathenjwa (2015: 65), “It should be recognised that provincial

government is not accorded *carte blanche* powers to intervene in local government. The powers of provincial government to intervene in local government is limited by the need to establish the existence of facts that justify provincial government's intervention in the municipality". The continuation of the intervention is subject to the (dis-)approval by either the Minister of Cogta or the NCOP (see subsection 139(2)(b) of the Constitution, 1996). The oversight role of the Minister and the NCOP became the international norm after the introduction of "International guidelines on decentralisation and access to basic services for all" by the United Nations Human Settlements Programme (UN-Habitat) in 2009. The UN-Habitat provides the following concerning supervision and oversight:

- "The supervision of local authorities should only be exercised in accordance with such procedures and in such cases as provided for by the constitution or by law;
- That supervision should be confined to a posteriori verification of the legality of local authority acts, and should respect the autonomy of the local authority;
- The law should specify the conditions – if any – for the supervision of local authorities. In the event that there is a need to suspend or dissolve a local council or to suspend or dismiss local executives, the exercise shall be carried out with due process of law;
- Following the suspension or dissolution of local councils, or the suspension or dismissal of local executives, the prescription of the law should determine the resumption of their duties in as short a period of time as possible; and
- There should be independent bodies, such as administrative courts, to oversee such suspensions or dissolutions by higher spheres of government, and to which appeal may be made" (UN-Habitat, 2009).

Close reading of these guidelines indicates that they are consistent with the Constitution, 1996. Preceding paragraphs of this section discussed some of the issues contained in the foregoing guidelines and further elaboration on them is tautologous.

As discussed earlier in this chapter that national government and provincial governments are authorised by the Constitution, 1996, to support and strengthen the

capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. The role national government and provincial governments regarding supporting and strengthening the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions, calls for a critical review. Monitoring and supporting municipalities precede any intervention implemented by national government and provincial governments. Some scholars postulate that intervention in a municipality may be as a result of failure by the other spheres of government to live up to their mandated responsibility imposed by section 154 of the Constitution, 1996 (Mello, 2018: 5; Makoti & Odeku, 2018: 77).

Section 154 of the Constitution, 1996, instructs the national and provincial spheres of government to support municipalities. According to Mathenjwa (2017: 84) “The duty to support local government derives, first, from the Constitution and, secondly, from national legislation”. Section 154 of the Constitution, 1996, states:

154. (1) The national government and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions.

National and provincial spheres of government purport to have strengthened municipalities by promulgating among others, the MFMA, MPRA and the MSA. According to Steytler (2008: 518), “The legislation is ostensibly geared towards ensuring that local government indeed fulfils its constitutional mandate of development”. The promulgation of these myriad legislations had unintended consequences of stifling the performance of municipalities. Steytler (2008: 518) argues that “... the current plethora of laws may be guilty of strangulating local government, therefore, preventing it from executing its constitutional development”. No single government department was bombarded with a barrage of legislation to comply with except municipalities. There are at least 64 provisions dealing with supervision of municipalities excluding the regulations and circulars. The MFMA possesses the lion’s share of provisions dealing with supervision of municipalities. The MSA contains at least six provisions and the MPRA with only two provisions. This does not detract from the fact that the national and provincial spheres of government must monitor compliance with this suite of legislation in their entirety.

The national sphere of government failed to appreciate the novelty of municipalities by thinking that solutions to service delivery challenges lie in promulgating legislation (Steytler, 2008: 520) and contrary to the constitutional provision advocating respect among the spheres of government (section 41(1)(e) & 41(1)(g) of the Constitution, 1996; Steytler, 2008: 520). This kind of thinking is mechanistic and is based on lack of trust on municipalities, and in certain instances aggravates intergovernmental tensions and compounds non-compliance.

The application of section 154(1) of the Constitution, 1996, is subject to section 41(1)(g) of the Constitution which requires that spheres of government must “exercise their powers and perform their functions in a manner that does not encroach on the geographic, functional or institutional integrity of government in another sphere...” (see Makoti & Odeku, 2018: 70). Municipalities do not have space to manoeuvre or innovate. According to Steytler (2008: 521), “There may be the pretence of preserving the discretion of a municipality, while the context within which it is to be exercised leaves little or no meaningful room for manoeuvre”. Masehela *et al.* (2012), in their analysis of section 151 of the Constitution, 1996, support the assertion of Steytler. According to Masehela *et al.* (2012: 348), “An analysis of this provision reveals the restrictive nature of the municipality’s right to govern its affairs unhindered, as the words ‘subjected to’ national and provincial legislation indicate”. Section 163 of the Constitution, 1996, directs that an Act of Parliament dealing with organised local government be enacted. A detailed discussion on the Organised Local Government Act, 52 of 1997 will be undertaken in section 4.8.

Section 181 of the Constitution, 1996, establishes the AGSA as one of the six institutions established to support constitutional democracy through public accountability. The presence of the AGSA tells government officials to act with honesty and clear moral conscience. According to Ababio (2007: 3), “Public probity and accountability, that is, the processes of reporting to higher authorities and investigating the correctness of transactions are the hallmarks for democratic governance and efficient service delivery”. When preparing reports, accounting officers are mindful of the fact that their reports will be subjected to scrutiny by the AGSA. Failure to provide credible or misleading reports attracts adverse findings which will result in consequence management.

The AGSA is one of the institutions established in terms of Chapter 9 of the Constitution, 1996. Section 188 of the Constitution, 1996, deals with the functions of the AGSA. Section 188 of the Constitution, 1996, instructs the AGSA to audit and report on the accounts, financial statements and financial management of all national and provincial government departments, all municipalities and government entities. The AGSA, because of its independence, is properly capacitated to oversee national and provincial government departments, municipalities and government entities. Reports produced by the Auditor-General of South Africa are credible and society and other users can rely on them. Section 188(2) further directs that a national legislation prescribing additional powers be enacted and such Act is the PAA. Section 4.9 of this chapter will elaborate on the PAA.

Section 195 of the Constitution, 1996, prescribes basic values and principles governing public administration. The following are some of the principles governing public administration:

- A high standard of professional ethics must be promoted and maintained;
- Public administration must be accountable; and
- Transparency must be fostered by providing timely, accessible and accurate information.

These principles are consistent with notion of probity and accountability espoused by Ababio (2007: 3) earlier in this section. Public officials, therefore, have no choice but to be honest in their dealings to avoid public embarrassment.

Section 214 of the Constitution, 1996, deals with revenue sharing among the three spheres of government. This section prescribes that an Act of Parliament, namely, the Division of Revenue Act (DORA) be enacted. The DORA is enacted after consultative processes involving provincial governments, organised local government and Financial and Fiscal Commission (FFC). This section instructs that recommendations of the FFC must be considered when passing the DORA. Further details concerning this matter will be discussed under the IFRA in section 4.7 of this chapter.

Section 215 of the Constitution, 1996, orders spheres of government with the responsibility to ensure that the budget processes promote transparency, accountability and the effective financial management of the economy, debt and the public sector. The purpose of this section is to streamline the budget processes and ensure uniformity in the format of the budget.

Section 216 of the Constitution, 1996, instructs that a national legislation establishing the NT be established and that legislation is the PFMA. This section further prescribes measures to ensure transparency and expenditure control by introducing:

- Generally accounting practice;
- Uniform expenditure classification; and
- Uniform treasury norms and standards.

These measures are consistent with the requirements of section 215 discussed above particularly as they relate to the question of uniformity and transparency.

Section 220 of the Constitution, 1996, establishes the FFC as an independent institution subject only to the Constitution, 1996. As already indicated earlier, the FFC provides recommendations, which must be considered when a budget decision is made. The recommendations of the FFC are peremptory. To ensure compliance with the IFRA, organisations are directed to provide proof of consideration of the recommendations of the FFC. Failure to consider the recommendations of the FFC renders the decision irregular and of no force.

Section 221 of the Constitution, 1996, provides the composition of the FFC. According to this section, members of the FFC are appointed by the President as follows:

- A chairperson and deputy chairperson;
- Nine persons, each of whom is nominated by the Executive Council of a province, with each province nominating only one person;
- Two persons nominated by the Salga; and
- Nine other persons.

It is not given that the nominees from a province and Salga will form part of the FFC. The President has the ultimate say in terms of who becomes a member of the FFC. This section is silent about where the other nine persons must come from. This silence gives the President unfettered discretion to determine the composition of the FFC. Despite its independence, the FFC does not enjoy the status of a chapter 9 institution like the AGSA and others do.

Section 229 of the Constitution, 1996, deals with municipal fiscal powers and functions. This section empowers municipalities to levy and collect revenue. This section proposes a national legislation to regulate this powers and functions. The word 'proposes' is used because this section suggests that a national legislation may be enacted. Despite the use of the word 'may', the MPRA was promulgated. This section treats the MPRA similar to budget decision, that is, Salga and FFC must be consulted and the recommendations of the FFC must be taken into consideration. As indicated earlier, section 216 of the Constitution, 1996, directs that a legislation establishing the NT be promulgated, the PFMA was enacted. Section 4.3 gives a detailed exposition of the PFMA as far as municipal financial management is concerned.

4.3 Public Finance Management Act, 1 of 1999

The PFMA gives effect to section 216 of the Constitution, 1996. The NT is the creation of the Constitution, 1996. Unlike other government departments, the establishment of the NT is explicitly expressed in the Constitution, 1996. Section 216 of the Constitution, 1996, prescribed that a national legislation establishing the NT must be enacted. Section 5 of the PFMA established the NT and prescribes its composition. According to the PFMA, the NT comprises the Ministry and the administrative component (Sections 5(1)(a) & 5(1)(b) of the PFMA). The Minister is the head of the NT and is responsible mainly for policy decisions (Subsection 5(2) of the PFMA).

According to section 6, the functions of the NT among others are to:

- Promote the national government's fiscal policy framework and the co-ordination of macro-economic policy;
- Co-ordinate inter-governmental financial and fiscal relations;

- Manage the budget preparation process; and
- Promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of departments, public entities and constitutional institutions.

Subsection 6(2) empowers the NT to:

- Prescribe uniform treasury norms and standards;
- Assist in building capacity for efficient, effective and transparent financial management;
- Investigate any system of financial management and internal control; and
- Intervene by taking appropriate steps such as withholding of funds in terms of section 216(2) of the Constitution, 1996.

The NT prescribes treasury norms and standards through circulars and regulations. The conduct of the whole of government on financial management is regulated by circulars and regulations. Circulars dealing with matters affecting municipal financial management are called MFMA circulars. Every aspect of municipal financial management has its specific circular and is numbered accordingly.

The PFMA established the provincial treasury. The provincial treasury comprises the MEC for finance and provincial department responsible for financial matters in the province (section 17(1)(a) & 17(1)(b) of the PFMA & section 5(7) of the MFMA). The MEC is the head of the provincial treasury and is responsible for policy matters (section 17(2) of the PFMA).

In addition to functions listed in section 18 of the PFMA, the provincial treasury has functions relating to municipal financial management. Section 4.4 will carry a detailed discussion of the functions of the provincial treasury.

4.4 Local Government: Municipal Finance Management Act, 56 of 2003

Monitoring is a constitutional responsibility imposed on the national and provincial spheres of government and mandated by national legislations (Mathenjwa, 2014b: 182; section 41(1)(h)(ii), section 155(6) of the Constitution, 1996). In addition to the Constitution, 1996, there is national legislation that is the source of power of provincial government to monitor local government (Mathenjwa, 2014b: 182) such as the MFMA.

The NT further derives its mandate from the MFMA. Section 2 of the MFMA instructs the NT to monitor municipal budgets in particular, and compliance with the MFMA in general. This function is a shared function with the provincial treasuries. Details concerning the mandate of the provincial treasury is discussed hereunder.

The MFMA takes precedence over all other legislation regarding municipal issues excluding the Constitution, 1996 (Roos & Stander, 2007: 188). Section 3(2) of the MFMA states as follows:

3(2) In the event of any inconsistency between a provision of this Act and any other legislation in force when this Act takes effect and which regulates any aspect of the fiscal and financial affairs of municipalities or municipal entities, the provision of this Act prevails.

Section 3(2) of the MFMA entrenches the supremacy of the MFMA as far as the fiscal and financial matters of the municipality or municipal entity are concerned. The application of any legislation dealing with fiscal and financial matters must be juxtaposed with provisions of the MFMA to determine concurrence. Decisions made consequent to legislation which are contrary to the MFMA are irregular and stand to be declared invalid.

Provincial treasuries derive their mandate to supervise municipal financial management from the MFMA. As indicated in the preceding paragraph, provincial treasuries share the responsibility of monitoring compliance to measures established by the Constitution, 1996, and MFMA with the NT. According to subsection 5(3)(c) of the MFMA, provincial treasuries assist the NT to monitor compliance. Therefore, it is

evident that provincial treasuries are the agents of the NT as far as the monitoring of compliance with established measures is concerned. This assertion is supported by subsection 5(8) of the MFMA that instructs provincial treasuries to submit all the information submitted to it by municipalities to the NT on a quarterly basis. Therefore, any discussion on the monitoring role of provincial treasuries will be limited to measures established by the NT.

Section 5 of the MFMA provides the following as functions of the NT in addition to functions prescribed by the PFMA:

- Fulfil its responsibilities in terms of Chapter 13 of the Constitution, 1996 and the MFMA;
- Promote the object of the MFMA
 - Within the framework of cooperative government set out in Chapter 3 of the Constitution; and
 - When coordinating intergovernmental financial and fiscal relations in terms of IFRA, the annual Division of Revenue Act and PFMA; and
- Enforce compliance with the measures established in terms of section 216(1) of the Constitution, 1996, including the MFMA.
- In order to comply with the general function listed above, the NT may among others:
 - Monitor the budgets of municipalities for compliance with national norms and standards;
 - Monitor the implementation of municipal budgets;
 - Investigate the system of financial management and internal control and recommend improvements; and
 - Take appropriate steps if a municipality or municipal entity commits a breach (section 5(2) of the MFMA; Ncgobo & Malefane, 2017: 77).

In pursuance of the object of the MFMA and the Constitution, 1996, the MFMA obligates the NT among others to monitor whether municipal budgets are consistent with fiscal and macro-economic policy of the country and comply with Chapter 4 of the

MFMA dealing with municipal budgets (section 5(2)(a) & 5(2)(b)). This is an intergovernmental supervision entrusted to the NT by the MFMA. The NT performs this function, particularly functions described in section 5(2)(b), namely, promotion of good budget and fiscal management by municipalities and monitoring of implementation of municipal budgets in conjunction with the provincial treasury.

Section 5(4) of the MFMA instructs the provincial treasury to, monitor compliance with the MFMA, monitor the preparation of budgets, monitor outcomes of those budgets, and monitor the submissions of reports by municipalities in the province. It is evident from this section and sections 5(2)(a) & 5(2)(b) of the MFMA that the monitoring of the budget is a shared function of the NT and provincial treasury. This section goes further to obligate the provincial treasury to monitor submission of reports.

Chapter 4 of the MFMA deals with municipal budgets. During the budget preparation process, municipalities provide any information requested by the NT (section 22(2)(e) of the MFMA). This requirement by the MFMA is not mandatory. Municipalities will submit the information only if requested. This section excludes the provincial treasury. This section indicates that the NT and provincial treasury are not involved in the initial stages of the budget process. The exclusion of the provincial treasury in the initial stages of the budget process is a limitation that must be addressed to provide timely support.

The NT and provincial treasury enter the budget process only after the tabling of the budget in the Municipal Council. Section 22 of the MFMA instructs municipalities to submit draft budgets to the NT and provincial treasuries. It is at this stage that both the NT and provincial treasuries get to participate in the budget process. Communities are expected to give inputs on the budget that might drastically change if the NT and provincial treasury so decide to alter what was submitted to them. The views of the NT and provincial treasuries are considered when there is little time remaining to approve the budget in line with section 24 of the MFMA.

Municipalities submit annual budgets to the NT and provincial treasury twice. Firstly, municipalities submit annual budgets to the NT and provincial treasury after the tabling in Municipal Councils (s22 of the MFMA). Secondly, municipalities submit annual

budgets to the NT and provincial treasury after approval by the Municipal Councils (s24(3) of the MFMA). Section 24(3) of the MFMA mandates the municipal manager to submit the approved annual budget to NT and provincial treasury. This section does not indicate the reason for submitting the approved annual budget to the NT and provincial treasury.

Municipalities are required to manage their financial matters in an efficient, effective and transparent manner (Chapter 13 of the Constitution, 1996). To execute this responsibility, municipalities must have the requisite capacity. The responsibility of building capacity in municipalities vests in the national government and provincial government (section 34(1) of the MFMA). Section 34(1) of the MFMA provide as follows:

34. Capacity building-(1) The national and provincial governments must by agreement assist municipalities in building the capacity of municipalities for efficient, effective and transparent financial management (also refer to Koma, 2010: 117).

This legislative provision directs national government and provincial government to agree to implement capacity-building initiatives. This legislative provision is silent as far as the role of municipalities is concerned. This silence suggests that municipalities are passive recipients of the capacity building initiatives agreed upon by the national government and provincial governments contrary to Mathenjwa. According to Mathenjwa (2014b: 180)

... the power of provincial government to supervise local government does not entitle provincial government to compete with local government for the exercise of such power, instead, it requires a provincial government to co-ordinate its activities with local government in addressing any and all deficiencies that may exist in the functioning of local government.

The researcher supports the view by Mathenjwa (2014b) and submits that nothing must be done in a municipality without the involvement of the municipality unless the municipality is not willing to participate in the supervisory activity.

Supporting budget preparation is a typical example of measures envisaged by section 154 of the Constitution, 1996. The NT issued MFMA circulars to guide budget preparation processes. There is nowhere in the legislation where it is indicated that the NT and provincial treasuries must participate in the initial stages, that is, the stages before tabling of the budget in Municipal Council. Therefore, the researcher argues that the NT and provincial treasuries be obligated to support the budget preparation before and after tabling in Municipal Council. Failure to support the budget preparation before tabling the in council often misdirects the public and other stakeholders when making inputs to the draft budget. The submission of the comments by the NT and provincial treasury might drastically alter the tabled budget, therefore, making the inputs by the public and other interested parties futile.

Section 71 of the MFMA orders municipalities to submit monthly budget statements to the provincial treasury and prescribe the timeframes, content and format of submission. Section 71(1) prescribes that the statement to the provincial treasury must be in the format of a signed document and an electronic format. However, it is not understandable why two documents must be submitted. The researcher argues that by the 'signed document', the Act refers to a hardcopy and only recognises the signature on a hardcopy document. This notion is contrary to the Electronic Communications and Transactions Act, 25 of 2002 (ECTA) that recognises the use of electronic signature. Section 13 of the ECTA states:

13. (1) Where the signature of a person is required by law and such law does not specify the type of signature, that requirement in relation to a data message is met only if an advanced electronic signature is used.

(2) Subject to subsection (1), an electronic signature is not without legal force and effect merely on the grounds that it is in electronic form.

(3) Where an electronic signature is required by the parties to an electronic transaction and the parties have not agreed on the type of electronic signature to be used, that requirement is met in relation to a data message if –

(a) a method is used to identify the person and to indicate the person's approval of the information communicated; and

(b) having regard to all the relevant circumstances at the time the method was used, the method was as reliable as was appropriate for the purposes for which the information was communicated.

(4) Where an advance electronic signature has been used, such signature is regarded as being a valid signature and to have been applied properly, unless the contrary is proved.

The requirements of section 71(4) are cumbersome considering the provisions of the ECTA, particularly section 13(3) which simplifies the authentication of the source of documents. Section 13(3) of the ECTA states:

13(3) Where an electronic signature is required by the parties to an electronic transaction and the parties have not agreed on the type of electronic signature to be used, that requirement is met in relation to a data message –

(a) a method is used to identify the person and to indicate the person's approval of the information communicated; and

(b) having regard to all the relevant circumstances at the time the method was used, the method was as reliable as was appropriate for the purposes for which the information was communicated.

Municipalities are communicating with the provincial treasury mostly through emails. Emails are efficient and leave audit trails. Emails for all the municipal managers and other officials dealing with reporting are identifiable and known to provincial treasury officials.

Section 72 of the MFMA deals with mid-year budget and performance assessment. Section 72(1) of the MFMA commands the accounting officer of a municipality during the first half of the financial year. The accounting officer is required to submit the report contemplated in section 72(1) of the MFMA to the Mayor, NT and provincial treasury. Section 72 is different from section 71 in that section 72 is not prescriptive regarding the submission requirements. Despite this difference, section 72 obligates municipalities to submit assessment reports to both the NT and provincial treasury,

hence monitoring. The section 72 report is part of the reports relied upon when a supervisory decision is made.

Section 73 of the MFMA obligates the accounting officer to inform the provincial treasury about failure by the Municipal Council to adopt or implement budget-related and other policies. The obligation to inform the provincial treasury happens during the budget approval process on the one hand. On the other hand, the obligation characterises the process of implementation. The obligation to inform the provincial treasury about the failure to implement the budget-related and other policies requires the accounting officer to continuously be on the lookout for failures and report them accordingly.

Section 83 of the MFMA deals with competency levels of professional financial officials.

Section 83 states:

83. (1) The accounting officer, senior managers, the chief financial officer and other financial officials of a municipality must meet the prescribed financial management competency levels.

(2) A municipality must for the purposes of section (1) provide resources or opportunities for the training of officials referred to in that section to meet prescribed competency levels.

(3) The National Treasury or provincial treasury may assist municipalities in the training of officials referred to in section (1).

Section 83 of the MFMA obligates the accounting officer, senior managers, chief financial officer, other financial officials and the municipality to attain the prescribed minimum competency in financial management. The introduction of minimum competency was brought about by the appalling state of capacity of municipal official resulting in reports lacking credibility. According to Enwereji and Uwezeyimana (2019: 143), "The annual financial reports of most local municipalities in South Africa continue to lack credibility owing to operational and managerial competence of municipal financial employees handling municipal finances". This is evident by the use of the

word 'must'. However, it is optional for the NT and provincial treasury. In the case of the NT and provincial treasury the word 'may' is used. The fact that it is optional for the NT and provincial treasury is contrary to section 34 dealing with capacity building discussed earlier.

Section 119 of the MFMA deals with competency levels of officials involved in municipal supply chain management. Section 119 states:

119. (1) The accounting officer and all other officials of a municipality or municipal entity involved in the implementation of the supply chain management policy of the municipality or municipal entity must meet the prescribed competency levels.

(2) A municipality and a municipal entity must for the purposes of subsection (1) provide resources or opportunities for the training of officials referred to in that subsection to meet the prescribed competency levels.

(3) The National Treasury and provincial treasury may assist municipalities and municipal entities in training of officials referred to in subsection (1).

Akin to section 83, section 119 uses the word 'must' in the first two provisions and the word 'may' in the third provision involving the NT and provincial treasury. Sections 83 and 119 deal with the same phenomenon, that is, competency levels of financial officials. These two sections contain three provisions that are similar and a duplication for municipalities. The only differences are in the application of the two sections and the course content. Section 83 applies to municipalities whereas the scope of application of section 119 includes municipalities and municipal entities. Section 119 is limited to supply chain management while section 83 covers the entire syllabus, supply chain management included. The MFMA is silent about the reason(s) for this duplication.

The most notable similarity is the use of the phrase 'financial official'. The search for the definition of a financial official was futile. The MFMA does not define a financial official. It is the *National Treasury: Local Government: Municipal Finance Management Act: Municipal Regulations on Minimum Competency Levels* (Minimum Competency

Regulations) that defines a financial official. The definition in the Minimum Competency Regulations is also not helpful because it contains the phrase financial official, that is, the phrase is defined in terms of itself. The Minimum Competency Regulations defines a financial official as follows:

“financial official”, in relation to a municipality or municipal entity, means an official of a municipality or municipal entity exercising financial management responsibilities, and includes –

- (a) the accounting officer;
- (b) the chief financial officer;
- (c) a senior manager; or
- (d) any other financial official”.

From this prescribed definition, it can be concluded that the officials referred to section 83 are the same officials in section 119, hence professional financial officials. It can only be inferred that this duplication of provisions was because of obsession with regulating every aspect of municipalities (Steytler, 2008: 519-520).

Section 120 of the MFMA deals with public private partnerships. Sections 120(5) & 120(6) are a manifestation of conflict of interest and dominance by the NT. In undertaking the process of public-private-partnership, the municipality is required to conduct a feasibility study (section 120(4) of the MFMA). If a municipality does not have the requisite capacity to conduct the feasibility study, it may use the services of the NT (section 120(5) of the MFMA). This section clearly demonstrates the centralising tendency of the NT (Ch.2, s2.8: 47) and the lack of trust on the provincial treasury. Section 120(6) of the MFMA arrogates approval responsibilities to the NT, therefore demonstrating the lack of trust on the provincial treasury. The mere assistance on the preparation of the feasibility study and approval thereof is a clear manifestation of conflict of interest. The NT is acting both as the referee and player.

The notion of dominance of national government over provincial government is found in section 44 of the MFMA that deals with disputes between organs of state. This section mandates the NT to mediate disputes of a financial nature between organs of

state where one of the parties is a municipality. Despite the existence of the principle of subsidiarity, the provincial treasury does not have a role regarding dispute between the municipality and other organs of state. This section gives credence to the argument of 'national dominance' by Malherbe (2006: 811; 2006: 237).

Section 158 of the MFMA deals with the functions and powers of the Municipal Financial Recovery Service. The Municipal Financial Recovery Service (MFRS) is part of the NT and is among others responsible for the preparation and monitoring of the implementation of the financial recovery plan (sections 158(b) & 158(c)). The MFRS is available for use by the provincial treasury and municipalities (sections 158(b), 158(c) & 158(d)). The location of the MFRS is further proof of the centralising tendency of the NT that is inconsistent with the principle of subsidiarity. The provincial treasury and municipalities are treated the same; that is, they all ask for assistance from the MFRS. As indicated earlier that the practice of municipal financial IGR is a multi-stakeholder activity, the actions of other stakeholders such as Coghsta are prescribed by the MSA, 32 Of 2000. Section 4.5 discusses the MSA.

4.5 Local Government: Municipal Systems Act, 32 of 2000

The preceding sections described monitoring as a multi-stakeholder activity. The sections indicated that monitoring is a shared activity between national government and provincial governments. It is important to indicate that monitoring is also a shared responsibility between the provincial treasury and Coghsta. The MFMA instructs the provincial treasury to monitor municipalities on the one hand. On the other hand, the MSA provides for the supervision of municipalities by Coghsta. Section 105 of the MSA instructs the Coghsta to monitor municipalities. Section 105 of the MSA states:

105. Provincial monitoring of municipalities.-(1) The MEC for local government in a province must establish mechanisms and procedures in terms of section 155(6) of the Constitution to-

- (a) monitor municipalities in the province in managing their own affairs, exercise their powers and performing their functions;

- (b) monitor the development of local government capacity in the province; and assess the support needed by municipalities to strengthen their capacity to manage their own affairs, exercise their powers and perform their functions.

Monitoring does not happen for its own sake; it assists in correcting the wrongs. According to Mathenjwa (2014: 181), “The monitoring of local government informs local government on the proper action for remedying any deficiencies in the functioning of local government”. Mathenjwa (2014: 181) further argues that remedial action could be through either intervention or support if required (Cf. Chapter 3 of this thesis).

Section 106 of the MSA empowers the MEC for Coghsta to investigate allegations of maladministration and malfeasance occurring in a municipality. Investigations are unpleasant and question the bonafides of municipal leadership in particular and the entire municipality in general. The investigation by the MEC for Coghsta can either be through written notice requesting the Municipal Council or municipal manager to furnish information or by designating person or persons to investigate the matter (Sections 106(a) & 106(b)). There is a glaring omission in section 106(a) of the MSA. Section 106(a) focuses on the Municipal Council or municipal manager in exclusion of the mayor, which is a serious anomaly.

The request for information in terms of section 106(a) of the MFMA is not without constraints. According to Mathenjwa (2014b: 182; 2017: 69), “... section 106 of the Municipal Systems Act does not give the MEC unlimited powers to demand information from municipalities (also see Mathenjwa, 2017: 69)”. The actions of the MEC for Coghsta are subject to oversight by the NCOP. Section 106(3)(a) prescribes that the request for information from municipalities must be followed by motivation to the NCOP. Section 106(3)(a) states:

106(3)(a) An MEC issuing a notice in terms of subsection 1(a) or designating a person to conduct an investigation in terms of subsection 1(b), must within 14 days submit a written statement to the National Council of Provinces motivating the action.

Section 106(3)(a) of the MFMA obligates the MEC for Coghsta to motivate his or her action for requesting information from a municipality or instituting an investigation.

4.6 Local Government: Municipal Property Rates Act, 6 of 2004

The MPRA gives effect to section 229 of the Constitution, 1996. The MPRA was promulgated to among others:

- regulate the power of a municipality to impose rates on property;
- exclude certain properties from rating in the national interest;
- make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies;
- make provision for fair and equitable valuation methods of properties; and
- make provision for objections and appeals processes.

Municipalities receive support from national government and provincial governments in instances where deviations require approval. The MPRA directs the national government and provincial governments to monitor compliance by municipalities with this MPRA (sections 81(1) & 82). Section 81(2) further instructs the MEC for Coghsta to ensure that municipalities comply with the requirements of the MPRA and implement measures to address compliance including intervention in terms of section 139 of the Constitution, 1996. The MPRA empowers the MEC for Coghsta to condone non-compliance with requirements of prescribed timelines except those of sections 21 (compulsory phasing-in of certain rates), 31 (date of valuation) or 32 (commencement and period of validity of valuation rolls) (section 80 of the MPRA). The municipal financial IGR are not limited to the levying of property rates and matters related thereto. The allocation of funds from the national fiscus is partly associated with municipal financial IGR. The next section discusses the IFRA.

4.7 Intergovernmental Fiscal Relations Act, 97 of 1997

The IFRA gives effect to section 220 of the Constitution, 1996. The IFRA was promulgated to promote cooperation between the national, provincial and local spheres of government of fiscal, budgetary and financial matters among others.

Section 5 of the IFRA establishes the Local Government Budget Forum. As explained in Chapter 2 (Ch.2, s2.13: 66) of this study, the Local Government Budget Forum comprises the Minister of Finance, MEC for Finance in each province and Salga (Mathenjwa, 2017: 77). The Local Government Budget Forum is responsible for coordinating the intergovernmental financial and fiscal relations pertaining to local government. Salga represents the interest of municipalities. Notwithstanding this representation, it is not known whether the views of individual municipalities are solicited prior meetings of the Local Government Budget Forum and is beyond the scope of this study.

Intergovernmental financial and fiscal relations find expression through the intergovernmental transfers. The IFRA instructs the Minister to introduce the annual budget and DORA in the National Assembly (Section 10, IFRA). The DORA prescribes the sharing of revenue among the three spheres of government (Section 8 & Subsection 10(2), IFRA). Salga is a key stakeholder in the Local Government Budget Forum. To better understand the origin and functions of Salga the next section discusses the Organised Local Government Act, 52 of 1997.

4.8 Organised Local Government Act, 52 of 1997

OLGA was promulgated to give effect to section 163 of the Constitution, 1996. The objects of OLGA are to:

- provide for the recognition of national and provincial organisations representing the different categories of municipalities;
- determine procedures by which local government may designate representatives to participate in the NCOP;
- determine procedures by which local government may consult with national and provincial government; and
- determine procedures by which local government may nominate persons to the FFC.

As already indicated above that Salga represents municipalities in various structures, namely, the Local Government Budget Forum, NCOP and the FFC, the OLGA describes how Salga participates in these structures.

4.9 Public Audit Act, 25 of 2004

The PAA gives effect to section 188(2) of the Constitution, 1996. The PAA provides additional responsibilities for the AGSA. Section 5 deals with other functions such as providing advice and support to a legislature or any of its committees outside the scope of the AGSA's normal audit and reporting functions.

The AGSA was strengthened through the amendment of the PAA in 2019 by giving powers to take appropriate remedial action and issuing a certificate of debt where an accounting officer or accounting authority has failed to comply with remedial action (section 1B of the PAA). Prior 2019 the findings of the AGSA were not enforceable. Auditees often neglected or failed to implement recommendations of the AGSA because there were no consequences. Government institutions therefore take the recommendations of the AGSA serious because they attract negative consequences.

4.10 Conclusion

This chapter discussed the policy framework governing municipal financial IGR. Various policy instruments were discussed, namely, the Constitution, 1996, the PFMA, the MFMA, the IGRA, the MSA, MPRA and the PAA. The Constitution, 1996 is a supreme law from which legislation were promulgated to operationalise it.

It was found that the mandate for supervision of municipal financial management exists and the law providing such was analysed. The researcher noted instances where the provincial treasury does not have a role at all such as the establishment of the Municipal Financial Recovery Service. It was further noted that the provincial treasury is the agency of the NT. Supervising municipal financial management is fragmented between the provincial treasury and Coghsta without any coordinating mechanism.

CHAPTER FIVE-RESEARCH DESIGN AND METHODOLOGY

5.1. Introduction

Chapter 4 of this study examined the policy framework underpinning municipal financial IGR. The mandate of the provincial treasuries as contained in policy documents was described. The description of 'how' the study was carried out constitutes the core of this chapter. Rigour underpins the search for truth. In any study, reliable conclusions are the subject of a well thought research method and execution thereof. According to Hofstee (2006: 107), "... a result can only be accepted, rejected checked, replicated or even understood in the context of how you got there". The study area as well as will be explained. The methodology used in this research will then be outlined. The key foci of the methodology are the description and justification of the research instruments, discussion of the information concerning its quality and quantity and techniques for analysing information and reasons for their choice. The limitations of the study will be indicated. The ethical considerations will be examined. The next section describes the research design for this study.

5.2. Research design

Research design is a plan for conducting research. According to McMillan and Schumacher (2010: 20),

A research design describes the procedures for conducting the study, including when, from whom, and under what conditions the data will be obtained. In other words, the research design indicates the general plan: how the research is set up, what happens to the subjects, and what methods of data collection are used.

Kothari (2004: 31) defines research designs as decisions regarding what, where, when, how much, by what means concerning an enquiry. In addition, Durheim (2006: 34) defines a research design as "... a strategic framework for action that serves as a bridge between research actions and the execution or implementation of the research". McMillan and Schumacher (2010) and Durheim (2006) therefore agree on the definition of research design although they use different words. McMillan and

Schumacher (2010) use the word *plan* whereas Durheim uses the word *framework*. According to the researcher, the words *plan* and *framework* can be used as synonyms. Kothari's decisions are the actions espoused by McMillan and Schumacher (2010) and Durheim (2006) referred to as the actions or steps in the research process.

This study is the retrospective longitudinal study of the monitoring and support of municipal financial management. According to Robson (2012: 160), "Longitudinal designs involve repeated measures on the same variables for the same group or groups on an extended series of occasions". Babbie (2014; 2017; 2021) concurs with Robson (2012) on the salient characteristics of 'same group or groups' and 'extended period', even though Babbie uses the term 'phenomenon' instead of 'group'. Babbie (2014: 110; 2017: 107; 2021: 106) argues that longitudinal studies were designed to permit observations of the same phenomenon over an extended period. This study focuses on the monitoring and support activities on municipal financial management over a period of five years, namely 2008/9 – 2012/13. Monthly, quarterly and annual activities of the provincial treasury were observed. The same phenomena were observed throughout the five year study period.

The major weakness experienced during this study is survival of some of the records, such as the non-compliance notices and in-year monitoring reports from which information was distilled. Babbie (2014: 113; 2017: 110) refers to this weakness as 'attrition' or 'panel mortality'. Mouton *et al.* (2006: 584) before Babbie dealt with the subject of attrition and called it 'sample mortality'. According to Mouton *et al.* (2006: 584), "Sample mortality (attrition) refers to subjects who drop out from the experimental group. This may occur for various reasons, including; illness, death, moving out of the area, disenchantment with the experience of being a subject". The word attrition refers to a situation where the source of information is no longer available or willing to provide information or participate in the study. In this study, attrition happened owing to selective storage of documents on the one hand. On the other hand, attrition happened as a result of damage caused by among others fire or water. According to Babbie (2014: 114), "The danger is that those who drop out of the study may not be typical, thereby disturbing the results of the study". Typicality as an attribute of documents that were selected will be discussed in section 5.3.4 dealing with data collection. As part of ethical conduct by the researcher, the limitation imposed by the

absence of certain documents was reported. The challenge was further circumvented by the typicality of some of the available documents, such as non-compliance notices and in-year monitoring reports.

The research approach, namely, documentary analysis supports the chosen research design. Longitudinal studies which are retrospective in nature such as this study, relies on documents as the only source of information. The research methodology for this study is described in section 5.3.

5.3. Research methodology

This section explains in detail the steps undertaken to execute the study. According to Hofstee (2006: 115), “This is the nitty-gritty of the matter”. Kothari (2004: 8) defines research methodology as “... a way to systematically solve the research problem”. Research methodology refers to the methods, strategies, techniques and instruments used to implement the research design. According to Kothari (2004: 8), “Why a research study has been undertaken, how the research problem has been defined, in what way and why the hypothesis has been formulated, what data have been collected, and what particular method has been adopted, why particular technique of analysing data has been used and a host of similar other questions are usually answered when we talk of research methodology concerning a research problem or a study”. The description of research methodology by Kothari (2004) is broad and includes elements of research design such as formulation of the research problem. This section describes the research methods (Webb & Auriacombe, 2006; De Andrade, 2018; Bowen, 2009), units of observation and analysis (Babbie, 2014; Mouton, Auriacombe & Lutabingwa, 2006; Sedgwick, 2014; Sedgwick, 2015; Roy *et al.*, 2015), population and sampling (Burger & Silima, 2006; Tahersdoost, 2016; Saunders, Lewis & Thornhill, 2003; Sharma, 2017; Acharya *et al.* (2013); Ebeto, 2017; Anieting & Mosugu, 2017; Schurink, 2009; Magwaza, 2020; Babbie, 2017; 2021; Sarantakos, 2013), data collection (Ahmed, 2010; Mogalakwe, 2006; Scott, 1990), reliability and validity (McCulloch, 2004), data analysis and interpretation (Lejano & Leong, 2012; Balfour & Mesaros, 1994; Kinsella, 2006; Laverty, 2003; Warnke, 2011; Wesley, 2010), limitations of the study (Theofanidis & Fountouki, 2018) and ethical considerations (Theletsane, 2014; Babbie, 2014; 2017; 2021; Lutabingwa &

Nthonzhe, 2006). The research methods applied in this study are elaborated upon in subsection 5.3.1.

5.3.1. Research methods

Webb and Auriacombe (2006: 591) refer to method as the means required to execute a particular stage of the research process, such as data collection methods. The research method for this study is documentary analysis or what is often referred to as documentary research. In this study, documentary analysis and documentary research are used interchangeably. According to Bowen (2009: 27), “Documentary analysis is a systematic procedure for reviewing or evaluating documents-both printed and electronic (computer-based and internet-transmitted) materials”. This procedure entails finding, selecting and appraising documents (Bowen, 2009: 28). This view is supported by De Andrade *et al.* (2018). According to De Andrade *et al.* (2018), “Documentary analysis is a procedure which encompasses the identification, verification and consideration of documents which are related to the object investigated”. As already indicated in Chapter 1 of this study, this research is based solely on the use of documents. The documents that were relied on were varied and come from different sources. According to Bowen (2009: 27) the documents

... include advertisements; agendas, attendance registers, and minutes of meetings; manuals; background papers; books and brochures; diaries and journals; event programs (i.e. printed outlines; letters and memoranda; maps and charts, newspaper (clipping/articles); press release, program proposals, application forms, and summaries; radio and television program scripts; organisational or institutional reports; survey data; and various public records.

Documentary analysis like all other research methods has weaknesses and strengths. According to Bowen (2009: 31) the following are the advantages of documentary analysis:

- “Efficient method: Document analysis is less time-consuming and therefore more efficient than other research methods. It requires data selection, instead of data collection.

- Availability: Many documents are in the public domain, especially since the advent of the Internet, and are obtainable without authors' permission. This makes document analysis an attractive option of qualitative researchers. As Merriam (1988) argued, locating public records is limited only by one's imagination and industriousness. An important maxim to keep in mind is that if a public event happened, some official record of it most likely exists.
- Cost-effectiveness: Document analysis is less costly than other research methods and is often the method of choice when collection of new data is not feasible. The data (contained in documents) have already been gathered; what remain is for the content and quality of the document to be evaluated.
- Lack of unobtrusiveness and reactivity: Documents are 'unobtrusive' and 'non-reactive', that is, they are unaffected by the research process.
- Stability: Documents are stable. Documents are suitable for repeated reviews.
- Exactness: The inclusion of exact names, references and details of events makes documents advantageous in the research process (Yin, 1994).
- Coverage: Documents provide broad coverage; events, and many settings (Yin, 1994)".

The above attributes led the researcher to adopt documentary analysis as the research method for this study. The researcher heeded Hofstee's call in choosing documentary analysis. Hofstee (2006: 109) argues that, "If you will have a difficult time finding relevant people to interview for your topic, choose a method that does not rely on interviews". Despite the above strengths, documentary analysis like any other research method, has weaknesses. According to Bowen (2009: 31), the limitations of documentary analysis are:

- "Insufficient detail: Documents are produced for some purpose other than research; they are created independent of a research agenda.
- Low retrievability: Documentation is sometimes not retrievable, or retrievability is difficult.
- Biased selectivity: An incomplete collection of documents suggests "biased selectivity"

These limitations were countered by ascertaining the typicality of selected documents and information triangulation. As correctly pointed out by Bowen (2009: 32), “These are really potential flaws rather than major disadvantages”. The next section examines the units of observation and analysis.

5.3.2. Units of observation and analysis

Babbie (2014: 101) defines unit of analysis as the “... what or whom being studied”. Mouton *et al.* (2006) were more specific about the unit of analysis. According to Mouton *et al.* (2006: 581), “The unit of analysis refers to the object(s) being studied; e.g. individuals, groups, geographical units, or any other issue on which information can be gathered”. Sedgwick (2014: 1) defines unit of analysis “... as the “who” or “what” for which information is analysed and conclusion are made. The definition by Mouton *et al.* is confused with the unit of observation which will be discussed in the next paragraph. The unit of analysis for this study is the LPT. Information was analysed and conclusion made on the LPT.

According to Sedgwick (2014: 1) “The unit of observation, sometimes referred to as the unit of measurement, it is defined statistically as the “who” or “what” for which data is measured or collected”. This view is supported by Roy *et al.* (2015: 244) and Sedgwick (2015: 1). Both authors quoted Sedgwick (2014) in their work. As explained in the preceding paragraph, Mouton *et al.* confuse the unit of analysis with the unit of observation. The unit of observation for this study is the mandate of the LPT on the municipal financial IGR prescribed by the MFMA discussed in Chapter 4 of this study, monitoring and support. Information was collected about the monitoring and support functions of the provincial treasury as far as the municipal financial management is concerned. The sampling design and technique selected for this study is examined in subsection 5.3.3.

5.3.3. Population and sampling

It is not possible to study everything and anything. For research studies to be manageable, some phenomenon among other varied phenomena will be studied. The process by which this phenomenon or phenomena are selected is called sampling.

According to Burger and Silima (2006: 656), a process of selecting observations is called sampling. This view gained support from Sarantakos (2013). According to Sarantakos (2013: 167) sampling is the "... process employed to extract samples for study". The main reasons for selecting observations are cost and practicality. Burger and Silima (2006: 657) argue that "It is often too costly and impractical to study an entire population and researchers make use of sampling to save time and resources". This view is supported by Tahersdoost (2016). According to Tahersdoost, (2016: 18), "In order to answer the research questions, it is doubtful that researcher should be able to collect data from all cases".

Sampling can either be classified as probability or non-probability (Burger & Silima, 2006: 658; Sarantakos, 2013: 169; Babbie, 2017: 195; 2021: 192). Probability sampling is sampling where the observations or units of analysis have equal chance of being selected (Tahersdoost, 2016: 20; Sarantakos, 2013: 169). Examples of probability sampling are, simple random sampling, systematic sampling, stratified sampling, cluster sampling and multistage cluster sampling.

According to Saunders *et al* (2003: 161), "Simple random sampling involves you selecting the sample at random from the sampling frame using either random number table...". This view received much support from various scholars, namely, Burger and Silima (2006: 659), Tahersdoost (2016: 21), Sharma (2017: 750), Babbie (2017: 216; 2021: 213) and Acharya *et al.* (2013: 330). Simple random sampling is the sampling technique where the elements have equal chance of being selected (Bhardwaj, 2019: 159; Sarantakos, 2013: 169). An example of simple random sampling is the use of raffle draw commonly used when employing unskilled workers in community projects in South Africa such as Expanded Public Works Programme (EPWP). Each potential worker writes his(her) name on a piece of paper and throw it in a container. The person in charge of recruitment raffles the papers and each time drawing one paper. The process is repeated until the required number of people are selected. This process is fair in that each person has an equal chance of being selected.

Burger and Silima (2006: 660) describe systematic sampling as a technique of selecting cases from the population using sampling interval and a random start. This view was supported by Tahersdoost (2016: 21), Sharma (2017: 750), Ebeto (2017: 2)

and Babbie (2017: 217; 2021: 215). According to Acharya *et al.* (2013: 331), "... the selection of the first subject is done randomly and then the subsequent subjects are selected by a periodic process".

The population from which the cases are selected might be varied. Using systematic sampling can result in one set of cases being selected therefore making the sample unrepresentative. To cure this deficiency, researchers use stratified sampling (Burger & Silima, 2006: 660; Babbie, 2017: 220; 2021: 216). According to Tahersdoost (2016: 21), "Stratified sampling is where the population is divided into strata (or subgroups) and a random sample is taken from each subgroup". Tahersdoost (2016) supports the view of Burger and Silima (2006: 660) who examined the concept before, and this view was supported by among others Ebeto (2017: 2), Babbie (2017: 220; 2021: 216) and Acharya *et al.* (2013: 330).

It is not always possible to have a list of all cases from which the sample is selected. According to Burger and Silima (2006: 661), cluster sampling is used "When it is impossible or impractical to draw up a list of all the elements of the target population". This view gained support from Babbie (2021). According to Babbie (2021: 219; 2017 ; 223) "Cluster sampling may be used when it's either impossible or impractical to compile an exhaustive list of the elements composing the target population, such as all church members in the United States". When a situation where it is impossible or impractical to draw a list of all the cases of the target population arise, cluster sampling is used. According to Tahersdoost (2016: 21), "Cluster sampling is where the whole population is divided into clusters or groups". This concept was examined by various scholars before Tahersdoost (2016). Babbie (2021: 219; 2017: 223), Ebeto (2017: 3) and Acharya (2013: 331) are some of the scholars whose views were supported by Tahersdoost (2016). Stratified and cluster sampling are the same in that the target population is divided into subgroups. In stratified sampling, the elements are grouped in terms of homogeneity whereas elements in cluster sampling are grouped in terms of clusters. Burger and Silima (2006: 661) identified universities, municipalities, census tracts, neighbourhoods or housing blocs as examples of clusters. Similar clusters were identified by Babbie (2017: 223; 2021: 219).

Sometimes research involves vast areas with different characteristics. The cost of conducting such studies is huge and nearly impossible. In instances of this nature, the cases are grouped together and selected using multistage cluster sampling, namely, multistage sampling. Burger and Silima (2006: 661) define multistage cluster sampling as a technique involving two or more stages using random sampling at each stage. This view is supported by Babbie (2017: 222; 2021: 219). Burger and Silima (2006: 661) gave the following example to illustrate their point:

- Stage 1: random selection of provinces;
- Stage 2: random selection of district municipalities in selected provinces;
- Stage 3: random selection of local municipalities in selected district municipalities;
- Stage 4: random selection of neighbourhoods in selected local municipalities; and
- Stage 5: random selection of households within selected neighbourhoods.

Unlike probability sampling, non-probability sampling is not based on determining the probability of an element being included in the sample (Burger & Silima, 2006: 662; Sarantakos, 2013: 177; Babbie, 2017: 195; 2021: 192). Examples of non-probability sampling are accidental sampling, purposive or judgemental sampling, quota sampling and referral sampling/snowball. Accidental sampling is a technique used to select a requisite number from cases that are available (Burger & Silima, 2006: 662; Tahersdoost, 2016: 22; Sarantakos, 2013: 177; Babbie, 2017: 195; 2021: 192). This kind of sampling technique is also referred to as convenience sampling (Tahersdoost, 2016: 22; Burger & Silima, 2006: 662; Babbie, 2017: 195; 2021: 192). According to Burger and Silima (2006: 662), "Convenience sampling technique is easy, quick and inexpensive".

According to Burger and Silima (2006: 663), quota sampling is similar to stratified sampling. In quota sampling, external attributes are used to select elements from each sub-group (Burger & Silima, 2006: 663; Sarantakos, 2013: 178; Yang & Banamah, 2014: para.3.3; Sedgwick, 2012: 1; Anieting & Mosugu, 2017: 34). This view was supported by Babbie (2017; 2021). Babbie (2017: 197; 2021: 194) argued that

elements are selected based on prespecified characteristics. The phrases 'external attributes' and 'prespecified characteristics' refer to the same thing. A practical example of external attributes is the proportion of girls and boys in South African secondary schools as captured in Education Management Information Systems (EMIS), which is used by the Department of Basic Education (DBE) in South Africa to administer schools' information such as number of learners, number of educators and physical infrastructure. If the researcher is interested in exploring the views of learners in a secondary school in Limpopo Province, the researcher will establish the proportion of girls and boys in all the secondary schools in South Africa. The total sample will be allocated proportionally to each group according to their actual size in the population. Tahersdoost (2016: 22) defines snowball sampling "... as a non random sampling method that uses a few cases to help encourage other cases to take part in the study thereby increasing sample size". According to Acharya (2013: 333), in snowball sampling "... the initial respondents are chosen by probability or non-probability methods, and then, additional respondents are obtained by information provided by the initial respondents". According to Ebeto (2017: 2), snowball sampling "... is useful when the researcher knows little about a group or organisation to study, contact with few people will direct him to other groups". Babbie (2017: 196; 2021: 193) argued that "This procedure is appropriate when the members of a special population are difficult to locate, such as homeless individuals, migrant workers, or undocumented immigrants". If the researcher is interested in how nyaope (stupefying substance which is a concoction of marijuana and other drugs) addicts are initiated in the Jane Furse area, the researcher will make contacts with at least one addict and immediately thereafter request the details of the next addict until the required number of addicts are selected. The key to snowball is trust and familiarity with at least one case.

The sample design for this study is a non-probability sampling called purposive sampling. According to Babbie (2014: 200; 2017: 196; 2021: 193), purposive sampling is "A type of nonprobability sampling in which the units to be observed are selected on the basis of the researcher's judgement about which ones will be the most useful or representative". This view resonates with the views of Burger and Silima (2006: 663) and Schurink (2009: 816). According to Schurink (2009: 816), "The goal of purposive sampling is to sample cases or participants in such a way that the sample is relevant to understand the phenomenon being studied and answering the research question

as truthfully as possible". The researcher selected purposive sampling based on the following aspects, namely, constraints of time and cost, and method of collection of information. The researcher's view is consistent with that of Mangwaza (2020). According to Magwaza (2020: 11), "Purposive sampling was deliberately selected because of the method's ability to unearth rich research data while saving resources and time".

According to Burger and Silima (2006: 657) "... the population in social science research is the universe from which the sample will be selected". Tahersdoost (2016: 18) defines population as the "... entire set of cases from which researcher sample is drawn...". The population for this study is all the provincial government departments in Limpopo Province of South Africa. The sample frame for this study are the provincial government departments in Limpopo Province responsible for municipal financial IGR, namely, LPT and Coghsta. According to Burger and Silima (2006: 658), "the sample frame denotes the set of all cases from which the sample is actually selected". This view is consistent with that of Tahersdoost (2016). According to Tahersdoost (2016: 20), "A sampling frame is a list of the actual cases from which sample will be drawn".

The sample for this study is the LPT. LPT was chosen because of its proximity to the researcher. LPT is proximal to the researcher in two ways, namely, distance and familiarity with its employees. These attributes made the research to be efficient and help address issues of access. This kind of sampling is purposive sampling. The other reason for selecting LPT is the method of data collection which is documentary research. Information for this study was collected from available documents. The method used to collect information is efficient and consistent with the ability of purposive sampling as outlined in the second paragraph of this section. Data forms the crux of any research, which is the focus of the subsection 5.3.4.

5.3.4. Data collection methods and instruments

As indicated in ss5.3.2 above, the data for this study were collected from public documents, namely, annual performance plans (APPs), annual performance reports (APRs), in-year monitoring reports, municipal finance circulars, Audit Committee reports and AGSA audit reports. Five annual reports for the period 2008/9 – 2012/13,

five (5) annual performance plans, sixteen (16) In-Year Monitoring: Section 71(6) Reports, fifteen (15) Municipal Finance Circulars and five (5) Audit Committee reports were selected. The information is incomplete in that some reports, namely, Municipal Finance circulars were missing. However, the data collected are adequate and trustworthy to allow the researcher to arrive at the reasonable conclusions. Table 1 illustrates the documents selected and data analysed.

Table 1: A sampling of documents and data

Document selected	Data analysed
In-Year Monitoring: Section 71(6) Reporting: March 2008/09	Monitoring and support
In-Year Monitoring: Section 71(6) Reporting: June 2008/09	Monitoring and support
In-Year Monitoring: Section 71(6): July 2009	Monitoring and support
In-Year Monitoring: Section 71(6): August 2009	Monitoring and support
In-Year Monitoring: Section 71(6) Reporting: 1 st Quarter 2009	Monitoring and support
In-Year Monitoring: Section 71(6) Reporting: November 2009	Monitoring and support
In-Year Monitoring: Section 71(6) 2 nd Quarter (December 2009)	Monitoring and support
In-Year Monitoring: Section 71(6) Reporting: February 2011	Monitoring and support
In-Year Monitoring: Section 71(6) Reporting: March 2011	Monitoring and support
In-Year Monitoring: Section 71(6) Reporting: May 2011	Monitoring and support
In-Year Monitoring: Section 71(6) Reporting: January 2012	Monitoring and support
In-Year Monitoring: Section 71(6) Reporting: February	Monitoring and support
In-Year Monitoring: Section 71(6) Reporting: June 2012	Monitoring and support
In-Year Monitoring: Section 71(6) Reporting: August 2012	Monitoring and support
Annual Performance Plan	Key Performance Indicators
Annual Performance Plan	Key Performance Indicators
Annual Report 2008/9	Performance information
Annual Report 2009/10	Performance information
Annual Report 2010/11	Performance information
Annual Report 2011/12	Performance information
Annual Report 2012/13	Performance information
Audit Report 2008/9	Audit findings
Audit Report 2009/10	Audit findings
Audit Report 2010/11	Audit findings
Audit Report 2011/12	Audit findings
Audit Report 2012/13	Audit findings
Audit Committee Report 2008/9	Assurance
Audit Committee Report 2009/10	Assurance

Document selected	Data analysed
Audit Committee Report 2010/11	Assurance
Audit Committee Report 2011/12	Assurance
Audit Committee Report 2012/13	Assurance
Municipal Finance Circular No. 11 of 2011: Non-Compliance Sec 71(4)	Monitoring and consequence management
Municipal Finance Circular No.13 of 2011: Non-Compliance with MFMA S71(1)	Monitoring and consequence management
Municipal Finance Circular No.1 of 2011: Mid-Year Performance Assessment Report and Adjustment Budget 2010/11	Support to municipal financial management
Municipal Finance Circular No.2 of 2011: Request for inputs into Municipal Finance Support Plan: 2011/12	Support to municipal financial management
Municipal Finance Circular No.3 of 2011: Tabling and submission of Annual Report for the year ended 30 June 2010	Support to municipal financial management
Municipal Finance Circular No.5 of 2011: Non-Compliance with MFMA S71(1)	Monitoring and consequence management
Municipal Finance Circular No.8 of 2011: Non-Compliance with MFMA S72 Mid-year Report	Monitoring and consequence management
Municipal Finance Circular No.9 of 2011: Non-Compliance Mid-year Report	Monitoring and consequence management
Municipal Finance Circular No.12 of 2011: Non-Compliance with MFMA S71	Monitoring and consequence management
Municipal Finance Circular No.14 of 2011: Invitation to the AFS training	Monitoring and consequence management
Municipal Finance Circular No.4 of 2011	Monitoring and consequence management
Municipal Finance Circular No.7 of 2011: Invitation to the CFOs' Forum	Support to municipal financial management
Municipal Finance Circular No.20 of 2011: Non-Compliance with submission of Adjustment Budget and Performance Assessment Report 2010/11	Monitoring and consequence management
Non-compliance with the Municipal Budget & Reporting Regulations (MBBR) – Electronic copy of the Mid-year Budget & Performance Assessment Report 2010/11	Monitoring and consequence management

Source: Adapted from Bowen 2003 (in Bowen, 2009)

The researcher appraised the documents using Scott's quality control criteria of authenticity, credibility, representativeness and meaning (Ahmed, 2010: 3; Scott, 1990: 19). According to Ahmed (2010: 3), "Authenticity refers to whether the evidence is genuine and from implacable source; credibility refers to whether the evidence is typical of its kind; representativeness refers to whether the documents consulted are representative of the totality of the relevant documents, and meaning refers to whether the evidence is clear and comprehensible". Ahmed (2010) derived his conception of 'authenticity', 'credibility', 'representativeness' and meaning from Scott (1990: 19, 22, 24, 28) and Mogalakwe (2006: 224). Scott (1990) is the pioneer and founder of the quality control criteria of authenticity, credibility, representatives and meaning.

The researcher was satisfied about the origin of the documents selected. The documents from the LPT were signed by the Head of Department (HOD). Some bear the signature of the MEC for Finance, particularly the APRs. The APRs were produced to account for the activities of the year preceding the year of their production. The information used to prepare APRs was sourced from internal activities of the provincial treasury. The compliance notices were issued as a result of analysis of municipal reports. The HOD was aware that distorting the reports, particularly the APRs was not an option. The annual reports are the subject of review and oversight by the AGSA, MEC for Finance, Provincial Legislature, the Provincial Executive Council, the Premier, the NT and the Audit Committee. The errors in the reports are what Ahmed (2010; 4) refers to as “genuine errors” and had no distorting effect on the contents of the reports. In addition, some documents were published on the LPT treasury website and could not escape public scrutiny.

The APPs are even in terms of coverage. The issues identified in the APPs and the APRs talk to the issues researched in this study, namely, monitoring and support. The evidence in the APPs and APRs was adequate to allow the researcher to arrive at valid conclusions.

The Audit Committee comprises independent and professional individuals. The Audit Committee provides assurance to the leadership of the LPT. The selected reports of the Audit Committee were signed by the Chairperson. The reports are authentic and credible. The message contained in the reports is clear and comprehensible. They were produced after robust engagement by the members of the Audit Committee (Ababio, 2007: 9).

The In-Year Monitoring: Section 71 Reports were signed by the HOD of the provincial treasury. The information used to prepare In-Year Monitoring: Section 71 Reports were a consolidation of review reports of municipal reports. The reports are a representation of state of municipal financial management during the period under review. The message conveyed by the LPT is clear and comprehensible. Municipal Finance circulars selected were typical, that is, they have the same structure and focus on similar issues. Despite the absence of some circulars, the conclusions cannot be distorted.

The PFMA General Reports are from a credible source, namely the AGSA. The reports were produced after reviewing the annual reports and annual financial statements of the LPT. The AGSA is the watchdog of the public and the legislatures (Ababio, 2007: 8). The evidence from the PFMA General Reports is clear and comprehensible. Any reasonable person will be able to read and understand what the PFMA General Report communicates. In addition to the public and legislatures, the reports are read and trusted by investors and other myriad stakeholders. Valid conclusions are the subject of validity and reliability. Subsection 5.3.5 considers reliability and validity.

5.3.5. Data analysis

According to Ahmed (2010: 6), data analysis is a three stage, namely, reduction, display and interpretation. The researcher concurs with Ahmed (2010) and further suggests data management as another aspect of data analysis. Pursuant to the fourth aspect of analysis, namely, data management, the researcher catalogued the documents and stored them in the files folder in the cellphone and Ipad for ease of retrieval. The data from the documents were reduced by capturing only that which relates to the study, that is, municipal financial intergovernmental relations.

In this study, the technique for data presentation is narrative text. The data were presented as passages of texts. The researched produced textual summaries which were intended to describe the state of supervision of municipal financial management by the provincial treasury during the period 2008/9-2012/13. Tables, figures and boxes were used to present the data in addition to textual summaries.

The researcher used the hermeneutic circle to interpret the documents. Gadamer and Ricoeur in Lejano and Leong (2012: 797) describe the hermeneutic circle as the back-and-forth process between two related actions, namely, explanation and understanding. The scholarship on hermeneutics predates the view held by Lejano and Long (2012). Kinsella (2006) argues that "The hermeneutic circle is distinguished from the vicious circle in that it is constantly augmented by new information, and the process of understanding is fuelled by this continuous stream of information". According to Balfour and Mesaros (1994: 560) in the back-and-forth process,

... the interpretive researcher develops initial hypotheses (based on foreknowledge) to guide the search for and interpretation of relevant details in the text, which lead to the revision of the hypotheses, and then to reinterpretation, further search, and even to the generation of new texts, additional interpretation, and so on.

Laverty (2003: 30) argues that “There cannot be a finite set of procedures to structure the interpretive process because interpretation arises from pre-understanding and a dialectical movement between the parts and the whole of the texts of those involved”. The back-and-forth process is vividly captured by Warnke (2011) in his article titled “*The hermeneutic circle versus dialogue*”. According to Warnke (2011: 92)

For the hermeneutic tradition, the hermeneutic circle describes a means for testing our interpretation of a given text. On this analysis, we can claim legitimacy for our interpretation when they integrate each part of that text into a self-consistent unity of meaning and when they also show how the whole of the meaning of the text contributes to the meaning of each of its parts. In other words, we test our understanding of the meaning of the whole against our understanding of the meaning of its parts. We bring the scientific results to maturity when we can understand each in terms of the other.

The researcher superimposed among others the Constitution, 1996, to derive meaning from the documents, such as the annual reports, annual performance plans and non-compliance notices. The approach of superimposing other documents to interpret the evidence is consistent with the assertion by Gadamer and Ricoeur (2012). According to Gadamer and Ricoeur (2012: 796), “... hermeneutic approach emphasizes intertextuality and allows the analyst a systematic way of employing other, distal sources to inform understanding of the primary text”.

The researcher interrogated the documents to derive meaning. Furthermore, the researcher focused on what the documents contains and not contain. In so doing, the researcher extracted evidence concerning what the LPT did, what it should have done and what was not done. The researcher analysed the salient issues surrounding municipal financial intergovernmental relations, for example, the LPT’s operating model and organisational structure. The researcher immersed himself in the data until no new interpretations emerged (Wesley, 2010: 8). According to Wesley (2010: 8) “...

document analysts ought to “marinate” in their data until no new, alternative interpretations appear to emerge”. Every study is characterised by limitations and it is crucial to know the limitations of each study. The limitations for this study are explained in section 5.4.

5.3.6. Reliability and validity

Research is often plagued by problems of biases which might cause fallacious conclusions. This aspect of the study relates to the concepts of reliability and validity. According to McCulloch (2004: 36), reliability is concerned with how far the account of the document can be relied on. Appraising reliability of documents includes issues relating to truth and bias, availability of source material and representativeness of documents that have survived to be researched (McCulloch, 2004: 36). The quality and quantity of data were discussed elaborately in subsection 5.3.4 dealing with data collection.

In this study documents from various organisations such as the LPT, Audit Committee on Provincial Treasury and AGSA were used. The purpose of using documents from various organisations was to benefit from different viewpoints and avoid potential biases. McCulloch (2004: 37) argues that “Several writers suggested that, in order to overcome these potential problems of reliability and bias, it is necessary to make use of a wide range of different kinds of documents which will represent alternative viewpoints and interests. At times, the process appears to be conceived as a form of triangulation through which the truth will emerge from testing different kinds of documents”. The interest of the AGSA is to provide assurance to the public, legislatures and consumers of public information. As indicated in Chapter 4 of this study the AGSA was established as one of the institutions supporting constitutional democracy. Data are not collected for its own sake, but to be analysed and conclusion made on the unit of analysis. The data analysis technique applied in this study is elaborated in subsection 5.3.6.

5.4. Limitations of the study

As indicated in subsection 5.3.6, this study is also characterised by limitations. The limitations can be described as weaknesses that are associated with the study and require to be identified and controlled. According to Theofanidis and Fountouki (2018: 156), “Limitations of any study concern potential weaknesses that are usually out of the researcher’s control, and are closely associated with the chosen research design, statistical model constructs, finding constructs, or other factors”.

In this study, there is a limitation of time and resources to conduct research on all the elements, namely, the nine provincial treasuries in South Africa. The study focused on only one provincial treasury but the results cannot be generalised over the entire population. A similar study focusing on all the provincial treasuries in South Africa will have to be undertaken so that the conclusion will relate to the entire population.

The other notable limitation relates to the source of data. Documents were the only source for data and it would have been desirable to collect primary data from those who were involved. Owing to attrition, officials who were part of the provincial treasury during the period under review might not be available for interviews. The conduct of the researcher in the research process is important. The next section explains the ethical consideration for this study.

5.5. Ethical considerations

Research is an ethical and moral endeavour. There are do’s and don’ts in every scientific study. According to Saunders *et al.* (2003: 123), “... ethics refers to the appropriateness of your behaviour in relation to the rights of those who become the subject of your work, or affected by it”. Theletsane (2014) describes ethics in terms of two concepts, namely, rules and values. According to Theletsane (2014: 365), “These values and rules indicate when behaviour is acceptable and when it is not”. Babbie (2014: 63; 2017: 63; 2021: 62) argues that, “In most dictionaries and in common usage, ethics is typically associated with morality, and both deal with matters of right and wrong”. Lutabingwa and Nthonzhe (2006: 695) argue that “At its simplest level,

ethics is what people agree on about right and wrong and good and bad". The authors agree on the basic tenets of ethics, namely right or wrong.

Saunders *et al.* (2003: 123) argue that, "The conduct of your research may be guided by a code of ethics". This view was supported by Babbie (2017; 2021). According to Babbie (2017: 74; 2021: 74) "... most of the professional associations of social researchers have created and published formal codes of conduct describing what is considered acceptable and unacceptable professional behaviour". The University of South Africa (Unisa) prescribed ethical standards and established review committees to administer these standards. The researcher is bound by ethical standards in executing this research. The researcher applied for ethical clearance from the Research Ethics Review Committee (see Annexure A). The Research Ethics Review Committee approved the study (see Annexure A).

The researcher wrote to the Head of Department for the LPT requesting access to the research site (Annexure B). The LPT requested the researcher to provide proof of registration with the university (Annexure B). The researcher requested the university to validate the researcher's candidature in support of the request for access to the research site. The LPT approved the request and allocated an official, namely, the Deputy Information Officer to be the liaison between the researcher and the provincial treasury (Annexure B). The researcher met the Deputy Information Officer at the LPT offices in Polokwane to clarify the purpose of the study and how the LPT can play a role for the research to be a success. More importantly, the researcher explained to the LPT that the information supplied by the provincial treasury will be used only for the purpose of this study and nothing else. The Deputy Information Officer requested the researcher to complete the request for information form.

The other aspect of ethics is objectivity. Objectivity is crucial during data collection and analysis stages. According to Saunders *et al.* (2003: 135), "During the data collection stage, this means making sure that you collect your data accurately and fully-that you avoid exercising subjective selectivity in what you record". Nahrin (2015) agrees with Saunders *et al.* on the aspect of objectivity during data collection. Nahrin (2015: 511) argued that "Observation requires a human observer where the issue of value neutrality comes to the fore". There are instances where the researcher manipulated

the information to suite their preconceived conclusions. The consequence of information fabrication is dire. According to Lutabingwa and Nethonzhe (2006: 695), “Although very rare, data fabrication does happen but when it is discovered, it has a devastating effect on the researcher”. The researcher was objective during the document selection process. The researcher drew a list of documents to be researched and requested from the LPT (see Annexure B). The provincial treasury used the list drawn by the researcher to provide the some of the requested documents (see Annexure B).

In addition to being objective during document selection, the researcher was objective during the analysis stage. Saunders *et al.* (2003: 139) argue that, “The maintenance of your objectivity will be vital during analysis stage to make sure that you do not misrepresent the data collected”. This view is supported by (Creswell, 2013: 59) who argued that the researcher is required to report multiple perspectives and contrary findings (Creswell, 2013: 59). The researcher reported everything relating to the municipal financial IGR without omitting anything to avoid misrepresenting the information. The reason for reporting everything fully and accurately was to avoid fallacies and distortions. Incorrect and incomplete information will likely lead to invalid conclusions. According to Saunders *et al.* (2003: 139), “Lack of objectivity at this stage will clearly distort your conclusions and any course of action that appears to stem from your work”. The researcher was aware of the limitations of the study and made them known, particularly the absence of certain documents. This attribute is consistent with Babbie (2014: 71; 2017: 72; 2021: 71) who argues that “In any rigorous study, the researcher should be more familiar than anyone else with the study’s technical limitations and failures”.

The documents relied upon in this study were either sourced from the LPT or her website. The first batch of documents, namely, APPs, APRs, organisational structure and MFMA circulars were delivered to the LPT offices closest to the researcher’s workplace in Modimolle in Limpopo Province. The non-compliance notices and in-year monitoring reports were retrieved from the LPT’s website. Section 5.6 closes this chapter.

5.6. Conclusion

As indicated in the introduction of this chapter that research is a rigorous process, this chapter went about describing how the study proceeded to arrive at the reliable conclusion. The researcher chose descriptive longitudinal design as the approach to answer the main research question. The nature of the study, that is, the study of past events characterised by attrition of officials who were there during the period under review and reliance on documents as the source of information, informed the choice of research design. In addition to the research design and study area, this chapter discussed the research approach. This chapter discussed documentary analysis as the research method of choice. The relevance of documentary analysis in municipal financial intergovernmental studies and its strengths and weaknesses were discussed. This chapter concluded that documentary analysis was a better research method for understanding municipal financial IGR.

The unit of analysis, namely, the provincial treasury was indicated. Population and sampling were discussed. Non-probability sampling technique, namely, purposive sampling was discussed. The reasons for choosing purposive sampling such as efficiency and effectiveness were indicated.

The document selection and appraisal procedures were discussed. Scott's quality control requirements of authenticity, creditworthiness, representativeness and meaning were used to appraise the selected documents. Moreover, a list of selected documents and the reasons for their selection were presented. The information was found to be of good quality and sufficient to allow the researcher to arrive at valid conclusions.

Reliability and validity were considered. Measures to address validity and reliability such as triangulation of information sources were discussed. Information for this study was collected from the LPT, AGSA and the Audit Committee of the LPT. Data analysis was explained. This study adopted Ahmed (2010) three stage process of reduction, display and interpretation to analyse information. The hermeneutic circle was used to analyse the data.

The limitations of the study were identified and explained, namely, the focus on only one provincial treasury instead of either the entire population of nine or a representative sample which would have enabled generalisation. The desire to collect data from those who were there was indicated as a limitation.

This last section of this chapter scrutinised ethical considerations. In discussing ethical considerations, the concept of ethics was defined. The process for getting access to research site was described. Furthermore, the researcher described how Unisa through which the researcher is studying, approved the study. The key requirement of objectivity during the document selection and analysis stages was tackled.

CHAPTER SIX-EXPLORING THE MUNICIPAL FINANCIAL IGR IN LIMPOPO PROVINCE DURING THE PERIOD 2008/9 TO 2012/13

6.1. Introduction

Chapter 5 of this study others dealt with the data and data collection among others. It is in this chapter that the data are presented and analysed among others. The locus of the study will be described. The data will be presented and analysed. The research findings will be analysed. In analysing research findings, two broad areas of support and monitoring will be discussed. Support will cover annual performance plans, organisational structure, issuing of reminders, co-production and budget preparations. Monitoring will cover communication of non-compliance to legislation and information requests. Sub-conclusions on each research finding will be discussed. The next section presents the locus for this study.

6.2. Locus of the study

This study was conducted in the Limpopo Province of South Africa. The study covered five district and 25 local municipalities prior 2016. The five district municipalities covered in the research are Capricorn District Municipality, Mopani District Municipality, Sekhukhune District Municipality, Vhembe District Municipality, and Waterberg District Municipality. In Capricorn District Municipality there were five (5) local municipalities, namely, Aganang Local Municipality, Lepelle-Nkumpi Local Municipality, Molemole Local Municipality and Polokwane Local Municipality. Mopani District Municipality comprised five (5) local municipalities, namely, Ba-Phalaborwa Local Municipality, Greater Giyani Local Municipality, Greater Letaba Local Municipality, Greater Tzaneen Local Municipality and Maruleng Local Municipality. In Sekhukhune District Municipality, there were five local municipalities, namely, Elias Motsoaledi Local Municipality, Ephraim Mogale Local Municipality, Fetakgomo Local Municipality and Greater Tubatse Local Municipality. In Vhembe District Municipality there were four (4) local municipalities, namely, Makhado Local Municipality, Musina Local Municipality and Thulamela Local Municipality. In Waterberg District Municipality there were six local municipalities, namely, Bela-Bela Local Municipality, Lephale

Local Municipality, Modimolle Local Municipality, Mogalakwena Local Municipality, Mookgopong Local Municipality and Thabazimbi Local Municipality. Annexure D consists of a map of Limpopo Province depicting district and local municipalities. The data for this study are presented and analysed in section 6.3.

6.3. Data presentation and analysis

Chapter 5 of this study explained how the collected data will be analysed (Ch.5, s5.3.6: 150). This chapter does what was indicated in s5.3.6 above, that is, data presentation and analysis. The data is presented and analysed under two broad areas constituting the mandate of the LPT, namely, support and monitoring (s5(4)(a) & s5(4)(b)). Subsection 6.3.1 presents the empirical evidence relating to performance planning.

6.3.1. Monitoring

Monitoring by the LPT was through the collection and review of submitted reports. The outcome of the reviews was communicated by means of Municipal Finance Circulars. The Municipal Finance Circulars contain data concerning monitoring and support of municipal financial management. To answer the main research questions, reliance will be placed on the data from the Municipal Finance Circulars as they focused mainly on the aspects of the mandate of the LPT as far as municipal financial management is concerned.

Numerous Municipal Finance Circulars were issued during the 2008/9-2012/13 financial period by the LPT. The LPT issued Municipal Finance Circular No. 10 of 2011 dated 9 February 2011. The data in the Municipal Finance Circular No. 10 of 2011 relate to one of the activities of provincial supervision of municipal financial management, namely, monitoring. To answer the main research question, data relating to monitoring and support must be analysed. This data will assist in answering the main research question. The purpose of the Municipal Finance Circular No.10 of 2011 was to request municipalities to submit updated Municipal System of Delegation and Delegations Register for study and review. The circular was directed to all the Municipal Managers and CFOs in the province. Municipal Managers were directed to submit Municipal System of Delegation and Delegation Registers by 19 February

2011. The LPT further advised municipalities whose documents were posted on their websites to ensure that the documents were updated and to direct the LPT to the relevant sites.

The Municipal Finance Circular No. 10 of 2011 indicated the intention of the study and review, namely.

- Determine whether the right norms, standards and requirements were in place and consistent with legislative framework;
- Determine whether reasonable standards in implementation will be achieved and system of delegation will be functional in all municipalities; and
- Determine whether the system of delegations will ensure accountability by senior management for the work output in the MFMA, including achieving high standards in results and performance.

The Municipal Finance Circular No.10 of 2011 further indicated the criteria to be used to assess the delegation framework of all municipalities, namely,

- Criteria 1: Annual review and adoption by Municipal Councils;
- Criteria 2: MFMA sub delegations (Municipal Council to Mayor, Municipal Council/Mayor to Municipal Manager, Municipal Manager to CFO and other section 57 managers, CFO to other managers);
- Criteria 3: Authorisations and signatories on MFMA delegations;
- Criteria 4: General limitations on MFMA delegations; and
- Criteria 5: Comprehensive MFMA delegations.

The LPT sent Municipal Finance Circular No.11 of 2011: Non-compliance Sec.71(4) to 18 municipalities. The non-compliance was pervasive given that approximately two thirds of the total municipalities did not submit signed quality certificates. The Municipal Finance Circular No. 11 of 2011 contains five distinct but interrelated aspects. The first aspect lists municipal managers and chief financial officers of municipalities which did not comply with section 71(4) of the MFMA. The second aspect draws the attention of the municipal managers to the area of non-compliance. The third aspect is an advice

to municipal managers to address the non-compliance. The fourth aspect is a veiled threat of consequence management in an event that municipalities did not heed the advice to correct the non-compliance. The last aspect bears the signature of the accounting officer of the LPT. There is an error in the description of Vhembe District Municipality. The compliance notice captured the municipality as local instead of district municipality. Nonetheless, this error does not distort the message contained in the non-compliance notice.

There were 14 Municipal Finance Circulars addressing In-year Monitoring Reporting. The In-year Monitoring: Section 71(6) Reporting bears a standard form with four broad areas, namely, Introduction, Legislative Framework, compliance with submission of returns and timeframes and Implementation of municipal budgets. The Implementation of municipal budget component addresses capital revenue, operating revenue, capital expenditure, debtors, creditors and cashflows. The In-year Monitoring: Section 71(6). The In-year Monitoring: Section 71(6) Reporting: March 2008/9 (IYM-March-2009) dated 7 May 2009 and signed on 8 May 2009 was sent to the NT and posted on the LPT website. The IYM-March 2009 contains evidence on the monitoring activities of the LPT. This evidence will be relied upon in making conclusions on the main research question. On compliance with submission of returns and timeframes, it was reported that some municipalities were finding it difficult to comply with legislation which impacted on the LPT processes of reporting. A matter of concern was that none of the municipalities sent a signed copy (Quality certificate), which could have opened a way for disputes on the ownership of the contents in the report by a municipality. Table 8 illustrates a summary of returns submitted for March 2008/9.

Table 2: s71 submission for March 2008/9

Municipality	Jan-09		Feb-09		March-09	
	Electronic/signed copies	Date of submission	Electronic/signed copies	Date of submission	Electronic/signed copies	Date of submission
DC 35 - CAPRICORN	Electronic	13.02.09	Electronic	No submission	Electronic	16.04.09
LIM 351 – BLOUBERG	Electronic	13.02.09	Electronic		Electronic	15.04.09
LIM 352 - AGANANG	Electronic	13.02.09	Electronic	No submission	Electronic	16.04.09
LIM 353 – MOLEMOLE	Electronic	No submission	Electronic	13.03.09	Electronic	8.4.2009
LIM 354 – POLOKWANE	Electronic	13.02.09	Electronic		Electronic	7.4.2009
LIM 355 – LEPELLE-NKUMPI	No submission	No submission	No submission	No submission	No submission	No submission
DC 47 – GREATER SEKHUKHUNE	Electronic	13.02.09	Electronic	No submission	Electronic	2.4.2009
LIM 473 - MAKHUDUTHAMAGA	Electronic	No submission	Electronic	17.03.09	No submission	No submission
LIM 474 FETAKGOMO	Electronic	No submission	Electronic	No submission	No submission	No submission
LIM 471 – MARBLE HALL	Electronic	12.02.09	Electronic	09.03.09	Electronic	14.4.2009
LIM 472 – ELIAS MOTSOLEDI	Electronic	10.02.09	Electronic	09.03.09	Electronic	9.4.2009
LIM 475 – GREATER TUBATSE	Electronic	No submission	Electronic	11.03.09	No submission	No submission
DC 33 - MOPANI	Electronic	13.02.09	Electronic	11.03.09	No submission	No submission
LIM 331 GREATER GIYANI	Electronic	No submission	Electronic	No submission	No submission	No submission
LIM 332 – GREATER LETABA	Electronic	13.02.09	Electronic	No submission	No submission	No submission
LIM 333 – GREATER TZANEEN	Electronic	13.02.09	Electronic	13.03.09	Electronic	16.04.09
LIM 334 BA-PHALABORWA	Electronic	13.02.09	Electronic	10.03.09	No submission	No submission
LIM 335 – MARULENG	Electronic	No submission	Electronic	No submission	No submission	No submission
DC 36 – WATERBERG	Electronic	13.02.09	Electronic	13.03.09	Electronic	9.4.2009
LIM 361 – THABAZIMBI	Electronic	18.02.09	Electronic	No submission	No submission	No submission
LIM 362 – LEPHALALE	Electronic		Electronic	No submission	No submission	No submission
LIM 364 - MOOKGOPONG	Electronic	17.02.09	Electronic	13.03.09	No submission	No submission
LIM 365 – MODIMOLLE	Electronic	12.02.09	Electronic	13.03.09	Electronic	16.04.09
LIM 366 - BELABELA	Electronic	10.02.09	Electronic	12.03.09	Electronic	15.4.2009
LIM 367 - MOGALAKWENA	Electronic	13.02.09	Electronic	12.03.09	Electronic	8.4.2009
DC 34 - VHEMBE	Electronic	18.02.09	Electronic	10.03.09	No submission	No submission
LIM 341 - MUSINA	Electronic	13.02.09	Electronic	12.03.09	Electronic	16.04.09
LIM 342 - MUTALE	Electronic	13.02.09	Electronic	09.03.09	Electronic	8.4.2009

Municipality	Jan-09		Feb-09		March-09	
	Electronic/signed copies	Date of submission	Electronic/signed copies	Date of submission	Electronic/signed copies	Date of submission
LIM 343 – THULAMELA	Electronic	17.02.09	Electronic	17.03.09	No submission	No submission
LIM 344 - MAKHADO	Electronic	18.02.09	Electronic	10.03.09	Electronic	16.04.09

Source: IYM-May 2009: May 2009, 2-3

The number of non-compliant municipalities rose from seven in January 2009 to 11 in March 2009. Lepelle-Nkumpi LM and Fetakgomo LM were the worst repeat offenders by not submitting s71 reports for the period January 2009 to March 2009. Six municipalities, namely, Makhuduthamaga LM, Greater Tubatse LM, Greater Letaba LM, Maruleng LM, Greater Giyani LM, Lephalale LM and Thabazimbi LM did not submit their s71 reports twice during the period January 2009 to March 2009. Molemole LM, Greater Sekhukhune DM, Capricorn DM, Aganang LM, Mopani DM, Ba-Phalaborwa LM, Mookgopong LM, Vhembe DM and Thulamela LM became non-compliant once during the period January 2009 to March 2009. All the district municipalities except Waterberg DM registered non-compliance during the period January 2009 to March 2009. Mopani DM was the worst performing district with four municipalities, namely, Greater Letaba LM, Maruleng LM, Greater Giyani LM and Ba-Phalaborwa LM not complying with reporting requirements. Surprisingly, Waterberg DM share the second spot with Capricorn DM and Greater Sekhukhune DM each with three non-compliant municipalities. Vhembe DM was the best performing district with one non-compliant municipality, namely, Thulamela LM.

In January 2009, five municipalities submitted after the prescribed timeframe. During February 2009 the situation improved, that is, only two municipalities submitted after the prescribed timeframe even though the number of municipalities increased by three from seven to ten municipalities. The situation became worse in March 2009 compared to January 2009 and February 2009, that is, eight municipalities submitted after the prescribed timeframe. Table 8 is silent concerning submission of signed hard copy reports, suggesting that no municipality submitted signed hardcopy report during the period under review. The data in Table 8 calls into question the role of the LPT during the period January 2009 to March 2009. It can be inferred from the data that the interventions implemented by the LPT during the period January 2009 to March 2009 were ineffective.

In addition to monitoring submission of s71 reports and MFMA returns, the LPT analysed data on the implementation of the municipal budgets. In analysing data on the implementation of the budget, the LPT focused on seven aspects, namely, operating revenue, operating expenditure, capital revenue, capital expenditure, debtors, creditors and cash flows. The IYM-March 2009 contains data about the aspects mentioned in the preceding sentence of this paragraph. The data demonstrate the extent to which the LPT engaged with the s71 reports from municipalities, therefore, undertaking monitoring as instructed by s71 of the MFMA. It is important to note that the data in the IYM-March 2009 is crucial to assist the researcher in answering the main research question for this study. These aspects which form the focus of IYM-March 2009, particularly the section dealing with the implementation of municipal budgets are elaborated next.

The total operating expenditure for quarter 3 of 2008/9 was below satisfaction. Spending on a straight line was at 75% whereas the actual expenditure underperformed by 62% (IYM-March 2009: 5). The financial year is divided into four quarters. Straight line projections refer to a situation where all else equal, expenditure will be equal for all the four quarters of the financial year. The challenge experienced by municipalities in the Limpopo Province requires the attention of the LPT because its persistence will have negative effect on service delivery.

The capital expenditure during the third quarter of 2008/9 was 13% of the total adjusted capital budget (IYM-March 2009: 5). Expenditure for the quarter showed that there were serious challenges in terms of spending by municipalities. Straight line projections showed that municipalities should have spent 75% of the adjusted budget, that is, if expenditure projections were allocated equally for all the four quarters of the financial year. Collectively, municipalities underperformed by 62% compared to the straight line spending trend of 75% indicated above in this paragraph (IYM-March 2009: 5). *Ceteris paribus* municipalities would have spent equally throughout the four quarters of the year, therefore making expenditure for the third quarter of the year to stand at 75% instead of 62%. Municipalities were inconsistent in the submission of s71 reports which distorted the provincial report (IYM-March 2009: 5). The LPT had a huge task of investigating the cause of the poor performance by municipalities in Limpopo Province.

The report reflected that municipalities faced difficulties as far as debt collection was concerned. Only Waterberg DM was showing a slightly lower figure of debt which was below R1 million. The rest of municipalities were reflecting figures above R1 million putting serious doubt on the credibility of the information. Some municipalities did not submit returns which made it difficult to reflect the status of the debt book. This situation calls on the LPT to execute its responsibility of supporting municipalities. Continued failure by municipalities in Limpopo Province demonstrates the failure by the LPT to support municipalities exercise their powers and execute their functions. As indicated in Chapter 4 of this study, the LPT is duty-bound to ensure that municipalities are properly capacitated to bill and collect revenue.

The In-year Monitoring: Section 71(6) Reporting: June 2008/9 (IYM-June 2009) dated 31 July 2009 and signed on 31 July 2009 was sent to the NT and posted on the LPT website. The IYM-June 2009 addressed two areas, namely, submission of s71 reports and implementation of municipal budgets. The IYM-June 2009 contains evidence of monitoring of municipal financial management (Ch.5, s5.3.4: 147). This evidence forms part of the total evidence required to answer the main research question. It is crucial to present and analyse data contained in the IYM-June 2009 because it contains evidence of monitoring of municipal financial management. The report noted that no municipality submitted a hard copy report during the reporting period, which constitutes a huge challenge because non-compliance was pervasive. With regard to submission of returns, namely CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list and CFA-cash flow, it was noticed that municipalities were submitting previous returns. Sometimes municipalities submitted blank returns for compliance purposes while others did not submit a single return. Too much emphasis on compliance led to municipalities doing what is commonly known as 'malicious compliance'. Table 9 illustrates a summary of returns submitted for April 2009-June 2009.

Table 3: Summary of s71 electronic and signed hardcopy reports and MRMA returns for June 2009

Municipality	Apr-09					May-09					June-09				
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission Electronic		Documents sent	Old/new version	Date of submission Electronic		Documents sent			
													Electronic	Hard copy	Hard copy
DC 35 – CAPRICORN	New	14.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	12.06.2009	No submission	OSA,CFA,CAA,AC,AD	New	14.07.2009	No submission	OSA,CFA,CAA,AC,AD			
LIM 351 – BLOUBERG	New	25.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	12.06.2009	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission				
LIM 352 – AGANANG	New	15.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	11.06.2009	No submission	OSA,CFA,CAA,AC,AD	New	13.07.2009	No submission	OSA,CFA,CAA,AC,AD			
LIM 353 – MOLEMOLE	New	19.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	11.06.2009	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission			
LIM 354 – POLOKWANE	New	8.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	10.06.2009	No submission	OSA,CFA,CAA,AC,AD	New	10.07.2009	No submission	CAA,AC,AD			
LIM 355 – LEPELLE-NKUMPI	New	18.05.2009	No submission	AC,AD	New	15.06.2009	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission			
DC 47 – GREATER SEKHUKHUNE	New	22.05.2009	No submission	OSA,CFA,CAA,AD	New	11.06.2009	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission			
L LIM 473 – MAKHUDUTHAM AGA	New	19.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	17.06.2009	No submission	CFA,CAA	New	10.07.2009	No submission	CFA,CAA,AC,AD			

Municipality	Apr-09				May-09				June-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission Electronic		Documents sent	Old/new version	Date of submission Electronic		Documents sent
		Electronic	Hard copy			Hard copy		Hard copy				
LIM 474 FETAKGOMO		No submission	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission	No submission	No submission	No submission	No submission
LIM 471 – MARBLE HAL	New	12.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	11.06.2009	No submission	OSA,CFA,CAA,AD	New		No submission	No submission
LIM 472 – ELIAS MOTSOLEDI	New	14.05.2009	No submission	OSA	New	12.06.2009	No submission	OSA,CFA,CAA,AD,AC	New	15.07.2009	No submission	CFA,CAA,AC,AD
LIM 475 – GREATER TUBATSE	New	8.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	1.06.2009	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission
DC 33 – MOPANI	New	8.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	12.06.2009	No submission	CFA,CAA	No submission	No submission	No submission	No submission
LIM 331 GREATER GIYANI	No submission	No submission	No submission	No submission	New	13.06.2009	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission
LIM 332 – GREATER LETABA	New	12.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	17.06.2009	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission
LIM 333 – GREATER TZANEEN	New	14.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	12.06.2009	No submission	OSA,CFA,CAA,AC,AD	New	14.07.2009	No submission	OSA,CFA,CAA,AC,AD
LIM 334 BA-PHALABORWA	New	14.05.2009	No submission	CFA,AC,AD	New	16.06.2009	No submission	OSA,CFA,CAA,AC,AD	New	14.07.2009	No submission	CFA,AC,AD

Municipality	Apr-09					May-09					June-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission Electronic		Documents sent	Old/new version	Date of submission Electronic		Documents sent		
		Electronic	Hard copy			Hard copy		Hard copy			Hard copy			
LIM 335 – MARULENG	New	25.05.09	No submission	OSA,CFA,CAA,AC,AD	New	23.06.2009	No submission	OSA,CFA,CAA,AC,AD	New	10.07.2009	No submission	OSA,CFA,CAA,AC,AD		
DC 36 – WATERBERG	New	13.05.09	No submission	OSA,CFA,CAA,AC,AD	New	12.06.2009	No submission	OSA,CFA,CAA,AC,AD	New	14.07.2009	No submission	OSA,CFA,CAA,AC,AD		
LIM 361 – THABAZIMBI	No submission	22.05.09	No submission	CFA,CAA,AC,AD	No submission	No submission	No submission	No submission	No submission	No submission	No submission	No submission		
LIM 362 – LEPHALALE	No submission	No submission	No submission	No submission	New	14.06.2009	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission		
LIM 364 – MOOKGOPONG	New	2.07.2009	No submission	OSA,CFA,CAA,AC,AD	New	2.06.2009	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission		
LIM 365 – MODIMOLLE	New	15.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	12.06.2009	No submission	OSA,CFA,CAA,AC,AD	New	14.07.2009	No submission	OSA,CFA,CAA,AC,AD		
LIM 366 – BELABELA	New	14.05.2009	No submission	OSA,CAA,AC,AD	New	17.06.2009	No submission	OSA,CAA,AC,AD	New	15.07.2009	No submission	OSA,CAA,AC,AD		
LIM 367 – MOGALAKWENA	New	15.05.2009	No submission	OSA,CAA,AC,AD	New	12.06.2009	No submission	OSA,CAA,AC,AD	No submission	No submission	No submission	No submission		
DC 34 – VHEMBE	New	19.05.2009	No submission	OSA,CFA,CAA,AD	New	12.06.2009	No submission	OSA,CFA,CAA,AD	New	17.07.2009	No submission	OSA,CFA,CAA,AD		
LIM 341 – MUSINA	New	14.05.09	No submission	OSA,CFA,CAA,AC,AD	New	12.06.2009	No submission	OSA,CFA,CAA,AC,AD	New	14.07.2009	No submission	OSA,CFA,CAA,AC,AD		

Municipality	Apr-09					May-09					June-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission Electronic		Documents sent	Old/new version	Date of submission Electronic		Documents sent		
													Electronic	Hard copy
LIM 342 – MUTALE	New	8.05.09	No submission	OSA,CFA,CAA,AC	No submission	No submission	No submission	No submission	New	13.07.2009	No submission	CFA		
LIM 343 – THULAMELA	New	12.05.09	No submission	OSA,CFA,CAA,AC,AD	New	12.06.2009	No submission	OSA,CFA,CAA,AC,AD	New	14.07.2009	No submission	OSA,CFA,CAA,AC,AD		
LIM 344 – MAKHADO	New	15.05.2009	No submission	OSA,CFA,CAA,AC,AD	New	13.06.2009	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission		

Source: IYM-June 2009: 3

Legends: CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list and CFA-cash flow,

The submission of s71 electronic reports was stable during the April 2009 to May 2009. Twenty-seven (27) out of 30 municipalities submitted s71 electronic reports for April 2009 and May 2009 respectively. The number of municipalities which submitted s71 after the prescribed due date decreased from 12 municipalities in April 2009 to five municipalities in May 2009. Compliance with s71 of the MFMA reached its lowest level in June 2009. Fifteen (15) out of 30 municipalities submitted s71 electronic reports for June 2009. Only three municipalities, namely, Elias Motsoaledi LM, Bela-Bela LM and Vhembe DM submitted their s71 reports for June 2009. Fetakgomo LM was persistent in non-compliance, that is, failure to submit the s71 reports for the entire reporting period. Greater Giyani LM, Thabazimbi LM and Lephalale LM were the second culprits with each having submitted only once during the reporting period. The other culprits were municipalities, namely, Blouberg LM, Aganang LM, Lepelle-Nkumpi LM, Greater Sekhukhune DM, Marble Hall LM, Greater Tubatse LM, Mookgopong LM, Mogalakwena LM and Makhado LM which submitted s71 electronic reports twice instead of thrice during the reporting period.

The number of municipalities which submitted MFMA returns was consistent with the number of municipalities which submitted s71 electronic reports. The number of municipalities which submitted all the five MFMA returns increased from 18 municipalities in April 2009 to 21 municipalities in May 2009. Compliance with the submission of MFMA returns improved in May. Eight out of 15 municipalities submitted all the five MFMA returns in June. This is a decline considering that the number of non-compliant municipalities was half of the total number of municipalities which submitted MFMA returns as opposed to April 2009 and May 2009.

The In-year Monitoring: Section 71(6) Reporting: July 2009 (IYM-July 2009) dated 31 July 2009 and signed on 31 July 2009 was sent to the NT and posted on the LPT website. It is worth noting that the report contains errors in the subject line and second paragraph, namely, the June 2008/9 and 30 June 2009 respectively. The errors are insignificant because they are not distorting the data in the IYM-July 2009. The IYM – July 2009 contains evidence on the monitoring activities of the LPT particularly data on MFMA s71 compliance and implementation of municipal budgets (Ch.5, s5.3.4:

147). This evidence will be relied upon in making conclusions on the main research question. Table 10 illustrates the summary of returns for July 2009.

Table 4: Summary of returns submitted for July 2009

Municipality	Jul-09			
	Old/new version	Date of submission		Documents sent
		Electronic	Hard copy	
DC 35 – CAPRICON	New	27-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 351 – BLOUBERG	New	25-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 352 – AGANANG	New	14-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 353 – MOLEMOLE	New	26-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 354 – POLOKWANE	New	7/8/2009	No submission	AD,CAA
LIM 355 – LEPELLE-NKUMPI	New	18-08-09	No submission	OSA,CFA,CAA,AC,AD
DC 47 – GREATER SEKHUKHUNE	New	19-08-09	28.09.09	AC
LIM 471 – MARBLE HALL	New	20-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 472 – ELIAS MOTSOLEDI	New	21-08-09	No submission	OSA,CAA,AC,AD
LIM 473 – MAKHUDUTHAMAGA	New	14-08-09	No submission	CFA,CAA,AC,AD
LIM 474 FETAKGOMO	New	28-08-09	No submission	OSA
LIM 475 – GREATER TUBATSE	New	17-08-09	No submission	AC,AD
DC 33 – MOPANI	New	25-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 331 GREATER GIYANI	No submission	No submission	No submission	No submission
LIM 332 – GREATER LETABA	New	25-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 333 – GREATER TZANEEN	New	14-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 334 BA-PHALABORWA	New	14-08-09	26.10.09	OSA,CFA,AC,AD
LIM 335 – MARULENG	No submission	No submission	No submission	No submission
DC 36 – WATERBERG	New	17-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 361 – THABAZIMBI	No submission	No submission	No submission	No submission
LIM 362 – LEPHALALE	New	14-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 364 – MOOKGOPONG	New	21-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 365 – MODIMOLLE	New	17-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 366 – BELABELA	New	18-08-09	No submission	OSA,CAA,AC,AD
LIM 367 – MOGALAKWENA	New	18-08-09	No submission	OSA,CAA,AC,AD
DC 34 – VHEMBE	New	27-08-09	No submission	OSA,CAA,AC,AD
LIM 341 – MUSINA	New	17-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 342 – MUTALE	No submission	No submission	No submission	No submission
LIM 343 – THULAMELA	New	17-08-09	No submission	OSA,CFA,CAA,AC,AD
LIM 344 – MAKHADO	New	26-08-09	No submission	OSA,CFA,CAA,AC,AD

Source: IYM-July 2009: 3 **Legends:** CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list, CFA-cash flow

Twenty-seven (27) out of 30 municipalities submitted s71 reports. According to Tables 8 and 10 the usual culprits were Fetakgomo LM, Greater Giyani LM, Lepelle-Nkumpi LM and Maruleng LM. Seven of the 27 municipalities which submitted s71 reports submitted on time and the remaining 20 municipalities submitted after the prescribed timeframe. All the 27 municipalities which submitted s71 reports submitted using the new reporting version. Twenty-six (26) out of 30 municipalities submitted MFMA returns. Sixteen (16) out of 26 municipalities submitted all the five MFMA returns. Nonetheless, no municipality submitted signed hard copy of the s71 report. Non-compliance was worse in July 2009 compared to March 2009 regarding compliance with prescribed timeframe. In July 2009, 20 municipalities submitted s71 reports after the prescribed timeframe compared to three municipalities in June 2009. There was improvement in the submission of hardcopy reports during July 2009. According to Table 10, two municipalities, namely, Greater Sekhukhune DM and Ba-Phalaborwa LM submitted a signed hardcopy reports in July 2009 albeit late. Similar to Table 8, Table 10 depicts untenable situation caused by failure of the LPT to assist municipalities to comply with the reporting requirements of s71 of the MFMA.

Implementation of municipal budgets was characterised by poor performance in all the aspects. Poor performance at the beginning of the financial year signals poor planning. The LPT was unable to depict a true financial status of municipalities in the province owing to non-compliance relating to submission of MFMA returns. However, it is worthy to indicate that only Waterberg DM performed well in operating revenue for July 2009. This was so notwithstanding the fact that Thabazimbi LM did not submit a report. The same can be said of operating revenue. Details of the implementation of the budgets are presented below for ease of reference.

Operating revenue for July 2009 performed at 0% of the total operating expenditure, that is, the total operating expenditure was insignificant and below 1%. The operating revenue for July 2009 was R1.1 billion of the total operating budget. Sekhukhune district performed poorly. This was because three of the municipalities did not submit the full set of five returns. The other four districts contributed to the performance at varying rates. Vhembe district contributed 13%. Mutale LM did not submit the report which could have impacted on the performance of the district. Mopani district contributed 17%. Maruleng and Greater Giyani did not submit s71. Waterberg district

was the best performing district despite Thabazimbi not reporting. The district contributed to the overall picture of share of 16%. The biggest share came from Waterberg DM. The IYM-July 2009 was distorted by various factors such as failure to submit s71 reports and MFMA returns. The true financial status of municipalities in the province can only be known if the culture of compliance improves. So, it is incumbent upon the LPT to ensure that municipalities comply with s71 of the MFMA to establish the correct financial status of municipalities in the province.

The July 2009 operating expenditure performance was 0% of the total operating expenditure budget, that is, the operating expenditure for July 2009 was less than 1%. The operating expenditure for Sekhukhune district was 1% of the total budget. The operating expenditure for Mopani stood at 3%. The operating expenditure for Vhembe district showed 3% instead of showing 7%. The expenditure for Capricorn district stood at 3%. The district operating expenditure for Waterberg district stood at 1%. Performance on operating expenditure was poor notwithstanding that it was the first month of the financial year. It cannot be reasoned that because it was the beginning of the financial year, low expenditure must be expected.

Poor performance was also experienced in revenue collection. During July 2009 three districts, namely, Sekhukhune, Mopani and Waterberg districts performed at 1% of the total budget. Vhembe and Capricorn districts collected less than R1 million which constituted an underperformance. Municipalities did not acquire external loans. Grants and subsidies reflected 0.2% of total budget. During August 2009, 7% was received in respect of grants and subsidies. These data exhibit two things, namely, that the LPT monitored the municipal budget implementation on the one hand. On the other hand, municipalities were struggling to collect revenue. Funding planned projects were bound to be affected by poor revenue collection, therefore, distorting the budget.

The total expenditure for July 2009 was R6 million which translated into 0% of the total budget, that is, the amount spent constituted less than 1% of the total expenditure. The actual spent as percentage of budget was zero for all the municipalities. The expenditure on infrastructure was 1% of the total budget. Performance on community reflected 1% of the total budget. Community reflected July 2009 performance of 45%. Investment properties reflected performance of 0%. The monthly expenditure on

investment properties stood at zero. Performance on other assets was 0%. Similar to revenue collection, these data illustrate poor performance by municipalities. The data further indicate that the LPT assessed the municipal budget, therefore, playing its monitoring role.

The total outstanding debtor's book for the municipalities in the Limpopo Province for the month of July 2009 amounted to R837 million. Debtors owing between 31-60 days constituted R75 million. Debtors owing between 61-90 days constituted R93 million. Debtors owing between 91-120 days constituted R97 million. Debtors over 120 days were the most significant at R284 million. The debt owed falling into the category over 150 and 180 days to a year constituted R197 million and R104 million respectively. The data are consistent with the data on revenue collection. Municipalities were struggling to collect in excess of 12 months. This data speaks ill of the LPT, particularly as it relates to its support to municipal financial management. The LPT and municipalities must collaborate to address these deficiencies.

The total accounts payable for 31 July 2009 owed by municipalities amount to R42 million. The balance was understated owing to non-submission of returns by some municipalities. Sekhukhune district was the biggest contributor to this performance. These data demonstrate the pervasiveness of poor performance in municipal budget implementation. Failure by municipalities to honour their financial obligation attracts negative attention from national and provincial government governments on the one hand. On the other hand, municipalities attract negative rating with the consequent of not being able to secure inexpensive funding from private funders.

Municipalities were required to complete cash flow statements (National Treasury. 2008. GRAP Implementation Guide for Municipalities: Cash flow Statement GRAP 2: 4). The In-year Monitoring Report indicated that not all municipalities completed cash flow statement for the month of August. According to the In-year Monitoring Report, the analysis of the cash flow return revealed that there was no link between the cash flow statement and the bank reconciliation. Positive actual closing balances were reported for the month of July 2009 for a few municipalities which completed their CFAs. Other municipalities were showing negative opening balances. Most municipalities disregarded projections. These data demonstrate non-compliance to

prescribed standards with the consequent of attracting negative feedback from the AGSA. In addition, the users of the municipal information were unable to determine whether municipalities were able to meet their current and future obligations and ability to generate enough cash for the provision of services. Confidence on municipalities was at its lowest because municipalities failed to properly account for the collected cash.

The In-year Monitoring: Section 71(6) Reporting: August 2009 dated 6 October 2009 (IYM-August 2009) and signed on 9 October 2009 was sent to the NT and posted on the LPT website. The IYM-August 2009 contains evidence of monitoring of municipal financial management (Ch.5, s5.3.4: 147). This evidence forms part of the total evidence required to answer the main research question. The report noted that no municipality submitted a hard copy during the reporting period, which constitutes a huge challenge. Regarding submission of returns, namely, CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list and CFA-cash flow, it was noticed that municipalities were submitting previous returns. Sometimes municipalities submitted blank returns for compliance purposes while others did not submit a single return. Table 11 illustrates a summary of returns submitted for August 2009.

Table 5: Summary of returns submitted for August 2009

Municipality	Jul-09				Aug-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission Electronic	Hard copy	Documents sent
		Electronic	Hard copy					
DC 35 – CAPRICON	New	27-08-09	No submission	OSA, CFA, CAA, AC, AD	New	18-09-09	No submission	OSA, CFA, CAA, AC, AD
LIM 351 – BLOUBERG	New	25-08-09	No submission	OSA, CFA, CAA, AC, AD	New	11/9/2009	No submission	OSA, CFA, CAA, AC
LIM 352 – AGANANG	New	14-08-09	No submission	OSA, CFA, CAA, AC, AD	New	18-09-09	No submission	OSA, CFA, CAA, AC, AD
LIM 353 – MOLEMOLE	New	26-08-09	No submission	OSA, CFA, CAA, AC, AD	New	18-09-09	No submission	OSA, CFA, CAA, AC, AD
LIM 354 – POLOKWANE	New	7/8/2009	No submission	AD, CAA	New	11/9/2009	No submission	OSA, CFA, CAA, AC, AD
LIM 355 – LEPELLE-NKUMPI	New	18-08-09	No submission	OSA, CFA, CAA, AC, AD	New	10/9/2009	No submission	OSA, CFA, CAA, AC, AD
DC 47 – GREATER SEKHUKHUNE	New	19-08-09	28.09.09	AC, AD, CAA, OSA			No submission	
LIM 471 – MARBLE HALL	New	20-08-09	No submission	OSA, CFA, CAA, AC, AD	New	15-09-09	No submission	OSA, CFA, CAA, AC, AD
LIM 472 – ELIAS MOTSOLEDI	New	21-08-09	No submission	OSA, CAA, AC, AD	New	15-09-09	No submission	OSA, CFA, CAA, AC, AD
LIM 473 – MAKHUDUTHAMAGA	New	14-08-09	No submission	CFA, CAA, AC, AD	New	14-09-09	No submission	OSA, CFA, CAA, AC, AD
LIM 474 FETAKGOMO	New	28-08-09	No submission	OSA	New	10/9/2009	No submission	OSA, CFA, CAA, AD
LIM 475 – GREATER TUBATSE	New	17-08-09	No submission	AC, AD	New	16-09-09	No submission	OSA, CFA, CAA, AC
DC 33 – MOPANI	New	26-08-09	No submission	OSA, CFA, CAA, AC, AD	New	4/9/2009	No submission	OSA, CFA, CAA, AD
LIM 331 GREATER GIYANI	No submission	No submission	No submission	No submission	No submission	No submission	No submission	No submission
LIM 332 – GREATER LETABA	New	26-08-09	No submission	OSA, CFA, CAA, AC, AD	New	15-09-09	No submission	OSA, CFA, CAA, AC, AD
LIM 333 – GREATER TZANEEN	New	14-08-09	No submission	OSA, CFA, CAA, AC, AD	New	23-09-09	No submission	OSA, CFA, CAA, AC, AD
LIM 334 BA-PHALABORWA	New	14-08-09	26.10.09	OSA, CFA, AC, AD, CAA	New	14-09-09	No submission	OSA, CFA, CAA, AC, AD
LIM 335 – MARULENG	No submission	No submission	No submission	No submission	No submission	No submission	No submission	No submission
DC 36 – WATERBERG	New	17-08-09	No submission	OSA, CFA, CAA, AC, AD	New	14-09-09	No submission	OSA, CFA, CAA, AC, AD
LIM 361 – THABAZIMBI	New	21.09.09	No submission	OSA, CFA, AC, AD, CAA	New	25-09-09	No submission	OSA, CFA, CAA, AC, AD

Municipality	Jul-09				Aug-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission	Documents sent	
		Electronic	Hard copy			Electronic		Hard copy
LIM 362 – LEPHALALE	New	14-08-09	No submission	OSA,CFA,CAA,AC,AD	New	14-09-09	No submission	OSA,CFA,CAA,AC,AD
LIM 364 – MOOKGOPONG	New	21-08-09	No submission	OSA,CFA,CAA,AC,AD	New	14-09-09	No submission	OSA,CFA,CAA,AC,AD
LIM 365 – MODIMOLLE	New	17-08-09	No submission	OSA,CFA,CAA,AC,AD	New	14-09-09	No submission	OSA,CFA,CAA,AC,AD
LIM 366 – BELABELA	New	18-08-09	No submission	OSA,CAA,AC,AD	New	16-09-09	No submission	OSA,CAA,AC,AD
LIM 367 – MOGALAKWENA	New	18-08-09	No submission	OSA,CAA,AC,AD	New	11/9/2009	No submission	OSA,CAA,AC,AD
DC 34 – VHEMBE	New	27-08-09	No submission	OSA,CAA,AC,AD	No submission	No submission	No submission	No submission
LIM 341 – MUSINA	New	17-08-09	No submission	OSA,CFA,CAA,AC,AD	New	14-09-09		OSA,CFA,CAA,AC,AD
LIM 342 – MUTALE	No submission	No submission	No submission	No submission	No submission	No submission	No submission	No submission
LIM 343 – THULAMELA	New	17-08-09	No submission	OSA,CFA,CAA,AC,AD	New	11/9/2009	No submission	OSA,CFA,CAA,AC
LIM 344 – MAKHADO	New	26-08-09	No submission	OSA,CFA,CAA,AC,AD	New	15-09-09	No submission	OSA,CFA,AC,AD,CAA

Source: IYM-August 2009 (October 2009)

Legends: CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list, CFA-cash flow

Table 11 illustrates the submission of s71 reports and MFMA returns for August 2009 in which 25 out of 30 municipalities submitted s71 reports in August 2009 compared to 27 municipalities in July 2009. This is a decline from the performance of July 2009. Three municipalities, namely, Greater Giyani LM, Maruleng LM and Mutale LM were the repeat offenders during July-August 2009 period as far as submission of s71 reports was concerned. There is a purported disjuncture between Table 9 and 10 concerning the submission of the s71 report by Thabazimbi LM. Table 9 recorded Thabazimbi as one of the municipalities which did not submit their s71 reports, whereas Table 10 recorded to contrary to Table 9. The reason for this disjuncture was that Thabazimbi LM submitted s71 report for July 2009 two months after the reporting timeframe. The number of municipalities which submitted after the prescribed timeframe in August 2009 was 10 which demonstrated a huge improvement from the 20 which was recorded in July 2009.

The data in Table 11 depicts a decline in the number of municipalities which submitted MFMA returns in August 2009 compared to July 2009. In August 2009, the number of municipalities which submitted MFMA returns declined by two to 24 municipalities. Furthermore, 17 out of 24 municipalities submitted all the five MFMA returns while seven municipalities submitted incomplete MFMA returns. Only one municipality, namely, Ba-Phalaborwa submitted signed hardcopies of the s71 reports. This is a decline considering the two municipalities recorded in July 2009. This demonstrates flagrant non-compliance with s71 of the MFMA continues persistently. There is something amiss concerning the submission of signed hard copy reports of the s71 reports. It cannot be that most municipalities were unable to submit signed hard copy reports continuously. This demonstrated the ineffectual state of the LPT.

As indicated in the opening paragraph of the discussion of the IYM-August 2009 that the IYM – August 2009 addresses monitoring of municipal financial management, the discussion of the implementation of municipal budgets will contribute towards the results of this study. It is prudent to indicate that municipalities generally performed poorly in the implementation of municipal budgets. The next paragraphs provide details of the implementation of the municipal budgets.

The operating revenue for the first quarter of 2008/9 financial year was R1.5 billion. Sekhukhune and Vhembe districts collected below the straight line norm of 16% after two months of the financial year. The notion of 'straight line norm' suggests that planning was based on straight line projections, municipalities would have collected equal amounts for the 12 months of the financial year. Capricorn, Mopani and Waterberg districts showed a better performance. According to the In-year report "As has always been the case, the poor performance is a result of municipalities' not submitting reports". Waterberg district was reflecting a relatively correct trend of spending. Capricorn district collection of 73% seemed exaggerated as it was too high considering that the biggest budget was from Polokwane Municipality. Capricorn as a district municipality could not be reflecting 126% collection after two months. The perennial culture of non-compliance could not evade municipalities. The LPT was not even confident about the quality of information received from municipalities. Something was wrong and the LPT was required to determine the cause of the non-compliance to implement corrective actions.

The cumulative revenue on property rates was 11% of the budget. The year-to-date revenue generated on service charges was 11% of the budget. The year-to-date receipts on investment revenue stood at 5%. The year-to-date revenue generated on transfers recognised stood at 27%. The year-to-date on other revenue stood at 12%. The poor performance as discussed in the IYM-August 2009 continues to trouble municipalities and the LPT alike. This challenge was compounded by information that is not credible and worse the absence of information occasioned by municipalities not submitting reports and MFMA returns.

The year-to-date operating expenditure performance was 6% of the total operating expenditure budget. The operating expenditure for Sekhukhune district was 1% of the total budget. The negative figured reflected were caused by the system configuration of Greater Tubatse LM which recorded expenditure as negative. The operating expenditure for Mopani stood at 10%. Nonetheless, Maruleng LM and Greater Giyani did not submit the report for the period. The operating expenditure for Vhembe district showed 2% instead of showing 7%. The dismal performance was attributed to the negative figures reflected by Thulamela LM. Nonetheless, even the 7% expenditure was below the norm after two months. The expenditure for two months for Capricorn

district stood at 21%. The negative figures were distorting the actual performance. The district operating expenditure for the year-to-date for Waterberg district stood at 3%. Mogalakwena LM was reflecting negative figures, therefore, reducing the expenditure. Thabazimbi LM had a challenge of not submitting reports. The provincial financial picture was appalling owing to non-compliance with submission of s71 reports. In addition, the financial data was not credible. The LPT must ensure that municipalities carry their responsibilities with the utmost care because they are handling the public purse.

In Sekhukhune district, 1% of the total district budget was received by the district municipalities. Mopani district received 3% of the total capital revenue. During November Mopani district received 2%. Vhembe district received an equivalent of zero in percentage terms. Vhembe district was showing a disturbing trend of poor performance month on month. Capricorn district showed a poor performance in capital receipts generally. In contrast, Waterberg district received minus 1% of the total budget. This was not a true reflection of the performance mainly owing to Mogalakwena LM reflecting a negative figure in its report. The negative figure was causing undercounting when in fact the opposite is true. Under normal circumstances the receipts should have been reflected as 3% of the total budget.

The accumulated performance as at the end of August 2009 was 6% of the total capital budget. The challenge in the district was non-compliance with legislation. In Mopani district, the overall expenditure stood at 3%. The underperformance was as a result of non-compliance by municipalities in the district. The overall expenditure for Vhembe district was 2% of the total budget. In Capricorn district, the expenditure for two months was 22% of the total budget. The good performance was attributed to the grant funding for Polokwane Municipality for being a host city for the 2010 soccer tournament. On average, the performance of Capricorn district was below average. The year-to-date expenditure for Waterberg district stood at 4% of the total budget. It was observed that Mogalakwena LM was reflecting negative figures, therefore reducing the expenditure.

The total outstanding debtor's book for the municipalities in the Limpopo Province for the month of August 2009 amounted to R1.3 billion. Debtors owing between 31-60 days constituted R107 million. Debtors owing between 61-90 days constituted R105

million. Debtors owing between 91-120 days constituted R101 million. Debtors over 120 days were the most significant at R447 million. The debt owed falling into the category over 150 and 180 days to a year constituted R207 and R279 million respectively. Municipalities were continuously failing to collect revenue (Ch.6, s6.3.1: 165). The work of the LPT is cut out from the multiple failures that characterise municipal financial management, that is, the work of the LPT is difficult in view of this myriad governance failures.

The total accounts payable for 31 August 2009 owed by municipalities amount to R111 million. The biggest debt was in the category 0-30 days. Municipalities seemed to be applying the principle of paying creditors within 30 days after receipt of invoice. However, it was noted that non-compliance with submission of returns was a major factor in the good performance demonstrated.

The In-year Monitoring Report indicated that not all municipalities completed cash flow statements for the month of August. According to the In-year Monitoring Report analysis of the cash flow return revealed that municipalities were not completing the cash flow statement correctly. In addition, it was noted that municipalities reported for compliance purposes. According to the In-year Monitoring: Section 71(6) Reporting: August 2009, "Compliance reporting is the biggest challenge that has been faced overtime and basically defeats the objective of the spirit of good financial governance in the institutions charged with managing public funds in accordance with the contract entered into between communities and administrators". Poor performance has become the catch phrase in municipal financial management. Failure by municipalities to submit cash flow statements makes it difficult for the LPT to get a clear picture of the implementation of municipal budgets. The LPT must investigate the cause of this non-compliance to intervene appropriately.

The In-year Monitoring: Section 71(6) Reporting: 1st QUARTER 2009 dated 12 November 2009 (IYM: 1st Quarter 2009) and signed on 13 November 2009 was sent to the NT and posted on the LPT website. The IYM-June 2009 contains evidence of monitoring of municipal financial management (Ch.5, s5.3.4: 147). This evidence forms part of the total evidence required to answer the main research question. It is crucial to present and analyse data contained in the IYM-June 2009 because of its

utility in making conclusions in subsection 6.4.4. The In-year Monitoring Report for the first quarter 2009 serves as evidence of monitoring of the municipal financial management. The IYM-June 2009 is made of two parts, namely, submission of s71 reports and MFMA returns and implementation of the municipal budgets which will be discussed hereunder Table 12 illustrates the state of compliance during the first quarter of 2009.

Table 6: Summary of returns submitted 1st quarter 2009

Municipality	Jul-09				Aug-09				Sep-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent
		Electronic	Hard copy			Electronic	Hard copy			Electronic	Hard copy	
DC 35 - CAPRICORN	New	27-08-09		OSA,CFA,CAA,AC,AD	New	18-09-09		OSA,CFA,CAA,AC,AD	New	14-10-09		OSA,CFA,CAA,AC
LIM 351 - BLOUBERG	New	25-08-09		OSA,CFA,CAA,AC,AD	New	11/9/2009		OSA,CFA,CAA,AC	New	13-10-09		OSA,CFA,CAA,AC,AD
LIM 352 - AGANANG	New	14-08-09		OSA,CFA,CAA,AC,AD	New	18-09-09		OSA,CFA,CAA,AC,AD	New	14-10-09		OSA,CFA,CAA,AC,AD
LIM 353 - MOLEMOLE	New	26-08-09		OSA,CFA,CAA,AC,AD	New	18-09-09		OSA,CFA,CAA,AC,AD	New	14-10-09		OSA,CFA,CAA,AC,AD
LIM 354 - POLOKWANE	New	7/8/2009		AD,CAA	New	11/9/2009		OSA,CFA,CAA,AC,AD	New	7/10/2009		OSA,CFA,CAA,AC,AD
LIM 355 - LEPELLE-NKUMPI	New	18-08-09		OSA,CFA,CAA,AC,AD	New	10/9/2009		OSA,CFA,CAA,AC,AD	New	22/10/2009		OSA,CFA,CAA,AC,AD
DC 47 - GREATER SEKHUKHUNE	New	19-08-09	28.09.09	AC					New	22/10/2009		OSA,CAA,AD
LIM 471 - MARBLE HALL	New	20-08-09		OSA,CFA,CAA,AC,AD	New	15-09-09		OSA,CFA,CAA,AC,AD	New	14-10-09		OSA,CFA,CAA,AC,AD
LIM 472 - ELIAS MOTSOLEDI	New	21-08-09		OSA,CAA,AC,AD	New	15-09-09		OSA,CFA,CAA,AC,AD	New	13-10-09		OSA,CFA,CAA,AC,AD
LIM 473 - MAKHUDUTH AMAGA	New	14-08-09		CFA,CAA,AC,AD	New	14-09-09		OSA,CFA,CAA,AC,AD	New	15-10-09		OSA,CFA,CAA

Municipality	Jul-09				Aug-09				Sep-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent
		Electronic	Hard copy			Electronic	Hard copy			Electronic	Hard copy	
LIM 474 FETAKGOMO	New	28-08-09		OSA	New	10/9/2009		OSA,CFA,CAA,AD	New	12/10/2009		
LIM 475 - GREATER TUBATSE	New	17-08-09		AC,AD	New	16-09-09		OSA,CFA,CAA,AC	New	12/10/2009		OSA,CFA,CAA,AC,AD
DC 33 - MOPANI	New	25-08-09		OSA,CFA,CAA,AC,AD	New	4/9/2009		OSA,CFA,CAA,AD	New	22/10/2009		OSA,CFA,CAA,AC,AD
LIM 331 GREATER GIYANI												
LIM 332 - GREATER LETABA	New	25-08-09		OSA,CFA,CAA,AC,AD	New	15-09-09		OSA,CFA,CAA,AC,AD	New	14-10-09		OSA,CFA,CAA,AC,AD
LIM 333 - GREATER TZANEEN	New	14-08-09		OSA,CFA,CAA,AC,AD	New	23-09-09		OSA,CFA,CAA,AC,AD	New	14-10-09		OSA,CFA,CAA,AC,AD
LIM 334 BA- PHALABORWA	New	14-08-09	26.10.09	OSA,CFA,AC,AD	New	14-09-09	(26-10-09)	OSA,CFA,CAA,AC,AD	New	13-10-09		OSA,CFA,CAA,AC,AD
LIM 335 - MARULENG												
DC 36 - WATERBERG	New	17-08-09		OSA,CFA,CAA,AC,AD	New	14-09-09		OSA,CFA,CAA,AC,AD	New	13-10-09		OSA,CFA,CAA,AC,AD
LIM 361 - THABAZIMBI					New	25-09-09		OSA,CFA,CAA,AC,AD	New	14-10-09		

Municipality	Jul-09				Aug-09				Sep-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent
		Electronic	Hard copy			Electronic	Hard copy			Electronic	Hard copy	
LIM 362 - LEPHALALE	New	14-08-09		OSA,CFA,CAA,AC,AD	New	14-09-09		OSA,CFA,CAA,AC,AD	New	14-10-09		CFA,CAA,AC,AD
LIM 364 - MOOKGOPONG	New	21-08-09		OSA,CFA,CAA,AC,AD	New	14-09-09		OSA,CFA,CAA,AC,AD	New	7/10/2009		OSA,CFA,CAA,AC,AD
LIM 365 - MODIMOLLE	New	17-08-09		OSA,CFA,CAA,AC,AD	New	14-09-09		OSA,CFA,CAA,AC,AD	New	22/10/2009		OSA,CFA,CAA,AC,AD
LIM 366 - BELABELA	New	18-08-09		OSA,CAA,AC,AD	New	16-09-09		OSA,CAA,AC,AD	New	13-10-09		OSA,CFA,CAA,AC,AD
LIM 367 - MOGALAKWENA	New	18-08-09		OSA,CAA,AC,AD	New	11/9/2009		OSA,CAA,AC,AD	New	15-10-09		OSA,CAA,AC,AD
DC 34 - VHEMBE	New	27-08-09		OSA,CAA,AC,AD					New	14-10-09		OSA,CFA,CAA,AC,AD
LIM 341 - MUSINA	New	17-08-09		OSA,CFA,CAA,AC,AD	New	14-09-09		OSA,CFA,CAA,AC,AD	New	14-10-09		OSA,CFA,CAA,AC,AD
LIM 342 - MUTALE									New			
LIM 343 - THULAMELA	New	17-08-09		OSA,CFA,CAA,AC,AD	New	11/9/2009		OSA,CFA,CAA,AC	New	14-10-09		OSA,CFA,CAA,AC,AD
LIM 344 - MAKHADO	New	26-08-09		OSA,CFA,CAA,AC,AD	New	15-09-09			New	14-10-09		OSA,CFA,CAA,AC,AD

Source: IYM-1st Quarter 2009 (November 2009) **Legends:** CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list, CFA-cash flow

Table 12 indicates that all municipalities submitted s71 reports using the new prescribed version. Submission of s71 electronic reports was oscillating from good to bad and back to good. Twenty-seven (27) municipalities submitted electronic s71 reports in July 2009 while 25 municipalities submitted s71 electronic reports in August 2009. 26 municipalities submitted s71 electronic reports in September 2009. The submission of s71 hardcopy reports moved from bad to worse during the period July 2009 to September 2009. Two municipalities submitted s71 hardcopy reports in for July 2009. One municipality submitted s71 hardcopy reports for August 2009. Nonetheless, no municipality submitted s71 reports for September 2009. Submission of s71 hardcopy reports continue to be a challenge. There was improvement in compliance with submission of s71 reports within the prescribed time frame. The number of municipalities submitting s71 reports after the prescribed timeframe decreased from 21 in July 2009 to five in September 2009, which demonstrate a huge improvement. 21 out of 27 municipalities submitted s71 reports late. Eleven (11) out of 25 submitted s71 reports late. Five out of 26 municipalities submitted s71 reports after the prescribed timeframe.

The number of municipalities submitting MFMA returns was oscillating from good to bad and back to good, that is, the performance of municipalities as far as submission of MFMA returns was not stable. 27 out of 30 municipalities submitted MFMA returns for July 2009. 25 out of 30 municipalities submitted MFMA returns for August 2009. 26 out of 30 municipalities submitted MFMA returns for September 2009. The submission of MFMA returns for the period July 2009 to September 2009 as far illustrates a positive trend. The number of municipalities which submitted all the five MFMA returns increased from 18 in July 2009 to 20 in September 2009. The number of municipalities which submitted incomplete MFMA returns decreased from 9 in July 2009 to 6 in September 2009. The submission of all MFMA returns and incomplete MFMA returns were negatively correlated, that is, the number of municipalities which submitted all the five MFMA returns increased while the number of municipalities which submitted incomplete returns decreased. The number of municipalities which submitted MFMA returns for the first quarter of 2009/10 was the same as the number of municipalities which submitted s71 electronic reports. There was a positive correlation between submission of s71 electronic reports and MFMA returns.

The data from of IYM-1st Quarter 2009 demonstrates a poor performance by municipalities as far as implementation of municipal budgets is concerned. Non-compliance to the MFMA continued relentlessly. However, there was pocket of better performance worth celebrating, namely, good performance by Capricorn, Vhembe and Mopani districts and payment of creditors within 30 days. Details of the implementation of municipal budgets are elaborated upon in the next paragraphs.

The operating revenue for the first quarter of 2009 stood at 27% of the total operating revenue. Sekhukhune and Waterberg collected below the straight line projection of 25% after three months of the financial year. The 'straight line projection' suggests that operating revenue projections were allocated equally to the four quarters of the year, that is, 25% per quarter the performance of municipalities as far as operating revenue would have been 25% in the first quarter of the financial year. Capricorn, Mopani and Vhembe districts showed a better performance. Sekhukhune DM reflected a relatively low spending. The performance of Capricorn DM stood at 32% which was 7% above the norm. Municipalities were constrained as a result of poor performance in operating revenue.

The In-year Monitoring: Section 71(6) Reporting: November 2009 dated 6 December 2009 (IYM-November 2009) and signed on 19 December 2009 was sent to the NT and posted on the LPT website. The IYM-November 2009 contains evidence of monitoring of municipal financial management (Ch.5, s5.3.4: 147). This evidence forms part of the total evidence required to answer the main research question. Therefore, it is crucial to present and analyse data contained in the IYM-June 2009. The IYM-November 2009 addresses two important aspects, namely, submission of s71 reports and MFMA returns (CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list and CFA-cash flow) and implementation of the budgets. These aspects will be elaborated upon below. The IYM - November 2009 contains data from which the results of the study can be inferred. Table 13 illustrates the submission of s71 reports and MFMA returns for November 2009.

Table 7: Summary of returns submitted 30 November 2009

Municipality	Oct-09				Nov-09			
	Old/ new version	Date of submission		Documents sent	Old/new version	Date of submission Electronic	Hard copy	Documents sent
		Electronic	Hard copy					
DC 35 – CAPRICORN	New	20.11.09	19.11.09	OSA,CFA,CAA,AC,AD	No submission		No submission	No submission
LIM 351 – BLOUBERG	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission		No submission	No submission
LIM 352 – AGANANG	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission		No submission	No submission
LIM 353 – MOLEMOLE	New	11.11.09	11.11.09	OSA,CFA,CAA,AC,AD	No submission	10.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 354 – POLOKWANE	New	06.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	8.12.09	No submission	CFA,CAA,AD
LIM 355 – LEPELLE- NKUMPI	New	11.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	8.12.09	No submission	OSA,CFA,CAA,AC,AD
DC 47 – GREATER SEKHUKHUNE	New	17.11.09	No submission	CFA,CAA,AC,AD	No submission		No submission	No submission
LIM 471 – MARBLE HALL	New	10.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	09.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 472 – ELIAS MOTSOLEDI	New	13.10.09	No submission	OSA,CFA,CAA,AC,AD	No submission	09.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 473 – MAKHUDUTHAMAGA	New	18.11.09	No submission	OSA,CFA,CAA,AD	No submission	09.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 474 FETAKGOMO	New	10.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	9.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 475 – GREATER TUBATSE	New	17.11.09	23.11.09	OSA,CFA,CAA,AC,AD	No submission	8.12.09	No submission	OSA,CFA,CAA,AC,AD
DC 33 – MOPANI	New	10.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	8.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 331 GREATER GIYANI	New	09.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	9.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 332 – GREATER LETABA	New	06.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission		No submission	No submission
LIM 333 – GREATER TZANEEN	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	09.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 334 BA-PHALABORWA	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	09.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 335 – MARULENG	New	23.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	8.12.09	No submission	OSA,CFA,CAA,AC,AD
DC 36 – WATERBERG	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	8.12.09	No submission	OSA,CFA,CAA,AC,AD

Municipality	Oct-09				Nov-09			
	Old/ new version	Date of submission		Documents sent	Old/new version	Date of submission Electronic	Hard copy	Documents sent
		Electronic	Hard copy					
LIM 361 – THABAZIMBI	New	24.11.09	No submission	CAA,AC,AD	No submission		No submission	No submission
LIM 362 – LEPHALALE	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	09.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 364 – MOOKGOPONG	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	09.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 365 – MODIMOLLE	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	8.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 366 – BELABELA	New	16.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission			No submission
LIM 367 – MOGALAKWENA	No submission	No submission	No submission	No submission	No submission	09.12.09	No submission	OSA,CFA,CAA,AC,AD
DC 34 – VHEMBE	New	10.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	10.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 341 – MUSINA	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	09.12.09	No submission	OSA,CFA,CAA,AC,AD
LIM 342 – MUTALE	No submission	11.11.09	No submission	OSA,CFA,CAA,AD	No submission		No submission	No submission
LIM 343 – THULAMELA	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission		No submission	No submission
LIM 344 – MAKHADO	New	09.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	09.12.09	No submission	OSA,CFA,CAA,AC,AD

Source: IYM-November 2009 (December 2009)

Legends: CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list, CFA-cash flow

Table 13 demonstrates a deteriorating state of compliance with s71 of the MFMA. The number of municipalities which submitted s71 electronic reports decreased from 29 in October 2009 to 21 in November 2009. The decrease constituted a third of the total municipalities which submitted in October 2009. Mogalakwena LM was the only municipality which did not submit s71 electronic report for October 2009. Three municipalities, namely, Capricorn DM, Molemole LM and Greater Tubatse LM submitted signed hardcopy reports for October 2009. Similarly, the number of municipalities which submitted s71 hardcopy reports decreased from three in October 2009 to zero in November 2009. Two municipalities, namely, Capricorn DM and Greater Tubatse LM submitted s71 hardcopy reports after the prescribed timeframe, whereas Molemole LM submitted within the prescribed time frame. The submission of s71 electronic and hardcopy reports was positively correlated, that is, the submission of s71 reports decreased as the submission of s71 hardcopy reports decreased. On the contrary, the number of municipalities which submitted s71 electronic reports after the prescribed timeframe decreased from seven in October 2009 to zero in November 2009. It is commendable that all the municipalities which submitted s71 electronic reports within the prescribed timeframe. The trend of complying with prescribed timeframes signals improvement in compliance culture.

Similar to submission of s71 returns, Table 13 depicts a bad state of compliance to s71 of the MFMA as far as submission of MFMA returns is concerned. The number of municipalities which submitted MFMA returns decreased from 29 in October 2009 to 22 in November 2009. Twenty-five (25) out of 29 municipalities submitted all the returns for October 2009, whereas four municipalities submitted incomplete returns. Twenty-two (22) municipalities submitted all the returns for November 2009, while one municipality submitted incomplete MFMA returns. Surprisingly, two municipalities, namely, Thabazimbi LM and Bela-Bela LM submitted all the five returns despite not having submitted the s71 electronic and hardcopy reports.

Poor performance on the implementation of the municipal budgets continued unabated. A serious consideration by the LPT was required to address this anomaly because it had the tendency of causing a decline in public confidence. The data in the IYM – November 2009 demonstrate a bad trend of municipalities continuing to perform

poorly in the implementation of municipal budgets was manifesting. Details of implementation of municipal budgets are discussed next.

The operating revenue for November 2009 was below expectation. Municipalities underperformed by about 2% in comparison with the straight line projections. By 'straight line projections', it is suggested that projections are equal for all the months. This kind of planning does not consider various factors that might differentiate the months of the financial year. Sekhukhune DM was the worst performer at 17%. Mopani DM was following Sekhukhune DM at 29%.

The year-to-date revenue generated on property rates was 33% of budget. The monthly collection for November 2009 on property rates was 7% of total line budget. The year-to-date revenue generated on service charges was 33% of the budget. The monthly collection for November on service charges was 6% of the total line budget. The year-to-date receipts on investment revenue stood at 19%. The monthly collection for November 2009 on investment revenue was 5%. The year-to-date revenue generated on transfers recognised stood at 25%. The year-to-date revenue generated on transfers recognised was 44% of the budget. The monthly collection for November 2009 on transfers recognised was 10% of the total line budget. The year-to-date on other revenue was 13% of the budgeted. The monthly collection for November 2009 on other revenue was 6% of total line budget.

The operating expenditure performance for the month of November 2009 was 30% of the total operating revenue. A detailed exposition of the operating expenditure per district is provided hereunder. The operating expenditure for Sekhukhune district was 19% of the total budget. Greater Tubatse LM, Greater Marble Hall LM and Elias Motsoaledi LM were showing serious underspending. The operating expenditure for Mopani district was 30% of the total budget. However, Greater Giyani did not show spending during November 2009. The operating expenditure for Vhembe district was 42% of the total budget. The operating expenditure for Capricorn district was 28% of the total budget. The district underspent by 1.3% against the monthly straight line. The year-to-date operating expenditure for Waterberg district stood at 30% of the total capital budget while the monthly spending was 4%.

The overall performance for capital revenue for all the districts during November 2009 stood at 20% of the total budget. The performance for the period July 2009 to November 2009 for each district is elaborated hereunder. In Sekhukhune district, 35% of the total district budget was receipted for the five months period. During November 2009, Sekhukhune district receipted 2%. Mopani district received 13% of the total capital revenue. During November 2009 Mopani district receipted 2%. Vhembe district received approximately 12% of the total capital budget. During November 2009 Vhembe district received 4%. Capricorn district received 26% accumulated over five months. The monthly receipt for Capricorn district stood at R136 million. Waterberg district received 2% of the total budget. However, this was not a true reflection of the performance mainly owing to Mogalakwena LM reflecting a negative figure in its report. The negative figure was causing undercounting when in fact the opposite was true.

The accumulated performance as at the end of November 2009 was 22% of the total capital budget. The overall expenditure for Sekhukhune district was 20% of the total budget. During November, Sekhukhune district the expenditure stood at 2% of the monthly projections. In Mopani district, the overall expenditure stood at 20%. The monthly expenditure for Mopani district was 5% of the total monthly budget. The overall expenditure for Vhembe district was 37% of the total budget. For the month of November Vhembe district spent 16% of the total monthly budget. In Capricorn district the overall expenditure was 25% of the total budget. For the month of November Capricorn district spent 27% of the total monthly budget. The overall expenditure for Waterberg district stood at 5% of the total budget.

The cumulative expenditure on infrastructure was 21% of the total budget. The monthly expenditure stood at 6% of the total monthly projections. Cumulative performance on community reflected 33% of the total budget, that is, the expenditure for the five months of the financial year stood at 33%. Community reflected performance of 5%. Investment properties reflected cumulative performance of 37%. The monthly expenditure on investment properties stood at zero. Cumulative performance on other assets was 11%. The monthly expenditure on other assets stood at 2% of the total budget.

The total outstanding debtor's book for the municipalities in the Limpopo Province for the month of November 2009 stood at R1.4 billion. Debtors owing between 0-30 days amounted to R123 million. Debtors owing between 31-60 days constituted R124 million. Debtors owing between 120-150 days were the most significant with at R461 million. The debt owed falling into the category over 150 and 180 days to a year constituted R262 and R186 million respectively. Revenue collection became a challenge in municipalities. This challenge had the potential of undermining service delivery and causing discontent by the public.

The total accounts payable for the month of November 2009 owed by municipalities' amount to R145 million. Municipalities seemed to be applying the principle of paying creditors within 30 days after receipt of invoice. Vhembe was the only district showing outstanding balances over the 0-30 category. Business confidence on municipalities was improving. The improvement in the 30 days payment regime enhanced service delivery.

The In-year Monitoring Report indicated that not all municipalities completed cash flow statements. According to the In-year Monitoring Report, the analysis of the cash flow return revealed that municipalities were not completing the cash flow statement correctly. Failure by municipalities to complete cash flow statement correctly distorted the analysis. In the light of the above glaring underperformance, LPT decided to visit municipalities having difficulties in complying with s71(1) of the MFMA. The purpose of the visit was to understand the situation in those municipalities to provide support in line with the challenges faced. The actions of the LPT are commendable in the light of this persistent non-compliance.

The In-year Monitoring: Section 71(6) Reporting: December (2nd QUARTER) 2009 (IYM-2nd Quarter 2009) dated 27 January 2010 and signed on 27 January 2010 was sent to the NT and posted on the LPT website. The IYM-2nd Quarter 2009 contains evidence of monitoring of municipal financial management. This evidence forms part of the total evidence required to answer the main research question. It is crucial to present and analyse data contained in the IYM-2nd Quarter 2009 because of its usefulness in arriving at the conclusions in the ensuing subsection 6.4.4. The In-year

Monitoring Report contains two main areas, namely, submission of s71 reports and MFMA returns and implementation of the budgets. The IYM-2nd Quarter 2009 contains data about monitoring. Monitoring is a component of the mandate of the LPT as far as supervision of municipal financial management is concerned. Data from the In-year Monitoring Report for the second quarter of 2009/10 was analysed to answer the main research question. Table 14 illustrates the summary of s71 reports and MFMA returns submitted for the second quarter of 2009/10.

Table 8: Summary of returns submitted (2nd quarter) 2009 31 December 2009

Municipality	Oct-09					Nov-09				Dec-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent	
		Electronic	Hard copy			Electronic	Hard copy			Electronic	Hard copy		
DC 35 - CAPRICORN	New	20.11.09	19.11.09	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission	No submission	No submission	No submission	No submission	
LIM 351 - BLOUBERG	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	New	10.12.09	No submission	OSA,CFA,CAA,AC	New	13.01.10	No submission	OSA,CFA,CAA,AC,AD	
LIM 352 - AGANANG	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	OSA,CFA,CAA,AC,AD	No submission	No submission	No submission	No submission	
LIM 353 - MOLEMOLE	New	11.11.09	11.11.09	OSA,CFA,CAA,AC,AD	New	10.12.09	No submission	OSA,CFA,CAA,AC,AD	New	15.01.10	No submission	OSA,CFA,CAA,AC,AD	
LIM 354 - POLOKWANE	New	06.11.09	No submission	OSA,CFA,CAA,AC,AD	New	8.12.09	No submission	OSA,CFA,CAA,AC,AD	New	12.01.10	No submission	OSA,CFA,CAA,AC,AD	
LIM 355 - LEPELLE-NKUMPI	New	11.11.09	No submission	OSA,CFA,CAA,AC,AD	New	8.12.09	No submission	OSA,CFA,CAA,AC,AD	New	12.01.10	No submission	OSA,CFA,CAA,AC,AD	
DC 47 - GREATER SEKHUKHUNE	New	17.11.09	No submission	CFA,CAA,AC,AD	No submission	No submission	No submission	No submission	New	15.01.10	No submission	OSA,CFA,CAA,AD	
LIM 471 - MARBLE HALL	New	10.11.09	No submission	OSA,CFA,CAA,AC,AD	New	09.12.09	No submission	OSA,CFA,CAA,AC,AD	New	08.01.10	No submission	OSA,CFA,CAA,AC,AD	
LIM 472 - ELIAS MOTSOLEDI	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	New	09.12.09	No submission	OSA,CFA,CAA,AC,AD	New	14.01.10	No submission	OSA,CFA,CAA,AC,AD	
LIM 473 - MAKHUDUTHAM AGA	New	18.11.09	No submission	OSA,CFA,CAA,AD	New	09.12.09	No submission	OSA,CFA,CAA,AC,AD	New	15.01.10	No submission	OSA,CFA,CAA,AD	
LIM 474 - FETAKGOMO	New	10.11.09	No submission	OSA,CFA,CAA,AC,AD	New	09.12.09	No submission	OSA,CFA,CAA,AD	New	14.01.10	No submission	OSA,CFA,CAA,AC,AD	

Municipality	Oct-09				Nov-09				Dec-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent
		Electronic	Hard copy			Electronic	Hard copy			Electronic	Hard copy	
LIM 475 - GREATER TUBATSE	New	17.11.09	23.11.09	OSA,CFA,CAA,AC,AD	New	08.12.09	No submission	OSA,CFA,CAA,AC	New	11.01.10	No submission	OSA,CFA,CAA,AC
DC 33 - MOPANI	New	10.11.09	No submission	OSA,CFA,CAA,AC,AD	New	08.12.09	No submission	OSA,CFA,CAA,AD	New	11.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 331 GREATER GIYANI	New	09.12.09	No submission	OSA,CFA,CAA,AC,AD	New	09.12.09	No submission	No submission	New	18.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 332 - GREATER LETABA	New	06.11.09	No submission	OSA,CFA,CAA,AC,AD	New	17.12.09	No submission	OSA,CFA,CAA,AC,AD	New	12.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 333 - GREATER TZANEEN	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	New	09.12.09	No submission	OSA,CFA,CAA,AC,AD	New	15.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 334 BA-PHALABORWA	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	New	09.12.09	(26-10-09)	OSA,CFA,CAA,AC,AD	New	14.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 335 - MARULENG	New	23.11.09	No submission	OSA,CFA,CAA,AC,AD	New	08.12.09	No submission	No submission	No submission	No submission	No submission	No submission
DC 36 - WATERBERG	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	New	08.12.09	No submission	OSA,CFA,CAA,AC,AD	New	14.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 361 - THABAZIMBI	New	24.11.09	No submission	CAA,AC,AD	New	04.12.09	No submission	OSA,CFA,CAA,AC,AD	New	18.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 362 - LEPHALALE	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	New	09.12.09	No submission	OSA,CFA,CAA,AC,AD	New	13.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 364 - MOOKGOPONG	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	New	09.12.09	No submission	OSA,CFA,CAA,AC,AD	New	15.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 365 - MODIMOLLE	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	New	08.12.09	No submission	OSA,CFA,CAA,AC,AD	New	20.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 366 - BELABELA	New	16.11.09	No submission	OSA,CFA,CAA,AC,AD	New	14.12.09	No submission	OSA,CAA,AC,AD	New	15.01.10	No submission	OSA,CFA,CAA,AC,AD

Municipality	Oct-09				Nov-09				Dec-09			
	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent
		Electronic	Hard copy			Electronic	Hard copy			Electronic	Hard copy	
LIM 367 - MOGALAKWENA	New	21.11.09	No submission	OSA,CAA,AC,AD	New	09.12.09	No submission	OSA,CAA,AC,AD	New	15.01.10	No submission	OSA,CAA,AC,AD
DC 34 - VHEMBE	New	10.11.09	No submission	OSA,CFA,CAA,AC,AD	New	10.12.09	No submission		New	13.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 341 - MUSINA	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	New	09.12.09	No submission	OSA,CFA,CAA,AC,AD	New	15.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 342 - MUTALE		11.11.09	No submission	OSA,CFA,CAA,AD	New	11.12.09	No submission		New	22.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 343 - THULAMELA	New	13.11.09	No submission	OSA,CFA,CAA,AC,AD	New	14.12.09	No submission	OSA,CFA,CAA,AC	New	15.01.10	No submission	OSA,CFA,CAA,AC,AD
LIM 344 - MAKHADO	New	09.11.09	No submission	OSA,CFA,CAA,AC,AD	New	09.12.09	No submission	No submission	New	14.01.10	No submission	OSA,CFA,CAA,AC,AD

Source: IYM-2nd Quarter 2009 **Legends:** CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list, CFA-cash flow

Table 14 depicts the state of compliance with s71 of the MFMA which was in flux. The number of municipalities which submitted s71 reports was oscillating from October 2009 to December 2009. As indicated in the discussion of Table 12, the number of municipalities which submitted s71 electronic reports decreased from 29 municipalities in October 2009 to 20 in November 2009. Contrary to October-November period, the number of municipalities which submitted s71 electronic reports increased from 20 municipalities in November 2009 to 27 municipalities in December 2009. The number of municipalities which submitted signed hardcopy reports was stable during the period November-December 2009, that is, the number of municipalities which submitted signed hardcopy was zero. The number of municipalities which submitted s71 electronic reports after the prescribed timeframe realised a sharp increase from zero to eleven municipalities. The increase was sharp because it was more than a third of municipalities which submitted s71 electronic reports for December 2009.

Akin to submission of s71 electronic reports, the submission of MFMA returns was in a flux. As indicated in the discussion of Table 12 above, the number of municipalities which submitted s71 electronic reports dropped from 29 municipalities in October 2009 to 22 municipalities in November 2009. The decrease was followed by an increase during the period November – December 2009, that is, the number of municipalities which submitted s71 electronic reports increased from 22 municipalities in November 2009 to 27 municipalities in December 2009. 23 out of 27 municipalities submitted all the five MFMA returns for December 2009. The remaining four municipalities submitted incomplete MFMA returns.

Despite continued poor performance by municipalities as far as implementation of municipal budgets, there was a ray of hope. Performance in the operating revenue for the second quarter was good. Details of implementation of municipal budgets are elaborated upon next eight paragraphs below.

The operating revenue for the second quarter stood at 51% of the total operating budget. The expenditure reflected that municipalities accumulated just over half the total budget. The collection pace by municipalities was in line with the projections. District performance showed Sekhukhune collected only 10%, Mopani collected 26%,

Vhembe collected 20%, Capricorn collected 20% and Waterberg collected 17% against the straight line projection of 8.3%.

The cumulative revenue on property rates was 45% of the budget. The monthly collection for property rates was 10%. The year-to-date revenue generated on service charges was 40% of the budget. The monthly collection for service charges was 8% of the total line budget. The year-to-date receipts on investment revenue stood at 24%. The monthly collection for investment revenue was 5% of the total line budget. The year-to-date revenue generated on transfers recognised stood at 61%. The monthly collection on transfers recognised was 15% of the total line budget. The year to date on other revenue stood at 13%. The monthly collection for other revenue was 5% of the total line budget.

The operating expenditure performance for the month of December was 40% of the total operating revenue. The accumulated expenditure for the second quarter was 40% of the operating revenue budget. The operating expenditure for Sekhukhune district was 31% of the total budget. Greater Tubatse LM, Greater Marble Hall LM and Elias Motsoaledi LM were showing serious underspending. The operating expenditure for Mopani district was 38% of the total budget. All the municipalities in Mopani showed expenditure below 50% mark. The year-to-date operating expenditure for Vhembe district was 58% of the total budget. The Vhembe district reflected 16% spending for the month of December. The operating expenditure for Capricorn district was 37% of the total budget. The December expenditure stood at 8%. Vhembe district underspent by 0.3% against the monthly straight-line norm. 'Straight line norm' refers to planning that assumes that monthly projections will be the same throughout the financial year. The year-to-date operating expenditure for Waterberg district stood at 34% of the total capital budget while the monthly spending was 4% of the total budget.

The overall performance for capital revenue for all the districts during December stood at 31% of the total budget. The performance for the period July to November for each district is elaborated hereunder. In Sekhukhune district 65% of the total district budget was receipted for the six (6) months period. During December Sekhukhune district receipted 17%. Mopani district receipted 26% of the total capital revenue. During

November Mopani district receipted 2%. Vhembe district receipted approximately 17% of the total capital budget. During December Vhembe district receipted 5%. Capricorn district receipted 38% accumulated over six (6) months. The monthly receipt for Capricorn district stood at 6%. Waterberg district receipted 2% of the total budget. This was not a true reflection of the performance mainly due to Mogalakwena LM reflecting a negative figure in its report. The negative figure was causing undercounting when in fact the opposite was true.

The accumulated performance as at the end of December was 35% of the total capital budget. The overall expenditure for Sekhukhune district was 41% of the total budget. During December Sekhukhune district the expenditure stood at 12% of the monthly projections. In Mopani district the overall expenditure stood at 35%. The monthly expenditure for Mopani district was 13% of the total monthly budget. The overall expenditure for Vhembe district was 53% of the total budget. For the month of November Vhembe district spent 15% of the total monthly budget. In Capricorn district the overall expenditure was 37% of the total budget. For the month of November Capricorn district spent 6% of the total monthly budget. The overall expenditure for Waterberg district stood at 6% of the total budget.

The cumulative expenditure on infrastructure was 43% of the total budget. The monthly expenditure stood at 18% of the total monthly projections. Cumulative performance on community reflected 39% of the total budget. Community reflected performance of 5%. Investment properties reflected cumulative performance of 37%. The monthly expenditure on investment properties stood at zero. Cumulative performance on other assets was 11%. The monthly expenditure on other assets stood at 18% of the total budget. The monthly expenditure on assets was 5% of the total budget.

The total outstanding debtor's book for the municipalities in the Limpopo Province for the month of December stood at R1.5 billion. Debtors owing between 0-30 days amounted to R144 million. Debtors owing between 31-60 days constituted R138 million. Debtors owing between 121-150 days were the most significant with at R540. The debt owed falling into the category over 150 and 180 days to a year constituted

R266 million and R239 million respectively. The total accounts payable for the month of December owed by municipalities' amount to R145 million. Four (4) districts, namely, Mopani, Vhembe, Capricorn and Waterberg were reflecting amounts owing in the category 0-30 category.

The In-year Monitoring Report indicated that not all municipalities completed cash flow statement. According to the In-year Monitoring Report analysis of the cash flow return revealed that municipalities were not completing the cash flow statement correctly. Municipalities were encouraged to move to the level of not focusing on submitting but to submit credible reports. The LPT decided to continue interacting with municipalities on the findings of the analysis of the s71(1) monthly reports. The purpose of interacting with municipalities was to provide individualised support.

The In-year Monitoring: Section 71(6) Reporting: FEBRUARY 2011 (IYM-February 2011) dated 28 March 2011 and signed on 29 March 2011 was sent to the NT and posted on the LPT website. The IYM – February 2011 contains evidence of monitoring of municipal financial management (Ch.5, s5.3.4: 147). This evidence forms part of the total evidence required to answer the main research question. It is crucial to present and analyse data contained in the IYM-February 2011 because of its usefulness in subsection 6.4.4 below. On Compliance with submission of returns and timeframes it was reported that all the 30 municipalities submitted MFMA s71 returns. There was noncompliance with time provision by two (2) municipalities, namely, Maruleng LM and Greater Tubatse LM. The December 2010 report recorded a submission rate of 93.3%. However, two (2) municipalities, namely, Aganang LM and Greater Tubatse LM did not submit returns while Greater Giyani LM submitted late. Mutale LM, Mookgopong LM, Blouberg LM and Greater Tubatse LM did not submit all the five (5) returns prescribed by MFMA s71(1). Noncompliance letters were sent to the accounting officers of municipalities by the LPT. Eleven (11) municipalities submitted the hard copies of the MFMA s71 reports. This was a decline when compared with the thirteen (13) submissions in January 2011. Noncompliance letters were issued to municipalities which did not comply with MFMA s71(4). Table 15 illustrates the submission of hard copies of MFMA s71 reports for February 2011.

Table 9: Submission of hard copies of MFMA s71 reports for February 2011

Municipality	December -10	January -11	February-11
DC 35 – CAPRICON	14.01.2011	14.2.2011	14.03.2011
LIM 351 – BLOUBERG	17.01.2011	14.2.2011	16.03.2011
LIM 352 – AGANANG	No submission	14.2.2011	14.03.2011
LIM 353 – MOLEMOLE	14.01.2011	14.2.2011	14.03.2011
LIM 354 – POLOKWANE	10.01.2011	14.2.2011	08.03.2011
LIM 355 – LEPELLE-NKUMPI	12.01.2011	14.2.2011	11.03.2011
DC 47 – GREATER SEKHUKHUNE	14.01.2011	14.2.2011	10.03.2011
LIM 471 – MARBLE HALL	11.01.2011	14.2.2011	10.03.2011
LIM 472 – ELIAS MOTSOALEDI	14.01.2011	14.2.2011	08.03.2011
LIM 473 – MAKHUDUTHAMAGA	13.01.2011	14.2.2011	14.03.2011
LIM 474 FETAKGOMO	14.01.2011	14.2.2011	14.03.2011
LIM 475 – GREATER TUBATSE	No submission	14.2.2011	22.3.2011
DC 33 – MOPANI	13.01.2011	14.2.2011	10.03.2011
LIM 331 GREATER GIYANI	14.01.2011	14.2.2011	14.03.2011
LIM 332 – GREATER LETABA	14.01.2011	14.2.2011	10.03.2011
LIM 333 – GREATER TZANEEN	14.01.2011	14.2.2011	11.3.2011
LIM 334 BA-PHALABORWA	10.01.2011	14.2.2011	07.03.2011
LIM 335 – MARULENG	7.01.2011	14.2.2011	18.03.2011
DC 36 – WATERBERG	14.01.2011	14.2.2011	14.03.2011
LIM 361 – THABAZIMBI	7.01.2011	14.2.2011	14.03.2011
LIM 362 – LEPHALALE	12.01.2011	14.2.2011	14.03.2011
LIM 364 – MOOKGOPONG	14.01.2011	14.2.2011	14.03.2011
LIM 365 – MODIMOLLE	14.01.2011	14.2.2011	14.03.2011
LIM 366 – BELABELA	14.01.2011	14.2.2011	08.03.2011
LIM 367 – MOGALAKWENA	14.01.2011	14.2.2011	14.03.2011
DC 34 – VHEMBE	12.01.2011	14.2.2011	11.03.2011
LIM 341 – MUSINA	14.01.2011	14.2.2011	14.03.2011
LIM 342 – MUTALE	14.01.2011	14.2.2011	15.03.2011
LIM 343 – THULAMELA	14.01.2011	14.2.2011	14.03.2011
LIM 344 – MAKHADO	11.01.2011	14.2.2011	14.03.2011

Source: IYM-February 2011 (March 2011)

Table 15 illustrates improvement in compliance. The number of municipalities complying with s71(1) of the MFMA increased from 28 municipalities in December

2010 to 30 municipalities in January 2011. However, there was a slight decrease in February 2011. The number of municipalities complying with s71(1) remained stable during the period January 2011 to February 2011. All the municipalities which submitted s71 reports during the period December 2010 to February 2011 submitted MFMA returns and there was a positive correlation between the number of municipalities which submitted s71 reports and those which submitted MFMA returns.

The IYM-February 2011 comprises two parts, namely, submission of s71 reports and MFMA returns and implementation of the municipal budgets. The first part, namely, submission of s71 reports and MFMA returns was discussed in the preceding paragraphs. The consideration of the second part, namely, implementation of the municipal budgets follows hereunder. The data demonstrate that the LPT was beginning to adopt an activist posture to address the weaknesses in municipalities. This posture must characterise the relationship between the LPT and the municipalities to sustain good performance. What follows are the details of performance in the implementation of municipal budgets.

There was material overperformance on operating revenue and material underspending on the operating expenditure reported. LPT anticipated that municipalities should have adjusted the revenue budget upwards and accelerated spending on the operating budget. It was reported that not all municipalities submitted adjusted budgets.

The revenue on property rates was 79% of the budget. The year-to-date revenue generated on service charges was 58% of the budget. The annual budget for investment revenue was adjusted upwards. The year-to-date collection realised for investment revenue stood at 55%. Furthermore, the total transfers earned by municipalities as at the end of February 2011 stood at 99.8% of the total budget. This was an indication that municipalities received all the three transfers as per the NT operating grant transfer schedule. Income generated from other revenue stood at 52%. The original budget for other revenue was adjusted downwards.

The operating expenditure revealed an upward adjustment. The provincial average expenditure stood at 52%. The operating expenditure for Sekhukhune district was adjusted upward. The highest performer in the district was Ephraim Mogale LM at 63%. The lowest performer in the district was Greater Tubatse LM at 42%. The operating expenditure for Mopani was 60%. All municipalities in Mopani recorded average ratios of 52% and 63%. Maruleng LM recorded the highest ratio of 63 followed by Mopani DM and Ba-Phalaborwa at 62%. Greater Giyani was the lowest with an average ratio of 52%. Waterberg district recorded an average performance of 55% of the adjustment budget. The expenditure ratios within the district ranged from 48% to 70%. The highest performer was Bela-Bela LM at 70% followed by Mookgopong LM at 65%. In Vhembe district, the adjustment budget recorded a decrease in the original expenditure budget. The district recorded an average ratio of 53%. The highest ratio was achieved by Musina LM at 76% followed by Mutale LM at 73%. In contrast, the lowest ratio was achieved by Thulamela LM at 42%. The average operating expenditure ratio achieved by Capricorn district was 44%. Capricorn district had the lowest expenditure in the province. All the municipalities in Capricorn district performed below the expected linear projections. Polokwane LM was the highest performer at 50% while Aganang LM was the lowest performer at 28%.

The overall performance for capital revenue for all the districts during February 2011 stood at 42% of the total budget. In Sekhukhune district, an average of 35% of the total district budget was receipted. Ephraim Mogale LM recorded an average of 76 with Makhuduthamaga LM recording 25%. Mopani district receipted 57% of the total capital revenue. Mopani DM achieved 110%. Vhembe district recorded the highest ratio in the province with the average of 70%. Moreover, Vhembe district achieved a ratio of 85% while Makhado LM achieved the lowest ratio at 37%. Waterberg district achieved an average ratio of 46%. Mogalakwena LM achieved the highest ratio at 68% while Waterberg district achieved the lowest ratio at 8%. The capital funding performance for Capricorn district stood at 22%. The highest achiever was Aganang LM at 54%. The lowest achiever was Lepelle-Nkumpi at 14%. Blouberg LM did not disclose sources of funding earned during the period under review.

The performance as at the end of February 2011 was 4.2% of the total capital budget. The year-to-date capital expenditure was 54%. Municipalities underspent on capital expenditure during the period under review. The overall expenditure for Sekhukhune district was 42% of the total budget. In Mopani district, the overall expenditure stood at 74%. The monthly expenditure for Mopani district was 13% of the total monthly budget. The overall expenditure for Vhembe district was 69% of the total budget. In Capricorn district, the average expenditure for all municipalities was poor. The overall expenditure for Waterberg district stood at 44% of the total budget. Service delivery was compromised as a result of poor performance in capital budget. The LPT was required to investigate this situation because it had the tendency of eroding public confidence.

The expenditure on infrastructure was 60% of the total budget. Cumulative performance on community assets reflected 29% of the total budget. However, no expenditure was incurred on heritage and intangibles. Expenditure on agricultural assets stood at 44% while investment properties reflected cumulative performance of 37%. The monthly expenditure on investment properties stood at 20%. Cumulative performance on other assets was 11%. The monthly expenditure on other assets stood at 44% of the total budget while the monthly expenditure on assets was 5% of the total budget.

The ageing of the debtors' book remained the main challenge confronting municipalities in Limpopo Province. Municipalities face challenges of non-payment of rates on billable properties. Government departments were among those that were not servicing the debts on property rates. Disputes were about incorrect billing and/or ownership of the property. The LPT established a task team to address the dispute between municipalities and government departments.

The In-year Monitoring Report indicated that not all municipalities completed cash flow statement. According to the In-year Monitoring Report, the analysis of the cash flow return revealed that municipalities were not completing the cash flow statement correctly. Municipalities were encouraged to move to the level of not focusing on submitting but to submit credible reports. The LPT decided to continue interacting with

municipalities on the findings of the analysis of the s71(1) monthly reports. The glaring non-compliance compelled the LPT to be active in supporting municipalities to exercise their powers and perform their functions.

The In-year Monitoring: Section 71(6) Reporting: March 2011 dated 19 May 2011 and signed on 19 May 2011 (IYM-March 2011) was sent to the NT and posted on the LPT website. The IYM-March 2011 contains evidence of monitoring of municipal financial management. This evidence forms part of the total evidence required to answer the main research question. It is crucial to present and analyse data contained in the IYM-March 2011 owing to its usefulness in subsection 6.4.4. The IYM-March 2011 contains data from which conclusions about the main research question can be made. Reliance will be placed on the data to make conclusions about the monitoring of financial municipal management. Table 16 illustrates a summary of returns submitted for March 2011.

Table 10: Submission of Section 71 reports for March 2011

Municipality	Feb-2011				Mar-2011			
	Sch C/ App B	Date of submission		Documents sent	Sch C/ App B	Date of submission Electronic	Hard copy	Documents sent
		Electronic	Hard copy					
DC 35 - CAPRICON	B	14.03.2011	No submission	BSAC,OSA,CFA,CAA,AC,AD	B	14.04.2011	14.04.2011	OSA,CFA,CAA,AC,AD
LIM 351 - BLOUBERG	B	16.03.2011	No submission	OSA,CFA,CAA,AD	B	03.05.2011	No submission	OSA,CFA,CAA,AC
LIM 352 - AGANANG	B	14.03.2011	No submission	OSA,CFA,CAA,AC,AD		14.04.2011	No submission	OSA,CFA,CAA,AC
LIM 353 - MOLEMOLE	C,B	14.03.2011	No submission	OSA,CFA,CAA,AC,AD	C,B	13.04.2011	14.04.2011	OSA,CFA,CAA,AC,AD
LIM 354 - POLOKWANE	C,B	08.03.2011	No submission	BSAC,OSA,CFA,CAA,AC,AD	C,B	11.04.2011	No submission	OSA,CFA,CAA,AC,AD,BSAC
LIM 355 – LEPELLE-NKUMPI	B	11.03.2011	No submission	OSA,CFA,CAA,AC,AD	B	14.04.2011	No submission	OSA,CFA,CAA,AC,AD
DC 47 – GREATER SEKHUKHUNE	B	10.03.2011	No submission	OSA,CFA,CAA,AC,AD	B	11.04.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 471 – EPHRAIM MOGALE	B	10.03.2011	No submission	BSAC,OSA,CFA,CAA,AC,AD	B	14.04.2011	14.04.2011	OSA,CFA,CAA,AC,AD,BSAC
LIM 472 – ELIAS MOTSOLEDI	B	08.03.2011	No submission	OSA,CFA,CAA,AC,AD	B	8.04.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 473 - MAKHUDUTHAMAGA	B	14.03.2011	No submission	OSA,CFA,CAA,AC,AD	B	14.04.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 474 FETAKGOMO	C,B	14.03.2011	No submission	BSAC,OSA,CFA,CAA,AC,AD	C,B	14.04.2011	14.04.2011	OSA,CFA,CAA,AC,AD,BSAC
LIM 475 – GREATER TUBATSE	B	22.3.2011	4.4.2011	OSA,CFA,CAA,AC,AD	B	5.4.2011	No submission	OSA,CFA,CAA,AC,AD
DC 33 - MOPANI	B	10.03.2011	No submission	OSA,CFA,CAA,AC,AD	B	11.04.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 331 GREATER GIYANI	B	14.03.2011	No submission	BSAC,OSA,CFA,CAA,AC,AD	B	17.04.2011	No submission	OSA,CFA,CAA,AC,AD,BSAC
LIM 332 – GREATER LETABA	C,B	10.03.2011	No submission	OSA,CFA,CAA,AC,AD	C,B	14.04.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 333 – GREATER TZANEEN	B	11.3.2011	No submission	OSA,CFA,CAA,AC,AD	B	14.04.2011	14.04.2011	OSA,CFA,CAA,AC,AD
LIM 334 BA-PHALABORWA	C,B	07.03.2011	07.03.2011	OSA,CFA,CAA,AC,AD	B	8.4.20110	No submission	OSA,CFA,CAA,AC,AD

Municipality	Feb-2011				Mar-2011			
	Sch C/ App B	Date of submission		Documents sent	Sch C/ App B	Date of submission Electronic	Hard copy	Documents sent
		Electronic	Hard copy					
LIM 335 - MARULENG	B	18.03.2011	No submission	OSA,CFA,CAA,AC,AD	B	No submission	No submission	OSA,CFA,CAA,AC,AD,BSAC
DC 36 - WATERBERG	B	14.03.2011	No submission	BSAC,OSA,CFA,CAA,AC,AD	C,B	14.04.2011	No submission	OSA,CFA,CAA,AC,AD,BSAC
LIM 361 - THABAZIMBI	B	14.03.2011	No submission	OSA,CFA,CAA,AC,AD	B	20.04.2011	No submission	OSA,CFA,CAA,BSAC,AD
LIM 362 - LEPHALALE	B	14.03.2011	No submission	OSA,CFA,CAA,AC,AD	B	14.04.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 364 - MOOKGOPONG	B	14.03.2011	No submission	OSA,CAA,AC,AD		11.04.2011	No submission	No submission
LIM 365 - MODIMOLLE	C	14.03.2011	No submission	SCHEDULE C	C,B	14.04.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 366 - BELABELA	C,B	08.03.2011	No submission	OSA,CFA,CAA,AC,AD	B	11.04.2011	No submission	OSA,CFA,CAA,AD
LIM 367 - MOGALAKWENA	B	14.03.2011	No submission	BSAC,OSA,CFA,CAA,AC,AD	B	14.04.2011	14.04.2011	OSA,CFA,CAA,AC,AD,BSAC
DC 34 - VHEMBE	B	11.03.2011	No submission	OSA,CFA,CAA,AC,AD	B	13.04.2011		OSA,CFA,CAA,AC,AD
LIM 341 - MUSINA	B	14.03.2011	No submission	BSAC,OSA,CFA,CAA,AC,AD	B	14.04.2011	14.04.2011	OSA,CFA,CAA,AC,AD,BSAC
LIM 342 - MUTALE	B	15.03.2011	No submission	OSA,CFA,AD	B	18.04.2011	No submission	OSA,CFA,CAA,AC,AD,BSAC
LIM 343 - THULAMELA	B	14.03.2011	No submission	BSAC,OSA,CFA,CAA,AC,AD	B	15.04.2011	No submission	OSA,CFA,CAA,AC,AD,BSAC
LIM 344 - MAKHADO	B	14.03.2011	No submission	OSA,CFA,CAA,AC,AD	C	14.04.2011	No submission	SCHEDULE C

Source: IYM-March 2011 (May 2011) **Legends:** CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list, CFA-cash flow

There was a slight decrease in the number of municipalities which submitted s71 reports in March 2011 compared to February 2011, that is, 29 municipalities submitted s71 reports in March 2011 as opposed to 30 in February 2011. The number of municipalities which submitted signed hardcopy reports rose from two municipalities in February 2011 to 16 municipalities in March 2011. March 2011 experienced the highest number of municipalities which submitted hardcopy reports during the period 2008/9-2012/13. The number of municipalities which submitted s71 reports after the prescribed timeframe decreased from four municipalities in February 2011 to three in March 2011. The number of municipalities which submitted all the five MFMA returns was more than those municipalities which submitted incomplete returns. Non-compliance letters were sent to the accounting officers of non-compliant municipalities.

The data on the implementation of municipal budgets during March 2011 demonstrated an improvement considering the poor performance recorded during the previous years. Municipalities performed well in almost all the aspects of implementation of municipal budgets. A detailed presentation of aspects of implementation of municipal budgets is given in the next seven paragraphs.

The operating revenue for March 2011 was 98% of the total operating budget. Sekhukhune district achieved 81%. Though the district ratio was above the linear projection of 75%, Elias Motsoaledi LM and Ephraim Mogale LM performed far below this ratio with 59% and 68% respectively. Makhuduthamaga LM was the highest in the district at 110%. Mopani district was leading in terms of revenue collection with an average collection rate of 104%. The over collection was emanating from Maruleng LM, Mopani DM and Greater Giyani LM with collection rate of 202%, 118%, 109% and 105% respectively. Greater Letaba LM collected less than 50%.

The average performance for Vhembe district was 99%. Vhembe DM reported to have collected 173% of the budgeted operating revenue. Blouberg LM was the lowest with 55%. The remaining municipalities' collection rate was above 75%. The district average for Capricorn district was 88%. Aganang LM reported to have collected 173% of the budgeted operating revenue while Blouberg LM was the lowest with 55%. The remaining municipalities' collection was above 5%. The district average performance for Waterberg district was 92%. Lephalale LM and Mogalakwena LM collected over

100% of revenue. Mookgopong LM and Bela-Bela LM collected less than 66%. Vhembe DM and Aganang LM had their budgets distorted. Their performance revealed serious weaknesses in their budgets. These municipalities must be assisted to budget properly.

The cumulative operating expenditure performance was 60% of the total operating expenditure budget. The operating expenditure for Sekhukhune district was 56% of the total budget. The operating expenditure for Mopani stood at 73%. The operating expenditure for Vhembe district showed 3% instead of showing 61%. The expenditure for Capricorn district stood at 51%. The district operating expenditure for Waterberg district stood at 61%.

The cumulative capital funding as at 31 March 2011 was 48% of the capital revenue. Vhembe district recorded the highest among the other four districts with the average ratio of 77% of the adjusted budget. Vhembe DM achieved 93%. Makhado LM was the lowest with 38%. Musina LM and Mutale LM had uniform performance of 68%. Mopani district was the second highest performer in the province with the average district performance of 65%. Mopani DM achieved 125%. The average performance achieved by Waterberg district was 56%. However, Thabazimbi LM, Mookgopong LM and Waterberg DM did not report the actual receipts for March 2011. Sekhukhune district recorded an average performance of 41%. Ephraim Mogale LM recorded an average performance of 84%. Makhuduthamaga LM recorded an average of 35%. Greater Tubatse LM did not reflect anything on sources of funding from July 2010 to March 2011. To date, capital funding performance for Capricorn district stood at 24%. The highest achiever was Aganang LM at 69% while Lepelle-Nkumpi was the lowest performer at 14%. Molemole LM CAA monthly report did not reflect the budgeted source of funding. Blouberg LM did not disclose the source of funding earned for March 2011.

The total expenditure for March was 4.2% of the adjusted budget. The year-to-date capital expenditure was 61%. The year-to-date capital expenditure for Mopani district was 87%. The average performance for Vhembe district was 76%. Vhembe DM had the highest year-to-date capital expenditure at 95%. Makhado LM was the lowest

performer at 36%. The actual performance for Waterberg district was 53% of the adjusted budget. Lephalale LM was the highest performer at 83%. Thabazimbi LM was the lowest performer at 3%. The year-to-date performance for Sekhukhune district was 48%. Ephraim Mogale LM was the highest performer at 76% while Makhuduthamaga LM was the lowest performer at 34%. During March 2011, Capricorn district incurred an expenditure of 45% of the total capital budget. Aganang LM and Polokwane LM were the highest performers at 49% each while Lepelle-Nkumpi was the lowest performer at 34%.

The In-year Monitoring Report reflected that the debtors' book remained one of the challenges that municipalities in Limpopo Province were faced with. The low performance of certain municipalities on operating revenue was because of residents, businesses, community and government department, not paying municipal bills. The provincial debtors' book was increasing on a monthly basis. The LPT suggested that municipalities were struggling to collect outstanding debtors, especially those over 91 days. Mopani DM had the highest total debt.

The LPT reported that the consolidated cash flow statement reflected a sound cash position for municipalities. The MFMA s71 reports submitted by municipalities disclosed a positive balance. The huge positive closing balance suggests that the municipalities were not spending on their spending conditional grants and do not pay their creditors on time.

The In-year Monitoring: Section 71(6) Reporting: May 2011 (IYM-May 2011) dated 29 June 2011 and signed on 30 June 2011 was sent to the NT and posted on the LPT website. The IYM-June 2009 contains evidence of monitoring of municipal financial management. This evidence forms part of the total evidence required to answer the main research question. The utility of the data contained in the IYM-May 2011 cause it to be presented and analysed. The data from the IYM-May 2011 gives an account of what the LPT did to monitor municipal financial management. The data provide the basis to make conclusions about the supervision of municipal financial management. Table 17 shows submission of s71 reports and MFMA returns for May 2011.

Table 11: Submission of Section 17 hard copies reports for May 2011

Municipality	Apr-11				May-11			
	Sch C/App B	Date of submission		Documents sent	Sch C/App B	Date of submission		Documents sent
		Electronic	Hard copy			Electronic	Hard copy	
DC 35 – CAPRICON	B	16.05.2011	No submission	OSA,CFA,CAA,AC,AD,C	B	14.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 351 – BLOUBERG	B	16.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	15.6.2011	No submission	OSA,CFA,CAA,AC
LIM 352 – AGANANG	B	13.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	15.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 353 – MOLEMOLE	C	13.05.2011	No submission	SCHEDULE C	B	24.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 354 – POLOKWANE	C,B	09.05.2011	No submission	OSA,CFA,CAA,AC,AD,C	C,B	10.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 355 – LEPELLE-NKUMPI	B	13.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	27.6.2011	No submission	OSA,CFA,CAA,AC,AD
DC 47 – GREATER SEKHUKHUNE	B	12.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	08.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 471 – EPHRAIM MOGALE	B	13.05.2011	No submission	OSA,CFA,CAA,AC,AD,C	B	15.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 472 – ELIAS MOTSOLEDI	B	10.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	08.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 473 - MAKHUDUTHAMAGA	B	13.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	14.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 474 FETAKGOMO	B	16.05.2011	No submission	OSA,CFA,CAA,AC,AD,C	C,B	14.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 475 – GREATER TUBATSE	B	16.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	20.6.2011	No submission	OSA,CFA,CAA,AC,AD
DC 33 – MOPANI	B	12.05.2011	No submission	OSA,CFA,CAA	B	14.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 331 GREATER GIYANI	B	16.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	20.6.2011	No submission	OSA,CFA,CAA,AD
LIM 332 – GREATER LETABA	C	13.05.2011	No submission	OSA,CFA,CAA,AC,AD,C	C,B	08.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 333 – GREATER TZANEEN	B	16.05.2011	No submission	SCHEDULE C	B	22.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 334 BA-PHALABORWA	C,B	10.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	10.6.2011	No submission	OSA,CFA,CAA,AC,AD

Municipality	Apr-11				May-11			
	Sch C/App B	Date of submission		Documents sent	Sch C/App B	Date of submission		Documents sent
		Electronic	Hard copy			Electronic	Hard copy	
LIM 335 – MARULENG	B	13.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	10.6.2011	No submission	OSA,CFA,CAA,AC,AD
DC 36 – WATERBERG	C,B	13.05.2011	No submission	OSA,CFA,CAA,AC,AD,C	C,B	14.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 361 – THABAZIMBI	B	09.05.2011	No submission	OSA,CFA,CAA,BSAC,AD	B	7.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 362 – LEPHALALE	B	13.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	17.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 364 - MOOKGOPONG		No submission	No submission	No submission	No submission	No submission	No submission	No submission
LIM 365 – MODIMOLLE	C	12.05.2011	No submission	SCHEDULE C	C	10.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 366 – BELABELA	B	16.05.2011	No submission	CAA,AD	B	14.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 367 - MOGALAKWENA	B		No submission	OSA,CFA,CAA,AC,AD,C	B	14.6.2011	No submission	OSA,CFA,CAA,AC
DC 34 – VHEMBE	B	16.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	14.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 341 – MUSINA	B	16.05.2011	No submission	OSA,CFA,CAA,AC,AD,C	B	14.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 342 – MUTALE	B	12.05.2011	No submission	OSA,CFA,CAA,AC,AD	B	18.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 343 – THULAMELA	B	16.05.2011	No submission	OSA,CFA,CAA,BSAC,AD,C	B	13.6.2011	No submission	OSA,CFA,CAA,AC,AD
LIM 344 – MAKHADO	B	16.05.2011	No submission	OSA,CFA,CAA,AC,AD	C,B	27.6.2011	No submission	OSA,CFA,CAA,AC,AD

Source: IYM-May 2011 (2011) **Legends:** CAA-capital expenditure, OSA-operating revenue and expenditure, AD-debtors age list, AC-creditors age list, CFA-cash flow

Table 17 demonstrates stable submission of s71 reports. Twenty-nine (29) out of 30 municipalities submitted s71 reports for the period April 2011 to May 2011. This trend started in March 2011. Two municipalities submitted signed hardcopy reports in April 2011 and May 2011 respectively. This represents a slight decrease in the submission of signed hardcopy reports compared to March 2011. Non-compliance letters were sent to accounting officers of defaulting municipalities. The number of municipalities which submitted signed hardcopy reports declined from 11 municipalities in April 2011 to nine municipalities in May 2011. Despite the decrease, the number of municipalities which submitted signed hardcopy reports was higher than that of February 2011 and March 2011. The number of municipalities which submitted MFMA returns was the same as that of municipalities which submitted s71 reports, that is, all the 29 municipalities both the s71 reports and MFMA returns. This positive trend started in February 2011.

The number of municipalities which submitted all the five MFMA returns was higher than the number of municipalities which submitted incomplete returns. It has become the norm that majority of municipalities submitted all the MFMA returns. Twenty-six (26) out of 29 municipalities submitted all the five MFMA returns for May 2011 as opposed to three municipalities which submitted incomplete reports for the same period. Mookgopong LM was the only municipality which did not submit electronic and signed hardcopy reports and MFMA returns for May 2011.

The performance by municipalities as far as the implementation of the municipal budgets is concerned was improving. Despite the recorded improvement, there were three areas of concern, namely, low collection of consumer debts, municipalities owing for more than 30 days and the credibility of submitted information. More details of the implementation of the implementation of municipal budgets are given in the next eight paragraphs.

The cumulative total operating revenue for May 2011 stood at 105%. Sekhukhune district was the lowest in the province with a year-to-date average ratio of 89%. Ephraim Mogale LM was the lowest in the district with 74%. The highest performer was Sekhukhune DM achieving over collection of 183% followed by Makhuduthamaga LM with 113%. This was an indication that the two municipalities under-budgeted in

terms of revenue. The average performance for Mopani district stood at 105% which reflected an over collection with 5%. Greater Giyani LM, Greater Tzaneen LM and Mopani DM collected more than their budgets. Vhembe district recorded an average performance of 110%. The major contributor was Vhembe DM with an average percentage of 175%. This was an indication that the municipality has underestimated their revenue collection. Musina LM and Thulamela LM over collected with an average of 102%. Makhado LM achieved the lowest at 73%.

Capricorn district achieved an average of 94%. Aganang LM reported to have collected 138% of the budgeted operating revenue. The second highest performer in Capricorn district was Lepelle-Nkumpi LM at 108%. Blouberg LM achieved 60% over 11 months. The performance of Blouberg LM was a cause for concern. Some returns for Blouberg LM for July, August and September were still outstanding. This implied that the percentage was not a true reflection of the financial status of the municipality. The district's average performance for Waterberg district as at the end of May 2011 was 105%. Lephalale LM and Mogalakwena LM remained the highest performers in the district with average performance of 119% and 122% respectively. Mookgopong LM was the lowest performer with the performance ratio of 63%. Returns for Mookgopong LM for February, March, April and May 2011 were outstanding. This implied that the percentage was not a true reflection of the financial status of the municipality.

The report concluded that 27 municipalities were performing well in terms of operating collection. Greater Letaba LM, Blouberg LM and Mookgopong LM achieved the lowest ratios. Makhuduthamaga LM, Greater Sekhukhune DM, Greater Giyani LM, Greater Tzaneen LM, Mopani DM, Musina LM, Thulamela LM, Vhembe DM, Aganang LM, Lepelle-Nkumpi LM, Lephalale LM and Mogalakwena LM reflected an over achievement. This suggested that MFMA s18 was probably not complied with in terms of realistic revenue collection.

The revenue on property rates was 103% of the budget. The monthly collection for property rates was above the budgeted amounts. The year-to-date revenue generated on service charges was 40% of the budget. The revenue collection for service charges was 84% of the adjusted budget. The year-to-date collection realised for investment

revenue stood at 55%. The total transfers earned by municipalities as at the end of May 2011 stood at 116% of the total budget. Municipalities under-budgeted on the investment revenue item. Revenue from transfers recognised was 131%. This was an indication that municipalities were relying on grants. Income generated from other sources was 62%.

The consolidated actual operating expenditure was 74% of the adjusted budget. During the reporting period, the operating expenditure was low compared to the actual revenue collected. The operating expenditure figures for Sekhukhune district put it in the fourth place. Mopani district was the highest performer at 87%. The operating expenditure for Vhembe was 75%. The expenditure to date for Capricorn district was 64%. The operating expenditure to date for Waterberg district was 79%.

The performance as at the end of May 2011 was 74% of the total capital budget. Municipalities underspent on capital expenditure during the period under review. The overall expenditure for Sekhukhune district was 62% of the total budget. In Mopani district, the overall expenditure stood at 105%. The monthly expenditure for Mopani district was 13% of the total monthly budget. The overall expenditure for Vhembe district was 86% of the total budget. In Capricorn district, the average expenditure for all municipalities 59%. The overall expenditure for Waterberg district stood at 70% of the total budget.

Low collection on consumer debts remains a challenge for municipalities in Limpopo Province. The low collection of revenue was owing to residents, the businesses and government departments not paying municipal bills. The provincial debtors' book was increasing on a monthly basis. However, there was a decrease in the amount owed to municipalities between April and May 2011. Mopani district recorded the highest total debt followed by Capricorn district. The district with the lowest debt was Sekhukhune.

Compliance with s65 of the MFMA and MFMA Circular 49 remained a challenge. Municipalities reported having creditors owed for more than 30 days in prior months. The total amount owed to creditors for more than 30 days was 56%. Municipalities owed creditors such as the AGSA, Eskom, Water Board and other trade creditors.

Capricorn DM had the highest number of outstanding creditors. Sekhukhune district had the lowest balance.

The In-year Monitoring: Section 71(6) Reporting: January 2012 (IYM-January 2012) dated 29 March 2012 and signed on 18 April 2012 was sent to the NT and posted on the LPT website. The IYM-January 2012 contains evidence of monitoring of municipal financial management. This evidence forms part of the total evidence required to answer the main research question. The researcher will present and analyse data contained in the IYM-January 2011 to assist in answering the main research question. The data in Table 17 serve the same purpose as the data Tables 11-16, that is, reliance will be placed on it when making conclusions concerning the main research question. The In-year Monitoring Report for January 2012 addresses the monitoring activities mandated by s71 of the MFMA. Table 18 illustrates MFMA S71 Compliance Checklist for January 2012.

Table 12: MFMA s71 Compliance checklist for January 2012

Municipality	Nov-2011	Dec-2011	Jan-2012
	Date of submission		
DC 35 – CAPRICORN	14.12.2011	16.01.2012	14.02.2012
LIM 351 – BLOUBERG	15.12.2011	13.01.2012	14.02.2012
LIM 352 – AGANANG	13.12.2011	19.01.2012	14.02.2012
LIM 353 – MOLEMOLE	14.12.2011	13.01.2012	14.02.2012
LIM 354 – POLOKWANE	13.12.2011	13.01.2012	14.02.2012
LIM 355 – LEPELLE-NKUMPI	15.12.2011	09.01.2012	13.02.2012
DC 47 – GREATER SEKHUKHUNE	12.12.2011	13.01.2012	14.02.2012
LIM 471 – MARBLE HALL	14.12.2011	16.01.2012	14.02.2012
LIM 472 – ELIAS MOTSOALEDI	13.12.2011	13.01.2012	13.02.2012
LIM 473 – MAKHUDUTHAMAGA	14.12.2011	16.01.2012	14.02.2012
LIM 474 FETAKGOMO	14.12.2011	16.01.2012	14.02.2012
LIM 475 – GREATER TUBATSE	13.12.2011	11.01.2012	No submission
DC 33 – MOPANI	14.12.2011	10.01.2012	14.02.2012
LIM 331 GREATER GIYANI	14.12.2011	13.01.2012	14.02.2012
LIM 332 – GREATER LETABA	14.12.2011	13.01.2012	14.02.2012
LIM 333 – GREATER TZANEEN	15.12.2011	26.01.2012	14.02.2012
LIM 334 BA-PHALABORWA	20.12.2011	18.01.2012	14.02.2012
LIM 335 – MARULENG	14.12.2011	16.01.2012	10.02.2012
DC 36 – WATERBERG	14.12.2011	16.01.2012	14.02.2012
LIM 361 – THABAZIMBI	15.12.2011	16.01.2012	14.02.2012
LIM 362 – LEPHALALE	14.12.2011	13.01.2012	14.02.2012
LIM 364 – MOOKGOPONG	13.12.2011	17.01.2012	14.02.2012
LIM 365 – MODIMOLLE	14.12.2011	16.01.2012	14.02.2012
LIM 366 – BELABELA	14.12.2011	16.01.2012	14.02.2012
LIM 367 – MOGALAKWENA	14.12.2011	16.01.2012	No submission
DC 34 – VHEMBE	13.12.2011	17.01.2012	14.02.2012
LIM 341 – MUSINA	14.12.2011	16.01.2012	14.02.2012
LIM 342 – MUTALE	10.12.2011	26.01.2012	14.02.2012
LIM 343 – THULAMELA	13.12.2011	16.01.2012	14.02.2012
LIM 344 – MAKHADO	14.12.2011	19.01.2012	14.02.2012

Source: IYM-January 2012 (2012)

Table 18 indicates that 28 municipalities submitted MFMA s71. All the 28 municipalities submitted s71 reports within the prescribed timeframe. This was an improvement considering that in December 2011, seven municipalities submitted

reports after the due date prescribed by the MFMA. Although the level of compliance was improving, the quality of financial information in the reports required significant improvements. This was identified as one of the areas of focus to assist and support municipalities.

Given the history of non-compliance in the submission of s71 signed hardcopy reports, it is concluded that Table 17 depicts submission of s71 electronic reports. Based on this conclusion, no municipality submitted signed hardcopy reports during the period November 2011-January 2012. Bela-Bela LM complied with s74(2) of the MFMA by sending a letter notifying the LPT of her inability to comply with MFMA s71(1). Greater Tubatse LM failed to comply with s74(2) of the MFMA.

Belabela LM complied with s74(2) of the MFMA by sending a letter notifying the LPT of its inability to comply with MFMA s71(1). The municipality advised that it was converting from Sebata to Munsoft financial systems. The municipality indicated that the conversion presented challenges which negatively impacted s71 reporting.

Poor performance continues to characterise the implementation of municipal budgets. Despite the persistent poor performance, January 2012 was graced with good performance in operating revenue. The results of the analysis of the implementation of the implementation of municipal budgets are presented next six paragraphs.

The average performance for municipalities reflected a positive variance of 4% on operating revenue. The revenue item property rates achieved a positive variance of 8%. This was a reflection that municipalities achieved billing above the target in terms of the original budget. The data demonstrate the extent to which the LPT collected and analysed municipal reports, in particular reports on the implementation of municipal budgets. The data on monitoring the implementation of municipal budgets is crucial in contributing towards the results of this study.

Billing in respect of service charges also exceeded the budget by 4%. Revenue earned on investments and operating grants reflected an over performance of 15% and 11% respectively. The line-item other revenue achieved a negative variance of 39%.

The operating expenditure budget revealed underperformance of 19% throughout the first seven months of the financial year. The average variance was negative 19%. The line items which were major contributors to the 19% underspending were depreciation and asset impairment, transfer and grants and other expenditure. The major cause of the 65% underspending in depreciation was the non-allocation of expenditure for this non-cash item by municipalities during the financial year. The transfers and grants expenditure item also underspent by a huge margin.

Actual spending on the budgeted capital expenditure was behind by 52%. Only R884 million of the R2 billion was spent for the year to date. The LPT observed that it was unlikely for municipalities to spend allocated conditional grants during the financial year if the weak expenditure trend continued. During the midyear budget and performance assessment sessions held in February 2012, municipalities acknowledged the slow pace in implementing capital projects. Municipalities stated that it was anticipated that the 2011/12 capital funds will be rolled over to the 2012/13 financial year. This reflected poor planning which resulted in poor spending.

On financial position, it was reported that the total current assets of the municipality increased from the original budget. The total noncurrent assets decreased, while total current liabilities increased. The total noncurrent liabilities decreased. Community wealth recorded an increase. However, the credibility of the financial position statement was doubtful as it did not balance.

The categories with the highest balance were 91 days, 120 days and over one (1) year. The 90 days, 120 days and over one year were the categories municipalities were unlikely to collect outstanding revenue. The total debtors' book increased between December 2011 and January 2012. The creditors' book continued to disclose serious non-compliance with MFMA s65 and MFMA Circular 49. The creditors' book increased from December 2011 to January 2012. The category over one year recorded a huge increase. This was an indication that all the unpaid creditors in the other categories were piled in the over one (1) year category.

The In-year Monitoring: Section 71(6) Reporting: February 2012 (IYM-February 2012) dated 19 April 2012 and signed on 24 April 2012 was sent to the NT and posted on

the LPT website. The IYM-February 2012 contains evidence of monitoring of municipal financial management. This evidence forms part of the total evidence required to answer the main research question. The data contained in the IYM-February 2012 will be presented and analysed to assist in answering the main research question. The IYM-February 2012 as the name suggests contains evidence on the monitoring activities of the LPT on the municipal financial management. Monitoring is one aspect of supervision of municipal financial management. In answering the main research question, the researcher must determine whether the LPT executed the two activities, namely, monitoring and support of municipal financial management. It is crucial to analyse data relating to monitoring and support because it will contribute to the results of this study. Table 19 illustrates MFMA S71 Compliance Checklist for February 2012.

Table 13: MFMA s71 Compliance checklist for February 2012

Municipality	Dec-2011	Jan-2012	Feb-2012
	Date of submission		
DC 35 – CAPRICORN	16.01.2012	14.02.2012	27.03.2012
LIM 351 – BLOUBERG	13.01.2012	14.02.2012	14.03.2012
LIM 352 – AGANANG	19.01.2012	14.02.2012	19.03.2012
LIM 353 – MOLEMOLE	13.01.2012	14.02.2012	No submission
LIM 354 – POLOKWANE	13.01.2012	14.02.2012	No submission
LIM 355 – LEPELLE-NKUMPI	09.01.2012	13.02.2012	09.03.2012
DC 47 – GREATER SEKHUKHUNE	13.01.2012	14.02.2012	No submission
LIM 471 – MARBLE HALL	16.01.2012	14.02.2012	13.03.2012
LIM 472 – ELIAS MOTSOLEDI	13.01.2012	13.02.2012	13.03.2012
LIM 473 – MAKHUDUTHAMAGA	16.01.2012	14.02.2012	14.03.2012
LIM 474 FETAKGOMO	16.01.2012	14.02.2012	14.03.2012
LIM 475 – GREATER TUBATSE	11.01.2012	No submission	No submission
DC 33 – MOPANI	10.01.2012	14.02.2012	14.03.2012
LIM 331 GREATER GIYANI	13.01.2012	14.02.2012	26.03.2012
LIM 332 – GREATER LETABA	13.01.2012	14.02.2012	14.03.2012
LIM 333 – GREATER TZANEEN	26.01.2012	14.02.2012	14.03.2012
LIM 334 BA-PHALABORWA	18.01.2012	14.02.2012	26.03.2012
LIM 335 – MARULENG	16.01.2012	10.02.2012	09.03.2012
DC 36 – WATERBERG	16.01.2012	No submission	14.03.2012
LIM 361 – THABAZIMBI	16.01.2012	14.02.2012	No submission
LIM 362 – LEPHALALE	13.01.2012	14.02.2012	29.03.2012

Municipality	Dec-2011	Jan-2012	Feb-2012
	Date of submission		
LIM 364 – MOOKGOPONG	17.01.2012	14.02.2012	14.03.2012
LIM 365 – MODIMOLLE	16.01.2012	14.02.2012	14.03.2012
LIM 366 – BELABELA	16.01.2012	14.02.2012	12.03.2012
LIM 367 – MOGALAKWENA	16.01.2012	No submission	No submission
DC 34 – VHEMBE	17.01.2012	14.02.2012	15.03.2012
LIM 341 – MUSINA	16.01.2012	14.02.2012	29.03.2012
LIM 342 – MUTALE	26.01.2012	14.02.2012	14.03.2012
LIM 343 – THULAMELA	16.01.2012	14.02.2012	14.03.2012
LIM 344 – MAKHADO	19.01.2012	14.02.2012	15.03.2012

Source: IYM-February 2012 (2012)

Table 19 indicates that for the month of February 2012, 24 out of 30 municipalities submitted MFMA s71 reports. This was a regression considering that in January 2012 only two (2) municipalities did not submit the MFMA s71 reports. Six municipalities submitted the reports after the due date prescribed by the MFMA. The number of municipalities which submitted s71 reports after the prescribed timeframe increased from one municipality in January 2012 to six in February 2012. Despite the increase, the situation was better compared to December 2011. December 2011 was the third worst non-compliant municipality after July 2009 and July 2012 depicted in Tables 12 and 21 respectively as far as late submission was concerned.

Non-compliance and poor performance characterised February 2012. Despite these anomalies, municipalities experienced slight improvement in the collection of revenue. Details of these and other aspects of the implementation of municipal budgets are presented in the next five paragraphs.

The underperformance on the operating expenditure budget remained a challenge. Among other contributors was the application of accounting principles resulting in non-allocation of expenditure for non-cash items. Poor budgeting principles for items like borrowing resulted in a huge underperformance on operating expenditure. Municipalities budgeted for revenue from borrowing and budgeted for finance charges against the borrowings.

The capital expenditure budget recorded underspending of 47%. The under expenditure was caused by underspending on expenditure funded by grant and borrowing. The inability of municipalities to spend from internally generated funds resulted in a material underspending. The implication of this under-expenditure was that municipalities were not able to implement capital budget as per the SDBIP, thereby hampering service delivery. There was a risk of returning unspent conditional grants to the NT owing to inefficiencies in contract and project management within municipalities. The other risk was that conditional grants may be spent on operating expenses, thereby breaching the conditions of the grants, and incurring a liability.

There were minimal improvements in the collection of revenue due to municipalities. All categories revealed a decrease in total debt from January to February 2012, except the category 121 days (IYM-February 2012: 12). The category 121 days recorded an increase (IYM-February 2012: 12). The total debt decreased by 5% between January and February 2012 (IYM-February 2012: 12). This was an indication that municipalities were able to collect revenue from long outstanding debts. The intervention by the LPT and Coghsta assisted Greater Tubatse LM to recover revenue from the Department of Rural Development and Land Reform (IYM-February 2012: 12).

The creditors' book recorded a decrease in the total owed by municipalities. The total decrease between January and February 2012 was 24%. The statement continued to disclose a serious non-compliance with MFMA s65 and MFMA Circular 49. This non-compliance was owing to monies owed for more than 30 days.

The In-year Monitoring: Section 71(6) Reporting: June 2012 (IYM-June 2012) dated 30 August 2012 and signed on 11 September 2012 was sent to the NT and posted on the LPT website. The IYM-June 2012 contains evidence of monitoring of municipal financial management. This evidence forms part of the total evidence required to answer the main research question. The data contained in the IYM-June 2012 will be presented and analysed because of its usefulness in the results of this study. The researcher will partly rely on the data in the IYM-June 2012 to answer the main research question. In answering the main research question, the researcher must rely on the data dealing with monitoring and support of municipal financial management. These two activities, namely, monitoring and support constitute the mandate of the

LPT as far as supervision of municipal financial management is concerned. Data on MFMA s71 compliance and municipal budget implementation provide evidence of monitoring of municipal financial management and will be elaborated upon below. Table 20 illustrates MFMA S71 Compliance Checklist for June 2012.

Table 14: MFMA s71 compliance checklist for June 2012

Municipality	Apr-2012	May-2012	Jun-2012
	Date of submission		
DC 35 – CAPRICORN	17.05.2012	14.06.2012	13.07.2012
LIM 351 – BLOUBERG	11.05.2012	10.06.2012	13.07.2012
LIM 352 – AGANANG	No submission	26.06.2012	13.07.2012
LIM 353 – MOLEMOLE	15.05.2012	14.06.2012	13.07.2012
LIM 354 – POLOKWANE	15.05.2012	14.06.2012	13.07.2012
LIM 355 – LEPELLE-NKUMPI	14.05.2012	13.06.2012	13.07.2012
DC 47 – GREATER SEKHUKHUNE	15.05.2012	12.06.2012	No submission
LIM 471 – MARBLE HALL	15.05.2012	14.06.2012	10.07.2012
LIM 472 – ELIAS MOTSOLEDI	15.05.2012	12.06.2012	17.07.2012
LIM 473 – MAKHUDUTHAMAGA	No submission	14.06.2012	14.07.2012
LIM 474 FETAKGOMO	14.05.2012	14.06.2012	13.07.2012
LIM 475 – GREATER TUBATSE	24.05.2012	No submission	No submission
DC 33 – MOPANI	15.05.2012	14.06.2012	13.07.2012
LIM 331 GREATER GIYANI	15.05.2012	18.06.2012	16.07.2012
LIM 332 – GREATER LETABA	11.05.2012	No submission	13.07.2012
LIM 333 – GREATER TZANEEN	11.05.2012	19.06.2012	13.07.2012
LIM 334 BA-PHALABORWA	15.05.2012	15.06.2012	12.07.2012
LIM 335 – MARULENG	No submission	14.06.2012	14.07.2012
DC 36 – WATERBERG	14.05.2012	14.06.2012	20.07.2012
LIM 361 – THABAZIMBI	15.05.2012	No submission	11.07.2012
LIM 362 – LEPHALALE	15.05.2012	14.06.2012	16.07.2012
LIM 364 – MOOKGOPONG	11.05.2012	14.06.2012	13.07.2012
LIM 365 – MODIMOLLE	15.05.2012	14.06.2012	13.07.2012
LIM 366 – BELABELA	14.05.2012	15.06.2012	23.07.2012
LIM 367 – MOGALAKWENA	15.05.2012	20.06.2012	12.07.2012
DC 34 – VHEMBE	14.05.2012	14.06.2012	17.07.2012
LIM 341 – MUSINA	15.05.2012	14.06.2012	13.07.2012
LIM 342 – MUTALE	14.05.2012	15.06.2012	14.07.2012
LIM 343 – THULAMELA	15.05.2012	14.06.2012	13.07.2012

Municipality	Apr-2012	May-2012	Jun-2012
	Date of submission		
LIM 344 – MAKHADO	14.05.2012	14.06.2012	13.07.2012

Source: IYM-June 2012 (2012)

Table 20 indicates that for the month of June 2012, 28 out of 30 municipalities submitted MFMA s71 reports. The situation constituted an improvement from the previous two months where 27 municipalities submitted s71 reports. Huge improvement regarding compliance with prescribed timeframe was recorded in June 2012. The number of municipalities which submitted s71 after the prescribed timeframe decreased from 16 in April 2012 to five in June 2012. Greater Sekhukhune DM and Mopani DM did not submit the s71 reports. Both Greater Sekhukhune DM and Mopani DM did not comply with s74(2) of the MFMA, that is, the LPT was not notified of their inability to submit s71 reports. Non-compliance letters were sent to Mayors requiring accounting officers' accountability.

The implementation of the municipal budgets continued to be below expectation. The only areas showing better performance in the implementation of municipal budgets were revenue collection and creditor's book. The remaining aspects of the implementation of the municipal budgets performed poorly. The five paragraphs illustrate how municipal budgets were implemented during June 2012.

The financial performance as of 30 June 2012 revealed that municipalities achieved above the year to date for such items such as property rate, operating grants and investment revenue. The line-item other revenue continued to record a high negative variance. In May 2012, the negative variance was 42%. The negative variance declined to 40% in June 2012. The overall performance for the province reflected over collection on operating revenue of 3%.

The underperformance on the operating expenditure budget remained a challenge. All items underperformed against the year-to-date budget except remuneration of councillors' item. The average rate for the province was negative 13%. The poor performance of these items was assumed to be as a result of improper budgeting principles.

Capital expenditure budget recorded underspending by 37% during the entire financial year. Municipalities continued to disclose unsatisfactory capacity to spend on grant funded projects. Underspending was also observed in projects funded from borrowings and surplus funds. Consequently, capital projects funded from surplus funds underperformed due to the budget not being cash backed or the collection rate from the current year's billing being unrealistic. This was also assumed to be as a result of improper budgeting principles for borrowings and surplus funds.

Progress regarding collection of revenue due to municipalities was registered during the financial year. All debt categories recorded high closing balances. The 181 days category recorded an increase; therefore the only exception.

The creditors' book recorded a decrease in the total owed by municipalities. The total decrease was 51% between May and June 2012. The decrease in the creditors' book was commended. It was reported that municipalities continued to reflect a serious noncompliance with MFMA s65 and MFMA Circular 49 by having monies owed for more than thirty (30) days.

The In-year Monitoring: Section 71(6) Reporting: August 2012 (IYM-August 2012) dated 27 October 2012 and signed on 2 November 2012 was sent to the NT and posted on the LPT website. The IYM-August 2012 contains evidence of monitoring of municipal financial management. This evidence forms part of the total evidence required to answer the main research question. The researcher will present and analyse data contained in the IYM-August 2012 to determine the results of this study. The LPT recorded receipts and no submission of s71 reports from municipalities. The submitted reports were assessed for compliance with s71 of the MFMA, particularly compliance with the prescribed timeframe. The process of assessing the s71 reports constituted monitoring. The data resulting from the monitoring exercise will be relied upon in answering the main research question. Table 21 shows MFMA S71 Compliance Checklist for August 2012.

Table 15: MFMA s71 compliance checklist for August 2012

Municipality	Jul-2012	Aug-2012
	Date of submission	Date of submission
	Electronic	Electronic
DC 35 – CAPRICORN	15.08.2012	14.09.2012
LIM 351 – BLOUBERG	20.08.2012	14.09.2012
LIM 352 – AGANANG	14.08.2012	13.09.2012
LIM 353 – MOLEMOLE	15.08.2012	14.09.2012
LIM 354 – POLOKWANE	15.08.2012	10.09.2012
LIM 355 – LEPELLE-NKUMPI	08.08.2012	13.09.2012
DC 47 – GREATER SEKHUKHUNE	14.08.2012	14.09.2012
LIM 471 – MARBLE HALL	15.08.2012	No submission
LIM 472 – ELIAS MOTSOLEDI	14.08.2012	14.09.2012
LIM 473 – MAKHUDUTHAMAGA	28.09.2012	27.09.2012
LIM 474 FETAKGOMO	15.08.2012	14.09.2012
LIM 475 – GREATER TUBATSE	No submission	No submission
DC 33 – MOPANI	10.09.2012	14.09.2012
LIM 331 GREATER GIYANI	20.08.2012	20.09.2012
LIM 332 – GREATER LETABA	15.08.2012	14.09.2012
LIM 333 – GREATER TZANEEN	15.08.2012	14.09.2012
LIM 334 BA-PHALABORWA	15.08.2012	14.09.2012
LIM 335 – MARULENG	15.08.2012	14.09.2012
DC 36 – WATERBERG	15.08.2012	14.09.2012
LIM 361 – THABAZIMBI	20.08.2012	No submission
LIM 362 – LEPHALALE	14.08.2012	14.09.2012
LIM 364 – MOOKGOPONG	15.08.2012	14.09.2012
LIM 365 - MODIMOLLE	15.08.2012	14.09.2012
LIM 366 - BELABELA	14.08.2012	14.09.2012
LIM 367 - MOGALAKWENA	15.08.2012	14.09.2012

Municipality	Jul-2012	Aug-2012
	Date of submission	Date of submission
DC 34 - VHEMBE	No submission	14.09.2012
LIM 341 - MUSINA	15.08.2012	14.09.2012
LIM 342 - MUTALE	30.08.2012	14.09.2012
LIM 343 - THULAMELA	15.08.2012	14.09.2012
LIM 344 - MAKHADO	17.08.2012	14.09.2012

Source: IYM-August 2012 (2012: 7)

Table 21 indicates that for August 2012, 27 out of 30 municipalities submitted MFMA s71 reports. There was a slight decline in August 2012 concerning submission of s71 as 27 out of 30 municipalities submitted s71 reports in August 2012 compared to 28 municipalities in July 2012. Two municipalities, namely, Greater Tubatse LM and Vhembe DM did not submit s71 reports for July 2012. However, there was a huge improvement regarding compliance with prescribed timeframe. The number of municipalities which submitted s71 reports decreased from 20 municipalities in July 2012 to two in August 2012. July 2012 was the second worst month after July 2009 regarding compliance with prescribed timeframe. Three municipalities, namely, Ephraim Mogale LM, Greater Tubatse LM and Thabazimbi LM did not submit s71 reports for August 2012. Thabazimbi LM complied with s74(2) of the MFMA by notifying the LPT of its inability to comply with s71 of the MFMA. Contrary to Thabazimbi LM, Ephraim Mogale LM and Greater Tubatse LM did not notify the LPT of their inability to comply with s71 of the MFMA. This flagrant disregard of the policy framework calls on the LPT to investigate the cause of the non-compliance to intervene accordingly. Greater Tubatse LM was a repeat offender because it did not submit s71 report even for the month of July 2012. Non-compliance letters were sent to mayors by the LPT requiring accounting officers' accountability.

The examination of the s71 reports, particularly the municipal budgets implementation constitutes monitoring of the municipal financial management. As indicated in the discussion of the IYM-August 2012 earlier, data on monitoring are relevant in answering the main research question. The following discussion on the

implementation of the municipal budgets serves the purpose of informing the conclusions of this study. It must be indicated that municipalities were continuing to perform poorly and disregarded the prescribed rules. Details of these non-compliance and poor performance are shown in the next five paragraphs.

The financial performance results to date revealed that municipalities underperformed below the year-to-date budget items such as property rates, service charges, investment revenue and other revenue. Operating grants was the only exception. Operating revenue recorded an average under-collection of 35% in August.

All the items on the operating expenditure underperformed against the year-to-date budget except line items transfers and grants. Line-item transfers and grants over performed by 54%. The average rate for the province was 65%. The poor performance was assumed to be the result of improper budgeting principles such as credibility of information.

Capital expenditure budget recorded underspending by 86% during August. Municipalities continued to disclose unsatisfactory capacity to spend on grant funded projects. Underspending was also observed in projects funded from borrowings and surplus funds. Capital projects funded from surplus funds underperformed owing to the budget not being cash backed or the collection rate from the current year's billing being unrealistic. This was also assumed to be as a result of improper budgeting principles for borrowings and surplus funds.

On financial position, it was reported that there was a gross breach of budgeting principles. Comparative analysis revealed that the information was not credible. The year to date exceeded the adjustment budget amounts for all items except non-current liabilities item. The report concluded that no reliance should be placed on the financial results. The users of the financial information were advised to exercise caution when considering the financial results owing to the challenges regarding the credibility of cash flow statements.

Collection of revenue due to municipalities regressed. Some of the debt categories recorded higher closing balances except for the category 31-60 days. The category

31-60 days recorded a decrease of 72%. The total debt increased by 3% between July and August 2012.

The creditors' book recorded an increase in the total owed by municipalities. The total increase was 158% between July and August 2012. The decrease in the creditors' book was commended. It was reported that municipalities continued to reflect a serious non-compliance with MFMA s65 and MFMA Circular 49 by having monies owed for more than 30 days.

Monitoring was also implemented through non-compliance notices sent to accounting officers of municipalities which did not comply with the reporting requirements imposed by s71(1) of the MFMA. Four circulars, namely, Municipal Finance Circular No. 4 of 2011: Non-Compliance with MFMA s71(1), Municipal Finance Circular No. 5 of 2011: Non-Compliance with MFMA s71(1), Municipal Finance Circular No. 12 of 2011: Non-Compliance with MFMA s71(1), and Municipal Finance Circular No. 13 of 2011: Non-Compliance with MFMA s71(1), are the subject of analysis in this study. These circulars contain evidence of monitoring of municipalities by the LPT during the study period. The monitoring and support constitute the mandate of the LPT. To answer the main research question, the researcher collected data relating to monitoring and support of municipal financial management. The collected data is analysed in s6.4 of this chapter.

Municipal Finance Circular 13 of 2011 was sent to Fetakgomo LM, Mookgopong LM and Blouberg LM. These municipalities were non-compliant in that they contravened s71(1) of the MFMA by not submitting all the five MFMA returns, namely, OSA, CFA, CAA, AC and AD. The LPT recorded the submission of MFMA returns. Recording submission of MFMA returns constitute the first step of appraising the MFMA returns which is an integral part of monitoring. The second and last step is when the LPT conducts an in-depth assessment of the submitted MFMA returns. The LPT gave these municipalities five days to submit the outstanding returns or provide reasons why they are unable to submit the MFMA returns.

The LPT in assessing municipal reports, checked whether the in-year reports were accompanied by quality certificate prescribed by the MBRR. The act of assessing

submission from municipalities constitute monitoring as explained in the discussion of Municipal Finance Circular No.13 of 2011. Municipal Finance Circular No. 5 of 2011 was sent to two municipalities, namely, Aganang LM and Greater Tubatse LM which did not submit the signed quality certificates. Municipal Finance Circular No. 5 of 2011 is typical of circulars sent to municipalities when non-compliance was observed. Similar to the Municipal Finance Circular No.13 of 2011, the two municipalities were alerted to the area of non-compliance, that is, submission of signed quality certificate. The LPT reviewed submissions from municipalities and noticed that the two municipalities did not submit signed quality certificates. Municipal Finance Circular No.5 of 2011 unlike Municipal Finance Circular No.13 issued a veiled threat of consequence management. The LPT was duty bound to investigate the lapses in the two municipalities but chose to threaten municipal managers with consequence management. This approach by the LPT was based on a false notion that the municipalities were unwilling to submit the signed quality certificates. It is advisable for the LPT to investigate performance lapses to design and implement fit for purpose interventions. The Municipal Finance Circular No. 4 of 2011 dated 18 January 2011 was sent to the municipal managers of Mutale LM, Mookgopong LM, Thulamela LM, Lepelle-Nkumpi LM, Blouberg LM and Greater Giyani LM. The non-compliance was concerned with the 'incomplete returns for December 2010'.

The LPT sent Municipal Finance Circular No.9 of 2011 to five municipalities, namely, Sekhukhune DM, Elias Motsoaledi LM, Bela-Bela LM Fetakgomo LM and Lepelle-Nkumpi LM. The Municipal Finance Circular No. 9 of 2011 is typical of circulars sent to municipalities in instances of non-compliance with the MBRR R35. However, the LPT observed that the five municipalities did not submit printed copies of Mid-year Budget and Performance Assessment Report for 2010/11. Similar to the Municipal Finance Circular No.13 of 2011, the LPT advised the non-compliant municipalities to submit the printed copies of the report. The LPT further advised these municipalities to provide reasons in case of failure to submit as requested in terms of s74(2) of the MFMA. S74(2) of the MFMA is investigative in nature. LPT was soliciting reasons for failure from municipalities. The information derived from submissions in terms of s74(2) of the MFMA is necessary to inform the kind of intervention required to address the performance lapses.

The Municipal Finance Circular No. 8 of 2011 dated 26 January 2011 was sent to Capricorn DM, Aganang LM, Blouberg LM, Mogalakwena LM, Molemole LM, Ba-Phalaborwa LM, Lephalale LM, Greater Tubatse LM, Marble Hall LM, Greater Letaba LM, Makhuduthamaga LM, Waterberg DM, Modimolle LM, Mookgopong LM, Thabazimbi LM, Vhembe DM, Makhado LM, Musina LM, Mutale LM, Thulamela LM, Mopani DM, Greater Tzaneen LM, Greater Giyani LM and Maruleng LM for failing to submit hard and soft copies of the MFMA s72 report. This circular is typical of circulars sent by the LPT to municipalities which failed to submit hard and soft copies of MFMA report. A similar letter was sent to Polokwane Local Municipality for failing to submit an electronic copy of the mid-year budget and performance assessment report for 2010/11 (Annexure C). These letters contain evidence of monitoring which is crucial in answering the main research question.

6.3.2. Support

In addition to measures identified in the annual performance plans and reported in the annual performance reports, the LPT issued circulars to support municipalities. One such circular was Municipal Finance Circular No.1 of 2011: Mid-year Performance Assessment Report and Adjustment Budget 2010/11. The circular was sent to all the accounting officers of municipalities in the province reminding them to comply with MFMA s72(1)(a) & (b) the MBRR R35 by assessing the performance of the municipalities and submitting the mid-year report assessment reports to the mayor, NT and the provincial treasury. The circular further advised that the adjustment budget be tabled in council for consideration and subsequent submission to the NT and the provincial treasury. Municipal Finance Circular No.2 of 2011 was sent to municipalities in the province requesting inputs into Municipal Finance Support Plan: 2011/2012. The request was made pursuant to the requirements of section 5 of the MFMA. The LPT sent Municipal Finance Circular No. 3 of 2011: Tabling and submission of Annual Report for the year ended 30 June 2010 reminding municipalities to table annual reports in their Municipal Council and subsequent submission. Municipal Finance Circular No.3 further invited municipalities to seek assistance from the LPT when preparing the annual report. During 2011 the LPT invited municipality to training on the preparation of annual financial statement. *Municipal Finance Circular No.14 of 2011: Invitation to the AFS training* dated 24 February 2011 was sent to all the

municipal managers and CFOs in the province inviting them to the training on the preparation of the annual financial statements. Furthermore, the LPT invited municipalities to the Chief Financial Officers' Forum through Municipal Finance Circular No.7 of 2011. The Municipal Finance Circular No.7 required municipalities to nominate two (2) delegates, preferably the CFO and the budget manager. Section 6.4 analyses research findings and sub-conclusions.

6.3.3. Performance planning

APPs covering the 2008/9-2010/11 MTREF and 2010/11-2014/15 are the subject of this study. The data from the APPs constitutes empirical evidence of the role the LPT played during the study period and will assist in answering the research question stated in Chapter 1 of this study (Ch.1, s1.10: 20). The data relating to activities for municipal financial IGR, namely, monitoring and support will be the only data extracted from the APPs. The MEC for the LPT endorsed and presented the 2008/09-2010/11 annual performance plans to the Limpopo Provincial Legislature. The 2008/09-2010/11 was organised around four programmes, namely, Programme 1: Administration, Programme 2: Sustainable Resource Management, Programme 3: Asset, Liabilities and SCM and Programme 4: Financial Governance (LPT: APP 2008/09-2010/11: 3). The programme that was focused on intergovernmental fiscal relations among others, was Programme 2: Sustainable Resource Management. Sustainable Resource Management was organised around the following topics: strategic goals, objective, purpose, functions, priorities for the next 2008/9 MTEF, situational analysis, sub-programmes, namely, Fiscal Policy, Budget Management, Public Finance, Capital Project Appraisal, Provincial Asset Restructuring, Intergovernmental Fiscal Relations and Macro Economic Analysis.

The municipal financial IGR were elevated to the strategic level, that is why it was included in the strategic goals of the LPT during the 2008/9-2010/11 financial year. Two strategic goals, namely, *to strengthen and provide technical and strategic support for the institutional capacity of provincial and local government and monitor compliance with the PFMA, MFMA, accounting policy, regulations and guidelines.* Close reading of these strategic goals reveals that they are focused on monitoring and

support, and they will be useful in answering the research question articulated in Chapter 1 of this study (Ch.1, s.1.10: 20).

The objective of Programme 2: Sustainable Resource Management was “To provide professional advice and support to the MEC on provincial economic analysis, fiscal policy, public finance development and management of the annual budget process including capacity building of the municipalities and line departments” (LPT: APP 2008/09-2010/11: 31). This objective is relevant to this study because it provides data on what the LPT intends doing, particularly on the capacity of municipalities. The objective demonstrates that the LPT was poised to effectively participate in the municipal financial IGR.

The purpose of Programme 2: Sustainable Resource Management was “To manage the province’s fiscal resources effectively and support municipalities and line departments in the implementation of both the MFMA and PFMA” (LPT: APP 2008/09-2010/11: 31). The functions flowing from the strategic goals, objective and purpose among others were, to:

- ensure efficient budget management;
- assess and ensure effective expenditure;
- ensure that financial reporting is a full and true reflection of the financial position of the province; and
- implement the MFMA in the municipalities (LPT: APP 2008/09-2010/11: 31).

The situational analysis presented in the APPs indicated that the Chief Directorate: Intergovernmental Fiscal Relations was favoured with the employment of two additional senior managers and four managers to assist in the monitoring and implementation of the MFMA (LPT: APP 2008/09-2010/11: 32). The LPT planned to fill nine posts of managers (LPT: APP 2008/09-2010/11). The reason for filling these nine posts was to ensure that each directorate of the Chief Directorate: Intergovernmental Fiscal Relations had by five (5) managers (LPT: APP 2008/09-2010/11).

The sub-programme which forms the focus of this study is the Intergovernmental Fiscal Relations. The strategic goal for the sub-programme was “To develop Provincial Fiscal Policy and Macro-economic Framework for the province” (LPT: APP 2008/09-2010/11: 33). There were seven Key Performance Indicators, namely, (1) number of municipalities complying with provincial and national prescribed budget format, (2) number of municipalities complying with budget reporting (s71 reports), (3) number of municipalities that have effectively implemented the supply chain policy, (4) number of municipalities submitting MFMA compliance returns and reports, (5) number of municipalities with risk management and internal audit units, (6) development of standard reporting requirements from systems, and (7) improvement of municipalities’ financial viability (LPT: APP 2008/09-2010/11: 37). Municipalities were categorised as high-capacity municipalities, medium capacity municipalities and low-capacity municipalities. High-capacity municipalities were municipalities with highest budgets and ability to implement the MFMA in full during its inception (National Treasury. 2005. Frequently Asked Questions: 2). Medium and low-capacity municipalities were municipalities with small budgets and given an opportunity to incrementally implement the MFMA (National Treasury. 2005. Frequently Asked Questions: 2). Table 2 illustrates the APPs plans for the period 2008/9-2010/11.

Table 16: APPs for the period 2008/9-2010/11

Sub programme	Strategic Goal: To develop Provincial Fiscal Policy and Macro-economic Framework for the province				
Strategic objective	Measurable Objective (KRA)	Performance indicator (KRI)	2008/9 targets	2009/10 targets	2010/11 targets
Ensure that there is optimum budget resource allocation and expenditure management within the province (i.e. all provincial departments, parastatals and municipalities)	Successful implementation of MFMA	Number of municipalities complying with provincial and national prescribed budget format	Two of the high capacity municipalities' budgets compliant to circular 28.	All three high capacity municipalities' budgets compliant to circular 28	All three high capacity municipalities compliant to circular 28
			Four medium capacity municipalities' budget compliant to circular 28	Six medium capacity municipalities' budget compliant to circular 28	All eight medium capacity municipalities' budget compliant to circular 28
			9 low capacity municipalities' budget compliant to circular 28	14 low capacity municipalities' budget compliant to circular 28	All 19 low capacity municipalities' budget compliant to circular 28
		Number of municipalities complying with budget reporting (s71 reports)	25 municipalities submitting compliant s71 reports as regulated within the prescribed timeframe	30 municipalities submitting compliant s71 reports as regulated within the prescribed timeframe	30 municipalities submitting compliant s71 reports as regulated within the prescribed timeframe
			Five municipalities with unqualified audit reports	Ten municipalities with unqualified audit reports	15 municipalities with unqualified audit reports
			All three high capacity, eight medium capacity and 14 low capacity	All three high capacity, eight medium capacity and 16 low capacity municipalities have prepared and	All three high capacity, eight medium capacity and 19 low capacity municipalities have prepared and submitted their

Sub programme	Strategic Goal: To develop Provincial Fiscal Policy and Macro-economic Framework for the province				
Strategic objective	Measurable Objective (KRA)	Performance indicator (KRI)	2008/9 targets	2009/10 targets	2010/11 targets
			municipalities have prepared and submitted their annual financial statements on GRAP	submitted their annual financial statements on GRAP	annual financial statements on GRAP
			All 30 municipalities have reviewed their SCM policies to be in line with the promulgated regulations	All 30 municipalities have reviewed their SCM policies to be in line with the promulgated regulations	All 30 municipalities have reviewed their SCM policies to be in line with the promulgated regulations
		Number of municipalities that have effectively implemented the supply chain policy	15 of 30 municipalities effectively implementing SCM	25 of 30 municipalities effectively implementing SCM	All 30 municipalities effectively implementing SCM
		Number of municipalities submitting MFMA compliance returns and reports	All MFMA return forms submitted within the prescribed timeframes by all municipalities	All MFMA return forms submitted within the prescribed timeframes by all municipalities	All MFMA return forms submitted within the prescribed timeframes by all municipalities
		Number of municipalities with risk management and internal audit units	15 municipalities with internally established internal audit units and risk assessment reports prepared. 15 of 30 municipalities with outsourced or co-	30 municipalities with internally established internal audit units and risk assessment reports prepared.	30 municipalities with internally established internal audit units and risk assessment reports prepared.

Sub programme	Strategic Goal: To develop Provincial Fiscal Policy and Macro-economic Framework for the province				
Strategic objective	Measurable Objective (KRA)	Performance indicator (KRI)	2008/9 targets	2009/10 targets	2010/11 targets
			sourced internal audit that covers risk management function		
		Development of standard reporting requirements from systems	Provide technical support on financial reports	Developed standard reporting requirements	15 municipalities complying with the standard reporting requirements
		Improvement of municipalities' financial viability	Payments of debts by department (Departments account to be settled within 60 days)	Payments of debts by department (Departments account to be settled within 30 days)	Payments of debts by department (Departments account to be settled within 60 days)
			Assessments of investment & borrowings in municipalities prior to incurring the debt	Assessments of investment & borrowings in municipalities prior to incurring the debt	Assessments of investment & borrowings in municipalities prior to incurring the debt

Source: LPT (nd.)

The LPT planned that high-capacity municipalities must comply with provincial and national prescribed budget format in two years from 2009/9 to 2009/10. The progression in compliance with provincial and national prescribed budget format was intended to reach maturity over a three-year period among the medium and low-capacity municipalities. There was a disjuncture concerning planning for compliance with s71 budget reporting. The LPT separated compliance with s71 reporting format and timeframe and submission of MFMA returns. The LPT planned to achieve compliance to budget reporting (s71 reports) over a period of two years on the one hand. On the other hand, the LPT planned to ensure compliance to submission of MFMA returns by all municipalities in the first year, namely, 2008/9 of the three years planning cycle. It is not enough to submit compliant s71 reports. The returns accompanying s71 reports must also be compliant. The LPT should have planned compliant budget reporting with all the correct MFMA returns submitted.

Similar to budget reporting, the LPT adopted an incremental approach to the implementation of the supply chain policy. The LPT planned to have 15 out of 30 municipalities effectively implementing the supply chain policy. The plan of the LPT was to achieve compliance by all the municipalities in the third year, namely, the 2010/11 financial year. There was a disjuncture between the targets 'implementation of the supply chain policy' and 'attainment of unqualified audit opinions by municipalities'. Over the three-year cycle, the LPT planned to have 15 out of 30 municipalities obtaining unqualified audit. Effective implementation of supply chain policy is a material aspect of municipal financial management. It would therefore have been better to align implementation of supply chain management with the attainment of unqualified audit opinions.

It is one thing to have a plan and other to have it executed. Capacity is central to execution of planned activities. Part of the data required to answer the research question is whether the LPT had the capacity, financial and human resources to implement plans. The Intergovernmental Fiscal Relations was funded during the 2008/9-2010/11 MTEF period. The MTEF budget projections for the financial year 2008/9 was R12 601 000.00 (LPT: APP 2008/09-2011/11: 43). The final appropriation was R9 595 000.00 and actual expenditure R8 899 000.00 (LPT: APP 2008/09-2010/11: 101). The initial amount was reduced through adjustment budget

(R11 442 000.00-adjustment appropriation), shifting of funds (R200 000.00) and virement (R1 650 000.00) (LPT: APP 2008/09-2010/11: 101). The MTEF budget projection for the 2009/10 financial year was R13 357 000.00 (LPT: APP 2008/09-2010/11: 43). The final appropriation was R9 029 000.00 and actual expenditure of R9 284 000.00 (LPT: APP 2008/09-2010/11: 43). This represents an over-expenditure of 2.5% during the 2009/10 financial year. The initial amount was reduced through adjustment budget (R9 127 000.00-adjustment appropriation), shifting of funds (R306 000.00) and virement (R208 000.00) (LPT: APP 2008/09-2010/11: 101). The MTEF budget projection for the financial year 2010/11 was R13 246 000.00 (LPT: APP 2008/09-2010/11: 43). The initial amount was reduced through adjustment budget (R10 114 000.00-adjustment appropriation) and shifting of funds (R220 000.00) (LPT: APP 2010/11-2011: 66). The final appropriation was R10 334 000.00 and expenditure of R10 319.00 (LPT: APP 2010/11-2011: 66). The average annual change was 8.8% (LPT: APP 2008/09-2011/11: 43). The average annual change refers to the percentage increase in the budget for the three-year cycle, namely, 2008/9 – 2010/11. The anticipated budget increase was not realised because the budget was decreased over the years. The decrease in budget had the potential to negatively impact on the capacity of the LPT to undertake some of its activities.

The strategic plan of the LPT for the fiscal years 2010/11-2014/15 is structured into three parts, Part A: Strategic Overview, Part B: Strategic Objectives, Part C: Links to other plans and Annexures (LPT: Strategic Plan 2010/11-2014/15: 2). Part A dealt with the vision, mission, values, legislative and other mandates, situational analysis and strategic outcome oriented goals of LPT (LPT: Strategic Plan 2010/11-2014/15: 2). Part B addressed the strategic objectives for the four programmes, namely, Programme 1: Administration, Programme 2: Sustainable Resource Management, Programme 3: Assets, Liabilities and Supply Chain Management and Programme 4: Financial Governance (LPT: Strategic Plan 2010/11-2014/15: 2). Each programme was discussed under four areas, namely, programme purpose, strategic objectives, resource consideration and risk management. Part C addressed links to the long-term infrastructure and other capital plans, conditional grants, public entities and Public Private Partnerships (LPT: Strategic Plan 2010/11-2014/15: 3).

There were five parts, namely,

- Annexure 1: Action plans for programmes;
- Annexure 2: Technical indicators for Programme 1;
- Technical indicators for Programme 2;
- Technical indicators for Programme 3; and
- Technical indicators for Programme 4 (LPT: Strategic Plan 2010/11-2014/15: 3).

The LPT listed five mandates, namely, the constitutional mandate, legislative mandates, policy mandates, relevant court rulings, and planned policy initiatives (LPT: Strategic Plan 2010/11-2014/15: 3). The LPT listed section 216(1) of the Constitution, 1996, as a provision for constitution mandate (LPT: Strategic Plan 2010/11-2014/15: 3). LPT listed the PFMA and MFMA as legislation providing mandates. Sections 18(1) and 18(2) of the PFMA were indicated as provisions providing the mandate of the provincial treasury (LPT: Strategic Plan 2010/11-2014/15: 4). The LPT listed Chapter 5 of the MFMA, particularly sections 3 and 4 to clarify its mandate in the municipal financial IGR. The Framework for Managing Programme Performance Information was listed because it mandates the provincial treasury to oversee programme performance. The oversight role of the provincial treasury, namely, monitoring the implementation of the Framework for Managing Programme Performance Information by all institutions within their respective spheres, providing training on the use of performance information, providing input into processes to select and to define performance indicators. Listing the mandates was an appropriate step because it focused the LPT to its mandate. Therefore, understanding the mandate of the LPT provides a framework for analysing data.

The LPT planned to continue to oversee the implementation of the PFMA and the MFMA in provincial departments, public entities as well as municipalities and municipal entities during the 2011/12-2014/15 financial years (LPT: Strategic Plan 2010/11-2014/15: 8). During the ensuing five year period, the LPT planned to build the capacity of municipalities to ensure sound financial management for effective and efficient service delivery (LPT: Strategic Plan 2010/11-2014/15: 8). The LPT further

planned to focus on prudent utilisation of resources without compromising government priorities. As part of the exercise of prudent utilisation of resources, the LPT committed to monitor expenditure in the province. The workload of the LPT was increased by transferring the Provincial Internal Audit function from the Office of the Premier to the LPT. The LPT is a multifunctional department whose core business is to support provincial government departments, provincial entities, municipalities and municipal entities. Moving the Provincial Internal Audit function was in line with the notion that the LPT was at the service of all the provincial government departments.

During the strategic planning review process held on the 21-23 June 2011 (LPT: Strategic Plan 2010/11-2014/15: 13), six focus areas were identified as priorities, namely, fundraising, allocation, managing/monitoring public funds, evaluation of socio-economic impact, internal organisation and building stakeholder relationships (LPT: Strategic Plan 2010/11-2014/15: 13). The focus area focusing among others on municipal financial IGR were the managing/monitoring public funds accountable internal organisation. The managing/monitoring public funds was identified to address clean audit, financial management competency and skills in departments and municipalities, implementation of IFMS and Supply Chain Management reform (LPT: Strategic Plan 2010/11-2014/15: 14). The focus on internal organisation was identified to address skilled and committed employees, communication, accountability and systems (LPT: Strategic Plan 2010/11-2014/15: 14). The LPT was both inward and outward looking. It was appropriate for the LPT to assess whether it was properly structured to execute its mandate. The LPT was duty bound to assess the configuration and capacity of municipalities to attain sound financial management. The assessment of the capacity and capability of municipalities is an activity undertaken with the express participation by municipalities. The LPT must undertake this exercise by sponsoring the municipal planning processes.

The 2010/11-2014/15 strategic plan was organised in terms of four programmes, namely, Administration, Sustainable Resource Management, Assets, Liabilities and Supply Chain Management, and Financial Governance (LPT: Strategic Plan 2010/11-2014/15: 2). Each programme comprised sub-programmes. The Administration programme had four sub-programmes, namely, Office of the MEC, Management Services, Corporate Services and Financial Management (Office of the

CFO) (LPT: Strategic Plan 2010/11-2014/15: 16). The Sustainable Resource Management comprised six (6) sub-programmes, namely, Programme Support, Economic Analysis, Fiscal Policy, Budget Management, Public Finance and Intergovernmental Fiscal Relations (Municipal Finance) (LPT: Strategic Plan 2010/11-2014/15: 16). The Assets, Liabilities and Supply Chain Management programme consisted of five sub-programmes, namely, Programme Support, Asset management, Liabilities Management, Provincial Supply Chain Management and Support & Interlinked Financial Systems (LPT: Strategic Plan 2010/11-2014/15: 16). The Financial Governance programme consisted of three sub-programmes, namely, Programme Support, Accounting Services and Transversal Risk Management and Internal Control (LPT: Strategic Plan 2010/11-2014/15: 16). In the main, the budget structure for the LPT was similar to the budget structure for the period 2008/9-2010/11. The only notable change in the arrangements within the LPT was the addition of the audit function.

The Sustainable Resource Management programme which is unique to LPT was the locus of municipal financial IGR, particularly, the Intergovernmental Fiscal Relations (Municipal Finance) sub-programme. This narration will focus mainly on the Sustainable Resource Management programme. The programme purpose of the Sustainable Resource Management programme was to inform financial resource allocation, manage the provincial budget and to support and monitor provincial departments, municipalities and public entities for efficient and effective use of the province's fiscal resources.

To realise the objective of the programmes, action plans were prepared. The action plans for programmes were categorised as quick wins, short-term, medium-term or long-term (LPT: Strategic Plan 2010/11-2014/15: 36). Quick wins covered the period July to September 2011 (LPT: Strategic Plan 2010/11-2014/15: 36). The short-term accounted for the period July 2011 to March 2012 (LPT: Strategic Plan 2010/11-2014/15: 37). Medium-term covered the period April 2012 to March 2013 (LPT: Strategic Plan 2010/11-2014/15: 38). Long-term covered the period April 2013 to March 2014 (LPT: Strategic Plan 2010/11-2014/15: 39). The long-term plans fall outside the scope of this study (financial years 2008/9-2012/13). The data from the action plans indicate the activities which the LPT planned to embark upon to supervise

municipal financial management. The researcher will among others rely on the data from the action plans to determine whether the actions of the LPT were not based on arbitrariness. The action plans are elaborated upon hereunder.

The quick wins action plan was anchored on five priorities, namely, fundraising, allocator, manager and monitor, socio-economic impact assessment and building stakeholder relations with NT and Municipalities (LPT: Strategic Plan 2010/11-2014/15: 36). The priorities formed the base of the projects. The quick wins action plan consisted of nine projects of which two were focused on municipal financial IGR. These two projects were:

- “Site (Points of collection) visits to departments and municipalities; and
- Roll out the 30 (MFMA compliance) indicators’ programme to municipalities-completion of the training” (LPT: Strategic Plan 2010/11-2014/15: 36).

Two quick win projects were identified for municipal financial IGR, namely, site (points of collection) visits to departments and municipalities and roll out the 30 (MFMA compliance) indicators’ monitoring programme to municipalities-completion of the training (LPT: Strategic Plan 2010/1-2014/15: 36). This data constitutes support and provides the plan for the LPT and the researcher will refer to it when making conclusions about the main research question. Site (points of collection) visits to departments and municipalities project was planned to start on 1 August 2011 (LPT: Strategic Plan 2010/11-2014/15: 36). Project performance was planned to be monitored through monthly reports and quarterly financial reports (LPT: Strategic Plan 2010/11-2014/15: 36). Roll out the 30 (MFMA compliance) indicators’ monitoring programme to municipalities-completion of the training was planned for June 2011 (LPT: Strategic Plan 2010/11-2014/15: 36). Project performance was planned to be monitored through training report for provincial treasury officials submitted by end June 2011 (LPT: Strategic Plan 2010/11-2014/15: 36). The data derived from the quick win projects pertains to the monitoring responsibilities of the LPT. The researcher will utilise this data in subsection 6.4.1 to make conclusion about the main research question.

The short-term action plan was also anchored on similar priorities as the quick wins action plan, namely, fundraising, allocator, manager and monitor, socio economic impact assessment and building stakeholder relations with NT and municipalities (LPT: Strategic Plan 2010/11-2014/15: 37). The short-term action plan consisted of seven (7) projects, namely,

- “Project scoping for opportunity financing;
- Revenue optimisation exercise per department (debtor management/collection project in departments and municipalities);
- 2% reduction on CoE historical impact assessment (As at March 2011);
- Credible own revenue and expenditure budgets and projections;
- Develop financial management blue print for local government;
- Socio economic impact assessment report; and
- Roll out the 30 (MFMA compliance) indicators’ monitoring programme to delegated municipalities-single session per municipality” (LPT: Strategic Plan 2010/11-2014/15: 37).

Four short-term projects, namely, revenue optimisation exercise per department (debtor management/collection project in departments and municipalities), credible own revenue and expenditure budgets and projections, develop a financial management oversight blueprint for local government and roll out the 30 (MFMA compliance) indicators’ monitoring programme to delegated municipalities-single session per municipality were planned for municipal financial IGR (LPT: Strategic Plan 2010/11-2014/15: 37). This project involved monitoring municipalities which are accountable to the LPT. There is only one municipality in Limpopo Province, namely, Polokwane LM which is not delegated. Polokwane LM is accountable to the NT. The revenue optimisation exercise project was planned for March 2012 (LPT: Strategic Plan 2010/11 – 2014/15: 37). Project performance was planned to be monitored through monthly increased revenue reports and quarterly updates (LPT: Strategic Plan 2010/11-2014/15: 37). Credible own revenue and expenditure, budgets and projections project were planned for May 2012 (LPT: Strategic Plan 2010/11-2014/15: 37). The milestone for this project was submission of draft budgets by March 2012 (LPT: Strategic Plan 2010/11-2014/15: 37). The development of a financial

management oversight blueprint for local government was planned for March 2012 (LPT: Strategic Plan 2010/11-2014/15: 37). This project had two critical milestones, namely, submission of first draft by October 2012 and second draft by January 2013 (LPT: Strategic Plan 2010/11-2014/15: 37). The roll out the 30 (MFMA compliance) indicators' monitoring programme to delegated municipalities-single session per municipality project was planned to start on the 1 July 2011 and endure until March 2012 (LPT: Strategic Plan 2010/11-2014/15: 37). Project performance for this project was planned to be measured through submission of quarterly reports on delegated municipalities covered (LPT: Strategic Plan 2010/11-2014/15: 37). The oversight blueprint was a guideline to be used by the LPT when conducting municipal financial IGR. The blueprint was important to create clarity in respect of the role of the LPT in overseeing municipalities. The indicator was specific and timebound, thus realistic and achievable. The other projects were also achievable because they were tied to defined timeframes. The data provide insight on the support role of the LPT in municipal financial management, hence contributing to the conclusions of this study.

The medium-term action plan was anchored on four (4) priorities, namely, fundraising, allocator, socio-economic impact assessment and building stakeholder relations with NT and municipalities (LPT: Strategic Plan 2010/11-2014/15: 38). The medium-term action plan entailed six projects of which two were related to municipal financial IGR, namely,

- “Revenue optimisation exercise per department (debtor management/collection project in departments and municipalities); and
- Roll out the 30 (MFMA compliance) indicators' monitoring programme-single session per municipality” (LPT: Strategic Plan 2010/11-2014/15: 38).

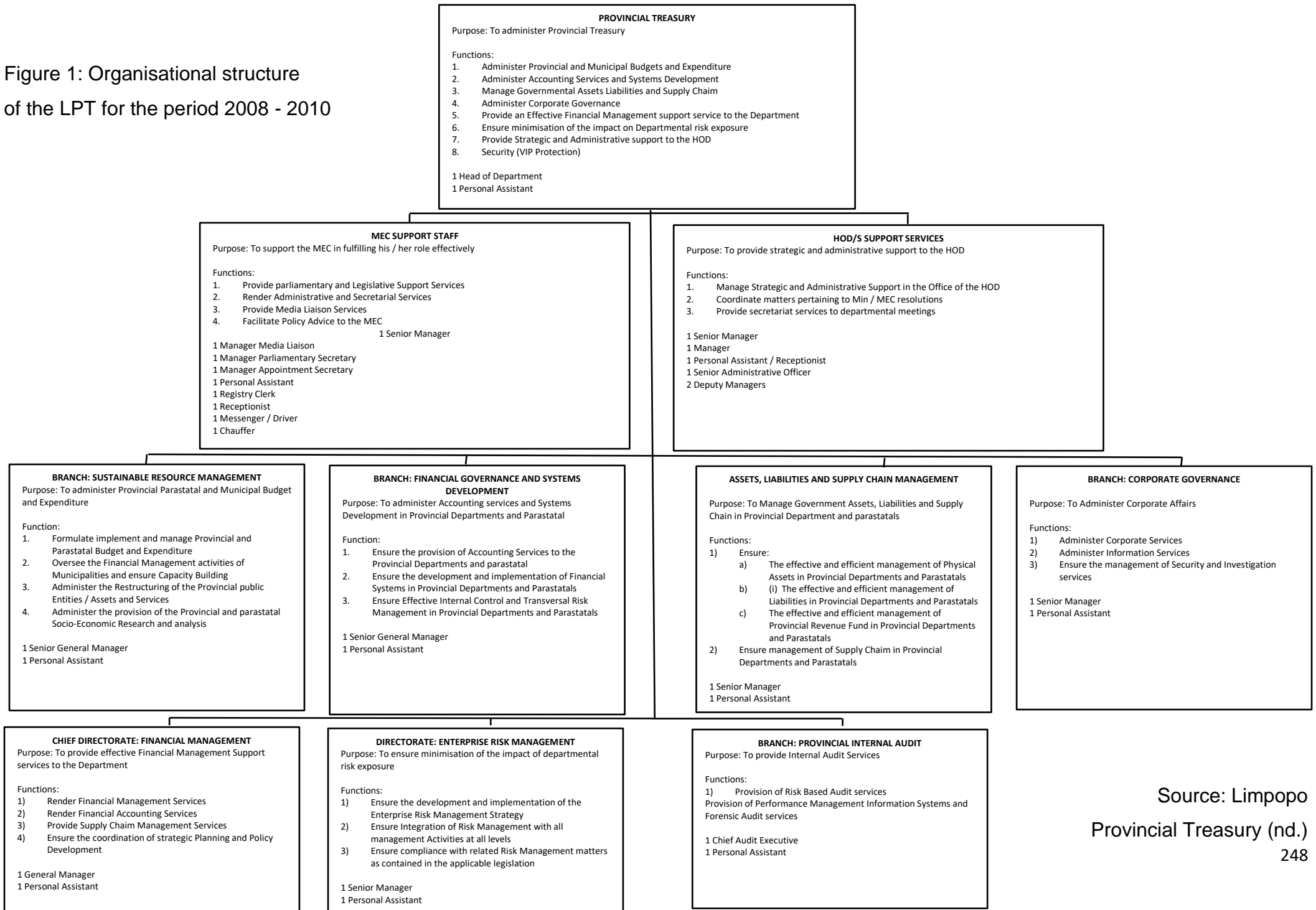
The revenue optimisation project was planned to start in April 2012 and endure until March 2014 (LPT: Strategic Plan 2010/11-2014/15: 38). Project performance was planned to be monitored through monthly increased revenue report and quarterly updates (LPT: Strategic Plan 2010/11-2014/15: 38). The building stakeholder projects was planned to start in April 2012 and endure until March 2013 (LPT: Strategic Plan 2010/11-2014/15: 38). Projection performance for this project was planned to be

monitored through the submission of quarterly reports on delegated municipalities covered (LPT: Strategic Plan 2010/11-2014/15: 38). The function informs the organisational architecture required to implement planned projects. The organisational structure is one of the means to realise the APPs. The data derived from the organisational structure will shed light on the capability and capacity of the LPT to implement planned projects, particularly the supervision of municipal financial management. The paragraph elaborates on the organisational structure.

6.3.4. Organisational structure

The MEC for the LPT approved the organisational structure for period 2008-2010 (LPT: Approved Organisational Structure – 2008). The HOD of the LPT prepared the organisational structure and submitted it to the MEC for consideration. The MEC as the executing authority had the responsibility to approve the organisational structure and exercised that responsibility. The high-level organisational structure comprised the office of the HOD, MEC Support Staff, HOD's Support Staff, five (5) branches, Chief Directorate and the Directorate. The five branches were Sustainable Resource Management, Financial Governance and Systems Development, Assets, Liabilities and Supply Chain Management, Corporate Governance and Provincial Internal Audit (LPT: Approved Organisational Structure - 2008). There were Financial Management Chief Directorate and Enterprise Risk Management Directorate respectively (LPT: Approved Organisational Structure - 2008). The LPT is headed by the HOD supported by a Personal Assistant (LPT: Approved Organisational Structure-2008). The data from the organisational structure will be useful in deciding whether the LPT had the capability to supervise municipal financial management. The organisational structure provides the means through which municipal financial IGR were conducted and data derived from it is relevant for this study. Figure 1 illustrates the organisational structure for the LPT.

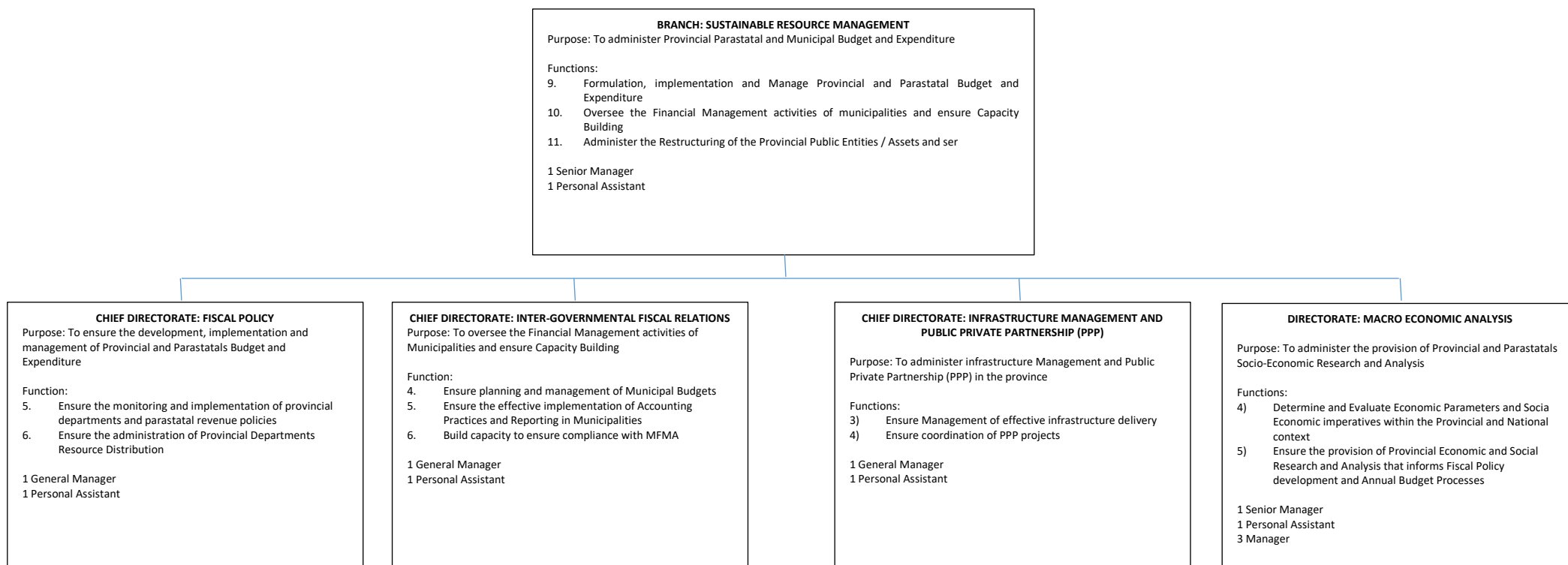
Figure 1: Organisational structure of the LPT for the period 2008 - 2010



The Sustainable Resource Management Branch comprised four (4) Chief Directorates, namely, Fiscal Policy, Inter-governmental Fiscal Relations, Infrastructure Management and Public Private Partnership and Macro Economic Analysis (LPT: Approved Organisational Structure - 2008). The Inter-governmental Fiscal Relations Branch was established to oversee the financial activities of municipalities and ensure capacity building (LPT: Approved Organisational Structure - 2008). The functions of the Inter-governmental Fiscal Relations Chief Directorate were to ensure planning and management of municipal budgets, ensure the effective implementation of accounting practices and reporting in municipalities and build capacity to ensure compliance with the MFMA (LPT: Approved Organisational Structure - 2008). The data provide insights about the capability of the LPT to monitor and support municipal financial management. Given these insights, the researcher will consider the data to support his conclusions on the main research question.

Each function of the Inter-governmental Fiscal Relations Chief Directorate constituted a directorate, namely, financial planning and budget, accounting and reporting and compliance and capacity building (LPT: Approved Organisational Structure-2008). Each directorate was headed by a senior manager (LPT: Approved Organisational Structure-2008). The senior manager was supported by a personal assistant, five managers and two deputy managers. The total staff complement for the chief directorate was 29 officials (LPT: Approved Organisational Structure-2008). Figure 2 illustrates the organisational structure of the Inter-governmental Fiscal Relations Chief Directorate with functions for each directorate.

Figure 2: Organisational structure of the Inter-governmental Fiscal Relations Chief Directorate for the period 2008 - 2010



Source: LPT (nd.)

Akin to discussion on Figure 1, the data derived from the organisational structure in Figure 2 provides evidence of capability for conducting municipal financial IGR. The researcher will rely on the data from the organisational structure to determine whether the LPT had the capability and capacity to supervise municipal financial management. It is therefore imperative to utilise the data from the organisational structure in answering the main research question.

The financial planning and budget directorate was responsible for ensuring proper implementation of the municipal budgets, ensuring that municipal budgets are aligned to the national and provincial priorities and implementation of the inter-governmental funding of municipalities. **The accounting and reporting directorate** was responsible for ensuring effective implementation of accounting practices in line with GRAP, ensuring promotion of optimal financial resource utilisation, consolidating financial statements and ensuring tabling of consolidated reports. **The compliance and capacity building directorate** was responsible for compiling half yearly reports of municipalities, building capacity on financial and supply chain management and enforcing compliance with MFMA and related legislative and policy frameworks.

The organisational structure was updated to implement the strategic plan for the fiscal years 2010/11-2014/15. The high-level organisational structure consisted of four branches, namely, Corporate Governance, Sustainable Resource Management, Assets, Liabilities & Supply Chain Management, Financial Governance and Internal Audit and the Financial Management Chief Directorate (LPT: Annual Report 2012-2012: 9; LPT: Approved Organisational Structure - 2008). The branches and chief directorate were managed by senior general managers and general manager respectively (LPT: Approved Organisational Structure-2008). The senior general managers and general manager report to the Head of Department (HOD) (LPT: Approved Organisational Structure-2008). The HOD reported to the MEC. This reporting matrix provides insights on the communication networks that exist to carry out the mandate of the LPT. Each of the role players had a responsibility as far as monitoring and support of municipal financial management is concerned. Understanding this architecture will contribute to the outcome of this study. Subsection 6.3.3 presents and analyses performance reporting.

6.3.5. Performance reporting

The annual performance plans presented above covered the period 200/9-2012/13. Likewise, the annual report is an account of performance for the planned activities contained in the annual performance plans. **Annual reports** for the period 2008/9-2012/13 will be presented and analysed. The data from the annual reports among other addressed the monitoring and support of municipal financial management. The data form the core of data to be analysed and make conclusions in this study. The HOD provided the introduction to the annual reports (LPT: Annual Report 2008-2009 (nd.: 6). The MEC gave the overview to the annual reports (LPT: Annual Report 2008-2009 (nd.: 33)). Both the HOD and MEC signed the annual reports to confirm the authenticity of the information contained therein (LPT: Annual Report 2008-2009 (nd.: 32; 33)). The 2008/9 annual report contains 11 Key Measure Indicators/Targets and fourteen targeted outputs (LPT: Annual Report 2008-2009 (nd.: 55)). Table 3 illustrates the performance of the LPT for the 2008/9 financial year.

Table 17: Performance information for the LPT for the financial year 2008/9

Strategic Goal: To develop Provincial Fiscal Policy and Macro-Economic Framework for the Province				
INTERGOVERNMENTAL FISCAL RELATIONS				
Strategic objective/Priority	Key Measure Indicator (KRI)/Target	Targeted output for 2008/09	Actual output	Reason for deviation
Ensure that there is optimum budget resource allocation and expenditure management within the province	Number of municipalities complying with the provincial and national prescribed budget format	2 of high capacity municipalities' budgets complaint to circular 28	Municipalities submitted the budgets however not assessed for compliance with circular 28	Change of focus due to concentration on the new budget regulations
		Four medium capacity municipalities' budgets complaint to circular 28	Municipalities submitted the budgets however not assessed for compliance with circular 28	Change of focus due to concentration on the new budget regulations
		Nine low capacity municipalities' budgets complaint to circular 28	Municipalities submitted the budgets however not assessed for compliance with circular 28	Change of focus due to concentration on the new budget regulations

Strategic Goal: To develop Provincial Fiscal Policy and Macro-Economic Framework for the Province				
INTERGOVERNMENTAL FISCAL RELATIONS				
Strategic objective/Priority	Key Measure Indicator (KRI)/Target	Targeted output for 2008/09	Actual output	Reason for deviation
	Number of municipalities complying with budget reporting (s71 reports)	25 municipalities submitting compliant s71 reports as regulated within the prescribed timeframe	25 municipalities submit compliant s71 reports	None
		Publishing of consolidated s71 reports	Consolidation of s71 reports published	None
	Number of municipalities with unqualified audit report	Five municipalities with unqualified audit reports	Five municipalities obtained audit reports	One municipality did not provide/prepare the necessary documentation to warrant a good opinion

Strategic Goal: To develop Provincial Fiscal Policy and Macro-Economic Framework for the Province				
INTERGOVERNMENTAL FISCAL RELATIONS				
Strategic objective/Priority	Key Measure Indicator (KRI)/Target	Targeted output for 2008/09	Actual output	Reason for deviation
	Number of municipalities complying with accounting norms and reporting standards (GRAP/GAMAP)	All three high capacity, eight medium capacity and 14 low capacity municipalities complying with accounting norms and reporting standards (GRAP/GAMAP)	Two high capacity municipality, eight medium and the 14 low capacity municipalities complying with accounting norms and reporting standards	Delay by the municipality to comply with the relevant processes
	Number of municipalities having supply chain policy in line with the promulgated municipal supply chain management regulations	Compliance by all 30 municipalities	Municipalities have supply chain policies but compliance with the model policy yearly review by municipalities has not been verified	Change of focus owing to concentration on the need analysis within the municipalities'

Strategic Goal: To develop Provincial Fiscal Policy and Macro-Economic Framework for the Province				
INTERGOVERNMENTAL FISCAL RELATIONS				
Strategic objective/Priority	Key Measure Indicator (KRI)/Target	Targeted output for 2008/09	Actual output	Reason for deviation
				budget treasury offices
	Number of municipalities that have effectively implemented the supply chain policy	15 of the 30 municipalities effectively implementing SCM	Four municipalities were assessed and are effectively implementing supply chain management	Change of focus due to concentration on the need analysis within the municipalities' budget treasury offices
	Number of municipalities submitting MFMA compliance returns and reports	All MFMA return forms submitted within the prescribed timeframes by all municipalities (30)	Ten municipalities are submitting returns on time	Lack of skill and ownership from the municipalities on submission of returns

Strategic Goal: To develop Provincial Fiscal Policy and Macro-Economic Framework for the Province				
INTERGOVERNMENTAL FISCAL RELATIONS				
Strategic objective/Priority	Key Measure Indicator (KRI)/Target	Targeted output for 2008/09	Actual output	Reason for deviation
	Number of municipalities with risk management and internal audit units	15 municipalities with internally established internal audit units and risk assessment reports prepared	15 municipalities have established the internal audit units and municipalities have risk assessment reports	Change of focus due to concentration on the need analysis within the municipalities' budget and treasury offices
	Development of standard reporting requirements for systems	Provide technical support on financial reports	Technical support on financial reports has been provided to the municipalities	None
	Improvement of municipalities' financial viability	Payments of debts by departments (Departments' account to be	Department of Health is partially paying its debts and the Department of Safety, Security and Liaison is paying all its outstanding debt.	Departments are disputing the credibility of the billing from the municipalities

Strategic Goal: To develop Provincial Fiscal Policy and Macro-Economic Framework for the Province				
INTERGOVERNMENTAL FISCAL RELATIONS				
Strategic objective/Priority	Key Measure Indicator (KRI)/Target	Targeted output for 2008/09	Actual output	Reason for deviation
		settled within 60 days)	Departments are still not settling debts	
MACRO ECONOMIC ANALYSIS				
To influence planning through social and Economic Research and Policy advocacy	Sectoral impact analysis, Economic and Social outlook reports	Support district municipalities in developing socio-economic data when developing IDPs and other policy document	Meetings with 2 district municipalities were held and terms of references were reached. Meetings could not be held with other district municipalities	The district municipalities were busy with completing their IDPs

Source: LPT: Annual Report 2008-2009 (nd.: 55)

Table 3 depicts poor performance during the 2008/9 financial year. The LPT disregarded the planned targets, such as assessment of budget for compliance with the MFMA circular 28. On the contrary, the LPT changed focus and did not record such changes, hence arbitrariness. Table 3 illustrates that 11 targeted outputs were not achieved. Three targeted outputs, namely, provide technical support on financial reports, publishing of s71 reports and 25 municipalities submitting compliant s71 reports as regulated within the prescribed timeframe were achieved during the period under review. Six targeted outputs were not achieved owing to change of focus, which comprised the majority of targeted outputs not achieved.

The Audit Committee and AGSA played oversight over the LPT. Audit committee reports to the annual reports were prepared and packaged as part of the annual reports (LPT: Annual Report 2008-2009 (nd.: 87)). The AGSA reviewed performance information submitted by the LPT. The AGSA reported that no significant findings have been identified on performance information (LPT: Annual Report 2008-2009 (nd.: 92)). The Audit Committee reviewed in-year management, monthly and quarterly reports prepared in terms of the PFMA and the Division of Revenue Act and was satisfied with the quality thereof (LPT: Annual Report 2008-2009 (nd.: 88)). The data from the Audit Committee and AGSA provides assurance on the APR. Therefore, the data from the Audit Committee and AGSA provide the researcher with the comfort that the data analysed are authentic and results cannot be distorted.

During the 2009/10 performance on 17 service delivery indicators and 20 targets were reported (LPT: Annual Report 2009-2010 (nd.: 29)). Table 4 illustrates the performance of the LPT during the financial year 2009/10. Table 4 contains data relating to the mandate of the LPT on municipal financial management. The data derived from Table 4 addresses the two activities of provincial supervision of municipal financial management, namely, monitoring and support. This data will assist the researcher in answering the main research question.

Table 18: Performance of the LPT during 2009/10

Sub-programme	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
FINANCIAL PLANNING AND BUDGET	To provide to the municipalities on the implementation of the MFMA	Number of municipalities complying with provincial and national prescribed budget format	Support 30 municipalities to comply with prescribed budget formats	30 municipalities supported to comply with prescribed budget formats through assessments of 2009/10 budget, workshops and budget regulations and format
		Timeous availability of a credible half year performance assessment report (sec 72)	Monitor and support all 30 municipalities to submit half yearly performance assessment reports (sec 72)	Monitored and supported all 30 municipalities in the preparation process, however, only five municipalities half year assessment reports were analysed and the remaining 25 not assessed.

Sub-programme	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
		Number of municipalities complying with budget reporting (s71 reports)	Monitor the implementation of budgets in 30 municipalities	Monthly s71 reports have been analysed and feedback provided to municipalities
			Publication of s71 reports	Monthly and quarterly reports have been published
<p>Reasons for major variances:</p> <ul style="list-style-type: none"> 25 municipalities did not submit half year performance reports. Letters on non-compliance were sent as a first action, and then municipalities were encouraged to submit even way after the due date for assessments to be performed. 				
ACCOUNTING AND REPORTING	Support provided to the municipalities on the implementation of MFMA	Number of municipalities obtaining unqualified audit opinion	Provide support and monitor 30 municipalities and two municipal entities to improve audit outcomes	30 municipalities supported on the implementation of the corrective action plans (to improve audit outcomes) but 1 municipal entity was not supported.

Sub-programme	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
		Number of municipalities and their entities preparing and submitting AFS in accordance with GRAP	30 municipalities and their municipal entities monitored and supported to prepare their AFS in accordance with GRAP	30 municipalities and their entities were monitored and supported by providing training on GRAP and hands on support in the drafting of AFS in accordance with GRAP
		Improvement of financial viability in municipalities	Monitor payments of municipal debts by sector departments	Payments of municipal debts by sector departments monitored through interaction with sector departments, presentation on outstanding debts and debts assessment to determine amount owed to municipalities

Sub-programme	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
			Monitor municipal cash management and investments	Assessed municipalities investments registers and investment utilisation on a quarterly basis
Reasons for major variances: <ul style="list-style-type: none"> Focus was on municipalities and particularly those that obtained unfavourable audit reports 				
COMPLIANCE AND CAPACITY BUILDING	Support provided to the municipalities on the implementation of the MFMA	Number of municipalities having SCM policies in line with the promulgated municipal supply chain regulation	30 municipalities supported and monitored to ensure that the supply chain management policies are in line with the promulgated municipal supply chain management regulations	11 municipalities were supported through reviews of policies for compliance with the SCM regulation and model policy but 19 municipalities were not supported as their policies were not reviewed
		Number of municipalities submitting credible	30 municipalities monitored and supported to ensure that all MFMA return forms are	All municipalities were supported to ensure that all return forms are submitted

Sub-programme	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
		MFMA returns within the prescribed	submitted within the prescribed timeframes	within the prescribed timeframes but only 19 municipalities completed and submitted the forms correctly and on time
		Number of municipalities with effective internal audit units	30 municipalities monitored and supported to ensure that internal audit units are effective	30 municipalities were monitored and supported through the review of the internal audit units functionality and feedback provided to municipalities
		Number of functional and effective Audit Committees at municipalities	30 municipalities and the two entities supported and monitored to ensure functional and effective Audit Committees	30 municipalities and none of the municipal entities were supported and monitored by reviewing Audit Committees minutes

Sub-programme	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
				of meetings and providing feedback to municipalities
		Risk management principles implemented effectively	Municipalities monitored and supported to ensure development and implementation of risk management strategy in line with the risk management framework	All municipalities have their risk management strategies but they were not supported on the establishment of risk management committees
		Number of municipalities with tabled compliant annual report and oversight reports within the prescribed timeframes	30 municipalities supported and monitored to prepare compliant and credible annual and oversight reports	10 out of 30 municipalities trained on the preparation of the annual and oversight reports

Sub-programme	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
		Number of municipalities with website information compliant with s75 of MFMA	30 municipalities advised and monitored to ensure that websites information is compliant with s75 of MFMA	All 30 municipalities advised on the compliant with s75 of MFMA
		Number of municipalities complying with the internship programme regulations and minimum competency level regulation	30 municipalities monitored and supported to ensure compliance with the internship programme	Reviewed internship programme in ten municipalities
			Municipalities supported and monitored on the compliance	Municipalities were monitored and advised on

Sub-programme	Outputs	Output performance measures/service delivery indicators	Actual performance against target	
			Target	Actual
			with the minimum competency level regulations	compliance with minimum competency levels
<p>Reasons for major variances:</p> <ul style="list-style-type: none"> • Limited capacity within the unit. Focus was more on internal audit reviews. • Municipal entities were not supported because the LPT was prioritising the municipalities based on the limited available capacity. • Municipalities needed more support and training on the review of the risk management reports. • Focus was on the expanded scope on the internal audit and risk management. • Delays in the municipalities to review their risk policies resulted in the interruptions to implement other plans. 				

Source: LPT: Annual Report 2009-2010 (nd.: 29)

The annual report consisted of three sub-programmes, namely, (1) financial planning and budget, (2) accounting and reporting and (3) compliance and capacity building. The data from each sub-programme are relevant to this study to the extent that they address the two aspects of the mandate of the LPT, namely, monitoring and support.

The financial planning and budget sub-programme comprised four targets, namely, (1) support 30 municipalities to comply with prescribed budget formats, (2) monitor and support all 30 municipalities to submit half yearly performance assessment reports, (3) monitor the implementation of budgets in 30 municipalities and (4) publication of s71 reports. Three of the four targets were achieved and one was not achieved. The reason for failure to monitor and support all municipalities to submit half year performance assessment reports was that 25 out of 30 municipalities did not submit mid-year performance reports. The LPT partly monitored the submission of half year assessment reports that is why it was able to send non-compliance letters to municipalities which did not submit half year performance assessment reports. However, the LPT failed to investigate the cause of the non-compliance so that corrective action can be implemented. The LPT relied on the goodwill of municipalities to address the lacklustre performance.

The accounting and reporting sub-programme consisted of five targets, namely, (1) provide support and monitor 30 municipalities and two municipal entities to improve audit opinions, (2) 30 municipalities and their municipal entities monitored and supported to prepare their AFS in accordance with GRAP, (3) monitor payments of municipal debts by sector departments and (4) monitor cash management and investment. One target, namely, provide support and monitor 30 municipalities and two municipal entities to improve audit opinions, was not achieved. The reason for failure to achieve this target was that focus was dedicated to municipalities particularly those which obtained unfavourable audit outcomes. This reason for failure demonstrates poor planning on the part of the LPT. The LPT knew well in advance the extent of the problem requiring attention. The reason provided for failure was therefore unsound. It is commendable that LPT was able to monitor and support municipalities in various ways for them to comply with the policy framework.

The compliance and capacity sub-programme consisted of nine targets, namely:

- (1) 30 municipalities supported and monitored to ensure that the supply chain management policies are in line with the promulgated municipal supply chain management regulations,
- (2) 30 municipalities monitored and supported to ensure that all MFMA return forms are submitted within the prescribed timeframes,
- (3) 30 municipalities monitored and supported to ensure that internal audit units are effective,
- (4) 30 municipalities and two municipal entities supported and monitored to ensure functional and effective audit outcomes,
- (5) municipalities monitored and supported to ensure development and implementation of risk management strategy in line with the risk management framework,
- (6) 30 municipalities monitored and supported to prepare compliant and credible annual and oversight reports,
- (7) 30 municipalities advised and monitored to ensure that websites information is compliant with s75 of the MFMA,
- (8) 30 municipalities monitored and supported to ensure compliance with the internship programme and
- (9) municipalities supported and monitored on the compliance with the minimum competency level regulations.

Five targets, namely

- (1) 30 municipalities supported and monitored to ensure that the supply chain management policies are in line with the municipal supply chain management regulations,
- (2) 30 municipalities monitored and supported to ensure that all MFMA return forms are submitted with the prescribed timeframes,
- (3) 30 municipalities supported and monitored to prepare compliant and credible annual and oversight reports,
- (4) 30 municipalities monitored and supported to ensure compliance with the internship programme and
- (5) 30 municipalities and the 2 entities supported and monitored to ensure functional and effective audit committees were not achieved. The reasons for failure to achieve these targets among others were limited capacity within the unit. The LPT must plan its activities commensurate with available resources. The LPT was alive to its capacity

constraints, therefore lack of capacity could have not been given as the reason for failure to achieve these targets.

The 2009/10 annual report was reviewed by the Audit Committee and AGSA. The Audit Committee was satisfied with the content and quality of monthly and quarterly reports prepared and submitted by the accounting officer of the LPT (LPT: Annual Report 2009-2010 (nd.: 48)). The Audit Committee, however, raised a concern about the human resource constraints which must be addressed to avoid possible risks that the department could face (LPT: Annual Report 2009-2010 (nd.: 48)). The AGSA did not find anything to be reported in relation to predetermined objectives (LPT: Annual Report 2009-2010 (nd.: 58)). The data from the Audit Committee and AGSA provide the researcher with the comfort that the data analysed are authentic and results cannot be distorted.

The 2010/11 annual report consisted of one measure/indicator, namely, "*Number of municipalities supported and monitored in implementation of MFMA*" (LPT: Annual Report 2010-2011 (2011: 35)). There were nine targets set for the financial year, namely

- "30 municipal budgets (Drafts & approved) analysed and feedback provided;
- 30 s71 reports from municipalities analysed and feedback provided;
- 30 half year performance assessment reports from municipalities (sec72) analysed and feedback provided;
- 30 municipalities and two municipal entities supported and monitored to improve audit opinions;
- 30 municipalities and two municipal entities supported to prepare AFS in accordance with GRAP;
- 30 municipalities monitored and supported to effectively implement supply chain management;
- 30 municipalities and two municipal entities monitored and supported to promote functional and effective internal audit;
- 30 municipalities advised and monitored to comply with MFMA returns; and

- 30 municipalities monitored and supported to develop and implement risk management strategy in line with the risk management framework” (LPT: Annual Report 2010-2011 (2011: 35)).

These targets were concerned with the execution of the mandate of the LPT as far as municipal financial management was concerned. This study investigated whether the LPT monitored and supported municipalities in municipal financial management. To the extent that the data from these targets dealt with monitoring and supporting municipal financial management, it will contribute to the results of this research. Table 5 shows the actual performance against targets for the financial year 2010/11.

Table 19: Illustration of actual performance against targets for the 2010/11 financial year

Strategic objective	Measure/Indicator	Actual performance against target		Reasons for variance
		Target	Actual	
SUB-PROGRAMME: FINANCIAL PLANNING AND BUDGET				
Monitoring of the local government fiscal resources and compliance with the Municipal Financial Management Act (MFMA) during 2010/11 to 2014/15	Number of municipalities supported and monitored in implementation of MFMA	30 municipal budgets (Drafts & approved) analysed and feedback provided	30 municipal budgets (Draft & approved) were analysed and feedback provided	Not applicable
		30 s71 reports from municipalities analysed and feedback provided	30 s71 reports from municipalities were analysed and feedback provided on a quarterly basis	Fourth quarter reports not analysed due to the early adoption of the MTREF draft budgets as a result of Local Government Elections. The focus then shifted toward the analysis of the MTREF budgets for 2011/12 municipal financial year prior adoption
		30 half year performance	15 half year performance	15 half year performance assessment reports from

Strategic objective	Measure/Indicator	Actual performance against target		Reasons for variance
		Target	Actual	
		assessment reports from municipalities (sec72) analysed and feedback provided	assessment reports from municipalities (sec72) were analysed and feedback provided	municipalities (sec72) not analysed due to late submission by municipalities
SUB-PROGRAMME: ACCOUNTING AND REPORTING				
Monitoring of the local government fiscal resources and compliance with the Municipal Financial Management Act (MFMA) during 2010/11 to 2014/15	Number of municipalities supported and monitored in implementation of MFMA	30 municipalities and two municipal entities supported and monitored to improve audit opinions	19 municipalities supported and monitored to improve audit opinions	One municipality and its entity are not delegated. Three municipalities' audits have not been completed. Seven municipalities did not submit their audit reports and action plans. One municipal entity audit opinion is still pending
		30 municipalities and two municipal entities supported to prepare AFS in accordance with GRAP	30 municipalities and two municipal entities were supported to prepare AFS in accordance with GRAP	Not applicable

Strategic objective	Measure/Indicator	Actual performance against target		Reasons for variance
		Target	Actual	
SUB-PROGRAMME: COMPLIANCE AND CAPACITY BUILDING				
Monitoring of the local government fiscal resources and compliance with the Municipal Financial Management Act (MFMA) during 2010/11 to 2014/15	Number of municipalities supported and monitored in implementation of MFMA	30 municipalities monitored and supported to effectively implement supply chain management	20 municipalities monitored and supported to effectively implement supply chain management	Ten municipalities not supported and monitored on supply chain management due to lack of human resource capacity
		30 municipalities and two municipal entities monitored and supported to promote functional and effective internal audit	22 municipalities and two entities monitored and supported to promote functional and effective internal audit	8 municipalities and two entities not monitored to promote functional and effective internal audit due to lack of human resource capacity
		30 municipalities advised and monitored to comply with MFMA returns	30 municipalities advised and monitored to comply with MFMA returns	Not applicable

Strategic objective	Measure/Indicator	Actual performance against target		Reasons for variance
		Target	Actual	
		30 municipalities monitored and supported to develop and implement risk management strategy in line with the risk management framework	26 municipalities monitored and supported to develop and implement risk management strategy in line with the risk management framework	Four municipalities outsourced this function
Reasons for major variances: Not applicable				

Source: LPT: Annual Report 2010-2011 (2011: 35)

The annual report was based on three sub-programmes, namely, financial planning and budget, accounting and reporting and compliance and capacity building. The financial planning and budget consisted of three targets, namely:

- (1) 30 municipal budgets (Draft & approved) analysed and feedback provided;
- (2) 30 s71 reports from municipalities analysed and feedback provided; and
- (3) 30 half year performance assessment reports from municipalities (sec 72) analysed and feedback provided.

Two targets, namely, '30 s71 reports from municipalities analysed and feedback provided' and '30 half-year performance assessment reports from municipalities analysed and feedback provided', were not achieved. The reasons were shift in focus owing to early adoption of MTREF budgets as a result of the Local Government Election and late submission of reports by municipalities. The reasons provided for failure to analyse and provide feedback on s71 reports was justified. It would have been unwise to focus on the fourth quarter in the light of compelling need to support the new municipal councils. The target on 30 half-year performance assessment reports was not properly set. The indicator was based on factors that were to a certain extent beyond the control of the LPT. The performance measure should have been based on factors and such conditions which the LPT had control over.

The accounting and reporting sub-programme consisted of two targets, namely, 30 municipalities and two municipal entities supported and monitored to improve audit opinions, and 30 municipalities and two municipal entities supported to prepare AFS in accordance with GRAP. One target, namely, 30 municipalities and two municipal entities supported and monitored to improve audit opinions, was not achieved. The reasons for variance among others was that a municipality and its entity were not delegated. This reason reveals weaknesses in the planning processes within LPT. The LPT was or should have been aware that a municipality and its entity were not delegated, therefore excluding them from its plans. In future, the LPT must use credible information to plan its activities.

The compliance and capacity building sub-programme had four targets, namely:

(1) 30 municipalities monitored and supported to effectively implement supply chain management,

(2) 30 municipalities and two municipal entities monitored and supported to promote functional and effective internal audit;

(3) 30 municipalities advised and monitored to comply with MFMA returns; and

(4) 30 municipalities monitored and supported to develop and implement risk management strategy in line with the risk management framework.

Three targets, namely, 30 municipalities monitored and supported to effectively implement the supply chain management, 30 municipalities and two municipal entities monitored and supported to promote functional and effective internal audit and 30 municipalities monitored and supported to develop and implement risk management strategy in line with the risk management framework, were not achieved. The reason for failure in two targets was lack of human resource capacity. The two targets were not based on credible information. If the target was based on credible information, reliable performance measures would have been put in place. A further reason for variance of the third target reveals that the LPT was not aware of its environment when setting targets. The LPT ought to have known that four municipalities outsourced their risk function and set the correct target based on credible information. Outsourcing the risk function was an admission by the four municipalities that they did not possess requisite capacity to perform the function. The LPT should have developed a plan to capacitate those municipalities to perform the function internally.

The accounting officer of the LPT reported that the LPT had a Strategic Operations and Policy Coordination (SOPC) unit during the 2010 /11 financial year (LPT: Annual Report 2010-2011 (2011: 53)). The data on the SOPC are relevant to the extent that they provide insight on how the LPT monitored municipalities. This insight will contribute towards the conclusion of this study. The SOPC unit was responsible among others for monitoring and evaluation (LPT: Annual Report 2010-2011 (2011: 53)). The accounting

officer further reported that M&E policy was in place (LPT: Annual Report 2010-2011 (2011: 53)). The M&E policy spelled out processes in the collection, validation and storing/recording of performance information (LPT: Annual Report 2010-2011 (2011: 53)). To operationalise the M&E strategy, the SOPC unit developed a monitoring tool (LPT: Annual Report 2010-2011 (2011: 53)). The SOPC directorate used the monitoring tool to collect performance information from the various branches of the LPT, compiled and submitted reports to the executive management committee of the LPT (LPT: Annual Report 2010-2011 (2011: 53)).

The 2010/11 annual report was reviewed by the Audit Committee and AGSA (LPT: Annual Report 2010-2011 (2011: 48 - 50)). The Audit Committee was satisfied about the content and quality of monthly and quarterly reports prepared and submitted by the accounting, that is, the information provided was consistent with planned activities and free from distortions (LPT: Annual Report 2010-2011 (2011: 49)). The Audit Committee, however, raised a concern about the human resource constraints which must be addressed to avoid possible risks that the department could face (LPT: Annual Report 2010-2011 (2011: 49)). The AGSA reported that there were no material findings on the annual performance report such as distortions (LPT: Annual Report 2010-2011 (2011: 57)). The data from the Audit Committee and AGSA provide the researcher with the comfort that the data analysed are authentic and results cannot be distorted.

The 2011/12 annual report consisted of one performance indicator, namely, “*Number of municipalities monitored and supported on budget and documentation, financial management and governments*” (LPT: Annual Report 2011-2012 (2012: 34)). There was one target corresponding to the performance indicator. Table 6 illustrates the performance of the LPT during the financial year 2011/12.

Table 20: Performance of LPT during the financial year 2011/12

Programme 2: Sustainable Resource Management				
Performance indicator	Baseline (Actual output) 2010/11	Actual performance against target		Reason for variance
		Target (2011/12)	Actual (2011/12)	
Sun-programme: Inter-governmental Fiscal Relations (Municipal Finance)				
Number of municipalities and their municipal entities monitored and supported on budget process and documentation, financial management and governance	Monitored and supported 30 municipalities and two entities partially on budget process and documentation, financial and governance	33	30	Three entities not supported because they are currently not active/closed and there is still a dispute over the ownership of Tzaneen Entity

Source: LPT: Annual Report 2011-2012 (2012: 34)

The annual performance report was based on one sub-programme, namely, inter-governmental fiscal relations (municipal finance). There was one performance indicator, namely, number of municipalities and their entities monitored and supported on the budget process and documentation, financial management and governance. However, the performance indicator was not specific and overloaded; that is, the indicator addresses many things instead of addressing one specific output. Despite the performance indicator not been clear, a target of 30 municipalities and three municipal entities was set. It was reported that the 30 municipalities were supported and monitored on the budget process and documentation, financial management and governance. The three municipal entities were not monitored and supported. The reason for the failure to monitor and support the three municipal entities on the budget process and documentation, financial management and governance was that the municipal entities were not active. This reason was unjustified. The LPT ought to have known about the state of municipal entities in the province before including them in the performance plan for 2011/12 financial year. The failure by the LPT can be ascribed to the weaknesses which necessitated the s100(1)(b) of the Constitution, 1996.

During the 2011/12 financial year, the LPT was one of the five departments which were placed under administration in terms of Section 100(1)(b) of the Constitution, 1996 (LPT: Annual Report 2011-2012 (2012: 24; 50)). According to the accounting officer, the section 100 intervention acted as an impetus on the department to realise its vision (LPT: Annual Report 2011-2012 (2012: 24)). The s100 provided the LPT with an opportunity to address all the deficiencies.

The 2011/12 Annual Report was reviewed by the Audit Committee and AGSA (LPT: Annual Report 2011-2012 (2012: 48-51)). The Audit Committee reported that it did not receive and review information on pre-determined objectives to be included in the annual report (LPT: Annual Report 2011-2012 (2012: 41)). The AGSA reported that there were no material findings on the usefulness of the information but the material findings on the annual performance report concerning the reliability of the information (LPT: Annual Report 2011-2012 (2012: 61)). The data from the Audit Committee and AGSA provide the researcher with the comfort that the data analysed are authentic and results cannot be distorted.

The 2012/13 Annual Report consisted of one performance indicator, namely, “*Number of municipalities monitored and supported on budget and documentation, financial management and governments*” (LPT: Annual Report 2012-2013 (2013: 46)). The one indicator matter can be ascribed to the LPT being put under s100 intervention. This was the case during the 2011/12 and 2012/13 financial years. There was one target corresponding to the performance indicator. Table 7 illustrates the performance of the LPT during the financial year 2012/13.

Table 21: Performance of the LPT during the financial year 2012/13

PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT					
Performance indicator	Actual achievement 2011/2012	Planned target 2012/13	Actual achievement 2012/13	Deviation from planned target to actual achievement for 2012/13	Comment on deviations
Number of municipalities and their municipal entities monitored and supported on budget process and documentation, financial management and governance	30	30	30	0	N/A

Source: LPT: Annual Report 2012-2013 (2013: 46)

The data contained in Table 7 address the key activities of monitoring and support. The researcher will rely on the data from the performance report to answer the main research, particularly as it relates to monitoring and support. Similar to the annual performance report for the 2011/12 financial year, the 2012/13 annual performance report had one performance indicator, namely, number of municipalities and their municipal entities monitored and supported on budget process and documentation, financial management and governance. Based on the performance indicator, 30 was set as a target. The target was not specific regarding the number of municipalities and municipal entities involved. Notwithstanding the anomaly, the LPT reported that 30 was achieved. The financial years 2011/12 and 2012/13 were marred by poor planning. The performance indicators did not comply with the principle of indicator setting, that is, an indicator must be specific, measurable, achievable, realistic and time bound (SMART).

The s100(1)(b) Administrator and Accounting Officer reported that the LPT was still operating with the challenge of vacancies in key top management positions (LPT: Annual Report 2012-2013 (2013: 14; 24)). Furthermore, the s100(1)(b) Administrator and Accounting Officer indicated that the regression in provincial audit outcomes has also been a challenge during the period under review (LPT: Annual Report 2012-2013 (2013: 15)). According to the s100(1)(b) Administrator and Accounting Officer, the regression was more pronounced in municipalities where there were increases in disclaimed outcomes (LPT: Annual Report 2012-2013 (2013: 15)). The LPT restructured the Municipal Support Team to provide better support to the municipalities. Dedicated MFMA support teams were established to support a particular district and its local municipalities (explain) (LPT: Annual Report 2012-2013 (2013: 15)). By dedicated MFMA Support Team, the LPT referred to a unit comprising officials allocated to each district and charged with the responsibility to monitor and support municipalities.

The 2012/13 Annual Report was reviewed by the Audit Committee and AGSA (LPT: Annual Report 2012-2013 (2013: 1268)). The Audit Committee was satisfied with the content and quality of monthly and quarterly reports prepared and submitted by the accounting (LPT: Annual Report 2012-2013 (2013: 127)). The AGSA reported that there were no material findings on the annual performance report concerning the

usefulness and reliability of the information (LPT: Annual Report 2012-2013 (2013: 143)). The data from the Audit Committee and AGSA provide the researcher with the comfort that the data analysed are authentic and results cannot be distorted.

The LPT communicated with municipalities through circulars. The Municipal Finance circulars were numbered sequentially. The Municipal Finance circulars communicated various aspects of municipal financial management, in particular issues relating to monitoring and support of municipal financial management. The main research question hinges on two activities, namely, monitoring and support of municipal financial management. The data from this Municipal Finance circulars are crucial in answering the main research question. In view of the importance of data contained in the Municipal Finance circulars a detailed exposition of Municipal Financial circulars will be carried next.

The LPT issued Municipal Finance Circular No.2 of 2011 dated 18 January 2011. The purpose of the circular was to solicit inputs from municipalities in preparation of the Municipal Finance Support Plan for the financial year 2011/12. Municipal capacity building is a collaborative effort. The data from the circular demonstrate the collaborative effort the LPT embarked upon to support municipal capacity building. The researcher will in addition to other data use the data from Municipal Finance Circular No. 2 of 2011 to support the conclusions in this study. The circular was directed to all municipal managers and CFOs in the province. The LPT directed municipal managers to bring the contents of the circular to the attention of Internal Auditors, risk officers and other relevant staff members. Municipalities were given until 31 January 2011 to submit their inputs. However, municipalities were not given ample time to consider their inputs. The LPT should have allocated more time to assist municipalities to identify capacity constraints on the one hand. On the other hand, the LPT should have prepared a proposed intervention plan based on the weaknesses identified through monitoring and canvassed those with the municipalities, rather than ask municipalities to identify their capacity needs. The municipal support plan must be well thought.

The LPT issued Municipal Finance Circular No.1 of 2011 dated 7 January 2011. The circular was a reminder to table and submit mid-year budget and performance

assessment reports and adjustment budget 2010/11. The circular was directed to all the Municipal Managers and CFOs in the province. The circular drew the attention of Municipal Managers to the date by which the assessments were to be conducted, namely, the 25 February 2011. Municipal managers were advised on the format of reports to be submitted, namely, printed and electronic form and the submission due date. The Municipal Finance Circular No.1 of 2011 drew the attention of the municipal managers to MBRR r33 which specified the format of the mid-year performance report in Schedule C, including all the required tables, charts, explanatory information and the quality certificate. The circular drew the attention of the municipal managers to the requirements of MBBR r21 which prescribed the format of the adjustment budget and supporting documents as specified in Schedule B. The attention of the Municipal Manager was drawn to MBBR r24 which stipulates that the Municipal Manager must comply with section 28(7) of the MFMA, read together with section 22(b)(i) of MFMA. The Municipal Finance Circular No. 1 of 2011 provides evidence of support that was provided to the municipalities by the LPT. This evidence forms part of the total evidence required to answer the main research question, particularly the aspect of support. The researcher will also rely on the data from Municipal Finance Circular No. 1 of 2011 in concluding whether the LPT executed its mandate of supervising municipal financial management.

6.4. Analysis of research findings and sub-conclusions

The previous section presented and analysed the data for this study. This section gives meaning to the research findings. Hofstee (2006: 137) argues that research findings must be interpreted to let the reader know what the research findings mean. What follows is an analysis and interpretation of the research findings and the presentation of sub-conclusions.

6.4.1. Monitoring and evaluation (M&E)

During 2008/9-2012/13 financial years, the LPT carried out monitoring activities in relation to municipal financial management. This is so because the LPT planned for monitoring of municipal financial management (Ch.6, s6.3.3: 233). The annual plans among others addressed the following key monitoring activities:

- Compliance to provincial and national prescribed budget format (Ch.6, s6.3.3: 235);
- Compliance to budget reporting (s71 reports) (Ch.6, s6.3.3: 235);
- Submission of MFMA compliance returns (Ch.6, s6.3.3: 235);
- Assessment of investment registers and investment utilisation (Ch.6, s6.3.3: 235);
- Review of supply chain management policies (Ch.6, s6.3.3: 235);
- Review of functionality of internal audit units (Ch.6, s6.3.3: 235); and
- Review of functionality of risk management and Audit Committees (Ch.6, s6.3.3: 235).

A register of submission of municipalities was kept by the LPT. Tables 8-21 in section 6.3.1 above served as registers for submission of s71 reports and MFMA returns. Municipalities which did not submit their reports such as section 71 reports and related annexures were notified of such and requested to correct the anomalies (Ch.6, s6.3.1: 160). The LPT compiled consolidated reports based on the information received from municipalities. The IYMs in section 6.3.1 demonstrate the work done by the LPT in monitoring municipalities. The collection of reports from municipalities, their reviews and feedback to noncompliant municipalities, constitute the actions of monitoring. According to Thornhill *et al.* (in Malan (2005: 239), monitoring is defined as the periodic oversight of a process, or the implementation of an activity with the purpose of determining to what extent the objectives of an organisation are achieved so that a timely action can be taken to correct any deficiencies that are detected. The IYMs demonstrated that non-compliance was pervasive during the period 2008/9-2012/13. For example, Table 8 shows that Lepelle-Nkumpi LM, Fetakgomo LM and Greater Giyani LM did not submit s71 reports for the third quarter of 2008/9 financial year (Ch.6, s6.3.1: 163; IYM-May 2009: May 2009: 2-3). History repeated itself during the fourth quarter of 2008/9. Fetakgomo LM repeated non-compliance with s71 of the MFMA by not submitting s71 reports during the entire fourth quarter (Ch.6, s6.3.1: 163). The pervasiveness of non-compliance, particularly non-compliance with s71 of the MFMA had a distorting effect on the state of municipal finance. The LPT identified the deficiencies. However, there is no evidence of corrective measures being

implemented except the sending of non-compliance letters with some containing veiled threats of consequence management (Ch.6, s6.3.1: 228).

The LPT assessed the reports for compliance with the MBRR as it pertains to quality certificates. The purpose of the quality certificate was to ensure ownership and correctness of the submitted information by the accounting officers of municipalities. The requirement for quality certificates and the quality of financial information are consistent with the view of Swanepoel and D Beer (2011) of authenticity and correctness. According to Swanepoel and De Beer (2011: 211), situations or reality are evaluated through information that in turn must be evaluated to ascertain its authenticity and correctness. However, the requirement for quality certificate adds to the already compliance laden responsibility. The compliance requirements imposed on municipalities are onerous. Sometime municipalities focus their attention on compliance on the expense of service delivery. Section 6.3.1 provides evidence of malicious compliance.

Non-compliant municipalities were sent non-compliance letters requesting them to submit their reports (Ch.6, s6.3.1: 228). The non-compliance letters were directives from the LPT to defaulting municipalities. Through these letters, the LPT was intervening in performance lapses experienced by defaulting municipalities. The non-compliance letters described the nature of the failure and proposed measures to address the failure (Ch.6, s6.3.1: 228). The issuing of non-compliance letters is consistent with the Mello's (2018, 5) notion classifying the issuing of directives as 'pseudo intervention'. The wealth of information derived from the In-year Monitoring Reports and non-compliance notices demonstrates that the LPT undertook the monitoring exercise during the period 2008/9-2012/13. Based on the available evidence and the scholarship, the researcher concludes that the LPT was monitoring the municipal financial management during the period 2008/9-2012/13.

The LPT had M&E unit called the 'Strategic Operations and Policy Coordination (SOPC) unit established during the 2010/11 financial year. The unit was established to drive the M&E strategy within the LPT during the 2010/11 financial year (Ch.6, s6.3.5: 278). The M&E strategy spelled out processes in the collection, validation and storing/recording of performance information. The M&E policy was focused on

monitoring, namely, processes in the collection, validation and storing/recording of performance information. Govender and Reddy in Mthethwa and Jili (2016: 107) define evaluation as “An assessment of the value of an intervention, in relation to its specific purpose to the relevant beneficiaries through synergistic interactions and interrelations of the systems, environment and stakeholders to enhance the value of future interventions”. According to Vyas-Doorgapersad and Zwane (2014: 72), “Evaluation is helpful in offering valuable suggestions and recommendations for improvement” (also refer to Ababio, Vyas-Doorgapersad and Mzini, 2008: 11). The terms of reference of the M&E unit were inconsistent with the scholarship as it only focused on the monitoring activities. The terms of reference of the M&E unit were silent on evaluation, that is, assessment of interventions was not part of the terms of reference of the M&E unit. The M&E unit was not obligated by the M&E strategy to assess the value of implemented interventions.

It is evident from the M&E strategy that there was no evaluation conducted by the LPT. During the 2008/9-2009/10, nothing relating to evaluation was presented. It was also the admission of the LPT that it had challenges as far as monitoring and evaluation was concerned (LPT: Strategic Plan 2010/11-2014/15: 2). The SOPC Unit only came into being in 2010/11. A scrutiny of the In-year Monitoring Reports suggests that similar municipalities were the usual culprits as far as non-compliance is concerned, such as Lepelle-Nkumpi LM, Fetakgomo KM and Greater Giyani LM (Ch.6, s6.3.1: 286).

6.4.2. Supporting municipal financial management

Support to municipal financial management assumed various forms such as training, hands-on support, workshops and advice (Ch.6, s6.3.5: 260, 262). During the period 2008/9-2012/13, the LPT established the following measures, namely, hands-on support in the drafting of AFS, GRAP training, budget workshops, interactions with sector departments to monitor payment of debts and support in implementation of corrective action plans to improve audit outcomes to support municipalities (Ch.6, s6.3.5: 260, 261, 262, 270, 272). These measures were put in place as instructed by section 5 of the MFMA which constitutes the mandate of the provincial treasuries, namely, monitoring and support of municipal financial management.

In supporting municipalities, the LPT made collaboration a key pillar of their training intervention. According to Mathenjwa (2014b: 180):

... the power of provincial government to supervise local government does not entitle provincial government to compete with local government for the exercise of such power, instead, it requires a provincial government to co-ordinate its activities with local government in addressing any and all deficiencies that may exist in the functioning of local government.

Collaboration was evidenced by the action of LPT of inviting municipalities to contribute towards the Municipal Finance Support Plan. Municipal Finance Circular No.2 (Ch.6, s6.3.2: 232) bears testimony to the collaborative efforts of the LPT in the preparation of the Municipal Finance Support Plan. On the basis of the evidence presented in s6.3.3 and s6.3.53, it is the view of the researcher that LPT planned and implemented measures to support municipal financial management, namely, training on GRAP, hands-on support in the drafting of AFS, supporting the preparation of half year performance assessment reports, monitoring payments of municipal debts by sector departments, conducting budget workshops, and supporting the implementation of corrective action plans to improve audit opinions (Ch.6, s6.3.5: 260, 261, 262, 270, 272).

The LPT established and provided technical support to the Provincial CFOs Forum. LPT provided administrative support to the Provincial CFOs Forum by convening meetings and arranging logistics. Municipal Finance Circular No.7 attests to the role played by the LPT in the business of the Provincial CFOs Forum. In addition, the LPT reminded municipalities in the province to comply with the MFMA as far as the annual reports, mid-year reports and adjustment budgets were concerned (Ch.6, s6.3.5: 232).

6.4.3. Performance planning and implementation

The MEC was instrumental during the planning and implementation of performance plans. The MEC approved the strategic/annual performance plans for the financial years 2008/9-2012/13 (LPT: APP 2008/9-2010/11: 2). Without the express approval of the annual performance plans by the MEC, the department would have not been

able to implement the annual performance plans (Ch.6, s6.3.3: 233). The MEC also acknowledged the annual performance reports for the financial years 2008/9-2012/13 (Ch.6, s6.3.5: 252). The significance of the MEC, the political head of the department is contrary to the view of Wright (1982: 12) who argued that not every elected official is significant in the IGR arena. The researcher concludes that the MEC was significant in the municipal financial IGR. As stated in Chapter 4 of this study, the MEC is the political head of the LPT and responsible for policy matters (Ch.4, s4.3: 121). This signifies the importance of the MEC in the LPT's planning and implementation of performance plans.

The annual reports captured the mandate of the LPT during the financial years 2008/9-2012/13. The mandate was classified as constitutional, legislative, relevant court rulings and planned policy initiatives (Ch.6, s6.3.3: 290). The researcher, in Chapter 4 of this study, used the word 'enjoined' to demonstrate that the provisions of the Constitutions, 1996, and other policy prescripts are peremptory. This understanding is consistent with the view of Lovell and Tobin (1981) and Hattingh (1998). Lovell and Tobin (1981: 319) define "mandates as responsibilities, procedures, or activities that are imposed by one sphere of government on another by constitutional, legislative, administrative, executive, or judicial action". According to Hattingh (1998: 40) "... a mandate is interpreted as a normal relationship of coercion in a general sense between higher and lower bodies". It is therefore the view of the researcher that the LPT has the mandate to supervise municipal financial management and understood its authoritative nature. Moreover, the LPT was conscious of the authoritative nature of its mandate and planned its performance based on the provisions of the MFMA. Evidence of this assertion is found in s6.3.3 and s6.3.4 of this study (Ch.6, s6.3.3: 290; Ch.6, s6.3.4: 247).

The annual performance plans, except the annual performance plan for the financial year 2012/13, were aligned to the mandate of the LPT which will be discussed next. It can be inferred that inadequacies of the annual performance plan for the financial year 2012/13 can be ascribed to the fact that the LPT was under s100 intervention. The lack of details in the 2012/13 performance plan was susceptible to manipulations. The LPT might have chosen to do things that were not initially planned. Malan (2005: 240) decried this kind of arrangement where there is no clear plan of action. According to

Malan (2002: 240), one of the impediments to the development of IGR is lack of a proper, clear and recognisable process of monitoring and intervention.

The annual performance plans provided measures, such as KPIs in Table 2 to monitor the performance of the LPT 2008/9-2010/11 financial years. The following are examples of KPIs as planned: support to municipalities to comply with prescribed budget format (Ch.6, s6.3.3: 235, 236, 239; Ch.6, s6.3.5: 253, 260, 268), monitoring of the implementation of the municipal budgets (s71 reports) (Ch.6, s6.3.3: 235, 236, 239; Ch.6, s6.3.5: 254, 259, 261, 268, 270, 276), monitoring and support to municipalities to prepare GRAP compliant AFS (Ch.6, s6.3.5: 262, 273), monitoring payments of municipal debts by sector departments (Ch.6, s6.3.3: 238; Ch.6, s6.3.5: 257, 262, 268), monitoring municipal cash management and investment (Ch.6, s6.3.5: 263, 268), monitoring and supporting submission of MFMA returns (Ch.6, s6.3.3: 237, 239; Ch.6, s6.3.5: 256, 263, 270, 274, 277), review the functionality of the internal audit units (Ch.6, s6.3.3: 235, 237; Ch.6, s6.3.5: 257, 264, 267, 269, 270, 274, 277) and monitoring and support of the preparation of compliant and credible annual and oversight reports (Ch.6, s6.3.5: 262, 273). These measures removed arbitrariness on the part of the LPT. Often than not, departments do not have clear measures to guide their performance reminiscent with the LPT during the 2012/13 period. According to Malan (2005: 240), one of the impediments to the development of IGR is lack of a proper, clear and recognisable process for monitoring and intervention. This view is supported by Palmer *et al.* (2017). According to Palmer *et al.* (2017: 103), "Neither the Constitution, nor any guiding document, states the specific indicators or threshold for intervention, and, in the absence of consistent performance monitoring systems and minimum standards for monitoring, this power is open to abuse". Flowing from s6.3.1 & s6.3.3 above, the researcher concludes that the LPT had a proper, clear and recognisable process for monitoring and intervention during the period 2008/9-2010/11.

The 2011/12 and 2012/13 financial years were outliers in that the plans did not have proper, clear and recognisable process for monitoring and intervention. The 2011/12 and 2012/13 financial years had one indicator which had three aspects to it, namely, budget process and documentation, financial management and governance (Ch.6, s6.3.3: 278, 282). The performance indicator was not specific, that is, it could be

broken into three independent indicators. The first performance indicator could have been 'number of municipalities monitored and supported on budget process and documentation'. The second performance indicator could have been 'number of municipalities monitored and supported on financial management'. The third performance indicator could have been 'number of municipalities monitored and supported on governance'. Nevertheless, breaking the performance indicator is not helpful. Each proposed indicator is not specific and might result in arbitrariness.

It is one thing to have a plan but another to have it implemented. To determine whether the annual performance plans were executed, one must consider annual performance reports aligned to the annual performance plans. The annual reports for the period 2008/9-2012/13 gave an account of the performance during the period under review. The LPT performed according to the planned targets with some variations. There are instances where the LPT deviated from planned activities such as 2008/9 annual performance plan. The deviations were not properly documented and constituted arbitrariness on the part of the LPT. This view is aptly considered by Malan (2005: 240) in the preceding paragraphs (Ch.6, s6.4.3: 290).

It was reported that municipalities were trained in various aspects of municipal financial management such as the preparation of GRAP compliant AFS (Ch.6, s6.3.5: 262, 273). Training was not limited to preparation of AFS, municipalities were also trained on GRAP and budget preparation (Ch.6, s6.3.5: 262, 273). The LPT further issued reminders to municipalities to table midterm assessment reports and adjustment budgets and annual reports (Ch.6, s6.3.5: 268). Training and reminders constitute support. This demonstrates the commitment of the LPT to support municipal financial management. To this end, the researcher concludes that the LPT played its support role during the period 2008/9-2012/13.

The In-year monitoring and s71 reports were published on the LPT websites (Ch.6, s6.3.1: 161, 165, 170, 175, 181, 187, 193, 201, 206, 211, 217, 221, 223). The LPT satisfied the requirements of transparency by putting these reports in the public domain (s71(7) of the MFMA). LPT complied with the requirements of s215 of the Constitution, 1996 advocating transparency.

There was no evidence of municipalities challenging the correctness of the in-year monitoring reports and non-compliance notices. Moreover, the LPT was not selective in how it dealt with municipalities. Accordingly, the researcher believes that politics did not play any role in the monitoring and support of municipal financial management, except the role played by the MEC in approving the annual performance plans and annual performance reports. As indicated in Chapter 2, politics are at the core of public administration and the actions of the MEC constituted politics (Ch.2, s2.9: 52). According to Vigoda-Gadot (2003: 14), “public administration deals with political behaviour, processes and institutions”. On the one hand, selectivity in the public sector derives from opposing political views between provincial governments and municipalities. Transparency and fairness are the hallmarks of effective supervision of municipal financial management. Biasness on the part of the LPT in general, and the MEC in particular, distorts monitoring and supervision with the consequence of unwarranted interventions implemented. To the researcher to arrive at valid conclusions, the requirements of fairness and transparency must be satisfied, that is, the researcher must be satisfied that the actions of the LPT were not based on nefarious reasons. On the other hand, selectivity derives from factional battles within the same political party. According to Chakunda (2015: 46):

... differences in political ideologies and the perceived subjectivity to particular political party philosophies in Zimbabwe have led to a subjective and speculative perception over the objectivity of central government intervention in provincial and local government affairs on the one hand and the capability of these subnational governments to manage their affairs effectively with minimal central government supervision on the other hand...

6.4.4. Organisational structure

‘Form follows function’ is a human resource phrase that depicts the relationship between the organisational structure and mandate. The best way to unpack this phrase is to review the organisational structure of the LPT using the mandate as the benchmark. It is evident from the information that dedicated MFMA support teams were established to support a particular district and its local municipalities (Ch.6, s6.3.5: 293; LPT: Annual Report 2012-2013, 2013: 15). Five MFMA support teams

were established by the LPT to support districts. Each MFMA support team was responsible for a district municipality and its local municipalities. The functions of the Inter-governmental Fiscal Relations Chief Directorate were aligned to the mandate of the LPT and the annual performance plans (Ch.4, s4.4: 122; Ch.6, s6.3.2: 249). It is the view of the researcher that the LPT was properly constituted to execute its mandate, namely, monitoring and support of municipal financial management.

6.4.5. Interactions between LPT and municipalities

The interactions between LPT and municipalities were occasioned by section 71 of the MFMA among others. During the 2008/9-2012/13 the LPT received reports, such as s71 reports from municipalities across the province. The reports were reviewed by the LPT, and feedback provided to those municipalities which did not comply with the reporting requirements in the form of non-compliance notices (Ch.6, s6.3.1: 228). The available evidence suggests that the interaction with municipalities was through letters. Letters constitute formal communication, hence formal interaction. The LPT was mandated to provide feedback on what they found in their review of various reports from municipalities. This view is consistent with the opinion of Wright (1988: 22) who argues that formal interactions are mandated interactions such as non-compliance letters issued in terms of s71 of the MFMA.

6.5. Conclusion

This chapter dealt with the evidence for this study. Firstly, the data were presented. Narrative summaries of the information were presented. Tables and figures were also used to present information. Secondly, the information was analysed. Hermeneutic circle was employed to analyse the information. The literature was imposed on the information during analysis. Sub-conclusions were derived from the research findings. The researcher found that LPT planned and executed measures to monitor and support municipal financial management. The measures ranged from analysis of s71 and s72 reports, monitoring of compliance to budget format, monitoring of compliance to supply chain management policy, GRAP training and hands-on support in the drafting of the AFS among other. To execute these measures, the LPT through the MEC approved the organisational structure. It was found that the organisational

structure was aligned to the mandate of the department. The body of the study which constitutes the outcome in this study was dealt with. The next chapter discusses the conclusion and recommendations for this study.

CHAPTER SEVEN-SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1. Introduction

Municipal financial IGR is a mandated responsibility. The mandate derives from the Constitution, 1996, and other related pieces of legislation. The purpose of this study was to determine whether the LPT fulfilled the mandate to assist municipalities to maintain sound financial management on the one hand. On the other hand, the purpose was to contribute to the body of knowledge of public administration and management by providing empirical insights on provincial supervision of municipal financial management.

The journey to realise this purpose started in Chapter 1 with the description of the problem statement (cf. Ch.1, s1.7: 17), defining co-operative government and IGR (cf. Ch.1, s1.3: 4) and mandate (cf. Ch.1, s6: 15). The description of the history of IGR in South Africa was also done in Chapter 1 (cf. Ch.1, s1.5: 8). Chapter 2 analysed the literature for this study (cf. Ch.2: 29). The literature was analysed to anchor this study and identify the knowledge gap. Chapter 3 dealt with the theoretical framework underpinning this study. Structural functionalism was adopted as the theory to guide this research. Chapter 4 examined the policy framework underpinning this study. The research design and methodology were elaborated upon in Chapter 5. Chapter 6 examined performance planning, organisation structure, performance reporting, monitoring and support.

This chapter rounds off the work that was performed in the other chapters. This chapter comprises four sections. The first section presents and discusses the summary of findings and conclusions. The second section presents recommendations of the study. The third section offers suggestions for further study. The last section answers the main research question. Section 7.2 discusses the summary of findings and conclusions.

7.2. Summary of findings and conclusions

This section discusses summary of findings and conclusions. Summary of findings and conclusions for each chapter will be dealt with separately starting with Chapter 1 in Subsection 7.2.1.

7.2.1. Summary of findings and conclusions for Chapter 1

Chapter 1 is an introductory chapter for this study. Among others, Chapter 1 conceptualised cooperative government and IGR, examined the historical development of IGR in South Africa, defined the word mandate, and stated the problem statement. The study agreed with previous studies that there is a conceptual difference between the concepts of co-operative government and IGR (cf. Ch.1, s1.3: 4). Scholars such as Mathebula (2011: 840), Malan (2012: 117) and Biyela *et al.* (2018: 230) used the word 'philosophy' or phrase 'basic values' to define cooperative government (cf. Ch.1, s1.3: 4). The researcher found that the word 'philosophy' and phrase 'basic values' refer to the same thing, namely, principles or standard of behaviour. The study concluded that there is a general agreement that cooperative government is more concerned with government's worldview on cooperation by spheres of government.

The study identified IGR as one of the means to realise co-operative government (cf. Ch.1, s1.3: 5). The researcher argues that scholars defined IGR differently (cf. Ch.1, s1.3: 5). That said, the concept of IGR attracted attention from scholars and practitioners alike. Some scholars such as Reddy (2001: 22) defined IGR as horizontal and vertical relations and interactions between government institutions (cf. Ch.1, s1.3: 5). Other scholars such as Malan (2002: 233) defined the concept as formal and informal processes (cf. Ch.1, s1.3: 6). Mubangizi (2005) defined IGR as continuous negotiations for power and resources (cf. Ch.1, s1.3: 5). The researcher concluded that IGR means the interactions, both formal and informal, institutional arrangements and structures of cooperation among the spheres of government with the aim of supervising one sphere by the other (cf. Ch.1, s1: 6).

The state of municipal financial management was depicted as dire by the LPT and AGSA (cf. Ch.1, s1.2: 2). The reason for the assertion was the poor quality of reports coming from municipalities on the one hand (cf. Ch.1, s1.2: 2). On the other hand, some municipalities were not submitting s71 reports (cf. Ch.1, s1.2: 2). The challenges faced by municipalities were not limited to the quality and submission of reports. Municipalities did not have the capacity to collect revenue (cf. Ch.1, s1.2: 3). During the study period, the LPT provided support as far as payment of bills by sector departments. Nonetheless, municipalities continued to experience poor performance in revenue collection.

IGR existed before the onset of apartheid in South Africa (cf. Ch.1, s1.5: 8). IGR went through four major constitutional evolutions, namely, the union phase (1910), the republic phase (1961), the tricameral phase (1980) and the democratic phase (1994) (cf. Ch.1, s1.5: 10). During the union phase South Africa comprised four provinces, namely, Cape of Good Hope, Transvaal, Natal and Orange Free State (cf. Ch.2, s2.3: 31). The relationship between South African government and Britain was a principal-agent relation (cf. Ch.2, s2.3: 31). The King of Britain was the head of government with a Governor-General appointed by him (cf. Ch.1, s1.5: 9). The Governor-General was reporting to the King of Britain (cf. Ch.1, s1.5: 9). The relationship between the Governor-General and South African provinces was hierarchical, and provinces had limited powers (cf. Ch.1, s1.5: 9).

During the republic phase, the status quo remained with one exception, that is, the King was replaced by the State President (cf. Ch.1, s1.5: 9). The central government had authority over provinces (cf. Ch.1, s1.5: 10). Provinces in turn had authority over municipalities (cf. Ch.1, s1.5: 10).

During the tricameral phase, provinces were recognised as stakeholders in critical decision-making (cf. Ch.1, s1.5: 10; s98(3)(a) of the Tricameral Act). Provinces did not have law-making powers (cf. Ch.1, s1.5: 11). Provinces could only pass ordinances which became effective after approval by the Governor-General or State President (cf. Ch.1, s1.5: 11). Provinces were consulted whenever there was re-assignment of function by the State President (cf. Ch.1, s1.5: 10). Provincial councils ceased to exist since 1986 until 1994 (cf. Ch.1, s1.5: 10; Provincial Government Act, 69 of 1986).

The state of IGR changed during the democratic phase (cf. Ch.1, s1.5: 11). The levels of government are no longer referred to as tiers but spheres (cf. Ch.1, s1.5: 11). The notion of hierarchy and subordination were done away with by the Constitution, 1996 (Tapscott, 2000: 121). Provinces and municipalities unlike in the pre-democracy phase have original law-making powers (cf. Ch.1, s1.5: 11). Provincial legislatures have the authority to pass provincial legislation (cf. Ch.1, s1.5: 12) such as road traffic regulation and language policy. Municipal councils exercise legislative authority by making and implementing by-laws such as air pollution control by-law and cemeteries and crematoria by-law (cf. Ch.1, s1.5: 13). From 1996, legislation produced by provinces and municipalities were subject to the law and Constitution, 1996.

IGR were not formalised prior to the promulgation of the IGRA (cf. Ch.2, s2.8: 47). There were no blueprints to guide the relationships among the spheres of government (cf. Ch.1, s1.5: 14). The IGR was formalised after the promulgation of the IGRA (cf. Ch.1, s1.5: 14). The IGRA is not general in their coverage of IGR and does not provide measures to guide municipal financial IGR (cf. Ch.1, s1.5: 14). The MFMA was promulgated to deal with municipal financial management in general, and municipal financial IGR in particular. Summary of findings and conclusions for Chapter 2 are elaborated upon in subsection 7.2.2.

7.2.2. Research Objective One: To review the literature on IGR (Chapter 2)

The purpose of Chapter 2 was to review the literature on IGR, identify and fill the gap in knowledge in public administration and management. The literature on IGR was reviewed. The origin of IGR was traced back to the American polity (cf. Ch.2, s2.3: 30). It was revealed that IGR is an inherent feature of all the political phases in South Africa even though its use as a concept commenced during the dawn of democracy in 1994 (cf. Ch.2, s2.3: 32; Edwards, 2008: 67). Chapter 2 examined factors affecting IGR such as human behaviour (cf. Ch.2, s2.6: 41), political bias (cf. Ch.2, s2.9: 52) and legislation (cf. Ch.2, s2.8: 46). IGR was characterised as formal and informal relations (cf. Ch.2, s2.7: 45). It was concluded that informal interactions reinforce formal interactions, and their use should be emphasised.

Authority models, namely, the coordinate authority model, the inclusive authority model and the overlapping authority model were elaborated upon (cf. Ch.2, s2.5: 36). It was concluded that South Africa exhibits characteristics of all three authority models. Chapter 2 revealed that numerous studies were conducted on provincial supervision of local government, and none focused on the role of the LPT on municipal financial IGR (cf. Ch.2, s2.16: 71). This study concluded that the knowledge on public administration and management was expanded through the study of provincial supervision of municipal financial management (cf. Ch.2, s2.16: 71). Subsection 7.2.3 deliberates on Research Objective Two.

7.2.3. Research Objective Two: To explore structural functionalism as the framework for identifying, describing and documenting provincial supervision of municipal financial management (Chapter 3)

Chapter 3 explored structural functionalism as the theoretical framework that will provide an analytical lens for this study. The rationale for structural functionalism in the study of municipal financial IGR was examined (cf. Ch.3, s3.2: 79). It was discovered that municipal financial IGR exhibits most characteristics of structural functionalism among others causal relationship, necessity, structure and function (cf. Ch.3, s3.2: 79). Structural functionalism is based on system's thinking (cf. Ch.3, s3.2: 80). Chapter 3 noted that municipal financial IGR is a system of interacting actors, namely, the LPT and municipalities (cf. Ch.3, s3.2: 80).

The concepts of function and structure were discussed in relation to municipal financial IGR (cf. Ch.3, s3.5: 96). It was concluded that monitoring and support can best be described as function (cf. Ch.3, ss3.5.1: 99). The interactions happening between the LPT and municipalities are what Radcliffe-Brown referred to as social structure (Radcliffe-Brown, 1952: 192; cf. Ch.3, ss3.5.2: 100; 101). Chapter 3 demonstrated that social interactions are key to the success of any IGR activity, including municipal financial management. The researcher concluded that structural functionalism was the appropriate lens through which the data on municipal financial IGR can be analysed (cf. Ch.3, s3.2: 77; cf. Ch.3, s3.7: 105). This study concluded that municipal financial IGR can best be explained in terms of the three postulates of indispensability,

universalism and part-whole (cf. Ch.3, s3.3: 101; 102). In addition, this study concluded that the concepts of function and structure are intertwined (cf. Ch.3, s3.3: 104). Subsection 7.2.4 explains Research Objective Three.

7.2.4. Research Objective Three: To analyse the policy framework underpinning municipal financial IGR (Chapter 4)

Chapter 4 examined the policy framework underpinning municipal financial IGR. The Constitution, 1996, and eight pieces of legislation were elaborated upon. The key focus of Chapter 4 was to identify and describe the mandate for supervision of municipal financial management. The Constitution, 1996, provides the basis for monitoring and support of municipalities in general (cf. Ch.4, s4.2: 116). The MFMA provides the mandate for provincial supervision of municipal financial management in general. (cf. Ch.4, s4.4: 122). It was revealed that the MFMA has a gap as far as monitoring and supporting municipal budget process is concerned (cf. Ch.4, s4.4: 124). Based on the fact that the MFMA has a gap concerning monitoring and supporting municipal budget process, the researcher concludes that the MFMA must be reconsidered to obligate the LPT to monitor and support the municipal budget process throughout the entire municipal budget process. Subsection 7.2.5 debates Research Objective Four.

7.2.5. Research Objective Four: To describe the research design and methodology applied in this study (Chapter 5)

Chapter 5 examined the research design and methodology for this study. In examining research design and methodology, this study considered the aspect of population and sampling (cf. Ch.5, ss5.3.3: 141). Purposive sampling was the sampling technique of choice (cf. Ch.5, ss5.3.3: 145). The unit of analysis, namely, the LPT was selected using purposive sampling (cf. Ch.5, ss5.3.4: 146). The researcher concluded that purposive sampling was suitable for selecting the unit of analysis, namely, the LPT.

The limitations of the study such as time, resources and data sources were identified, and control measures conceived and implemented (cf. Ch.5, s5.4: 153). The units of

observation and analysis were described, namely, monitoring and support and the LPT (cf. Ch.5, ss5.3.2: 141). Data on monitoring were collected to reach conclusions on the LPT which is the unit of analysis. Ethical issues, specifically, ethical clearance, access and objectivity were identified and described (cf. Ch.5, s5.5: 153). These ethical issues were identified and described to ensure that this study subscribed to ethical standards prescribed by the researcher's university, Unisa, and did not infringe on the rights of those affected by this research.

This study adopted a time series design, namely, longitudinal design (cf. Ch.5, s5.2: 137). The reason for choosing longitudinal design was that the study period was spread over five years, namely, 2008/9 to 2012/13, therefore collecting and analysing information for each financial year. Documentary analysis was adopted as the research method for this study (cf. Ch.5, ss5.3.1: 139) and data were gathered from documents (cf. Ch.5, ss5.3.4: 146). The study used documentary research techniques to appraise and analyse collected data such as Scott's quality criteria (cf. Ch.5, ss5.3.4: 148). Scott's quality criteria comprise three quality measures, namely, authenticity, credibility, and representativeness (cf. Ch.5, ss5.3.4: 148). Chapter 5 concluded that documentary analysis is the only appropriate method in longitudinal studies such as this one owing to issues of cost and availability of people who might have left the LPT or demised. Subsection 7.2.6 considers Research Objective Five of this study.

7.2.6. Research Objective Five: To present and analyse the collected data (Chapter 6)

Chapter 6 presented and analysed the collected data. The data from the APPs (cf. Ch.6, ss6.3.3: 233), APRs (cf. Ch.6, ss6.3.5: 252), IYMs (cf. Ch.6, ss6.3.4: 211) and Municipal Finance circulars (cf. Ch.6, ss6.3.1: 159-161; 280; cf. Ch.6, ss6.3.5: 232) were presented and analysed. The data revealed that the LPT was monitoring municipal financial management during the 2008/9-2012/13 financial years (cf. Ch.6, s6.4.1: 159). In addition, the data revealed that the LPT was supporting municipal financial administration and management during the period 2008/9-2012/13 (cf. Ch.6, ss6.4.2: 232). The glaring reality was that non-compliance and poor performance were

incessant (cf. Ch.6, ss6.4.4: 290). The data demonstrated that evaluation was non-existent consistent with Mello (2018) in his argument that evaluation is a missing link (cf. Ch.6, s6.4.1: 288).

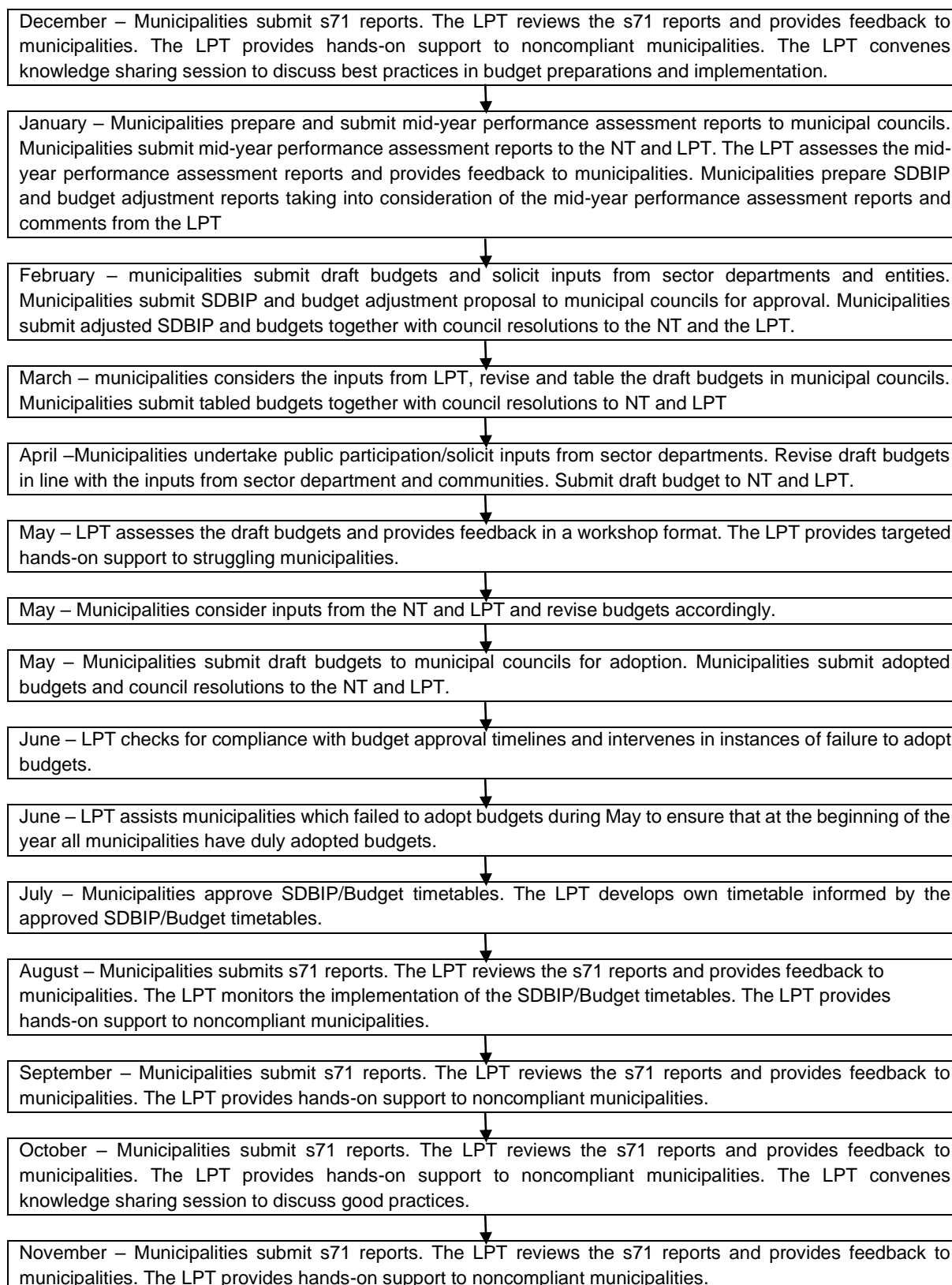
On the quality of reports, the researcher concluded that despite the limitations in some in-year monitoring reports and letters, the data were authentic and correct (cf. Ch.5, ss5.3.4: 149). The signing of APPs, APRs, in-year monitoring reports, non-compliance and advisory letters gave credence to the authenticity of the data. The errors in the data were insignificant and did not have a distorting effect on the conclusions arrived at. Section 7.3 discusses the recommendations of the study.

7.3. Recommendations of the study

It is proper to restate the main findings in line with Chapter Six of this study. There are four main findings which requires further attention: (i) non-compliance was pervasive (ii) there is no evidence of corrective measures implemented (iii) evaluation existed only in name (iv) interactions were only formal. To address pervasive non-compliance, the LPT is advised to stop veiled threats of consequence management through non-compliance notice but take non-compliant municipalities to task. It is further recommended that the M&E policy be revised to include practical steps to evaluate implemented interventions.

The LPT is advised to review the draft budgets of municipalities prior to tabling to municipal councils in March of every year. It is pointless to provide comments as defined by the MFMA because it might be too late to effect the suggested changes. It is also incongruent with the policy framework to expect municipalities to operate with a noncompliant budget for a period of six months until the opportunity presents itself during the adjustment period around February each year to have the budgets adjusted. Figure 3 illustrates the 'Budget preparation and implementation support model' hereafter referred to as 'the model' which is suggested for adoption by the LPT. The model is recommended to guide the supervisory role of the LPT concerning municipal financial management. The model must be reinforced by continuous informal interactions characterised by mutual respect.

Figure 3: Budget preparation and implementation support model



Source: Created by the author, P.J Phahlamohlaka (2022)

LPT is further advised to revise the M&E strategy to include evaluation activities. The revised M&E strategy shall empower the SOPC to evaluate the outcomes of the intervention implemented in the supervision of municipalities. Suggestions for further study is considered in section 7.4.

7.4. Suggestions for further study

This study focused on formal interactions happening between the LPT and municipalities. The views of those involved were not considered, hence documentary analysis. In addition, this study was limited to one provincial treasury, namely, the LPT. The results of this study therefore cannot be generalised over all the provincial treasuries in South Africa. It is therefore suggested that a cross-sectional study involving all nine provincial treasuries in South Africa be conducted so that the result can be generalised over all the provincial treasuries. The views of officials in municipalities and provincial treasuries must be considered in the suggested study, hence a mixed-method study is recommended. It is further suggested that a replication study be conducted to determine whether there was improvement in provincial supervision of municipal financial management. Section 7.6 provides concluding remarks for this study.

7.5. Conclusion

This chapter started by summarising the findings and conclusions for Chapter One. Summary of findings for Research Objective One, Research Objective Two, Research Objective Three, Research Objective Four and Research Objective Five were presented. The recommendations of the study were correlated with the findings in Chapter Six and presented. Suggestions for further study were made. The next paragraph discusses the conclusion of the study.

The main research question for this study is: *Are provincial governments in South Africa fulfilling their mandate to assist municipalities to maintain sound financial management?* This study was focused on the Limpopo Province. To answer this question, the researcher had to check as to whether the LPT has the mandate to supervise municipal financial management on the one hand. On the other hand, the

researcher had to identify the constituent parts of the mandate. To complete the puzzle, the researcher had to indicate what LPT has done in giving effect to the mandate.

Firstly, Chapter 4 of this thesis identified the mandate for municipal financial IGR, namely, supervision of municipal financial management (cf. Ch.4, s4.4: 122; cf. Ch.6, ss6.4.1: 283). Section 5 of the MFMA instructs all the provincial treasuries to supervise municipal financial management. Secondly, it was found that the supervision of municipal financial management is made of two distinct and interrelated activities, namely, monitoring and support, and included in these activities, is evaluation (Ch.4, s4.4: 121, 124).

Evidence abounds concerning the role the LPT played in monitoring and supporting municipal financial management. LPT collected financial information through s71 reports and other means (cf. Ch.6, ss6.3.4: 212-280). The reports were analysed and feedback provided to non-compliant municipalities in the Limpopo Province. Feedback was given through non-compliance letters (cf. Ch.6, ss6.3.4: 280-282; cf. Ch.6, ss6.4.4: 288). In addition to non-compliance letters, LPT sent reminders to municipalities reminding them to prepare, table in municipal councils and submit mid-year performance reports and adjustment budgets to the NT and provincial treasury (cf. Ch.6, ss6.3.5: 282). LPT prepared consolidated reports and submitted them to the NT and posted them on its website (cf. Ch.6, ss6.3.4: 211, 215, 220, 225, 231, 237, 243, 251, 256, 261, 267, 270, 273, 276). The consolidated reports detailed the state of municipal financial management in the Limpopo Province. The annual reports bore testimony to the monitoring and support activities that were executed by the LPT during the study period (cf. Ch.6, ss6.3.3: 176-209). The study found that the LPT was monitoring and supporting municipal financial management during the study period (cf. Ch.6, ss6.4.4: 290; cf. Ch.6, ss6.4.5: 291; cf. Ch.7, ss7.2.6: 299). However, non-compliance and poor performance continued incessantly (cf. Ch.7, ss7.2.6: 299).

Based on the foregoing, this study concludes that the LPT fulfilled its mandate to assist municipalities to maintain sound municipal financial management. However, it is worth noting that municipalities continue to experience persistent non-compliance and underperformance despite the effort the LPT puts in monitoring and supporting

municipal financial management. This study made a promise to identify a knowledge gap and expand the body of knowledge in public administration (cf. Ch.1, s1.10: 20). To this end it can be concluded that the gap in the knowledge existed as far as supervision of municipal financial management is concerned. This study expanded the scope of knowledge in the area of public financial administration and management by adding municipal financial IGR.

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Annexure A: Unisa Ethical Clearance



DEPARTMENT OF PUBLIC ADMINISTRATION AND MANAGEMENT RESEARCH ETHICS REVIEW COMMITTEE

Reference: PAM 2018/023 (CR) (Phahlamohlaka)

Date: 10 September 2018

Mr PJ Phahlamohlaka (student nr 30601428)
Department of Public Administration and Management
Unisa

Dear Mr Phahlamohlaka

Thank you for your application for research ethics clearance for the project *Provincial support for municipal financial management*, dated 30 July 2018.

I have reviewed the application in compliance with the Unisa Policy on Research Ethics as well as the approved relevant Standard Operating Procedures. In terms of paragraph 5.6 of the Unisa Policy on Research Ethics a research project that involves human participants, animals, plants and cells may have ethical implications and must therefore be reviewed for ethics clearance. I have established that your research project is of a *conceptual nature* as it does not involve human participants, animals, plants and cells. The research project accordingly does not resort within the scope of the mentioned Policy and for that reason does not have any ethical implications.

The Research Ethics Review Committee would like to wish you success with your research project guided by integrity, accountability and rigour.

Kind regards

A handwritten signature in black ink, appearing to be "M van Heerden", written over a white background.

Prof M van Heerden
Dep Chairperson of the RERC
Department of Public Administration and Management, UNISA
012 429-6749 or vheerm@unisa.ac.za



University of South Africa
Preller Street, Muckleneuk Ridge, City of Tshwane
PO Box 392 UNISA 0003 South Africa

Annexure B: Limpopo Provincial Treasury Permission Letter



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Ref : 5/2/14/9
Enq : Ramuntshi N
Date : 05 June 2017

Mr Phakane Phahlamohlaka
P.O. Box 1957
GROBLERSDAL
0470

Dear Sir

REQUEST FOR PERMISSION TO CONDUCT RESEARCH: YOURSELF

1. Your letter dated 07 April 2017 and UNISA correspondence of the 25 April 2017 with regard to the above matter refers.
2. The department acknowledges with thanks receipt of your request and you are hereby informed that your request to conduct research has been granted.
3. The department would like to thank you in advance for the interest you have shown and ready to improve its services through your research findings and recommendations.

Yours in Public Finance Management


.....
Mr G. BRATT
HEAD OF DEPARTMENT
LIMPOPO PROVINCIAL TREASURY

Ismini Towers, 46 Hans Van Rensburg Street, POLOKWANE, 0700, Private Bag X9486, POLOKWANE, 0700
Tel: (015) 298 7000, Fax: (015) 295 7010 Website: <http://www.limpopo.gov.za>

The heartland of southern Africa - development is about people!

Annexure C: Request for Information



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Ref : 5/2/15/3-87
Enq : Ramuntshi N.
Date : 04 February 2019

Mr Phakane Job Phahlamohlaka
P.O. Box 1957
GROBLERSDAL
0470

Dear Sir

REQUEST FOR INFORMATION / DOCUMENTS/ RECORDS: YOURSELF


With reference to your request for information/documents/records in accordance to the provisions of Promotion for Access to Information Act, Act No 2 of 2000, the Department wishes to respond to you as follows: -

1. With reference to item No.1 of your request wherein you requested to be provided with Annual reports for the years 2008/9, 2009/10, 2010/11, 2011/12 and 2012/13, find attached herewith copies marked Annual Reports;
2. In item No. 2, you requested to be provided with Reports to the provincial executive council for the period July 2008 – June 2013, **you are hereby informed that the department does not have the requested document/record;**
3. With regard to item No. 3, you requested to be furnished with Reports to the Premier Intergovernmental Forum for the period June 2008 – June 2013, kindly be informed that the requested information can be obtained from Office of the Premier, therefore, you are advised to request this information directly from the custodian.
4. In item No. 4, you requested to be provided with Reports to the provincial legislature for the period July 2008 – June 2013, **you are hereby informed that the department does not have the requested document/record;**
5. In item No. 6 you requested to be provided with Reports of the audit committee for the period July 2008 – June 2013, kindly refer to page 87 – 93 of the 2008/09 Annual Report; page 48 – 51 of 2009/10 Annual Report; page 48 – 50 of 2010/11 Annual Report; page 48 – 51 of 2011/2012 Annual Report and page 126 – 128 of the 2012/2013 Annual Report attached.

6. With regard to paragraph/item No. 8 of your request letter indicated above, attached herewith is Performance plans for the years 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 marked **Performance Plans**;
7. Herewith is the Organisational structures for the years 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 as requested in item/paragraph No. 9 of your request/ letter indicated above marked **Organisational Structure**;
8. Herewith is the Circulars to municipalities for the period July 2008 – June 2013 as requested in item/paragraph No. 12 of your request/ letter indicated above marked **Municipalities Circulars**;
9. With regard to item number 5, 7, 10 and 11 of your request, kindly be informed that the Department is still searching the requested records/documents from its storage facilities and you will be informed of the developments in due course.
10. With regard to item number 13 and 14 of your request, you are requested to give us clarity/be specific on the details of letters to municipalities as indicated on your request for the department to can be able to retrieve correct information.

It is trusted that you will find all in order.

Yours in Public Finance Management


PP **Mr G.C. Pratt CA (SA)**
HEAD OF DEPARTMENT
05/02/2019

Annexure E: Non-compliance Letter



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Ref No: 12/1/6/6/1/6

Enq: Maduka N.D

Date: 27 January 2011

To: The Municipal Manager: Polokwane Local Municipality
Cc. The Chief Financial Officer: Polokwane Local Municipality

Dear Sir / Madam

**Non-Compliance with the Municipal Budget & Reporting Regulations (MBRR) –
Electronic copy of the Mid-Year Budget & Performance Assessment Report
2010/11**

1. The above matter bears reference.
2. The MBRR R 35 states that the Municipal Manager must submit to the National and the relevant Provincial Treasury, in both printed and electronic form –
 - a. The mid-year budget and performance assessment report by the 25th of January each year; and
 - b. Any other information relating to the mid-year budget & performance assessment report as may be required by National Treasury.
3. This office acknowledges receipt of the printed copy of the MFMA S72 report; however, Provincial Treasury's records indicate that the electronic copy of this report has not been submitted.
4. Provincial Treasury recommends therefore that the soft / electronic copy of the MFMA S.72 report be submitted to both treasuries immediately, failure of which it is advised that the Accounting Officer complies with MFMA S74 (2).

Ismiini Towers, 46 Hans Van Rensburg Street. POLOKWANE, 0700, Private Bag X9486, POLOKWANE, 0700
Tel: (015) 298 7000, Fax: 295 7010 Website: <http://www.limpopo.gov.za>

The heartland of southern Africa – development is about people!

5. Looking forward to an immediate submission of the electronic copy of the report.
6. Yours in public finance management



Head of Department
Ramdharie N

Annexure F: Language Editing Certificate

EDITING AND PROOFREADING CERTIFICATE

7542 Galangal Street

Lotus Gardens

Pretoria

0008

23 February 2022

TO WHOM IT MAY CONCERN

This certificate serves to confirm that I have language edited PJ Phakamohlaka's thesis entitled, "**PROVINCIAL SUPPORT FOR MUNICIPAL FINANCIAL MANAGEMENT IN THE LIMPOPO PROVINCE.**"

I found the work easy and intriguing to read. Much of my editing basically dealt with obstructionist technical aspects of language, which could have otherwise compromised smooth reading as well as the sense of the information being conveyed. I hope that the work will be found to be of an acceptable standard. I am a member of Professional Editors' Guild.

Hereunder are my contact details:



Jack Chokwe (Mr)

Contact numbers: 072 214 5489

jackchokwe@gmail.com

Professional
EDITORS
Guild

Jack Chokwe
Associate Member

Membership number: CH0001
Membership year: March 2021 to February 2022

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Annexure G: Turnitin Certificate and Similarity Index



Digital Receipt

This receipt acknowledges that Turnitin received your paper. Below you will find the receipt information regarding your submission.

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**PROVINCIAL SUPPORT FOR MUNICIPAL FINANCIAL MANAGEMENT IN THE
LIMPOPO PROVINCE**

by

PHAKANE JOB PHAHLAMOHLAKA

Submitted in accordance with the requirements for the degree of

DOCTOR OF PHILOSOPHY

in the subject

PUBLIC ADMINISTRATION

at the

UNIVERSITY OF SOUTH AFRICA

SUPERVISOR: PROF FERREIRA

CO-SUPERVISOR: PROF MELLO

MARCH 2022

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