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Assessing Compliance with the Municipal Finance
Management Act in the Blouberg Municipality,
Limpopo Province

A dissertation submitted in partial fulfilment of the
requirements for the degree Master of Public Administration

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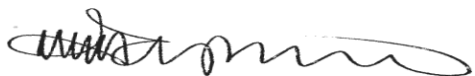
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DECLARATION

I declare that this dissertation on Assessing Compliance with the Municipal Finance Management Act in the Blouberg Municipality is my own work and has never been submitted before by any other person at any university.

Magwasha M.S

Signature



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I would like to thank God for the strength and wisdom during my studies.

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LIST OF ABBREVIATIONS AND ACRONYMS

CFO	– Chief Financial Officer
COGTA	– Cooperative Governance and Traditional Affairs
DORA	– Division of Revenue Act
ICASA	– Independent Communications Authority of South Africa
IDP	– Integrated Development Plan
EXCO	– Executive Committee
MFMA	– Municipal Finance Management Act
MPAC	– Municipal Public Accounts Committee
MSA	– Municipal Structures Act
MSA	– Local Government Municipal Systems Act 32 of 2000
RDP	– Reconstruction and Development Programme
RSA	– Republic of South Africa
SALGA	– South African Local Government Association
SDBIP	– Service Delivery and Budget Implementation Plan
TAS	– Turnaround Strategy
TLC	– Traditional Local Council

ABSTRACT

Non-compliance with pieces of legislation may be considered the root cause of qualified, disclaimer and adverse opinions that continue to emerge in South African municipalities. One of those pieces of legislation is the Municipal Finance Management Act 56 of 2003. The study has assessed compliance with the Municipal Finance Management Act at Blouberg Municipality in terms of public consultation and management of the municipal budget. The researcher has used qualitative method in this study.

Public consultation plays a significant role in a budgetary process of the Municipality, Municipal Finance Management Act 56 of 2003 requires Municipalities to take public views into consideration when compiling a budget. The objectives of local government are often defeated by maladministration because of non-compliance with legislations such as Municipal Finance Management Act 56 of 2003. This can be supported by audit outcomes (2011-11) from the office of the Auditor General. The report states that during the year 2010-11 forty Municipalities had not been audited because they did not submit annual financial statement on time which is a requirement in terms of the MFMA.

The objective of the study is to assess compliance with the Municipal Finance Management in the Blouberg Municipality in terms of Public consultation and the competency of the Municipal officials to implement MFMA. During the study, it was found that Blouberg Municipality has embarked on Municipal Finance Management training in order to capacitate its officials to be able to implement MFMA and little has been done in terms of public consultation as members of the public were not aware of their responsibilities in terms of the Municipal budget.

It is recommended that the Municipality should review its communication strategy to ensure maximum participation of the public and to create a conducive environment for public participation.

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CHAPTER 1: INTRODUCTION AND GENERAL ORIENTATION OF THE STUDY

1.1. Introduction

Municipalities were called transitional local council in South Africa before the democratic elections of 1994, to replace what was previously known as transitional local councils. They were established within communities to speed up the reconstruction and development programme (RDP), which was aimed at addressing the imbalances of the past and to improve service delivery. During the 1990s, a negotiation process started at the national level to build government institutions that included all South Africans. In the process of restructuring local government, the National Multi-Party Negotiating Forum was formed during which time the interim constitution of 1993 and Local Government Negotiating Forum came into effect. This introduced the Local Government Transition Act of 1993 in order to redress apartheid aspects such as segregation, inequality, discrimination and poverty.

The Local Government Transition Act of 1993 was aimed at restructuring and establishing committees at a provincial level. The objective of this Act and the interim constitution emphasise on restructuring of local government through the establishment of forums, allocation of responsibilities, to regulate an agenda of racial segregation and exclusion. There was no plan in place that deals with public accountability within the local sphere of government.

During the apartheid era, the public did not have access to information held by the State because not all South African had a chance to participate in the affairs of the municipality; this including financial resources and some other state resources in national, provincial and local government. It was critical to have legislation in place to deal with various aspects such as finance, service delivery and administration in general.

After 1994, various Acts were introduced to ensure the smooth operation of municipalities. One of these is the Municipal Finance Management Act 56 of 2003. On 13 February 2004, the then president of South Africa, President Thabo Mbeki, consented to the publication of the Municipal Finance Management Act (MFMA) for comments of the general public. The Act was aimed at ensuring sound and sustainable management of financial affairs in local governments and establishing treasury norms and standards for local governments.

The Act stipulates the responsibilities of the municipal manager, the chief financial officer (CFO), the mayor, and all staff appointed to implement the objectives of local government. One can imagine what the status of municipalities would be without policies in place to regulate them. Thankfully, because of the democratic dispensation, it is possible to question the spending and budgetary processes of municipalities through the audit committees and institutions such as standing committee on public accounts.

The budget process within the local sphere of government is centred on public participation. Therefore, the question may arise: why have public participation during the budget process? It is because local government is considered to be a government closest to the people, and as such, people should have a say on management and administration of such government.

The Municipal Finance Management Act places emphasis on critical areas within the local sphere of government. Some of these areas include public participation in terms of the municipal budget, municipal revenue, debt, financial reporting and auditing, and financial misconduct.

The MFMA is not the only legislation that deals with transformation within the local sphere of government in the Republic of South Africa (RSA). Other pieces of legislation include the Constitution of the Republic of South Africa, 1996, chapter 7, which outlines the formation of local government as well as the importance of such initiative. Other relevant legislation include the Local Government Municipal Systems Act 32 of 2000, and the Local Government: Municipal Structures Act 117 of 1998.

The study will also outline the importance of public participation in terms of budgeting and planning within the local sphere of government. It is appropriate to follow on after establishment of policy with the issue of public participation as a means of reducing autocratic behaviour and involving the people in government so as to direct governmental efforts to the real needs of society (Craythorne 1997:97).

Citizen participation in the budgeting process in the municipal sphere is easier than in national and provincial government. Additionally, a budget document becomes a more effective tool of accountability than in the national and provincial sphere because of active citizen participation in the municipal sphere through activities such as residents attending council meetings (Khalo 2007:187).

Non-compliance can not only be quantified on the basis of mismanagement of funds, municipalities should be scrutinised from the first stage of public consultation as a solid foundation of budgeting as stipulated by the MFMA. The principle of participatory democracy is that all citizens of the municipality should participate directly in meetings on matters concerning government and administration of municipal affairs (Gildenhuys 1997a:12).

The study will also strive to establish out whether Blouberg Municipality is complying with Municipal Finance Management 56 of 2003. These challenges can be experienced only if the municipality is failing to implement internal controls to monitor or guard against such challenges.

The study will also assess how Blouberg municipality is managing its budget after approval by the council. A budget is a financial plan for a specific period in which specific amounts are allocated for specific purposes (Khalo 2007:187).

Most challenges with mismanagement of funds arise from unauthorised expenditure, because in most instances, officials fail to follow the relevant process whereby monies should be shifted to a project not initially planned for. As stated by Khalo (2007:187), a budget consists of monies allocated for specific purposes, and as such, if a particular project is running short of

funds or under budgeted for, proper channels should be followed to ensure that funds are allocated before commitment.

1.2. Background to the study

According to Carrim (2011), the South African local government model provides for integration between community participation, five-year development plans for the term of a municipal council, budgeting, and performance management. Municipalities are meant to raise their own revenue for the most part. They receive a share of the national budget in terms of a formula (currently they get 9% of the national budget, 2011) and are also allocated conditional grants for specific national programmes and projects that have to be fulfilled by the local government.

The local government model is advanced, progressive and transformative. Unfortunately, it is not working well in practice. There are a variety of reasons for this, including lack of capacity, inability to raise enough revenue, inadequate intergovernmental fiscal transfers, the complexity of the two-tier model of district and local municipalities, inadequate community participation, undue party-political interference in municipalities, and corruption.

The above statement emphasises a serious challenge at the local sphere of government as a result of corruption and political interference. Most of the political heads within the local sphere of government often abuse their powers in terms of appointment of staff and not complying with the MFMA. The Office of the Auditor-General has been reporting on non-compliance with the MFMA as a result of political interference and the appointment of unqualified and inexperienced personnel to deal with financial affairs of the municipalities.

In the financial year 2010-2011 seven municipalities out of 237 received a clean audit from the Auditor-General (Independent Online 2011). This indicates that almost all municipalities in the RSA are not complying with the MFMA. However, the study will only focus of the effort of public consultation as a basis for good governance, management of budget and competencies of the staff in the implementation of the MFMA.

The inception of local government was aimed at ensuring that government is closer to the people and that service delivery is improved. With the current (2010-2011 financial year) status of South African municipalities, much more effort is still required to ensure that these municipalities are able to deliver their mandate. Disclaimer and adverse opinions continue to reflect on the auditors' report yearly as results of what municipalities have been doing as measured against their annual reports, internal policies and relevant pieces of legislation.

Non-compliance with Municipal Finance Management Act of 2003 hampers service delivery and gradually discredits the importance of local government, as most communities are still without proper services as a result of non-compliance with pieces of legislation such as the MFMA. To get a clean audit, municipalities must first comply with various pieces of legislation. Non-compliance in most municipalities in the Limpopo province might be a result of not having competent and skilled CFOs to implement pieces of legislation and preparation of financial statements

Table 1 summarises the 2010-11 audit outcomes of the 283 municipalities that were audited.

Table 1: AG’s consolidated general report on local government audit outcomes, 2010-11

Audit outcomes	Municipalities		
	2010-11	2009-10	2008-09
Disclaimer of opinion	55	77	103
Adverse opinion	7	7	10
Qualified opinion	53	61	50
Financially unqualified with findings	115	122	113
Financially unqualified with no findings	13	7	4
Total number of audits reported on	243	274	280
Number of audit reports not issued by 31/01/2011	40	9	3
Total number of audits	283	283	283

Source: AG’s consolidated general report on local government audit outcomes, 2010-11

According to AG’s consolidated general report on local government audit outcomes, 2010-11, very modest progress in achieving the objectives of Operation Clean Audit in terms of the number of municipalities which were not complying with Municipal Finance Management Act. Although some improvement was recorded in certain municipalities, the following remain very concerning:

- The number of disclaimers, adverse or qualified audit opinions (115 of 243) remained at a very concerning 47%.
- Forty municipalities had not by 31/10/2011 been audited due to their failure to submit annual financial statements on time, with the majority of these unlikely to receive a favourable audit outcome.

The poor percentage outcomes are therefore likely to move to around 54%, the same level as for the previous year (2009).

- Only 45% of the municipalities achieved at least a financially unqualified audit opinion (the same as in the previous year-2009).
- Only 13 clean audits in the country were recorded, that is less than 5% of municipalities achieving the required benchmark.

The objectives of the Municipal Financial Management Act 56 of 2003 are to ensure sound and sustainable management of the financial affairs of the municipalities and to establish treasury norms and standards for the local sphere of government. The Municipal Financial Management Act clearly states that every municipality in the country must have a uniform approach to financial management.

Some municipalities are still not complying with the MFMA, for example only two municipalities in Limpopo, the Waterberg District, and Fetakgomo Local Municipalities, received a clean audit. It is clear that most municipalities are not complying with recommendations (Auditor-General report on the audit outcomes of the Limpopo Local Government 2010-11). Municipalities are urged to comply with recommendations of the Auditor-General (AG) in order to improve financial management in the municipalities; but some municipalities are still not submitting documents to the Auditor-General for auditing purposes.

The state of the report on the audit outcomes of the Limpopo Province Local Government 2010-11 presented by the Auditor-General before the Limpopo provincial legislature and various municipal council states that the cause of qualified opinions amongst other things includes:

- the fact that municipalities are still experiencing challenges concerning meeting the reporting requirements on service delivery
- occurrence of unauthorised expenditure
- transgression of supply chain management policies

Figure 1 provides an overview of the (2010-2011) performance of South African municipalities per province. Limpopo is one of the provinces with

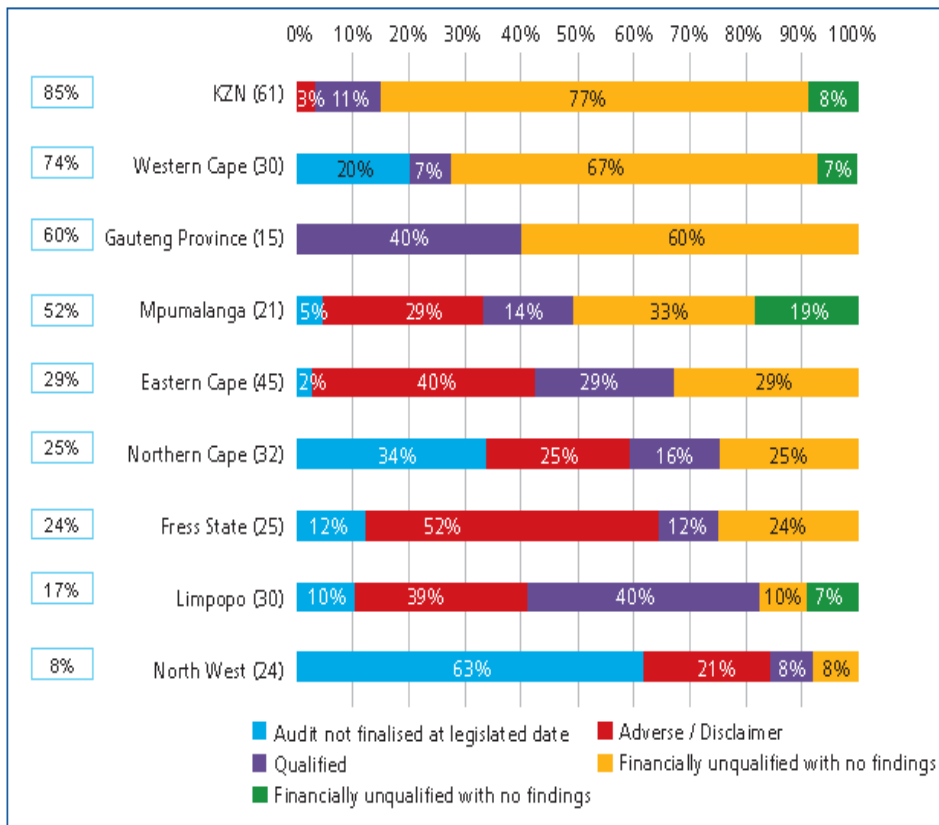
a high percentage of non-compliance with the MFMA, with an adverse opinion of 39%. An Adverse Opinion Report is issued on the financial statements of municipalities when the financial statements are materially misstated and such misstatements have a pervasive effect on the financial statements

(http://en.wikipedia.org/wiki/Auditor's_report#Adverse_Opinion_report).

Non-compliance with the MFMA has become a norm for South African municipalities, where almost all municipalities fail to comply. The study seeks to determine the reasons for non-compliance with reference to public consultation and budget management..

In most instances, the Auditor-General raises concerns regarding non-spending and misuse of public funds. This non-spending and misuse may hypothetically be a result of municipalities having unqualified personnel to implement pieces of legislation and even the recommendations of the Auditor-General.

Figure 1 indicates a provincial breakdown on the Auditor-General's findings per province.



Source : Provincial breakdown of AG's Consolidated General Report on Local Government audit outcomes, 2010-11

Non-compliance by municipalities is a serious issue that hampers service delivery in the country. In recent times, service delivery protests have escalated from one municipality to another, since local communities are governed by municipalities. These protests are against poor services that are themselves the result of poor financial management in local governments. Compliance with the MFMA is an obligation that should be taken seriously by local governments, especially because such compliance lays a foundation for good governance.

However, the Auditor-General highlighted the three areas of non-compliance with Municipal Finance Management Act 56 of 2003 (AGSA 2011) as follows:

- Material misstatements in submitted financial statements; prevention and addressing of unauthorised, irregular as well as fruitless and wasteful expenditure; and procurement and contract

management (supply chain management), which together account for 87% of all findings on compliance with laws and regulations.

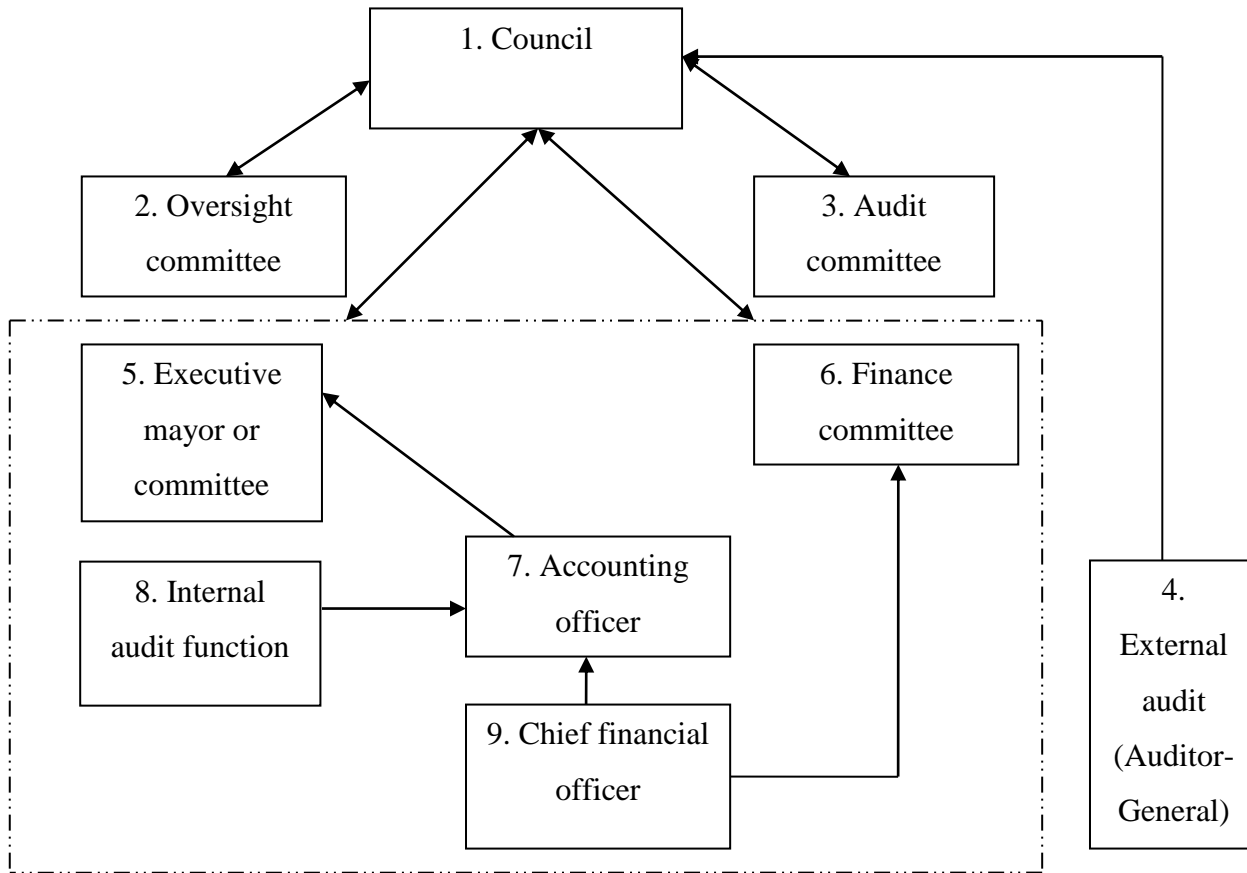
- Non-compliance relating to expenditure management; annual financial statements and annual report; and asset and liability management.
- An overall regression in all categories of non-compliance areas during the year under review. The continuous disregard for laws and regulations cannot be allowed to continue, and the leadership needs to be mindful of the fact that if this area does not receive immediate attention, public confidence will be further weakened, and clean administration will never materialise.

The Blouberg Municipality did not receive a clean audit report from the Auditor-General for the 2009/2010 and 2010/2011 financial years and has never got a clean audit since its inception. Municipalities are allocated enough money to appoint qualified personnel to implement the mandate of local government, yet it is still a challenge to get a clean audit.

This was highlighted in the Auditor-General Report published in the Blouberg News (April-June 2012:6). There is clearly a problem of accountability since municipalities have a mandate to ensure that quality service is rendered to the people and this may be only achieved through proper management of the budget and public consultation. Non-compliance with the MFMA is a controversial issue across the country. This can be substantiated by government decisions to put various municipalities from different provinces under section 139(1)(b) of the Constitution of the Republic of South Africa due to mismanagement of funds. This section is applicable when a municipality cannot or does not fulfil an executive obligation in terms of the Constitution. Cape's Sunday River Valley Local Municipality in the Eastern Cape province, Thembisile Hani in Mpumalanga province, and Moses Kotane local municipality in the North West province were tabled before the National Council of Provinces regarding the intervention in section 139(1)(b) of the Constitution of the Republic of South Africa Act 108 of 1996.

(http://parliament.gov.za/live/content.php?Item_ID=1265). A visit by the Parliament's Select Committee on Co-operative Governance and Traditional Affairs from Parliament indicates that non-compliance with the MFMA is a serious issue crippling municipalities.

Figure 2 shows the chain of accountability and reporting that should be in place at all municipalities. To get a clean audit, each party needs to play its role effectively and efficiently. A municipal council consists of politicians who should hold management accountable for administration and management of the municipal affairs and as such, it is important for each municipality to have an accounting officer who will act as head of administration and ensure policy direction and implementation in the municipality. Such an accounting officer will even need to advise council with regard to deviations from the municipal legislation that might occur. The accounting officer should also ensure that various committees are established in the municipality to perform an oversight role.



Source: National Treasury. A guide to municipal finance management for councillors,

Figure 1: Chain of accountability and reporting for municipalities

1.3. Rationale for the study

The study will be carried out to

- determine the extent to which the Blouberg Municipality complies with the MFMA in terms of budget administration and public consultation and to assist the municipality to improve service delivery and accountability to the public they serve; and
- assess the budgetary process of the Blouberg Municipality in order to determine its consistency with the stipulations of the MFMA.

The MFMA is very clear on the steps that should be followed by the council and its accounting officer regarding the municipal budget (section 60 of MFMA. 56 of 2003:74). It is important to take the community into consideration in the budget process (section 22 of MFMA. 56 of 2003:40). The rationale for the study will also include

- assessing transparency in the budget process of the Blouberg Municipality, since the MFMA requires that after tabling, the accounting officer of the municipality should, in accordance with chapter 4 of the MFMA, make public the annual budget and invite the community to submit their representations in connection with the budget; and
- assisting in developing a system of ensuring that the CFO and accounting officer adhere to the MFMA as a foundation of practising good governance and accountability within the municipality.

Accountability is not the only way to fast-track service delivery within municipalities. The municipality should let the principles of good governance and compliance prevail over the existing legislation that applies to the municipality. This study will also assess the structure of the internal audit within the Blouberg Municipality and the functionality of the audit committee in terms of advising the municipality on where deviations are likely to take place. This committee plays a critical role in overseeing whether the municipality is on track regarding the implementation of various Acts. If these committees are not functional, municipalities might get themselves in a state of non-compliance with various pieces of legislation.

1.4. Research problem

The problem statement leads to the purpose statement. The problem statement is the key conceptual paragraph that frames and guides the research (Badenhorst 2007:23). One of the traditional cornerstones of democracy is the fact that each councillor and municipal official is subject to accountability (Gildenhuis 1997:18).

Blouberg Municipality did not receive a clean audit from the Auditor-General for the 2010/2011 financial year (General report on the audit outcomes of the Limpopo Local Government 2010-11). Public consultation plays a primary role with respect to budgeting as stipulated in the MFMA. There is uncertainty as to whether Blouberg Municipality is consulting with the community in terms of budgeting, this is due to the fact that the municipality has not received clean audit since its inception.

This challenge of non-compliance with the MFMA is not only applicable to Blouberg Municipality. Non-compliance with the MFMA. 56 of 2003 is a serious challenge in the country. This can be substantiated by various reports from electronic and print media regarding the municipalities which are not complying with with MFMA, this may be substantiated by analysis of municipal audits by the Auditor-General (<http://www.dailymaverick.co.za/article/2012-07-24-municipal-audits-what-progress-has-been-made>). Misuse of funds, non-submission of documents for auditing, and appointment of people without necessary skills may be considered as controversial issues that the country is embroiled with regarding the performance of local government.

However, Blouberg Municipality is not the only municipality not complying with the MFMA, non-compliance with the Act is a controversial issue as it affects almost all municipalities in the country. The Auditor-General is in a discussion with various municipalities to ensure compliance with various pieces of legislation.

All activities regarding Municipal Financial Management must take place in public and not under the cover of secrecy or so-called confidentiality. True democracy calls for absolute transparency of all local government financial transactions (Gildenhuis 1997b:18).

The study will also determine the relationship between the budget and integrated development of the municipality and the capability of municipal personnel to implement

MFMA. This topic was chosen as a response to the budget speech of the honourable mayor Serite Sekgoloane of the Blouberg Municipality in which he emphasised the importance of good governance and a clean audit (Budget speech 2010/11:4, 6)

The mayor's speech stressed that achieving good governance and a clean audit depends on compliance with policies and regulations. Service delivery protests often indicate that municipalities are not living up to their mandate of providing services to the people. Good governance cannot be achieved if public opinions or views are not taken into account (Budget speech 2010/11:4, 6).

There is uncertainty as to whether municipalities are involving communities in the day-to-day operation of the municipality, particularly in the budget process. As earlier noted, the Municipal Finance Management Act 56 of 2003 is clear on the role that should be played by the community in the tabling and approval of the budget by the council. The research problem is that there is no public participation as stipulated in terms of the Municipal Finance Management Act 56 of 2003. The following are other sub-problems that can possibly contribute to the municipality's non-compliance with the Municipal Finance Management Act 56 of 2003:

- Internal audit committee does not enforce compliance.
- There are unqualified appointees in senior management positions.
- Integrated Development Plan (IDP) is not linked to the budget.

1.5. Motivation

The aim of this study is to investigate compliance with the MFMA within the Blouberg municipality and to assist municipalities in improving service delivery to the communities they serve. Good governance and accountability are key aspects in improving service delivery and in preventing daily service delivery protests.

The mayor of Blouberg Municipality, honourable Serite Sekgoloane, in his Draft Budget 2014/15-2016/17 Medium-Term Review stated that Operation Clean Audit 2014 is still the target set by the municipality to attain. For the 2012/2013 financial year, the municipality attained a qualified audit opinion from the Auditor-General. This was an improvement since

the disclaimer audit opinion for the 2011/2012 financial year. The audit report had three matters of emphasis, namely, assets management, unauthorised expenditure, and contingent liabilities

This can substantiate challenges facing the municipality in terms of compliance because based on records, Blouberg never got a clean audit from the Auditor-General, and this prompts studies to be undertaken in order to detect the root cause of the problem.

Recent catastrophic service delivery protests and shocking audit findings can be considered the basis for undertaking the study. Most of the municipalities in the country receive on a yearly basis qualified and disclaimer opinions from the Auditor-General. The study will assess the cause of non-compliance with MFMA. 56 of 2003 with reference to public consultation and budget administration or management.

The question that may arise is, “how long is the country going to face non-compliance with Municipal Finance Management Act?” Obviously when referring to non-compliance with various pieces of legislation, the quality and availability of service to poor people should also be questioned.

Almost every municipality in the country struggles to comply with the requirements stated in the MFMA, and virtually every municipality pleads guilty to the charge of mismanagement of finances by the Auditor-General. In many cases, heads of administration and mayors of municipalities fail to interpret and implement the contents of the MFMA, particularly with respect to the budget process.

Municipalities should demonstrate their accountability to the communities they serve through adherence with existing legislation and the promotion of transparency. This study will provide an assessment of the issue of transparency where public consultation regarding budget process will be taken into cognisance.

Chapter 4, section 22(a) of the MFMA stipulates that immediately after an annual budget is tabled, the accounting officer should invite the local community to submit representations in connection with the budget. However, the reality is that communities are not often given a chance to comment on the draft budget due to the municipal officials’ failure to interpret the role of the community in the budget process.

1.6. Research questions

The main research question in this study is whether the Blouberg Municipality complies with the MFMA. The following sub-questions will be considered in the study:

- What are the reasons behind deviations from the MFMA?
- Is there a link between the MFMA and operational policies or integrated development planning?
- Is the audit committee of the Blouberg Municipality functioning properly?
- Is the municipality having competent and qualified personnel to implement the regulations of the MFMA?

1.7. Research objectives

The research objective or purpose gives a broad indication of what researchers wish to achieve in their research (Mouton 1996:101). The main objective of this study is to assess compliance with the MFMA in terms of public consultation in the municipalities. There are sub-problems that can be investigated, and the following will be investigated:

- (i) To evaluate the budgetary process in the Blouberg municipality in terms of public consultation.
- (ii) To determine whether the IDP is aligned to the budget.
- (ii) To assess how the budget is managed through evaluation of annual report of the municipality .

1.8. Scope and limitation of the study

The study will focus on issues that constitute non-compliance with the Municipal Finance Management Act by taking into consideration legislation in place to assist municipalities to function properly. The policies include the Municipal Finance Management Act 56 of 2003, treasury Regulations, and the role of the National Treasury in the financial administration of the municipalities.

The study will be limited to the Blouberg Municipality in the Limpopo province and its four villages to determine community participation. This is due to time and budget constraints. It is predicted that the study will be completed within two years.

1.9. Ethical consideration

A letter will be written to the municipality to request permission to conduct the research. The purpose of the study will be indicated on the letter and the letter will also state that the findings of the research will be confidential.

1.10. Definition of concepts

Municipality

is a part of governmental arrangements of the state which deals mainly with such matters of concern to the inhabitants of a local area (De Villiers et al 1995:236)

Act

This is a statement that regulates the execution of a particular activity. In the context of this study, Municipal Finance Management Act. 56 of 2003 regulates financial administration within local governments.

Accounting officer

The head of the departments are the accounting officers responsible for all financial transaction and activities of the departments (Visser & Erasmus: 2002:35)

Management

Management involves coordinating and overseeing the work activities of others so that activities are completed efficiently and effectively (Robbins et al 1996:10).

1.11. Conclusion

This chapter outlined the background of the study by giving a reference to MFMA. The rationale for the study was also highlighted. The research objectives, research questions and definition of concepts were also outlined. A literature review of this study will be discussed in the Chapter 2.

CHAPTER 2: LITERATURE REVIEW

FINANCIAL MANAGEMENT AND PUBLIC PARTICIPATION IN SOUTH AFRICA

2.1. Introduction

The preceding chapter provided an introduction and background to the study. This chapter will deal with a review of literature relevant to the study. This chapter will outline existing legislation that governs municipalities in South Africa concerning financial management and public consultation. As outlined in Chapter 1, the study will assess compliance with MFMA in the Blouberg Municipality.

Literature review refers to consultation of various sources relevant to the study. A literature review is something specific to an academic context (Badenhorst 2007:43). A literature review can be described as a study of relevant documents and previous studies associated or relevant to a particular field or topic. This can assist the researcher to consult the relevant pieces of legislation, articles, books and newspapers relevant to the study and to supplement the argument in the study.

Marshall and Rossman (1999:43) postulate that literature review builds a logical framework for the research and sets it within a tradition of inquiry and a context of related studies. Rubin and Babbie (2001:120) support this view by stating that an early review of the literature is a prime source for selecting a topic, to begin with. This is because it provides substantially better insight into the dimensions and complexity of the problem.

James, McMillan and Schumacher (2010:73) state that there are two major reasons for the use of a literature review, which are as follows:

- The review establishes important links between existing knowledge and the research problem being investigated, which enhances significance.
- The literature review provides very relevant information about the methodology that can be incorporated into a new study.

A municipality is referred to as the government closest to the people in order to identify and prioritise the needs of the community. This will assist the Municipality with compilation of the budget because a budget is informed by service delivery needs. Needs of the communities are important in terms of budgeting as stipulated in the Local Government Municipal Finance Management Act (2003). There are pieces of legislation in place, such as Municipal Finance Management Act (2003), Local Government Municipal Systems Act 32 of 2000 and Municipal Structures Act (1998), which regulate the functioning and administration of municipalities in South Africa. The field of financial management is broad in every institution because it encompasses sections such as asset management, procurement, transport, expenditure and budget. This study will assess compliance with the Local Government Municipal Finance Management Act 56 of 2003.

Public accountability is the most important aspect in democratic states such as South Africa. Public accountability pertains to the obligation of persons or entities entrusted with public resources to be answerable for the fiscal, managerial and programme responsibilities that have been conferred on them and to report to those that have conferred these responsibilities. Before 1994, people had no rights to compel municipalities or public institutions to be transparent and accountable regarding services which they are entitled to receive. The White Paper on Transforming Public Service Delivery of 24 November 1995 strives to ensure that people come first. Public consultation plays a significant role in planning and budgeting in the local sphere of government.

Consultation will give citizens the opportunity of influencing decisions about public services by providing objective evidence which will determine service delivery priorities (White Paper on Transforming Public Service Delivery, 1997).

This White Paper on Transforming Public Service Delivery gives citizens rights to transparency about service delivery and spending by municipalities and government institutions. The following principles are relevant to this study because the study will also assess budgetary process of the municipality in terms of public consultation. These principles are also important because one of the objectives of the study is to evaluate budgetary processes through public consultation. A Municipality can only ensure public participation through consideration of the following principles:

Consultation

People should be consulted about the level and quality of service they are entitled to receive. Municipalities should always consult with citizens as regards planning and budgeting so that they can provide inputs in order to prioritise those needs. This is further stated in MFMA No. 56 of 2003 about the importance of public views regarding the municipal budget. Before 1994 people were not consulted about planning and budgetary processes of the municipalities within which they reside and White Paper on Transforming Public Service, 1997 requires that people should be put first and municipalities may carry out this in the form of IDP consultative meetings

Information

Citizens should be given full and accurate information about the spending of the projects undertaken each financial year and performance of the municipalities against their plans in order to enhance accountability. This can be done in the forms of annual reports and consultation meetings in order to report back to the community.

Value for money

Audit committees in the municipalities should be established to ensure value for money. This can be achieved through achieving 3 Es, which are Economy, Efficient and Effective.

2.1.1. Formation and transformation of local government

The Constitution of the Republic of South Africa, 1996 establishes local government as a sphere of government for the purpose of promoting social and economic development at municipal-based jurisdiction, and it provides specifically for the developmental duties to be assumed by municipalities and they must structure and manage their administrations, budgeting and planning process to give priority to the basic needs of the communities (Valeta & Walton 2008:373).

According to Khalo et al (2007:4), the term local government is generally used to refer to a decentralised, representative institution with general and specific, devolved up it and delegated to it by the central or provincial government. Chapter 7 (152) of the constitution stipulate the formation and the importance of local government. Khalo et al (2007:5) state

that the term “local” refers to a particular place while the term “municipality” refers to organisational unit of local government and this can be regarded as decentralised agencies for national sphere of government. Ismail, Bayat and Meyer (1997:76) further alluded that local government is the part of government which is concerned with the well-being of communities and that the objective of local government is to satisfy the need of the community by providing a wide range of basic service.

Local government is a sphere of government which is independent and given powers to make own decisions through its council. De Villiers (1992:1) argues that local autonomy refers to the ability of subnational government to act in self-determination in such a way that certain affairs can be conducted and decisions taken without external interference, while Niland (2005:4) alluded that district and local municipalities are independent and autonomous categories of local government, each assigned distinctive powers and functions.

Local government was transformed in order to cater for the needs of the community and to allow community members to be part of the planning and budgetary processes of local government. The transformation of local government started with the Local Government Transition Act (Act 209 of 1993) whereby temporary councils were established by local forums until local government elections were held in 1995/96 (Bauer 2009:29). The newly elected democratic government had to transform the system of local government to meet the demands of a non-racial society which was totally fragmented as a result of the former government’s policy of apartheid (Thornhill 2008:492).

2.1.2. Public consultations and participation

Budgetary process in the municipality cannot take place without consulting members of the public. The new dispensation of local government requires that needs of the communities should be taken into consideration when compiling a Municipal budget, this is stipulated in section 22 and 23 of the Municipal Finance Management Act (2003). The concept public participation has a variety of meanings, on the one hand, it could describe the relationship between local government and the community while, on the other hand, it could describe the extent to which the community participation influences decisions that affect their well-being

(Ababio 2004:272). According to Meyer and Theron (2000:1), “Public Participation is a social learning process linking the building blocks of development.”

Municipalities should make environment conducive for public participation during budgetary processes. Local government is an important level of participatory democracy where communities play an active role not only as electorates but also as end-users and consumers and thereby can hold their municipal council accountable for their action (Bauer 2009:29). Draai and Taylor (2009:113) further alluded that local government as the third sphere of government is vital where municipalities are bound in terms of various legislative prescriptions to promote and enhance public participation for improved service delivery, and this will require the establishment of fluent processes and nurturing a culture of participatory governance particularly in the local sphere of government for improved service delivery.

Mhlari (2014:8) argues that direct citizen participation is the process where all members of the society in their individual capacity participate in the decision-making process. Mahlaka (2012:17) maintains that a democratic and developmental local government system should use a bottom-up approach to planning. Bottom-up approach is crucial in the local sphere of government because this will assist the municipality to identify the needs of the community which will determine budget allocation.

Historically, local government in South Africa has not played a significant role in promoting participatory governance, especially in black communities and this has meant that the majority of municipal inhabitants are not fully aware of their role in improving services delivered by their municipality (Ababio 2004:276).

Municipalities cannot function without financial resources, once finances are allocated it is important they are managed in the relevant pieces of legislation and policies. Khalo et al (2007:163-164) state that the budget of the municipality is divided into two categories which are capital and operational budget which are operational and capital and Municipality may spend money on a capital project if the money for the project has been approved by the municipal council. Community members are not concerned with operational budget but more with Capital budget because it affects them directly with service delivery issues.

Khalo et al (2007:164) state that budget remains an important tool for ensuring effective and efficient management of public finances and that local government budget has to be drafted in consultation with local community and has to be aligned with the municipality's Integrated Development Plans.

Public participation can take place through public participation programmes such as IDP representative forum, Izimbizos, ward committee and various other community-based fora (Valeta & Walton 2008:380). According to Draai and Taylor (2009:119), ward committee in the local government sphere are regarded as social purpose vehicle for public participation.

According to Khalo et al (2007:162), the budget of the municipality should be drawn in consultation with the community.

Mosotho (2013:20) asserts that experience around the world suggests that improving public participation in government can enhance good governance and may result in the following benefits:

- Increased level of information in communities.
- Better need identification for communities.
- Improved service delivery.
- Community empowerment.
- Greater accountability.

The process of public participation may be effective if municipalities have clear strategy of public participation and engagement. Public participation may include the following strategies that may enhance public participation:

- Participative public hearing

Public hearings are so entrenched in the institutional and political decision-making process that they will be required in any comprehensive involvement programme

- Citizens advisory committee

The representative will reflect their constituencies

- Imbizo Programmes

The imbizo programmes are aimed at strengthening democracy through the involvement of communities in service delivery

- Executive mayoral outreach programmes

To promote intergovernmental relations, executive mayoral outreach programmes should be planned and carried out in line with the premier's outreach programmes so that gaps in how community needs are addressed can be identified and closed

- Community empowerment programmes

Empowerment can be defined as the process through which individuals, groups and communities are able to take control of their circumstances and achieve their goals.

Ward committee may be used as a vehicle for public consultation as they serve as a link between the municipality and the community. According to Motale (2012:23), there are a number of other problems regarding the role of ward committees in relation to public participation and these problems may be summarised as follows:

- Ward committees lack clear focus and show a lack of clarity regarding roles and responsibilities.
- Ward committees have no real power and are therefore not taken seriously by the community or by the decision-makers in the municipalities.
- Many instances ward committees have become nothing more than extensions of political parties and are easily subjected to manipulation.
- Ward committee members have insufficient training to carry out mandated activities.
- Ward committees lack both administrative and infrastructural support.

Local Government Municipal Systems Act 32 of 2000 32 of 2000 is also important to enhance public participation and consultation within the local sphere of government.

The Local Government Local Government Municipal Systems Act 32 of 2000 32 of 2000 deals with community participation and consultation. One of the questions in this study is to detect if Blouberg Municipality is complying in terms of public consultation during the

budget process, and the Local Government Municipal Systems Act 32 of 2000 32 of 2000 is one of the legislation that highlights the importance of public consultations. Transparency and accountability may not be possible if public consultation is not commonly practised by municipalities.

In terms of The Local Government Municipal Systems Act 32 of 2000, each municipality has to develop an IDP reasonably soon after local government elections for the five-year term of the council. Important aspects of the IDP should ideally be based on key elements of the Election Manifesto of the party that wins the elections. Development of the IDP and budget may be possible if public participation is undertaken by the municipality. Communities should feel ownership of these documents as local government is considered to be a government closest to the people.

Essentially, an IDP is meant to be a community-driven and council-led municipal strategic plan based on the needs of residents that is organised into goals and priorities, and aligned to resources, thus providing a framework for municipal budgets, programmes and projects. The IDP is reviewed annually before the budget is prepared. Where possible, the five-year IDP should be part of a longer-term strategic development plan.

The act prescribes that the IDP approach marked a major shift away from the previous narrow focus of planning on physical development, zoning and land use. It refers to strategic development, which is a holistic and participatory approach, balancing social, economic, environmental, governance, institutional and financial considerations. The Local Government Municipal Systems Act 32 of 2000 32 of 2000 defines the IDP as “the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the municipality”, and it “binds the municipality in the exercise of its executive authority, except to the extent of any inconsistency between a municipality’s integrated development plan and national or provincial legislation in which case such legislation prevails”. The Act also states: “A municipality must give effect to its integrated development plan and conduct its affairs in a manner which is consistent with its integrated development plan.”

In terms of The Local Government Municipal Systems Act 32 of 2000 32 of 2000, community participation is embedded in the entire IDP process. Even before a municipality adopts a particular process, in terms of the Act, to guide the planning, drafting, adoption and review of the IDP, it must consult the community. The community must have a say on what its needs, goals and priorities are, and what strategies, programmes and projects it believes can reasonably address their concerns. Municipalities can engage with communities on IDPs in a variety of ways, including through community meetings, ward committee meetings, IDP Forums and various workshops of stakeholders. Public participation plays a crucial role during the planning stage at the local sphere of government. However, there are always challenges regarding public participation which negatively affect the planning process of the municipality. Responsibilities rest with municipalities to ensure maximum participation. Poor attendance is predicted to be informed by poor communication and poor service delivery.

Public participation is crucial to effective IDPs. According to Carrim (2011), getting effective participation is difficult. Councils and administrators have to be trained to be good listeners and to encourage community and stakeholder participation through a variety of forms. It is never easy to tell how minimal or extensive a draft IDP framework should be to facilitate initial discussions at meetings of communities or representative organisations, and wrong choices in this regard can have negative consequences.

IDP documents often deal with strategic and technical issues, but to encourage participation, they have to be brief, user-friendly and accessible – which many are not. Besides general community meetings where everybody is allowed to participate, there is a need to have smaller meetings and workshops of key representatives in order to have more in-depth discussions on more strategic and technical issues. Municipalities have to establish IDP Representative Forums, including representatives from business, labour, community and other organisations. Many municipalities also draw in representatives of the ward committees in the IDP Representative Forums, besides also engaging with ward committees separately.

In many municipalities, traditional leaders or their representatives also need to be included as representatives of the communities. Most of community issues are discussed at traditional council, and it is important that Municipalities establish a relationship with traditional leaders. Most municipalities do not ensure effective participation of the private sector – and

they need to attend to this. Of course, it is not always easy to identify key stakeholders who should participate in IDP meetings. Just how representative are some of the participants in the IDP structures, and do they report back to their constituencies and get mandates?

This will assist in this study to determine the level of public participation in the Blouberg Municipality. Chapter 4 of the Local Government Municipal Systems Act 32 of 2000 32 of 2000 can be summarised as indicated below.

A municipality must develop a culture of municipal governance that complements a formal representative government with a system of participatory governance. The Local Government Municipal Systems Act 32 of 2000 emphasises four elements. These elements are indicated below.

The municipality must foster participation in

- The IDP process.
- The evaluation of its performance through performance management.
- The budget process.
- Strategic decisions regarding service delivery.

The Local Government Municipal Systems Act 32 of 2000 is aimed at providing the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities and to ensure universal access to essential services that are affordable to all. The objectives of this Act may not be possible if most of the municipalities are struggling to comply with pieces of legislation. Municipalities are failing to deliver services to the people, primarily due to lack of financial management. This legislation supplements the objectives of the MFMA because if municipal finances are not well managed, the objectives of Local Government Municipal Systems Act 32 of 2000 will not be possible because social upliftment and essential services cannot be achieved without proper management of finances.

2.1.2.1. *Importance of communication for public participation and consultation*

Communication plays an important role in mobilising community members in order to ensure maximum participation. Community participation plays an indispensable role in the current administration of local government. A municipality should also take into cognisance the language used to communicate with the community to ensure that the message is well received by the recipients. The Local Government Municipal Systems Act 32 of 2000 emphasises that public participation should be inclusive of everyone irrespective of disability and level of education. The White Paper on Local Government (1998:53) further required that municipalities should develop strategies and mechanisms to continuously promote participation with the public and the community groups.

Each development initiative requires a specific, relevant combination of strategies depending on the expectations of the local sphere and the beneficiaries of the development programme or project (Theron 2008:111-112). Furthermore, Theron (2008:111-112) refers to a spectrum of participation that includes informing the public, consulting the public, involving the public to collaborating and empowering of the public through a process of public participation.

To have effective public participation programmes, it is important that municipalities through council should strengthen public participation structures, such as ward committees and community development workers (Mosotho 2013:62). Craythorne (2003:263) points out that in developing a culture of community participation, a municipality needs to develop a culture of municipal governance that complements formal representative government with participatory governance

A municipality may use various methods to communicate with the public; these include the following to ensure maximum participation:

- Local newspapers circulating in its area and the language used in that area.
- Radio broadcast covering the area of the municipality.
- Announcement in public meetings.
- Distribution of flyers in consultation with the ward committee.

- Loud-hailing system.

Section 21(4) of the Local Government Municipal Systems Act 32 of 2000, states that whenever the council notifies the community through the media in terms of any legal provision, the languages of the area targeted must be used.

One or more of the following means of notification must be considered:

- Local newspaper
- Other newspaper that has been designated as a newspaper of record
- Radio broadcasts

Notices may be displayed at the municipal offices. When the municipality invites comments from the public, it must ensure that an official is available at the municipal offices during office hours to assist residents who cannot write (due to illiteracy or disability) to put their comments in writing. This option must be communicated to the public in the invitation for comments. Similarly, when the council requires a form to be completed, officials must assist residents in understanding and completing the form.

2.1.2.2. Local Government Municipal Systems Act 32 of 2000 as a vehicle for public participation

Section 17(4) of the Local Government Municipal Systems Act 32 of 2000, 2000, states that participation must take place through established structures (ward committees). It must also take place through mechanisms, processes and procedures that exist in terms of the Local Government Municipal Systems Act 32 of 2000 itself or that have been established by the council.

The Local Government Municipal Systems Act 32 of 2000 mentions the ward committee as a vehicle for participation. In addition to ward committees, the council may, for instance, establish advisory committees consisting of persons who are not councillors. The mechanisms, processes and procedures mentioned in the Local Government Municipal Systems Act 32 of 2000 must include:

- Procedures to receive and deal with petitions and complaints of the public
- Procedures to notify the community about important decisions (such as by-laws, IDP service delivery choices) and allowing public comment when it is appropriate
- Public hearings
- Consultative meetings with recognised community organisations and, when appropriate, traditional authorities
- Report back to the community.

These systems must, as a minimum measure, be established in every municipality. The special needs of women, illiterate people, disabled people and other disadvantaged groups must be taken into account. For example, when planning a public meeting, the council must endeavour to accommodate all these groups and consider issues such as the ones that follow.

The council must make the public aware of the established mechanisms for participation. It must also inform the public of the issues in which it requires its participation. The residents must be informed regarding municipal governance, management and development in order to hold Municipality accountable. One of the principles of good governance is accountability. Figure 3 outlines accountability in relation to financial management in the local sphere of government.

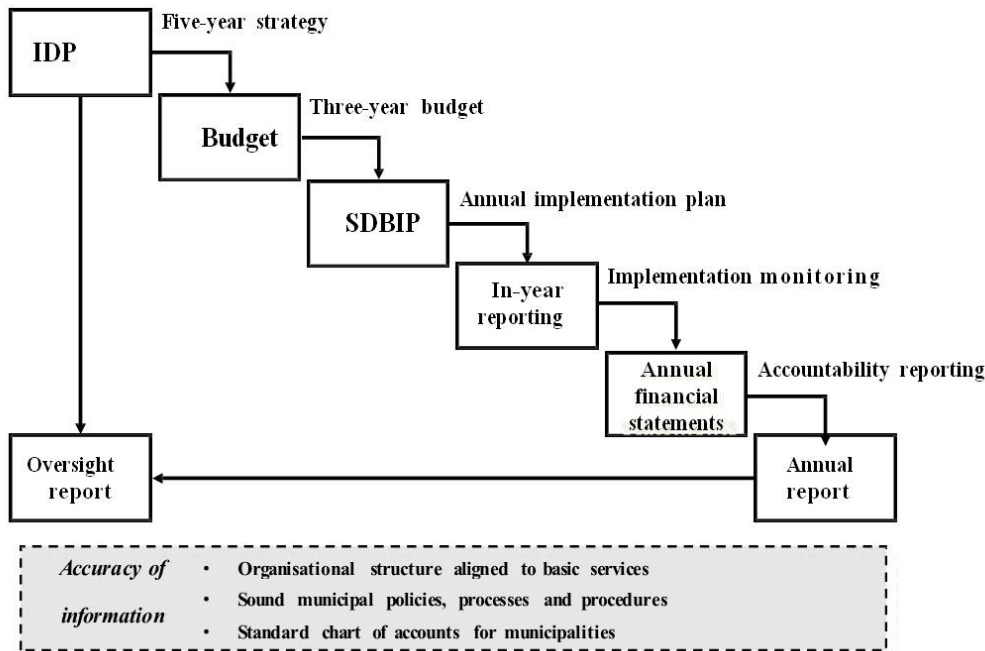


Figure 2: Municipal financial management and accountability cycle

Source: National Treasury: 2016

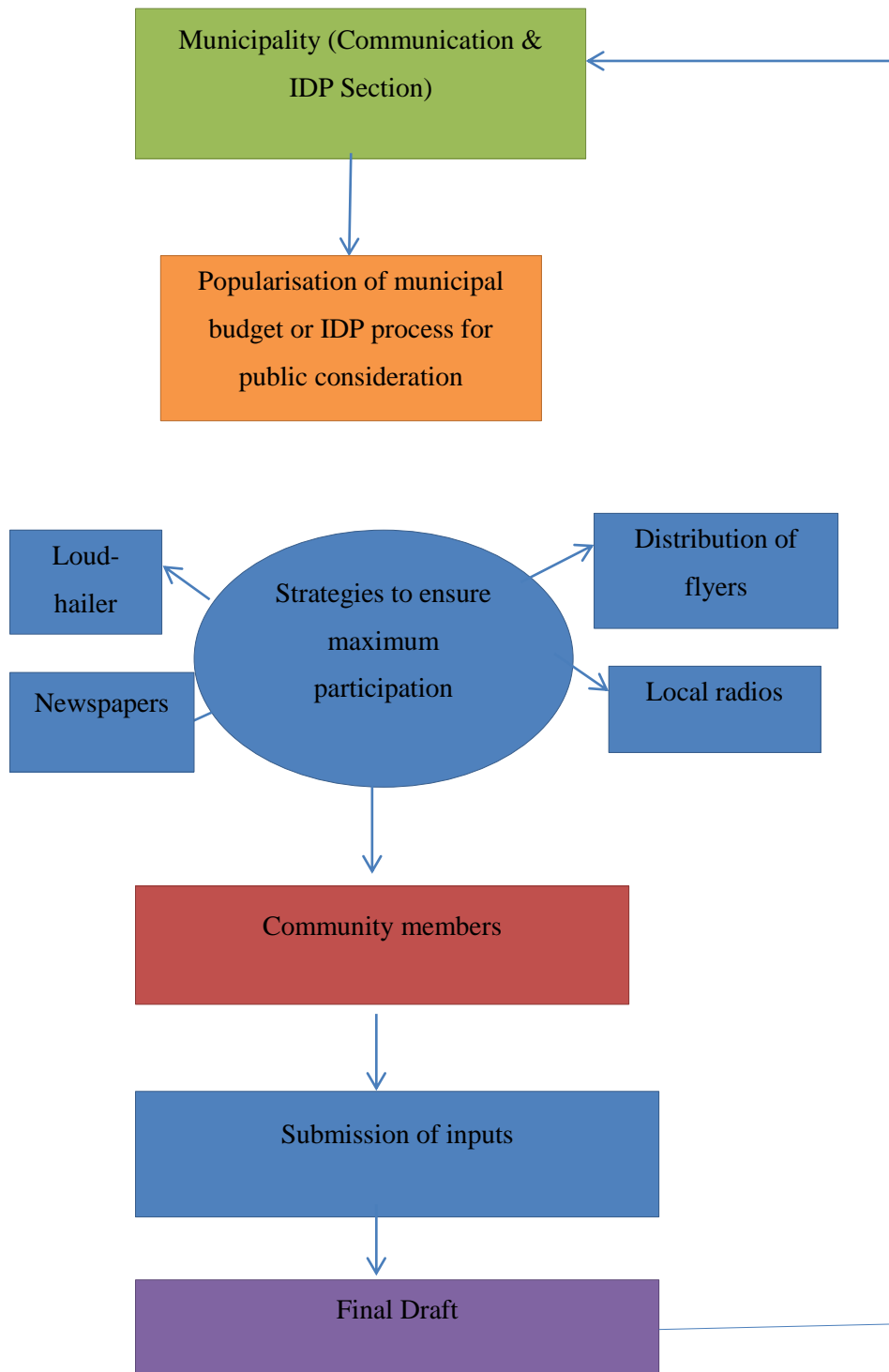
Section 16(1) of the Local Government Municipal Systems Act 32 of 2000 states that a municipality must develop a culture of municipal governance that complements a formal representative government with a system of participatory governance and must:

- (a) Encourage and create a condition for the local community to participate in the affairs of the municipality including:
- The preparation, implementation and review of its IDP.
 - Establishment, implementation and review of its performance management system.
 - The monitoring and review of its performance, including the outcomes and impact of such performance.
 - Preparation of its budget.
- (b) Contribute to the building capacity of the local community and councilors.
- (c) Use resources and annually allocate funds in its budget.

Section 17(2) states that the municipality must establish mechanisms, processes and procedures to enable the local community to participate in the affairs of the municipality and must:

- Process and consider petitions and complaints lodged by members of the local community.
- Notification and public comment procedure when appropriate.
- Public meetings and hearings by the municipal council and other political structure and political office-bearers of the municipality.
- Consultative sessions with locally recognised community organisation and, where appropriate, traditional leaders.
- Report back to local communities.

Figure 4 indicates strategies that can be taken into consideration in order to ensure maximum participation.



Source: own: 2018

The National Treasury plays an important role in the implementation of the Municipal Finance Management Act 56 of 2003 (Mafunisa 2014:1100). Municipalities cannot function without National and Provincial treasuries. Treasury is entrusted with responsibilities of providing guidance to government institutions, state-owned companies and entities and these include budget planning, spending and monitoring.

One of the objectives of this study is to assess how municipal budget is managed. Budget is regarded being representative of the activities of an organisation for the given period, expressed in financial terms (Ismail et al 1997:78). Moeti (2007:9) alluded that the public money should be spent in an efficient and cost-effective manner so that the public enjoys value for money.

The budget process runs parallel with the process of reviewing the IDP and when the two products are (IDP and budget) are normally adopted at the same time (before or end of May) and the budget must be assigned with the IDP and its objectives and strategies (Valeta & Waton 2008:381-383). Mojaki (2012:22) further alluded that budgeting and planning in a municipality are required to be done at almost the same time in order to be in a position to direct or channel the available resources to priorities of service delivery.

Khalo et al (2007:194) state that there are various key role players and structures in municipal financial management and these role players may be summarised as follows:

- **National and Provincial Treasury**

The National Treasury has been established to control the financial administration of the state department and local government on behalf of the executive authority. Treasury is also entrusted with responsibilities to ensure that these institutions are capacitated to deal with financial affairs and this is possible through various trainings about regulations and pieces of legislation.

- **Office of the Auditor-General**

The constitution provides for the Auditor-General to audit and report on the accounts, financial statement and financial management of municipalities, provincial and national

government. The office of the Auditor General is chapter 9 institution and account directly to parliament.

- **Financial and fiscal commission**

Recommendation of the commission are submitted to the minister of finance at least ten months before the start of financial year on the issues of equitable division of revenue among the national, provincial and local government.

- **Councillors**

Councillors have important responsibilities in the process of approving the budget. The role of the councillor may also include acting as a link between the municipality and community.

- **Mayor**

The mayor must ensure that the municipality performs within the limited of its budget and submit a report to council within 30 days of the end of each quarter on the implementation of the budget and financial state of the municipality.

- **Municipal Manager**

The accounting officer must provide guidance and advice to the political structure and should also manage the financial affairs of the municipality with honesty and integrity.

All role players internally and externally seek to achieve good governance in all spheres of government. Singh and Singh (2011:3) argue that according to the United Nations, good governance is accountable, effective and efficient participatory, transparent, responsive and effective, consensus oriented and equitable governance.

- **Municipal Council**

Municipal council is entrusted with the decision making of the municipality. This includes approval of the municipal budget. Khalo et al (2007:163) state that municipalities may only spend money on a capital project if the money is approved by the municipal council. Fourie (2007:133) further alluded that the accounting officer must no later than 14 days after approval of annual budget submit SDBIP for the budget year and draft annual performance.

After the approval of the budget and submission of the SDBIP, the accounting officer is entrusted with the responsibilities of ensuring that the budget is spent in accordance with approved plans. The local government review requires the improvements in financial system in order to encourage compulsory competitive tendering and quality of service delivery (Guy Hollis 1994:3).

2.1.3. Reporting of municipality and budgetary processes

According to Norman (2007:129), both treasury and audit commission encouraged the achievement of the three Es which are economy, effective and effectiveness and he further explains these 3 Es as follows:

- Economy – cost of the inputs used and making economic use of them.
- Efficiency – is concerned with cost of producing output.
- Effectiveness – Producing results.

Moeti (2007:8) argues that public spending has to be carried in a manner that is effective, efficient and economical. It is important that municipalities should ensure compliance with Municipal Finance Management Act through the prevention of unauthorised, irregular and wasteful expenditure and encourage public participation.

At the end of each financial year, municipalities should provide citizens with their performance report because public consultation does not only play a significant role in the budgetary process. Local government transformation requires that municipalities should publish their annual report, Performance Report and Integrated Development Plan in order to strengthen accountability.

Khalo et al (2007:164) the council of the municipality must within nine months after the end of the financial year produce an annual report for the municipality and for any municipal entity under its sole or shared control. Furthermore, Khalo et al (2007:164-165) alluded that the annual report serves the following purpose:

- To provide a record of activities of the municipality.
- To provide a report on performance against the target.
- To promote accountability.

The Municipal Finance Management Act, 2003 prescribes that all municipalities must publish their annual report and the report should include:

- Financial statement of the municipality.
- The Auditor-General report.
- The annual performance reports.

The budget process of the municipality should be executed in terms of the approved guidelines by the National and Provincial Treasury. The process will outline the responsibilities of various role players such as the Mayor, councillors, Municipal Manager and the community. In terms of section 53(1) of the Local Government Municipal Finance Management Act no 56 of 2003 prescribes that the mayor of a municipality must:

(a) Provide general political guidance over the budget process and the priorities that must guide the preparation of a budget.

(b) Co-ordinate the annual revision of the IDP in terms of section 34 of the Local Government Municipal Systems Act 32 of 2000 and the preparation of the annual budget, and determine how the IDP is to be taken into account or revised for the purposes of the budget.

2.1.3.1. Responsibilities of the Mayor regarding budgetary processes of the municipality

The mayor is not only responsible for a ceremonial role but has an important role to play in budgetary processes. Section 53(c) of the Local Government Municipal Finance Management Act 56 of 2003 prescribes that the mayor should ensure that all reasonable to ensure that:

- (i) The municipality approves its annual budget before the start of the budget year; and
- (ii) The municipality's Service Delivery and Budget Implementation Plan (SDBIP) is approved by the mayor within 28 days after the approval of the budget.

2.1.3.2. *Responsibilities of the Accounting Officer regarding budgetary processes of the municipality*

The accounting officer (Municipal Manager) is responsible for implementation of the municipal budget after the mayor has exhausted all steps in terms of section 54 (d). This section states that the mayor should further instruct the accounting officer to ensure the following:

(i) That the budget is implemented in accordance with the Service Delivery and Budget Implementation Plan.

Section (3) of the Local Government Municipal Finance Management Act 56 of 2003 prescribes the importance of public consultation as it states the mayor must ensure that any revisions of the Service Delivery and Budget Implementation Plan are made public promptly.

2.1.3.3. *Process for approval of the annual budget*

Preparation and approval of the annual budget at the local sphere of government cannot be done randomly; there are processes that must be followed wherein public consultation plays a vital role. A democratic government requires that the public should provide inputs during the budget process, and submission of inputs before the budget can be made formal.

Section 16(1) of the Municipal Finance Management Act prescribes that for each financial year, the council of a municipality must approve an annual budget for the municipality before the start of that financial year.

Section 21(1) of the Municipal Finance Management Act prescribes that the mayor of a municipality must:

(a) Coordinate the process for preparing the annual budget and for reviewing the municipality's IDP and budget-related policies to ensure that the tabled budget and any revision of the IDP and budget-related policies are mutually consistent and credible.

(b) At least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for

- The preparation, tabling and approval of the annual budget.

- Annual review of IDP and budget-related policies.
- The tabling and adoption of any amendments to the IDP and related policies.

2.1.4. Importance of publication of the annual budget

Transparency is one of the most important principles in the new government dispensation; this is also enshrined in the White Paper on Transformation of Public Service 1997. This is also applicable to local government in terms of budgetary processes. The budgetary process within the local sphere of government is taking place simultaneously with IDPs.

2.1.4.1. *Scope, nature and role of IDPs*

Carrim (2011) states that in South Africa, interestingly, the notion of developmental planning was first introduced in the local government sphere. It is only more recently that the country has edged towards the notion of a “developmental state” (and not being content with just developmental local government), where national and provincial planning has begun to be emphasised more seriously.

Section 22 of the Municipal Finance Management Act lays emphasis on the publication of the annual budget and requires that immediately after an annual budget is tabled in a municipal council; it prescribes that the accounting officer should:

- make public the annual budget and
- invite the local community to submit representations in connection with the budget.

These initiatives will assist community members to become active citizens and will enable them to make an informed decision in the administration and management of the municipality.

The accounting officer should submit the annual budget in both printed and electronic format to the National Treasury and relevant provincial treasury.

Consultation in terms of the municipal budget is important. Section 23(1) of the Local Government Municipal Finance Management Act 56 of 2003 prescribes that when the annual budget has been tabled, the municipal manager must

- Consider the views of the local community.
- The National Treasury, the relevant provincial treasury and any other provincial or national organs of state or municipalities which made a submission on the budget.

After considering all budget submissions, the council must give the mayor an opportunity to

- Respond to the submission.
- If necessary, to revise the budget and table amendments for consideration by the council.

National and Provincial Treasury plays a chief role in the budget process. This means that it can issue a guideline on the manner in which municipal councils should process their annual budget including guidelines on the formation of a committee of the council to consider the budget and hold public hearings.

Section 24(1) of the Municipal Finance Management Act prescribes that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget. The annual budget must be approved before the start of the budget year.

If a municipal council fails to approve the annual budget, including raising measures necessary to give effect to the budget, the council must reconsider the budget and vote on the budget or on an amended version thereof within seven days of the council meeting that failed to approve the budget.

Section 26(1) of the Local Government Municipal Finance Management Act 56 of 2003 states that if at the start of the budget year, a municipality council has not approved the annual budget or any revenue-raising measures necessary to give effect to the budget, the provincial executive of the relevant province must intervene in the municipality in terms of section 139(4) of the Constitution, 1996 by taking any appropriate steps to ensure that the budget or those revenue-raising measures are approved including dissolving of the council and appointing an administrator until the newly elected council has been declared elected and approving temporary budget or revenue-raising measures to provide for the continued functioning of the municipality.

Table 2 indicates the responsibilities of the municipality and communities in terms of public consultation.

Table 2: Responsibilities of the municipality and communities

Municipality	Communities
<ul style="list-style-type: none"> • Consider the views of the public • Make public the annual budget • Invite the local community to submit representations in connection with the budget 	<ul style="list-style-type: none"> • Submission of the budget inputs • Become actively involved in budget processes • Inspection of the final budget

2.1.5. Administration of municipal budget

Administration of the municipal budget has to be carried out in a manner that is transparent and cost effective manner. Chuene (2006:46) states that Municipal officers and finance staff play a very crucial role in ensuring that the budgeting, expenditure control and supply chain mechanism work to reduce the structural and causes of poverty and create developmental opportunities.

Municipality may review its budget through adjustment budget, this is allowed in terms of the Municipal Finance Management Act. Section 28(1) of Municipal Finance Management Act prescribes that a municipality may revise an approved annual budget through an adjustments budget. Section 28 (2) further makes the following provisions regarding adjustment budget:

- (a) Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year.

(c) May within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality.

2.1.5.1. *Importance of the adjustment budget*

Section 28 (2) (b) (f) of the Local Government Municipal Finance Management Act 56 of 2003 summarises the importance of adjustment budget as follows:

- To appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for.
- To correct any errors in the annual budget.

The responsibilities of approval of the adjustment budget are given to the mayor through consultation with the council. Section 28 (4) prescribes that only the mayor may table an adjustments budget in the municipal council.

Municipal Finance Management Act further makes a provision regarding tabling of the adjustment budget. Section 28 (5) prescribes that when an adjustments budget is tabled, it must be accompanied by the following:

- (a) An explanation on how the adjustments budget affects the annual budget.
- (b) A motivation of any material changes to the annual budget.
- (c) An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years.
- (d) Any other supporting documentation that may be prescribed.

2.1.5.2. *Unforeseen and unavoidable expenditure*

Modernisation of financial management system in the local government makes a provision for Unforeseen and unavoidable expenditure. Unforeseen and avoidable expenditure can be explained as expenditure that was not expected or avoided, but this does not municipalities may use this section to promote non-compliance. Section 29(1) of the Municipal Finance Management Act prescribes that the mayor of a municipality may in an emergency or other

exceptional circumstance authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget. However, this may not be made in consultation with the public but should reflect on the reports that will be made available to the public in order to enforce transparency.

Section 29(2) of the Local Government Municipal Finance Management Act 56 of 2003 prescribes that any of such expenditure may be authorised by the mayor on the provision of the following guidelines:

- (a) Must be in accordance with any framework that may be prescribed.
- (b) May not exceed a prescribed percentage of the approved annual budget.
- (c) Must be reported by the mayor to the municipal council at its next meeting.

2.1.5.3. *Unauthorised, irregular or fruitless and wasteful expenditure*

Unauthorised, irregular or fruitless and wasteful expenditure is one of the questions that need to be answered by the municipal officials in this study. This section states the responsibilities of the accounting officer's responsibilities in advising the political office-bearers as well as the responsibilities of the political office-bearers in preventing the act of unauthorised, irregular and fruitless expenditure. This may also be linked to the management of the municipal budget. Unauthorised expenditure may be regarded as money that was spent for the purpose that was not meant for. The Local Government Municipal Finance Management, Act 2003 (16) describes Unauthorised, irregular or fruitless and wasteful expenditure as follows:

Irregular expenditure means expenditure incurred by a municipality or municipal entity in contravention of or that is not in accordance with, a requirement of MFMA and which has not been condoned in terms of section 170.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

2.1.5.4. Responsibility of the political office bearer regarding unauthorised, irregular and wasteful expenditure

Section 32(1) of the Municipal Finance Management Act prescribes the responsibility of the political office bearer regarding unauthorised, irregular and wasteful expenditure as follows:

(a) A political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in unauthorised expenditure instructed an official of the municipality to incur the expenditure.

(b) The accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer. The accounting office is entrusted with the responsibilities of providing strategic leadership in terms of administration of the municipality and compliance thereof.

(c) Any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure is liable for that expenditure. Political office bearers can be liable of unauthorised or irregular expenditure if they have decided to ignore the advice of the accounting officer.

(d) Any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

Section 32 (3) of the Municipal Finance Management Act prescribes that If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure, provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful.

2.1.5.5. Responsibility of the Accounting Officer regarding unauthorised, irregular and wasteful expenditure

One of the responsibilities of the accounting officer is to provide guidance to political office bearers on the issues of administration. The accounting officer has a crucial role to play in preventing unauthorised, irregular and wasteful expenditure. Section 32(4) MFMA further prescribes the responsibility of the accounting officer in respect of advising a council about the likely wood of incurring unauthorised, irregular and wasteful expenditure as follows:

The accounting officer must promptly inform the mayor, the MEC for Local Government in the province and the Auditor-General, in writing of:

- (a) Any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality.
- (b) Whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure.
- (c) The steps that have been taken.

2.1.6. Challenges on Financial Management in Local Government

Challenges of Financial Management in the local sphere of government are broad and may include budget administration, supply chain management, asset management as well as debt management. The study will only focus on budget administration and management which include the importance of public consultation. This may be substantiated by statements that some municipalities in Limpopo (Aganang Local Municipality and Polokwane Municipality) have regressed as municipalities have moved from unqualified with findings to a disclaimer (<http://www.gov.za:online>). Financial Management remains a challenge in the local sphere of government. This may be the result of appointing people who are not qualified at senior management. Laubscher (2012:63) alluded that municipalities in South Africa are under pressure as a results of poor financial control and lack of accountability, leading to extensive corruption and financial mismanagement with detrimental consequences for effective and efficient service delivery and further alluded that financial control is of the utmost importance when it comes to determining the success or failure of local government in South Africa.

Mismanagement of finances in the local sphere of government contribute massively to qualified and disclaimer opinion by the Office of the Auditor-General. Mofolo (2015:887) argues that the road for South Africans to achieve clean audit appears to be a difficult one.

2.1.7. Capacity of the municipality to implement Municipal Finance Management Act

The capacity of the municipal staff is important to ensure that the institution is functional and able to deliver service to the people. Capacity refers to the availability of and access to concrete or tangible resources (human, Financial, material or technological) and having the knowledge to implement policies and the delivery of public service (Koma 2010:114). The study seeks to evaluation the competency of the municipality's officials to implement MFMA. Staff cannot be competent if they are not trained. Competency can be defined as having the necessary higher education qualification, work experience and knowledge to obtain at least a competent level of achievement (<http://www.saflii.org.za>). A municipality is required to develop its human resource capacity to a level that enables it to perform its functions and exercise its power effectively, efficiently and economically (Thornhill 2008:506). Capacity building within the local sphere of government may take place through short learning programmes, seminars and long programmes. According to Mafolo (2015:893), it is a known fact that some municipalities in South Africa, particularly in rural areas, have a huge challenge when it comes to the attainment of suitable human resources. In terms of the Government Gazette (2007), senior managers should meet specific competencies in order to fill a vacant position within the local sphere of government. Municipal regulations on minimum competency level requirements have made a distinction between the competency level requirements for different categories of the municipalities based on the size of their annual budget (De Lange 2010:6). The requirements in qualification and experience with reference to the size of the municipality and budget allocation with specific reference to the Chief Financial Officer. Chapter 2 (1) (2)(3) of the Government Gazette (2007) prescribes that:

- The accounting officer of a municipality must generally have the skills, experience and capacity to assume and fulfil [sic] the responsibilities and exercise the functions and powers assigned in terms of the Act to the accounting officer of a municipality must generally have the skills, experience and capacity to assume and fulfil the responsibilities

and exercise the functions and powers assigned in terms of the Act to the accounting officer of a municipal entity.

National Treasury has issued a circular regarding competency of officials who should occupy executive position within the local sphere of government in order to ensure that municipalities are able to achieve its objectives (<http://www.gov.za/speeches/minimum-competency-levels-municipal-officials-effective-october-2015-30-sep-2015-0000>).

Table 3 outlines minimum requirements for appointment of managers and municipal manager in the local sphere of government.

Table 3: Minimum competency levels for accounting officers

Description	All municipalities and municipal entities
Higher Education Qualification	At least NQF Level 6 or Certificate in Municipal
Work-Related Experience	Minimum of 5 years at senior management level
Core Managerial and Occupational Competencies	As described in the performance regulations
Financial and Supply Chain Management Competency Areas:	Required Minimum Competency Level in Unit Standards
Strategic leadership and management	116358
Strategic financial management	116361; 116342; 116362
Operational financial management	116345; 119352; 119341; 119331; 116364

Source: www.saflii.org.za

2.2. Relevant legislation and regulations relevant to study

Literature review refers to consultation of various sources relevant to the study.

The following pieces of legislation and policies will be subsequently discussed in this chapter:

- The Constitution of the Republic of South Africa Act 108 of 1996
- Local Government Municipal Finance Management Act 56 of 2003
- A Guide to Municipal Finance Management for Councillors, March 2003
- Local Government Municipal Structures Act 117 of 1998
- Local Government Transition Act 209 of 1993
- Human Resource Development Policy (Blouberg Municipality)
- Public Participation Policy (Blouberg Municipality)
- Municipal Public Accounts Committee (MPAC): Appointment and Legal Framework
- Municipal Turnaround Strategy: Guide to Municipality
- Blouberg Municipality Turnaround Strategy
- Blouberg Municipality Draft Communication and Branding Strategy 2014/2015
- The White Paper on Local Government 1998

2.2.1. The Constitution of the Republic of South Africa, 1996

The Constitution of the Republic of South Africa, 1996 is important to the study in order to determine whether Blouberg Municipality is implementing its mandate as legislated, with emphasis on public consultation as the most important basis of local government in terms of budgeting and planning process. The Constitution is the most important legislation that outlines the reasons for the establishment and existence of municipalities in the country. It outlines the rights of citizens such as the provision of basic services that must be carried out by the municipalities as the government closest to the people and even to ensure public involvement in the affairs of the municipality that affects the communities.

Chapter 7 of the Constitution, 1996 states that a municipality has rights to govern, on its initiative, the local government affairs of its community subject to national and provincial

legislation as provided in the Constitution. The formation of local government in terms of the Constitution was to ensure that government goes to the people.

This will assist in ensuring that communities can raise their concerns with government representatives closer to them such as ward councillors, ward committees and through mayoral imbizos. However, the rationale behind chapter 7 is not only for public consultation but to ensure accountability as a way of enforcing transparency as one of the pillars of democracy in South Africa.

In terms of the Constitution of the Republic of South Africa, 1996 local government has the following objectives:

- To promote democratic and accountable government for local government.
- To ensure the provision of service to the communities in a sustainable manner.
- To promote social and economic development.

2.2.1.1. *Budgetary process and financial management*

The Constitution emphasises transparency and accountability as the most important principles of good governance. Municipalities should consider the views of the community, as municipalities are considered to be a government closer to the people. Communities should have a say in the management and administration of these municipalities.

The Constitution of the Republic of South Africa, 1996, section 216 (1), requires the national legislation to establish a national treasury and to prescribe a measure to ensure transparency on expenditure control in all spheres of government. Control and transparency of the expenditure may be enforced through public consultation and reported back to the communities in terms of their spending.

Section 215(1) prescribes the importance of transparency in the local and provincial sphere of government in order to ensure sound effective and efficient financial management. The local sphere of government may ensure transparency through budget processes and IDP where inputs from the communities are taken into cognisance.

Municipalities are autonomous because the council of the council is given powers to make decisions of the municipality. If the council is failing to govern the municipality in terms of the prescribed pieces of legislation, the provincial executive may intervene in terms of Section 139(1) which prescribes that when a municipality cannot or does not fulfill executive obligations in terms of the Constitution or as a result of financial crises, the intervention of the provincial executive may result in the following:

- (a) Impose a recovery plan aimed at securing the municipality's ability to meet its obligation to provide basic services or its financial commitment, which is to be prepared in accordance with national legislation and binds the municipality of its legislative and executive authority, but only to the extent necessary to solve the crises in its financial affairs.
- (b) Dissolve the municipal council if the municipality cannot or does not approve legislative measures including a budget or any revenue-raising measure necessary to give effect to a recovery plan and appoint an administrator until a newly elected municipal council has been declared elected or approve a temporary budget or revenue-raising measure.
- (c) If the municipal council is not dissolved in terms of paragraph (b), assume responsibility for the implementation of the recovery plan to the extent that the municipality cannot or does not otherwise implement a recovery plan.

Provincial and national government should support municipalities from being dysfunctional through providing capacity building to ensure that they are sustainable in terms of administration.

Section 154(1) of prescribes that both the national and the provincial governments by legislation or other means to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers, and to perform their functions. Failure in this regard may result in the invocation by the national sphere of government to the provincial sphere of section 139 of the Constitution.

Provincial supervision, monitoring and support of local government is a constitutional obligation in terms of section 154(1) and section 155(6) and (7) of the Constitution. The principle for the application is based on sections 100 and 139. Most of the municipalities

were put under administration as a result of poor financial management and non-compliance with other pieces of legislation.

2.2.2. Local Government Municipal Finance Management Act 56 of 2003

The purpose of the Local Government Municipal Finance Management Act 56 of 2003 is to avoid waste and ensure efficient and transparent governance as well as ensuring that the municipal cakes reach the poor as much as possible (Chuene 2006:44). The Local Government Municipal Finance Management Act 56 of 2003 is one of the pieces of legislation that enforce public consultation in terms of budgeting at the local sphere of government. However, the implementation of this legislation is considered to be a challenge across various municipalities in the country. Most of the challenges arose from public consultation as a key to the budgetary process as well as challenges regarding budgeting or management of the budget.

The objective of the MFMA is to secure sound and sustainable management of financial affairs of municipalities and to establish treasury norms and standards for the local sphere of government. The MFMA clearly states that every municipality in the country will have a uniform approach to financial management. The Act makes provisions to deal with financial challenges in the local sphere of government, as it states the responsibility of the accounting officer and the municipal council. Marale Financial Services (2006:12) alluded that the purpose of the Municipal Finance Management Act is aimed at modernising budget and financial management and to ensure greater transparency and accountability in the finances of the municipality and it does so in order to maximise service delivery to all residents, customer and user.

According to the Local Government Municipal Finance Management Act 56 of 2003, the Act replaces the previous pieces of legislation in the local sphere of government which never considered the views of communities in the process of compiling a municipal budget. Previously municipalities were not held accountable about the spending and performance of such institutions.

In addition to the foregoing, municipal practices were not rooted in a culture of performance and regular reporting. Reports were often irregular or inaccurate, or contained too much or too little information, with a lack of proper analysis to guide the council. Executive mayors or committees did not receive monthly budget reports from the municipal manager.

Municipalities did not publish annual reports with non-financial performance information and did not submit their financial statements for audit on time or, in some cases, at all. The lack of effective monitoring and reporting in the previous financial management systems of local government systems resulted in councils finding out too late about any financial problems that had arisen. Councillors could not play a leadership or oversight role, and neither could the community participate due to an opaque and non-strategic budget process. This called for political bearers who are informed about legislation and operation of local government to analyse reports and enforce compliance with the legislation, such as the local government Municipal Finance Management Act 56 of 2003.

2.2.2.1. *New approach in modernising financial management in local government*

The Act further outlines provisions with regard to the issue of performance management and reporting in order to enhance accountability and to ensure that service delivery is achieved within the limited resources. The reform of local government is aimed at improving financial affairs in local government and to take into consideration the needs of communities in the pre and post budget process.

The Act establishes requirements for municipalities to consult with other spheres of government to ensure that officials and councillors are capacitated to be in a better position to implement the mandate of local government. The Act empowers councillors to play their constitutional role as politically elected representatives of the community and residents by approving policies and budgets brought to council for consideration and to play an oversight role regarding the performance of the municipality as well as policy and budget implementation. The executive mayor or executive committee is expected to provide the municipality with political leadership, by proposing policies, budgets and performance targets for the municipality and its officials. The Office of the Municipal Manager is expected to oversee the performance of the officials of the municipality while the mayor is responsible for oversight of the performance of the Municipal Manager using the service delivery and budget implementation plan.

The aim of the Act is to allow managers to manage but also to make them more accountable. All these various roles are possible only because of the reporting requirements of the Act, as

the Act recognises that effective service delivery is possible only with good-quality and timely management information. Such information allows management to be proactive, identifying and solving problems as they arise. The challenge facing all stakeholders in their capacity to use the information produced in terms of the Act is to improve the efficiency and effectiveness of the service delivery of the municipality.

2.2.2.2. *Non-compliance with provisions of MFMA No. 56 of 2003*

The Act makes a provision for the municipality to seek support from the Provincial Treasury to play an oversight role in provincial sphere of government . Assistance from the municipality can be on the issues of financial management, financial report and budgetary processes. Non-compliance with the Municipal Finance Management Act is a serious concern in the country as most of the municipalities are found to be not complying with this Act.

The mayor is entrusted with the responsibility of ensuring that non-compliance is reported to the relevant authority. Section 27(1) of MFMA prescribes that the mayor of a municipality must upon becoming aware of any impending non-compliance by the municipality of any provisions of the Act or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation processes inform the MEC for Finance in the province in writing, of such impending non-compliance.

Section 27(2) of MFMA prescribes that If the impending non-compliance pertains to a time provision, the MEC for Finance may on the application by the mayor and for good cause shown extend any time limit or deadline contained in that provision. This section makes a provision that the mayor must states reasons for not complying with such time frames.

2.2.2.3. *Procedures that should be followed if the municipality is not complying with the MFMA*

MFMA makes a provision that should be followed when the municipality is not complying with the legislation. However, this does not encourage non-compliance, where municipalities will be quoting this section when they are not complying with the legislation. Most of the municipalities are considered to have ignored this provision because if they were seriously

taking this into consideration, most of the municipalities could have been in a better financial management status rather than receiving disclaimer and adverse opinions.

The mayor is entrusted with the responsibilities of providing leadership within the local sphere of government. His or her role regarding leadership also stipulates steps that should be taken if the municipality is found floating the provision of MFMA No. 56 of 2003.

Section 27(1) states that the mayor of a municipality must upon becoming aware of any impending non-compliance by the municipality pertaining to any provision of this Act or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation process inform the MEC for Finance in the province in writing of such impending non-compliance.

2.2.3. A Guide to Municipal Finance Management for Councillors, March 2003

This guide was derived from the MFMA in order to simplify processes that must be followed in the day-to-day running of the municipality. This will assist the municipality to simplify the content of the MFMA on issues of corporate governance such as establishment of audit committees

2.2.3.1. *Establishment of the audit committee in the municipality*

According to Van der Nest (2008:549), the audit committee is seen as an important mechanism in corporate governance. While Fourie (2007:740) eluded that internal audit function forms part of control; and supports accountability and good governance. The audit committee plays a central role in advising the municipality to ensure that the municipality performs according to the prescripts or pieces of legislation that govern the municipality. In this study, a Guide to Municipal Finance Management for Councillors will play an important role in ensuring that public views are taken into consideration when coming to the budgeting process and that a committee is functional to assist the municipality as well as the management of the budget of the municipality. The audit committee can be regarded as a part-time committee that monitors and assist the organisation with issues of corporate governance. Van der Nest (2005:77) eluded that although the audit committee is not operationally involved in the accounting and auditing activities, it must provide assurance to

the board that these functions are being performed. In the case of municipality, the committee should assist the office of the municipal manager where functions of internal audit are based.

A Guide to Municipal Finance Management for Councillors, March 2003 requires each municipality and municipal entity to have an audit committee. A single audit committee may be established for a district and the local municipalities within that district or for a municipality and any municipal entities under its sole control.

The guide further prescribes that the audit committee must consist of at least three persons with appropriate knowledge and expertise. The majority of those on the audit committee may not be in the employ of the municipality or municipal entity. Nonetheless, municipal officials may provide administrative support to the committee. The members of the audit committee are appointed by the municipal council or by the council of the parent municipality in the case of a municipal entity. Visser (2014:19) emphasises that key components of good institutional governance at municipalities should include the following:

- **Integrated planning and budgeting**

Good governance by municipalities is only possible if the IDP and the MTREF, as well as the SDBIP and budget, are aligned with each other and this alignment should enable the council and senior management to ensure that their governance processes can be executed in a structured and planned manner and that service delivery can be improved.

- **Risk management and control**

For good governance purposes, it is necessary that a strategic and operational risk management plan be prepared during the budget preparation processes and preparation of the strategic and operational risks register should be preceded by a thorough risk assessment.

- **Performance management**

From governance perspective, council should ensure that a proper performance management strategy is included in the SDBIP and on the other hand ensure that the key performance areas, strategic objectives, key performance indicators and targets included in the strategy linked to those officials responsible for the achievements of these targets.

- **Compliance with statutory and regulation framework**

Part of governance from the council's side is to ensure that all the legislation, regulations and guidelines from the national and provincial government are adhered to by administration and that non-compliance such as irregular, unauthorised, fruitless and wasteful expenditure should be investigated and necessary actions been taken against those responsible for the occurrence of it.

- **In-year monitoring and reporting and annual reporting**

Reporting is very important components of good governance.

- **Effective internal audit**

Internal audit should serve as a management and governance tool to ensure that internal controls are effective and efficient.

- **Effective audit committee**

Effective audit committee are regarded as key component of institutional governance and the internal auditors report to the audit committee as an independent committee of council.

- **Effective MPAC**

Oversight from the council is not only a requirement in local government legislation. It is also an important mechanism to ensure accountability in terms of governance. The Municipal Public Accounts Committee assists council to hold the executive/administration and Municipal entities to account and to ensure the effective and efficient use of municipal resources.

2.2.3.2. *Functions of the audit committee*

As the study seeks to investigate the functionality of the audit committee of Blouberg Municipality, this legislation is important to detect the functionality and the appointment of the audit committee that will assist the municipality to comply with MFMA No. 56 of 2003. Section 165 of the Local Government: MFMA, 56 of 2003 requires each municipality to have an internal audit unit. As the municipal manager is the accounting officer of the municipality, the internal audit unit is best situated to be in the office of the municipal manager. The internal audit unit must prepare a risk-based audit plan and an internal audit programme for

each financial year, advise the accounting officer and report to the audit committee on the implementation of the internal audit plan.

An audit committee plays a principal role in ensuring that municipalities get a clean audit through compliance with various pieces of legislation. The audit committee should also ensure that municipalities comply with various pieces of legislation in order to get a clean audit. It is required by law that each municipality should have an audit committee to assist with an oversight role but not taking the responsibilities of the Council and MPACs.

An audit committee is an independent advisory body which advises the municipal council or the board of directors of the municipal entity on matters relating to the following: risk management, internal financial control and internal audit, accounting policies, performance measurement, effective governance, and performance evaluation.

Section 166 of the MFMA requires each municipality to have an audit committee. The audit committee is an independent advisory body which must advise municipalities regarding compliance with relevant pieces of legislation that govern municipalities. The functions and responsibilities of a better practice of an audit committee will generally be to provide independent assurance and advice in the following areas:

- Risk management
- Internal control
- Financial statements
- Compliance requirements
- Internal audit
- External audit

2.2.3.3. *Meetings of the audit committee of the municipality*

The audit committee should meet as required by Municipal Finance Management Act, but the committee can meet as often as possible depending on the reasons for the meeting. In term of the act the committee should meet as follows:

- meet as often as is required to perform its function.

- meet at least four times a year to review the annual financial statements in order to provide an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness, and its overall compliance with the MFMA and Division of Revenue Act and other applicable legislation;
- respond to the council on any issues raised by the Auditor-General in the audit report; and
- carry out an investigation into the financial affairs of the municipality or municipal entity as the council of the municipality.

Municipalities should also have internal audit units in terms of the MFMA. Internal audit should be established as an independent section within which the council takes direction from and provides support to the audit committee and municipal manager. It is generally established with the appointment of professional internal audit staff as employees of the council.

However, the responsibilities of the audit committee can further be expanded as follows:

- The committee is a committee of the municipal council, as contemplated in section 79 of the Local Government: Municipal Structures Act, 1998, but none of its members are councillors, contrary to the normal nature of a section 79 committee.
- The committee also advises and makes recommendations to the municipal council, but it does not have any executive functions or enforcement powers.

However, the aforesaid does not detract from the requirement of the committee to specifically interrogate the following financial and governance aspects in the municipality:

- Internal financial controls in the municipality
- Identification of strategic risks in the municipality
- The establishment and updating of a municipal risk register
- Management and mitigation of risks contained in the risk register
- Accounting policies in the municipality
- The frequency, accuracy and reliability of financial reporting by the municipality and, where applicable, municipal entities

- The performance management system of the municipality
- The implementation and effectiveness of the performance management system
- Evaluation of the actual performance of the municipality
- Compliance with legislation
- Effective governance in the municipality
- Review of the annual financial statements
- Financial position of the municipality

The municipal response to the AG report

2.2.4. Local Government Municipal Structures Act 117 of 1998

This legislation is important to the study, as it outlines the responsibilities of the council, which is considered to be the most important body that decides on the affairs of the municipality in terms of ensuring oversight.

2.2.4.1. *Communication channel*

According to section 74(4) of the Local Government Municipal Structures Act, 1998, the primary function of a ward committee is to serve as a formal communication channel between the community and the council. In terms of the Municipal Structures Act, a ward committee may make recommendations on any matter affecting the ward to the ward councillor or through that councillor to the council.

Furthermore, a ward committee is the proper channel through which communities can lodge their complaints. It would serve as a forum for communication between the ward councillor and the community about municipal issues and development, as well as service options within the ward.

The Local Government Municipal Structures Act 117 of 1998 provides for the establishment of municipalities in accordance with the requirement relating to categories of municipalities, namely, Category A, which are referred to as Metropolitan Municipality; Category B, which are referred to as Local Municipalities; and Category C, which are referred to as District Municipalities. The purpose of this structure is to establish criteria for determining the category of municipality that may be established within each category; to provide for an

appropriate division of function and powers between categories of municipalities; to regulate the internal system, structure and political office-bearers of the municipality and to provide for an appropriate electoral system.

The Act outlines responsibilities of the three categories of municipalities; this will also allow a chain of reporting, accountability and monitoring. Local municipalities must ensure that they work closely with a district, where challenges relating to compliance with municipal pieces of legislation are likely to take place

2.2.4.2. *Establishment of the municipal council*

A municipal council plays an essential role as regards decision-making and holding councillors and municipal officials accountable for their actions and even ensuring that the municipality is in a state of implementing its objectives as stipulated in the Constitution.

A municipal council consists of councillors from all political parties, elected during local government elections. The responsibilities of these councillors are to ensure that the municipality can deliver its mandate. One of the mandates of local government is to ensure effective citizen participation in terms of budgeting and planning, which is the subject of uncertainty in this study.

Chapter 3 states that municipalities must have a municipal council. The municipal council should meet at least quarterly and should consist of a number of councillors determined by the MEC for Local Government in the province concerned by means of a notice in the provincial gazette.

A municipality has the power to designate councillors determined by the MEC for Local Government as full time. An MEC's determination must be in accordance with a policy framework as may be determined by the minister after consulting with the MEC for Local Government.

The municipal council should appoint a municipal manager, who is the head of administration and also the accounting officer, for the municipality and when necessary appoint an acting municipal manager. The municipal manager should also guide the council in terms of the interpretation of the municipal pieces of legislation and the issues of corporate

governance. The municipal manager should ensure that a member of the community is given a chance to be part of their government. He must ensure that community members are given an opportunity to submit their views regarding the draft budget and make copies of the approved budget available to the public. This will assist in promoting the principle of democracy, which is government for the people.

2.2.5. Local Government Transitional Act 209 of 1993

The establishment of local government came into effect after the inception of Local Government Transitional Act 209 of 1993. The Act outlines processes that should be followed in the re-engineering of local government in South Africa. This legislation gives an overview of the administration of local government before 1994 and first municipal elections in 1995.

The Act was aimed at the following:

- To provide revised interim measures with a view to promoting the restructuring of local government.
- To provide for the establishment of provincial committees for local government in respect of the various provinces.
- To provide for the recognition and establishment of forums for negotiating such restructuring of local government.

However, the role of the community in terms of participation in the decision-making and planning of local government is not outlined. The Act focused mainly on the delimitation of areas of jurisdiction. Public participation is not the only issue that was not addressed in the establishment of local government, even the issue of corporate government is nowhere discussed in the Act.

2.2.6. Chief Financial Officers Handbook for Municipalities

This guide is important and relevant to the study. It provides responsibilities of various committees in the municipality, the responsibility of the CFO, municipal manager, and the community.

The objective of the study is to assess compliance with the MFMA, and this Handbook will assist in giving a broader view and understanding of municipal operations. The responsibility of the financial affairs of the municipality rests on the CFO, and it becomes his or her responsibility to disseminate accurate information to other divisions, such as the office of the municipal manager and the mayor.

The Handbook serves to guide CFOs in order to give effect to the requirements of the applicable financial management legislation by interpreting the legislative requirements and explaining what the CFO is required to deliver and the relevance of the outputs and the timing thereof. The execution or “how to” compile the outputs is at the discretion of the CFO and his team of finance professionals. This Handbook is aligned to the objectives of the MFMA of 2003, and it is based on five principles.

The five underlying principles in the MFMA form the basis of the key reforms envisaged in the Act, and they are consistent with the other pieces of legislation applicable to local government. These underlying principles and related reforms are intended to encourage a robust, better-managed and more accountable sphere of local government that is well positioned to meet the emerging demands and challenges of the diverse communities that it serves.

The five principles are summarised as follows:

- Promoting sound financial governance by clarifying roles.
- A more strategic approach to budgeting and financial management.
- Modernization of financial management.
- Promoting cooperative government.
- Promoting sustainability.

The Handbook summarises the responsibilities of the municipal officials and councillors as follows:

2.2.6.1. *Municipal Council*

The Local Government Municipal Finance Management Act 56 of 2003 recognises the municipal council as the highest authority in the municipality. The council's powers are strengthened by significant vested powers of approval and oversight.

The municipal council serves the residents. Over and above that, it is accountable to residents and other stakeholders such as businesses, customers and users of municipal services.

The municipal council delegates its executive authority to the executive mayor or executive committee. However, it retains its legislative power and its power to approve policy and budgets and to exercise oversight over the mayor in the implementation of policy, budgets and by-laws.

2.2.6.2. *Councillors*

Councillors provide the critical political linkage between the executive mayor or executive committee and the community. Therefore, councillors can facilitate the consultative processes prescribed by the MFMA and the Local Government Municipal Systems Act 32 of 2000, particularly concerning budgets, IDPs, budget-related policies, tariff-setting for services, and indigent policies. Councillors are not elected to support the interest of a particular political party but to ensure that implementation of the municipal policies is done in accordance with relevant pieces of legislation and that officials of the municipality are accountable for their actions and also to ensure service delivery. The oversight role of the councillor plays a significant role, and their roles may be summarised as follows:

- Setting the direction for municipal activities.
- Setting policy parameters to guide municipal activities.
- Setting strategic objectives and priorities stating the outcomes and outputs to be achieved.
- Monitoring the implementation of policies and priorities by evaluating reports of outputs and outcomes.

- Ensuring that corrective action is taken where outputs deviate from plans.
- Accountability to the community for performance in terms of predetermined objectives.

The financial management tasks that the council is required to undertake so that it fulfils its oversight function include the following:

- Consider and approve the annual budget and ensure that the budget and IDP are aligned.
- Approve budget-related policies on relevant taxes, user charges, implementation of policies, credit control and supply chain management.
- Consider the views of the community and government regarding the budget and establishment of municipal entities.
- Review the budget and performance of entities under council control.
- Review of audit and annual reports, and adopt an oversight report once these are received.
- Consider capital projects and contracts with financial implications of more than three budget years.

2.2.6.3. *Executive Mayor or Executive Committee*

As the executive authority of the council, the executive mayor or committee must provide political guidance over the policy, budget and financial affairs of the municipality. It must also ensure that the municipality complies with its legislative obligations.

The mayor should, without interfering with the day-to-day administration of the municipality, monitor and oversee the municipal manager and senior managers. This should be done to ensure that they are carrying out their duties appropriately.

The key tools for doing so are the annual SDBIP and the performance agreements, which should specify clearly defined and measurable outputs.

2.2.6.4. *Municipal Manager (Accounting Officer)*

The MFMA establishes a major role for the municipal manager, who is the accounting officer of the municipality. The accounting officer's fiduciary and other responsibilities are in addition to all the regular management responsibilities expected of the municipal manager as head of the administration.

The municipal manager is first accountable to the mayor for the implementation of specific agreed outputs. Secondly, the municipal manager is accountable to the council for the overall administration of the municipality.

The municipal manager is therefore the key officer responsible to the mayor and council for the successful implementation of the relevant legislation. In this capacity, the municipal manager must be fully aware of the reforms required in order to provide the mayor, councillors, senior officials and municipal entities with appropriate guidance and advice on finance and budget issues.

Figure 5 outlines the chain of responsibility in terms of the Chief Financial Officers Handbook for Municipalities.

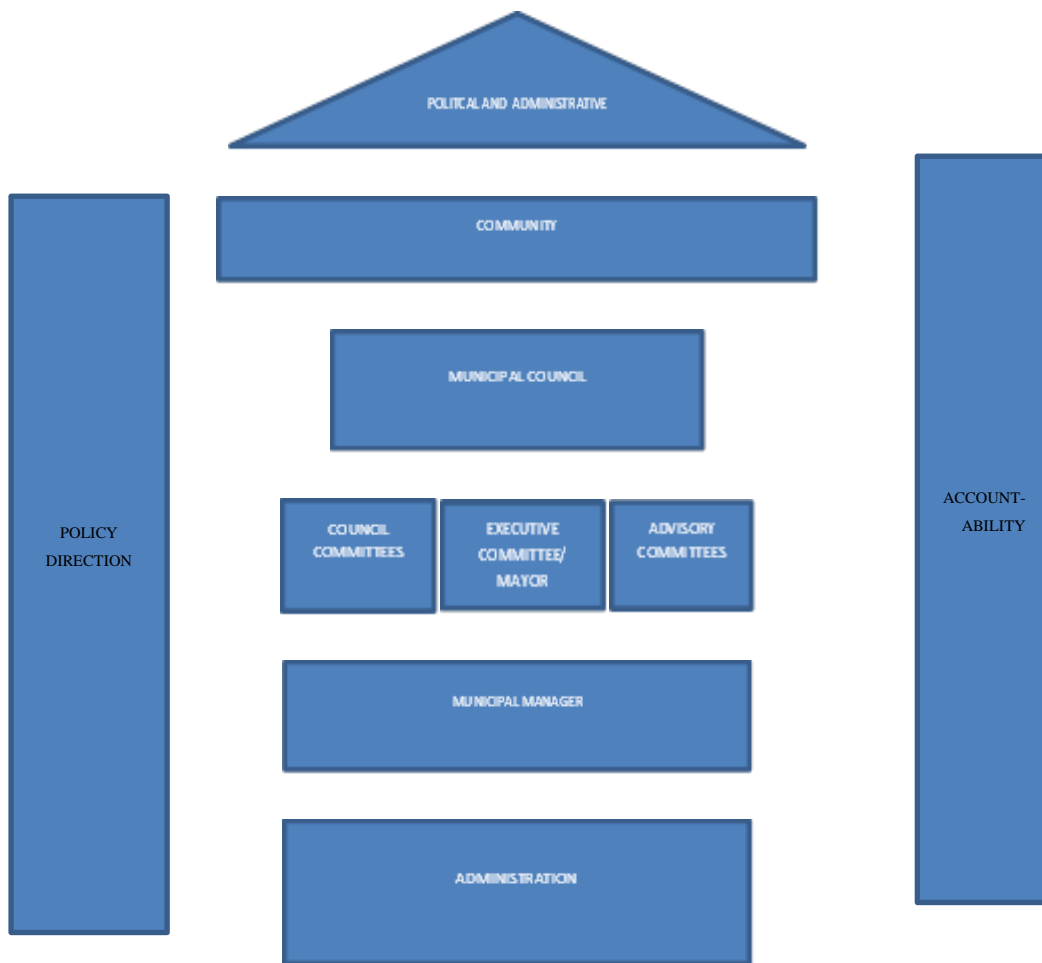


Figure 3: Chain of responsibility in terms of the Chief Financial Officers Handbook for Municipalities

Source: Chief Financial Officers Handbook for Municipalities: National Treasury

2.2.7. Human Resource Development Policy (Blouberg Municipality)

Human Resource Development Policy from the municipality is relevant to the study precisely to address the question of a municipality having competent and qualified people to implement the MFMA. The policy will assist to detect whether the municipality has plans in place to address the skills shortage within the municipality. The objective of the policy is to provide guidelines for implementation and maintenance of sound training and development strategies and procedures (<http://www.blouberg.gov.za>)

One of the questions in this study is to assess whether Blouberg Municipality has qualified and competent people to implement the MFMA and possible strategies in place to ensure that officials are acquainted with relevant skills to implement the legislation. One of the strategies is staff development, which is linked to the Human Resource Development Policy.

The policy outlines the responsibilities of the municipality in terms of training, the responsibilities of the employees as well as the type of training or intervention required to ensure that employees have the necessary skills to implement MFMA No. 56 of 2003. In terms of the Human Resource Development Policy of the municipality (version 2.0:33), the human resource department is responsible for submission of monthly and quarterly feedback to the municipal manager and council in respect of all training undertaken.

2.2.7.1. Obligations and responsibilities of the municipality

In terms of the policy, the municipality has an obligation to educate, train and develop its employees and to establish and maintain a learning environment that respects and accommodates the values and cultures of its employees and its community. This will assist municipalities to implement the mandate of the municipal finance management act and other policies in order to have functional municipality.

2.2.7.2. Basic rights of employees

The policy stipulates that all the employees have the basic right to continual and applicable education, training and development within the framework of their appointment and must be trained and developed according to their potential aptitude, interests and abilities. Employees also need to have the necessary competence to enable them to successfully pursue a career within the ambit of their employment.

2.2.7.3. Nature of training intervention

The policy has listed various training interventions to address skills shortages. These interventions include in-house training; seminars and conferences; short courses; and extended courses.

- **In-house programme**

Where a training need is identified in respect of issues specifically related to the municipality, it is appropriate to develop and present a programme internally.

- **Outsourcing/Partnership**

Because of social, economic, technological and methodological rapid changes, training programmes must be updated on a regular basis. It will, therefore, in some cases, be more cost-effective to outsource the provision of training. Human resources have a database of approved consultants for utilisation in future projects. Training needs will be evaluated to decide whether outsourcing is the best option based on specialisation, technological and professionalism of the content of courses. The Human Resources Division will identify the most suitable programme and training provider to address the specific need.

- **Ready-made training packages**

When a long-term training need or a recurring need is identified, where costs of outsourcing or internal development of a programme will be too high, it is sometimes more effective to purchase training packages and train instructors to facilitate these programmes. The nature of the training and the quality of available programmes will serve as criteria when the Human Resources Division regarding this option makes a recommendation.

2.2.8. Public Participation Policy (Blouberg Municipality)

Municipalities should comply with Local Government Municipal Systems Act 32 of 2000 in terms of public participation; however, every organisation should develop internal policies aligned to the legislation passed by Parliament to enforce internal control. Studying this policy will assist in assessing where Blouberg Municipality has a strategy in place to ensure effective and efficient public consultation. Public consultation can be considered the

cornerstone of good governance in terms of the democratic dispensation in South Africa. The purpose of the Public Participation Policy is to provide for mechanisms by which the public may participate in the affairs of the municipality and to clarify roles and responsibilities of all the role players and interested parties.

2.2.8.1. *Public meetings notification*

Whenever anything must be notified by the municipality through the media to the local community under this Policy or any other applicable policies and legislation, it must satisfy the following requirements:

- (a) A notice of a public meeting must be advertised at least once in a newspaper circulating in the municipal area and decided by the council as a newspaper of record and at least twice in a radio station that covers a bigger portion of the municipal area.
- (b) Copies of notices of public meetings shall be posted at
 - The notice board at the council's offices;
 - All municipal libraries; and
 - All offices of the local traditional authorities.
- (c) All notifications must be in a language understood by the majority of its intended recipients.
 - This will assist in ensuring that there is no communication barrier because the municipality is expected to serve all communities irrespective of level of education.
- (d) All notices shall be issued at least seven days before the date of the meeting.

When the municipality invites the community to submit written comments or representations on any matter before the council, it must be stated in the invitation that any person who cannot write may come during offices hours to a place where a staff member of the municipality named in the invitation will help that person transcribe their comments or representations.

In terms of the policy, the following people are entitled to special invitations to public meetings:

- Traditional authorities
- Ward committees
- Recognised structures
- Special guests

2.2.8.2. *Public comments and open sessions*

When the municipality considers and deliberates on any of the matters set out under challenges raised by the community, The municipal manager must, after the council has held an open session on any of the matters:

(i) Formulate a full report thereon together with any advice or recommendations the council may deem necessary or desirable.

(ii) Make copies of the report available to the community in one or more of the following manners:

- By publication in the council's newspaper of record
- By publication in the official municipal newsletters
- Making a copy available at all municipal libraries
- Making a copy available at all offices of the local traditional authorities
- Posting a copy on the notice board at all the municipal offices
- Providing every ward councillor with copies for distribution to the communities

(c) The municipal manager must ensure that the report is published according to the council's language policy for the municipal area.

2.2.9. Municipal Public Accounts Committee (MPAC): Appointment and Legal Framework.

The Municipal Public Accounts Committee (MPAC) is relevant to the study, as it deals much with the interest of the public and ensures that views of the communities are incorporated into the plans of the municipality. The main purpose of the existence of MPAC is to ensure

oversight of administration and management of the municipality. Within the context of the MPAC guide, it refers to oversight of the “executive” of the municipality by council structures. The MPAC is a committee of the municipal council, appointed in accordance with section 79 of the Municipal Structures Act. It is also important to note that in metros and large category B municipalities, it is due to the number of councillors, easier to appoint oversight committees in terms of section 79 of the Municipal Finance Management Act to provide oversight over the functions of the section 80 committees of the municipal council.

Many of the smaller municipalities do not have enough councillors to appoint such section 79 committees and can only appoint one oversight committee tasked with the complete oversight role, but focusing mainly on compliance with the provisions of the Local Government: MFMA, 2003 (Nevertheless, municipalities are encouraged to establish MPACs as far as is possible and practical. As a section 79 committee, the following principles will apply:

- The municipal council must resolve to establish an MPAC by way of a council resolution.
- The municipal council must determine the functions of the committee and agree on the terms of reference for the committee.
- The municipal council must delegate functions to the MPAC in accordance with the terms of reference of the committee.
- The municipal council may determine the procedure of the committee or allow it to determine its own procedure.
- The municipal council appoints the members of the MPAC from amongst the councillors.
- Section 160(8) of the Constitution applies to the committee, and therefore, its composition must be such that it allows parties and interests reflected within the council to be fairly represented in the MPAC.
- The municipal council appoints the chairperson of the MPAC.
- The municipal council may dissolve the MPAC at any time.
- The municipal council may remove any member of the committee at any time.
- The municipal council may allow the MPAC to co-opt advisory members who are not members of the council within the limits determined by the council.

- The meetings of the MPAC should, as far as is possible and practical, be open to the public in accordance with section 160(7) of the Constitution.
- The municipal administration must ensure that adequate financial and human resources are made available to support the functions of the MPAC.
- Meetings of the MPAC should be provided for and included in the annual calendar of the council.

The MPAC reports directly to the municipal council, and the chairperson of the MPAC liaises directly with the Speaker on the inclusion of reports of the MPAC on the council agenda (<http://www.salga.org.za/Municipalities%20F%20MPAC.html>).

2.2.9.1. *Delegation of functions to the MPAC*

Functions must be formally delegated to the MPAC in accordance with the provisions of section 59 of the Local Government: Local Government Municipal Systems Act 32 of 2000, 2000. The delegations must be included as part of the System of Delegations of the Municipality. It should be noted that with regard to the delegations to the MPAC, the municipality should not allow for a review of the decisions of the MPAC by the executive committee (Exco) or Executive Mayor in accordance with section 59(3)(b) of the Local Government Municipal Systems Act 32 of 2000, as the purpose of the MPAC is to provide oversight of the executive. The delegations to the MPAC should specifically exclude the said powers to the executive of the municipality.

The requirement to report on the delegated authorities by the MPAC can be included as part of the quarterly report submitted to the council by the MPAC. The delegations required in this regard are further alluded to below.

2.2.9.2. *The procedures and rules of order of the committee*

Because of the nature of the committee, it is proposed that the municipal council determine the procedures of the committee with its establishment, provided that the committee may make recommendations to the council on possible amendments to be approved by the council once the activities of the MPAC commences. Such an arrangement will allow the MPAC to

operate efficiently, from its appointment, and not having to spend time on the development of procedures.

2.2.9.3. *Appointment of members of the MPAC*

There is no prescription on the number of members elected to serve on the MPAC committee. The municipality must determine the number of members that will be appointed, taking into account the number of councillors in the municipality and the fact that no office-bearers/ executive councillors in the municipality may serve on the committee. It is ideal that the members be appointed for the term of the council, to ensure compliance with relevant pieces of legislation that govern municipalities.

2.2.9.4. *Appointment of the chairperson of the MPAC*

The chairperson of the MPAC must be appointed in terms of a council resolution. The chairperson may not be an office-bearer/executive councillor in the municipality. The chairperson of the MPAC should be an experienced councillor, due to the important role to be played by the MPAC in the council. The chairperson can be from the ruling or an opposition party, at the choice of the municipal council.

2.2.9.5. *Co-opting of advisory members to the MPAC*

The council must indicate whether it will allow the MPAC to co-opt advisory members, which are not councillors but based on their expertise. This will be informed by the experience and capacity of members appointed to the MPAC. In the event where such co-option is allowed, the council has to prescribe the number of members that may be co-opted, the expertise required, the manner of co-option, as well as the payment of a stipend to such co-opted members.

2.2.9.6. *Meetings of the MPAC*

Section 160(7) of the Constitution, 1996 provides that a municipal council must conduct its business in an open manner and may close its sittings, or those of its committees, only when it is reasonable to do so, having regard to the nature of the business being transacted. As a principle, the meetings of the MPAC should be open to the public, and the rules and

procedures of the committee should specify in which instances the meeting can be closed to the public. This will assist in enhancing transparency within the local sphere of government.

2.2.10. Local Government Turnaround Strategy: Municipal Guidelines

Because of poor performance by the municipality, Cooperative Governance and Traditional Affairs came up with a strategy to ensure that the state of the municipality is uplifted from poor to better. This initiative emanated from the recent catastrophic service delivery where most South Africans lost their lives and some even destroying public facilities.

This document is relevant to the study for the reasons that follow.

The 2009 State of Local Government Report informed Cooperative Governance and Traditional Affairs (Cogta) of issues that have a negative impact on local government. Drawing from this report and lessons learned from the province-wide municipal assessments conducted, the development of the Municipal Turnaround Strategy (TAS) needs to be a comprehensive intergovernmental exercise.

Interventions also need the support of stakeholders. The approach also indicates the commitment to move away from the “*one-size-fits-all*” approach towards a municipal-specific intervention plan and support aimed at achieving the following objectives:

- Ensure that municipalities meet the basic service needs of communities
- Build clean, effective, efficient, responsive and accountable local government
- Improve performance and professionalism in municipalities
- Improve national and provincial policy, oversight and support
- Strengthen partnerships between communities, civil society and local government

The purpose of this guideline document is to inform and guide municipalities during the process of preparing and implementing their own turnaround strategies. This guideline document must be read together with the State of Local Government Report and the Local Government Implementation Plan. The Municipal Turnaround Strategy Guideline is intended to benefit the Provincial Support Teams that will be sent to each province and all municipalities that will be preparing their TAS.

2.2.11. Blouberg Municipality Turnaround Strategy

A turnaround strategy is important in ensuring that the municipality identifies challenging areas and develops some strategies to overcome those challenges. This is relevant to the study because it outlined areas such as public participation and functionality of ward systems to ensure maximum participation, especially during the budget process as one of the arguments in this study. The document further outlined plans in place to assist the municipality in improving in areas of challenge. The Local Government Turnaround Strategy (LGTAS) strives to address the communities' increasing dissatisfaction with poor municipal service delivery, while on the other hand, the intervention strives to improve the administrative and financial performance of all municipalities (Mathane 2013:115).

Further, the study seeks to investigate how the municipality is managing its budget. This document identifies how the municipality intends to manage its budget going forward. The document also outlines the support needed from other departments to ensure that the municipality performs up to its mandate.

Table 4: Blouberg Municipality Turnaround Strategy

Priority Turnaround Focal Area	January 2010 (Current Situation/ Baseline)	Identified turnaround issues by the municipality	Target for December 2010 (Changed Situation)	Municipal Action	Unblocking Action Needed from other Spheres and Agencies (e.g. intervention or technical support)
Public Participation					
Functionality of Ward Committees	All the 18 ward committees are functional	None	All ward committees to be having ward plans, meeting regularly, and achieving their August 2010 Annual Conference resolutions. Standard reports on ward committees being a standing item on Council agenda	Coordination and support for ward committees in the form of logistical and secretarial services	There is a need for increased funding for ward committees' support which the municipality has not been able to afford
Broader public participation policies and plans	The municipality's public participation is directed by an approved Public	Public participation on PMS and SDBIP by April 2010. Feedback sessions to	Increased attendance for ward public meetings. All ward meetings taking place per Council-approved	Coordination and support for ward public meetings in the form of	Sector departments and other government agencies to attend and participate in the municipality's community outreach programmes to

Priority Turnaround Focal Area	January 2010 <i>(Current Situation/ Baseline)</i>	Identified turnaround issues by the municipality	Target for December 2010 <i>(Changed Situation)</i>	Municipal Action	Unblocking Action Needed from other Spheres and Agencies <i>(e.g. intervention or technical support)</i>
	Participation Policy	be provided to the communities on a quarterly basis. One imbizo to be conducted by June 2010	schedule	logistical and secretarial support	appreciate community needs/concerns and provide plans/reports/answers. Sector departments to establish IDP units. DLG & H to assist on the development of CDW's SLA
Public Communication systems	There is a Communication Strategy which is annually reviewed	None	Communication Strategy reviewed and implemented	Monitor implementation of Public Communication Strategy	GCIS to assist establishment and functionality of the Local Communicators Forum
Financial Management					
Capital expenditure	YDT Spending		50% of the Budget	Timeous appointment of	None

Priority Turnaround Focal Area	January 2010 <i>(Current Situation/ Baseline)</i>	Identified turnaround issues by the municipality	Target for December 2010 <i>(Changed Situation)</i>	Municipal Action	Unblocking Action Needed from other Spheres and Agencies <i>(e.g. intervention or technical support)</i>
	17%			Contractors & Consultant	
Clean Audit	Disclaimer Audit Opinion 2008/2009		Interim Financial Statement	Acquiring New Financial System	Treasury support
Submission of Annual Financial Statements	AFS are submitted in time		–	Submit 2009/2010 in time	–

Source: Blouberg Municipality Turnaround Strategy (2014)

2.2.12. Blouberg Municipality Draft Communication and Branding Strategy 2014/2015

Draft communication strategy is relevant to the study in order to assess the plans in place for public participation. This document also assists in evaluating how the municipality is intending to liaise with its public, taking into consideration the level of education from various community members.

2.2.12.1. Objectives of the strategy

The strategy seeks to:

- Encourage public participation in government process and policies
- Develop and maintain correct public perception on government services.
- Publicise the Blouberg Local Municipality's programme.
- Create and elevate the level of awareness of the audiences of all municipal services.
- Promote, maintain and enhance the positive image of the municipality.
- Encourage communication between the municipality and sector departments, including amongst others, community-based organisations, traditional authorities and other important stakeholders.
- Promote access to information through dissemination.
- Inform, educate and enlighten communities about new developments.
- Inform communities on achievements, challenges and future plans for the municipality.
- Enhance the public participation programme.

2.2.12.2. Public participation

Blouberg is rated amongst the best municipalities in terms of Public Participation. In 2007, the Department of Provincial and Local Government recorded a DVD on best practices of Public Participation from the municipality. The strengthening of ward committees and relations with traditional leaders goes a long way towards the achievement of a better, educated and well-informed municipality

<http://www.blouberg.gov.za/sstaff/pages/sites/blouberg/documents/policies/cemetery%20bylaw%20for%20Blouberg%20Local%20Municipality.pdf>).

Through the ward committees, the municipality is able to communicate and get feedback from the community on issues related to service delivery, successes and challenges. The strengthening of ward committees plays a major role in changing the negative perception the community has about the municipality.

Council took a decision to have a public participation after every Council and Executive Committee meetings, as they rotate throughout the villages. Since the implementation of the resolution, the municipality has realised that there is a great level of understanding amongst residents on how government works. At the same time, people continue to show an interest in the affairs of the municipality and also their rights as citizens of Blouberg, as they come in big numbers and make informed contributions during these outreaches.

2.2.12.3. *Communication tools to enhance participation*

Newsletter: Though the Blouberg Municipality is predominately rural, it has been a priority to ensure that its newsletter reaches the whole community of Blouberg. There is an effective distribution list in place that ensures that each village has access to these newsletters, through the use of channels such as shops, taxi ranks, schools, traditional authorities, clinics, provincial departments, police stations, and churches. The list is reviewed annually, and 7 000 copies of the list are printed. Though not easily quantifiable, it is realised that the newsletter does serve its purpose of informing and educating. The level of participation and the response that is received from people in the municipality is really encouraging, and it is a clear indication that the newsletter serves its purpose.

Cellphones: Most people in the municipality rely on cellphones. As such, stakeholders are mostly communicated with through the use of cellphones. Though there are some areas with no network coverage, cellphones are reliable. The SMS system is cost-effective and more reliable. However, some parts of the municipality now enjoy uninterrupted network coverage through the intervention of MTN. There is a need to intensify and escalate communication with the Independent Communications Authority of South Africa (ICASA) to assist in engaging network providers for cellphone coverage.

Media: There are information leaflets, posters, billboards and face-to-face systems that the municipality relies on for information dissemination. Campaigns, workshops and school visits also play a large role.

Social Media: In a bid to reach the broader community, especially the youth, Blouberg Municipality has joined social media sites such as Facebook and Twitter.

Website: The municipality's website is fully functional, though not done in-house. However, there are efforts in place to continuously update it with relevant information. The website is also used to market the municipality, inform and educate people about the services of the municipality, investment and tourism opportunities. The website is also used to encourage people to visit the municipality and explore the plethora of the municipality's heritage. Information on the programmes, achievements, challenges, policies and by-laws of the municipality are placed on the website.

2.2.12.4. *The White Paper on Local Government, 1998*

According to the White Paper on Local Government, 1998, apartheid has fundamentally damaged the spatial, social and economic environments in which people live, work, raise families, and seek to fulfil their aspirations. Local government has a critical role to play in rebuilding local communities and environments as the basis for a democratic, integrated, prosperous and truly non-racial society (The White Paper on Local Government 1998).

Municipalities have all experienced problems arising from the transition process. Costly and complex administrative reorganisation has tended to focus municipalities' capacity inwards rather than towards their constituencies and delivery. However, municipalities have financial support to overcome challenges with regard to transitional processes. Prolonged uncertainty about powers, functions, areas of jurisdiction and a host of other matters affecting local government have added to the problem.

At the same time, municipalities have faced increasing demands and expectations on delivery, often without an increase in the resources to deal with these demands or even with shrinking subsidies. They have also faced the difficult task of realigning their operations with a range of sectoral policies and programmes. Overall, there has been a lack of information and capacity.

These challenges have led to the formation of cooperative government in order to ensure accountability and monitoring. National and provincial government have responsibilities to ensure that municipalities are sustainable, but these municipalities will remain autonomous.

This White Paper is relevant to the study, as it gives an overview of local government pre- and post-democracy. This document emphasises that local government should consider the

Bill of Rights in order to ensure constant interaction with communities and accountability by government representatives. This interaction will provide a platform where municipalities will be able to provide feedback on the overall performance of the municipality, including financial performance and to outline the responsibilities of citizens in management and administration of the municipality.

The amalgamation of previously divided jurisdictions has massively increased the population that municipalities must serve. This has occurred without a corresponding increase in the tax base and combined with service backlogs, collapsed or deteriorating infrastructure, and deteriorating creditworthiness and borrowing capacity. With that said, municipalities are experiencing financial stress, and in some instances, they are in a state of crisis. Municipalities are also experiencing some upward pressure on salaries and the loss of experienced finance personnel. Although payment for services is improving, problems related to non-payment for services remain. Extending effective property taxation to the former township areas has also proved difficult. Some municipalities have inadequate financial management capacity, and as a result, budgeting, accounting, credit control and financial reporting systems are weak.

The budget process is often not properly linked to municipal planning and is not always open to community participation. In some cases, revenue is overstated, resulting in unrealistic budgets. Most of the municipalities are not financially healthy and stable because most municipalities do not recruit qualified and experienced personnel because of political pressure on those who manage the process of recruitment and selection. Poor performance and maladministration have been dominant in the media due to unqualified and inexperienced personnel.

The White Paper provides three sections that outline a comparison of local government

Section A

It provides a brief history of local government under apartheid. This points to the origins of many of the problems currently faced by local government in South Africa. It highlights the country's history of community mobilisation and locates the current transition process in its broader historical context. This emphasises that restructuring of local government was service delivery-driven than compliance-driven. With new pieces of legislation in place, local government has to strike a balance in the context of service delivery and compliance.

The Office of the Auditor-General is entrusted with the responsibility to ensure compliance where performance audit and compliance play a crucial role.

This section also provides an outline of the current local government system and discusses the specific strengths and weaknesses of the different models of a transitional municipality created under the Local Government Transition Act.

Section B

This section deals with the vision of a developmental local government, which centres on working with local communities to find sustainable ways to meet their needs and improve the quality of their lives. In addition, this section plays a significant role in ensuring that living conditions of the communities are improved. This is only possible if municipalities involve communities in the policymaking process and planning such as in IDP.

Further, the section emphasises the role of public participation as the most important aspect of local government. The country cannot achieve a developmental government if ordinary citizens are not part of decision-making at the local sphere of government.

Development of local government should be measured on the basis of transparency and accountability as well as citizen participation. Only service delivery can define whether a municipality is developed or not. If a municipality is failing to render services to its citizens and lack accountability, then that municipality is not developed.

The objective of a municipality that is service delivery-driven is revenue collection. Revenue collection plays a significant role in ensuring that municipalities are sustainable, in a manner that they can deliver services to the people through revenue collection.

A representative government is complemented by the right of communities to participate in the decisions that affect development in their areas and a corresponding duty on municipalities to encourage community participation in matters of local governance. National legislation provides the mechanisms for public participation, which include ward committees and a variety of other measures designed to foster open, transparent and consultative municipal government.

In terms of the white paper characteristics of developmental government are summarised as follows:

- Municipal powers and functions are in a manner that maximises their impact on social development and economic growth, playing an integrating and coordinating role to ensure alignment between public (including all spheres of government) and private investment within the municipal area, democratising development, and building social capital through providing community leadership and vision, and seeking to empower marginalised and excluded groups within the community.
- It urges local government to focus on realising developmental outcomes, such as the provision of household infrastructure and services, the creation of liveable, integrated cities, towns and rural areas, and the promotion of local economic development and community empowerment and redistribution.
- It also provides three approaches that can assist municipalities to become more developmental, namely, integrated development planning and budgeting, performance management, and working together with local citizens and partners. It emphasises the potential of integrated development planning as a mechanism to enable prioritisation and integration in municipal planning processes and strengthen links between developmental and institutional planning processes. It proposes a process for the development of a performance management system for local government and suggests ways in which municipalities can engage citizens and community groups in the affairs of the municipality in their capacities as voters, citizens affected by municipal policy, consumers and end-users of municipal services, and partners in resource mobilisation for the development of the municipal area.

Section C

This section gives a situational local government within a system of cooperative government. It notes that, under the new Constitution, local government is a sphere of government in its own right, and not a function of national or provincial government. While acknowledging that the system of intergovernmental relations requires further elaboration, the section provides a preliminary outline of the roles and responsibilities of national and provincial government with respect to local government. Local government cannot survive if it were operating in isolation. Cooperative government is important on the basis of an oversight role, capacity building and resource allocation such as finance.

It also provides a summary of national departmental programmes that impact on local government and notes that local government is increasingly being seen as a point of integration and coordination for the delivery of national programmes.

The issue of cooperative government is important because the local sphere of government relies on the national and provincial government for funding and capacity building. National government should make it a point that municipalities are capacitated and financed in order to deliver service to its people. National and provincial government should exercise compliance, monitoring and evaluation over municipalities to sure that the budget is spent according to plan and compliance is adhered to.

Section D

This section deals with municipal institutional systems. Municipal institutional support refers to collaboration of different spheres of government to ensure that local government achieves its objectives as stipulated in the Constitution of the Republic of South Africa. It begins by highlighting the particular needs and circumstances that South African municipal institutions must cater for. It then focuses on metropolitan municipal institutions and puts forward three key motivations for the retention of metropolitan government systems in metropolitan areas, namely, that a metropolitan government provides a basis for socially just and equitable metropolitan governance, enables strategic land use planning and coordinated public investment, and the development of a city-wide framework for economic and social development within the metropolitan area.

Two types of metropolitan government are proposed as follows: a metropolitan government with Metropolitan Substructures and a metropolitan government with ward committees.

The system of metropolitan government with Metropolitan Substructures caters for metropolitan areas where structured correspondence between political and administrative decentralisation is desired. The system of metropolitan government with ward committees allows not only for maximum administrative flexibility but also ensures that diversity within the metropolitan community is given voice through the establishment of decentralised ward committees.

2.3. Conclusion

The chapter provided an overview of various pieces of legislation that govern municipalities in South Africa. It also highlighted the importance of public consultation and compliance by giving reference to the Constitution of the Republic of South Africa 1996, the Municipal Finance Management Act 56 2003, Local Government Municipal Systems Act 32 of 2000, Municipal Structures Act, the White Paper on Transforming Public Service Delivery, as well as the structure of local government before 1994. Keeping the foregoing in mind is necessary, since public participation is the starting point of budgeting and planning in the local sphere of government.

Municipal pieces of legislation are clear about public consultation and the budgeting process of the municipality and the importance of public consultation as well as the objectives of the municipality. It is the responsibility of the municipal council to hold the accounting officer and other senior managers accountable for implementation of the municipal pieces of legislation. The municipal council can make use of the Service Delivery and Budget Implementation Plan to monitor the performance of the municipal manager. The focus of the next chapter will focus on the research methodology used in this study.

CHAPTER 3: RESEARCH METHODOLOGY

3.1. Introduction

The foregoing chapter provided an overview of literature relevant to this study. This chapter will give an overview of the research methodology as well as research design and target population. The study will use qualitative method.

3.2. Research design

Research design is a set of guidelines and instructions on how to reach a goal (Mouton 1996:107). In this study, a qualitative method will be used. Qualitative research methodology is based on the assumption that valid understanding can be gained through accumulated knowledge acquired first hand by a single researcher (De Vos 2002:364). The value of qualitative research can be thought about in terms of both trustworthiness and validity and generalisation (Fox, Peter & Gill 2007:18). According to Khoza (2015), the overall function of a research design is to ensure that evidence obtained enables the researcher to answer the main research question as clearly and unambiguously as possible. Leedy and Ormrod (2001:13) describe a research method as a scientific, systematic and purposeful method of investigation and it is dependent on the way which the research problem is approached

According to Bless and Smith (2000:37), qualitative research uses qualifying words or descriptions to record aspects of the world. The qualitative aspects of the study represent the parts in which the researcher observes the activities in the area and interviews people who live in the chosen area (Ramoroka 2010). According to and Hanekom (1997:27), research methodology is the how of collecting data and the processing thereof.

This document gives citizens rights to transparency about service delivery and spending by municipalities and government institutions.

3.3. Data collection

During data collection, the researcher collects various kinds of empirical information or data. For instance, it could be historical, statistical or documentary data (Mouton 1996:110).

Primary and secondary data is used in this study. Primary data consists of information that is collected by the researcher for the first time. Primary data will be collected by conducting interviews with respondents. Interviews are considered to be efficient and economical in terms of money and cost. According to Scott and Marshall (2009), questionnaire is a document that contains all the questions required for a survey. Qualitative interviews may involve one-to-one interactions or interactions with a larger group. Qualitative interviewing can actually involve some technique that is more commonly associated with other methods, for example, observing and using documents (Mason 1996:34).

Secondary data refers to information that has been collected by previous researchers. Secondary data refers to a study of existing pieces of legislation, newspapers and journals. In this study, the researcher also study policies of the Blouberg Municipality to determine whether they are in line with Muncipal Finance Management Act 56 of 2003 regarding public consultation and budgeting processes.

Data was collected from various sources to determine whether Blouberg Municipality is complying with Municipal Finance Management Act 56 of 2003.

3.4. Target population

Blouberg Municipality

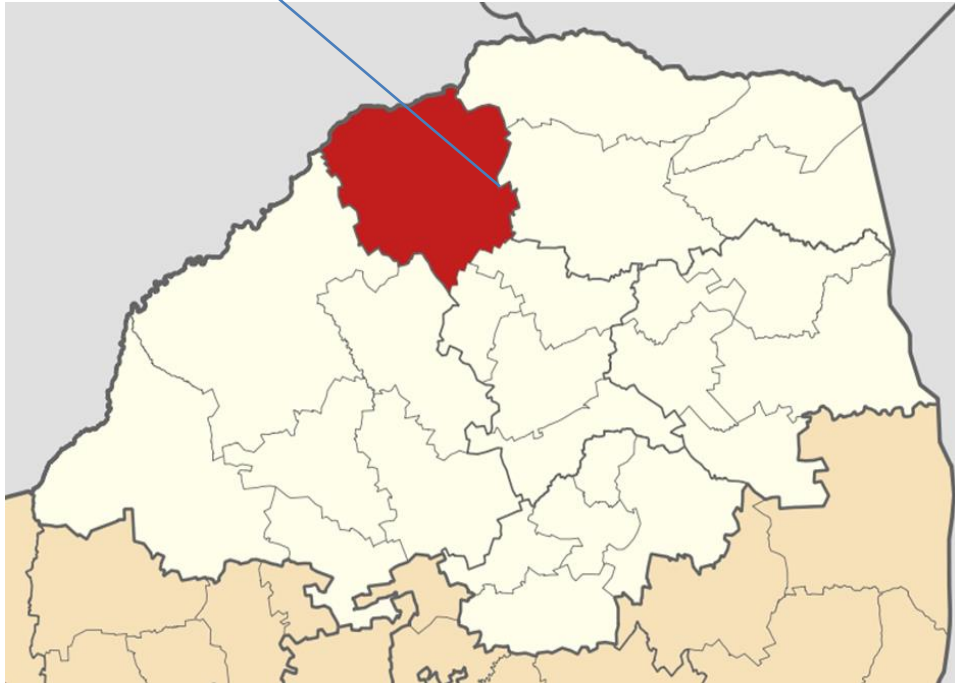


Figure 4: Map of Limpopo with Blouberg highlighted

Source: Map of Limpopo with Blouberg highlighted (2011) (<http://www.blouberg.gov.za/>)

The study has been conducted at Devrede Village in the Blouberg Municipality. Blouberg Municipality is located within the Capricorn District Municipality in Limpopo province. The municipality was established in 2000 after the amalgamation of the northern district council and Bochum/My Darling TLC.

The municipality has 118 settlements, with Senwabarwana and Alldays, which are considered to be semi-urban. The municipality is situated about 95 km from Polokwane. It covers an area of approximately 5 054 sqkm and spreads to a wide geographical area, right up to the Botswana border. According to StatsSA (2011), Blouberg Municipality has 21 wards, and the population is estimated at 162 629 (<http://www.blouberg.gov.za/>). Devrede Village falls under ward 15 of Blouberg Municipality. The researcher considered Devrede Village because he is familiar with the place and because of geographic proximity to the place. This will also warrant the researcher to conduct in-depth interviews with the

respondents without incurring huge travelling expenses and time, since the researcher is residing in Devrede Village.

3.5. Sampling design

The researcher used sampling because of time and financial constraints. In this study, the researcher strived for an in-depth interview with the respondents in order to get respondents' perceptions regarding compliance with the Municipal Finance Management Act 56 of 2003 at Blouberg Municipality. The sample included participants from the age of 20- 65 in order to get a broader understanding of public participation regarding the budget of the Blouberg Municipality. This is on the basis that the Municipal Finance Management Act does not give age restrictions in terms of public participation and it is important that the municipality strive to accommodate all the people irrespective of age and level of education because the municipality is ought to make sure that everyone participate in budgetary process as stipulated in the Municipal Finance Management Act.

A sample is a small portion of the total set of objects, event or person, which together comprises the subject of the day (Seaberg 1988:240). If a population itself is relatively small, the sample should comprise a reasonably large percentage of the population (De Vos 1998:191).

3.5.1. Sampling methods

Sampling is one of the most important techniques in the total research endeavour (De Vos 1998:189). The researcher has used non-probability sampling. Non-probability sampling includes an accidental sample, which is referred to as a type of sample that is convenient or available and respondents are usually those that are available (Nachmias & Nachmias 1981:430). During the process of selecting or sampling, the aim is to get a sample that is as representative as possible of the target population (Mouton 1996:110). Non-probability sampling also consists of other methods such as purposive, quota, dimensional, target, snowball and spatial sample. According to Kerlinger (1986), sampling means taking any portion of a population or universe as representative of the population or universe

3.6. Conclusion

This chapter gave an overview of the research methodology, research design and target population used in this study, where interviews were conducted with both participants from the community and with employees. The chapter that follows will provide an analysis and interpretation of the data used in this study.

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1. Introduction

The previous chapter discussed the research methodology employed in this study. The objective of this chapter is to give an interpretation of the study. Data was collected from 40 out of 50 participants from Devrede Village and officials of the municipality. Interviews and observations were conducted to detect whether Blouberg Municipality is complying with the MFMA. Interpretation of data will also be conducted. Possible solutions were identified during the data collection process.

4.2. Data analysis and interpretation for community members

According to Mokganya (2010), qualitative data is analysed through the identification of both the themes in the data and the relationship of those themes. Data is analysed by identifying patterns and themes in the data, drawing certain conclusions from them (Mouton 1996:111).

Microsoft Excel was used to calculate the percentages and interpretations of data through graphs. Various documents were studied such as the annual report and public consultation documents, and interviews were also conducted.

For the community members, a questionnaire was divided into two sections, which includes demographic data and section B, which includes understanding or knowledge of the municipal budget or Integrated Development Planning, submission of budget inputs, notice of the municipal draft budget, performance of the municipality in terms of public consultation, and compliance with MFMA No. 56 of 2003. The sample of this study consists of 25 community members.

4.2.1. Participation in terms of gender

Sixty-four per cent of females participated in the study as compared to 36% of males.

Figure 7 indicates gender participation in the study.

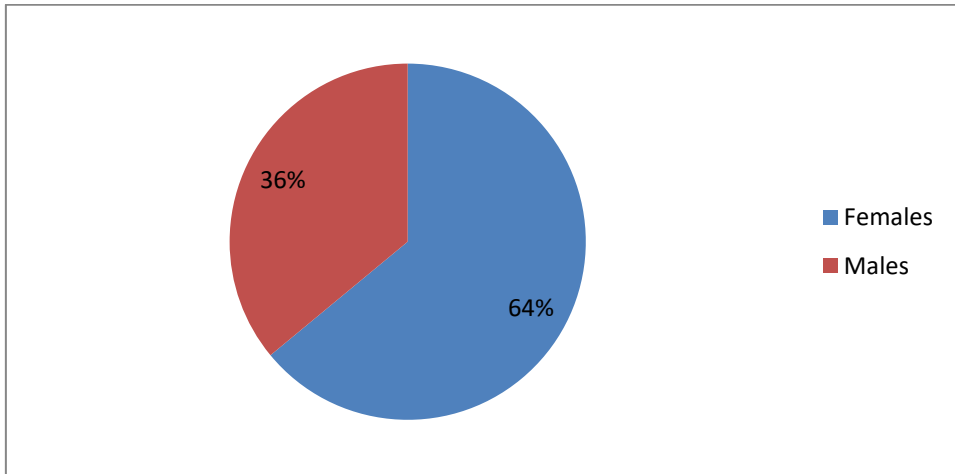


Figure 5: Gender participation in the study

4.2.2. Participation in terms of age groups

A large percentage of females between the age of 20-30 participated in this study. Figure 8 indicates that 36% of females between the age of 20-30 have participated, 16% of females between the age of 31-40 participated, and 12% of females between the age of 41-50 took part in the study. Furthermore, 8% of females between the age of 51-60 participated, while 4% of the females from the age of 60+ participated.

Sixteen per cent of males between the age of 20-30 have participated in the study, while 4% of males between the age 41-50 participated. Moreover, another 4% of males from the age of 60+ also participated in the study.

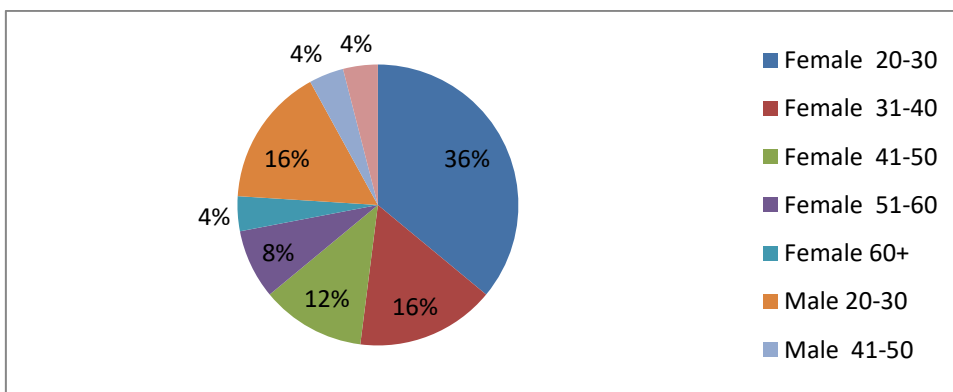


Figure 6: Participation in terms of age groups

4.2.3. Use of language by the respondents

The purpose of the question respecting use of language was to identify the use of language by local people in order to detect if the language used by the municipality caters for all the people within the jurisdiction of the municipality. All participants who took part in the study use Northern Sotho as their official language.

4.2.4. Respondents' educational level

The purpose of the question is to detect if most of the people can read and write, and if they are catered for by the municipality in terms of ensuring that they participate in budget and IDP processes irrespective of their level of education.

Figure 9 reveals that 40% of the participants have degrees or diplomas; this consists of 24% of females and 16% of males. Twenty-eight per cent of the participants have a matric qualification; this encompasses 16% of females and 8% of males. Additionally, 12% of the participants have postgraduate qualifications; these participants consist of 8% females and 4% males. Further, 20% have participated in the study, with 16% of females and 4% of males.

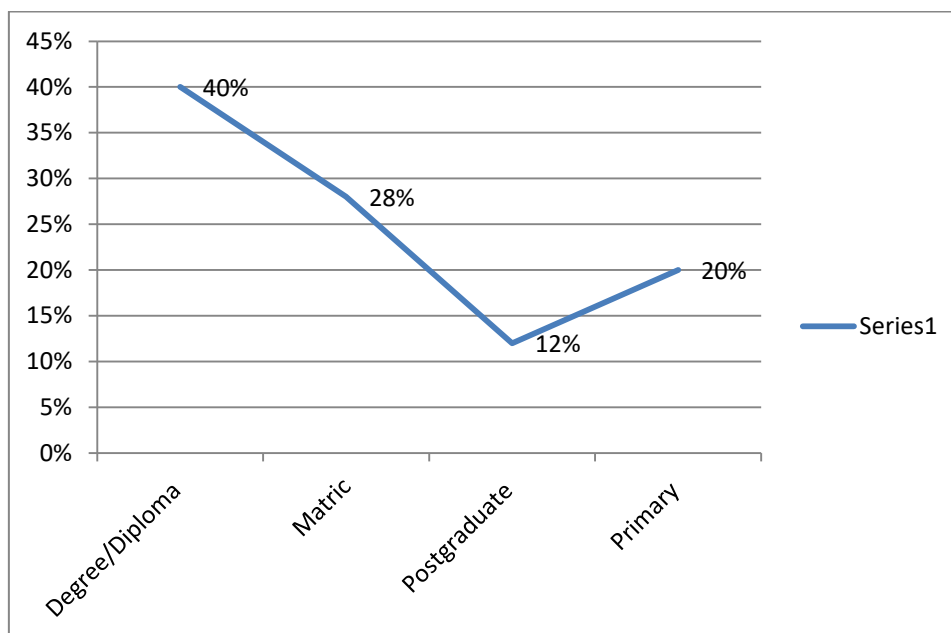


Figure 7: Educational level of respondents

Respondents were asked if they know what a Municipal Budget or Integrated Development Plan is

According to Cloete and Thornhill (2005:127), communities should present their needs and contribute to the knowledge and even views and ideas in terms of the new dispensation of local government. Fifty-six per cent of the respondents indicated that they know what is an Integrated Development Plan or Municipal Budget, while 44% of the respondents responded by saying that they did not know.

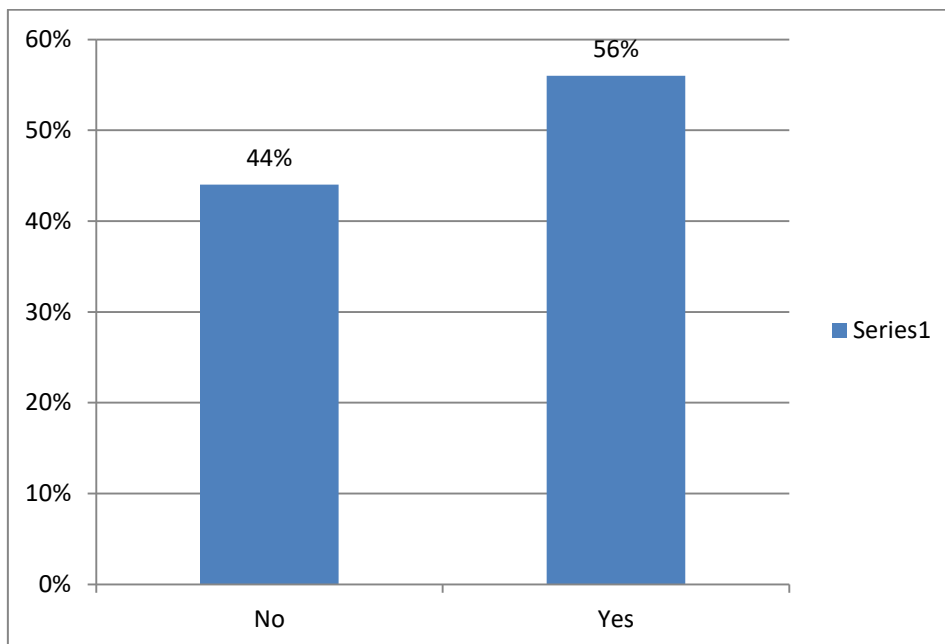


Figure 8: Participants’ knowledge of a Municipal Budget or Integrated Development Plan

Respondents were asked if they got a chance to submit their inputs regarding the draft budget

Section 22 of MFMA No. 56 of 2003 lays emphasis on the publication of the annual budget and requires that immediately after an annual budget is tabled in a municipal council, the accounting officer should

- Make public the annual budget

- Invite the local community to submit representations in connection with the budget.

Feedback of responses from the participants is indicated below.

Eighty-four per cent of the respondents indicated that they did not get a chance to submit their views regarding the budget in terms of MFMA No. 56 of 2003. On the other hand, 4% of the respondents highlighted that they got a chance to submit their views during the budget process.

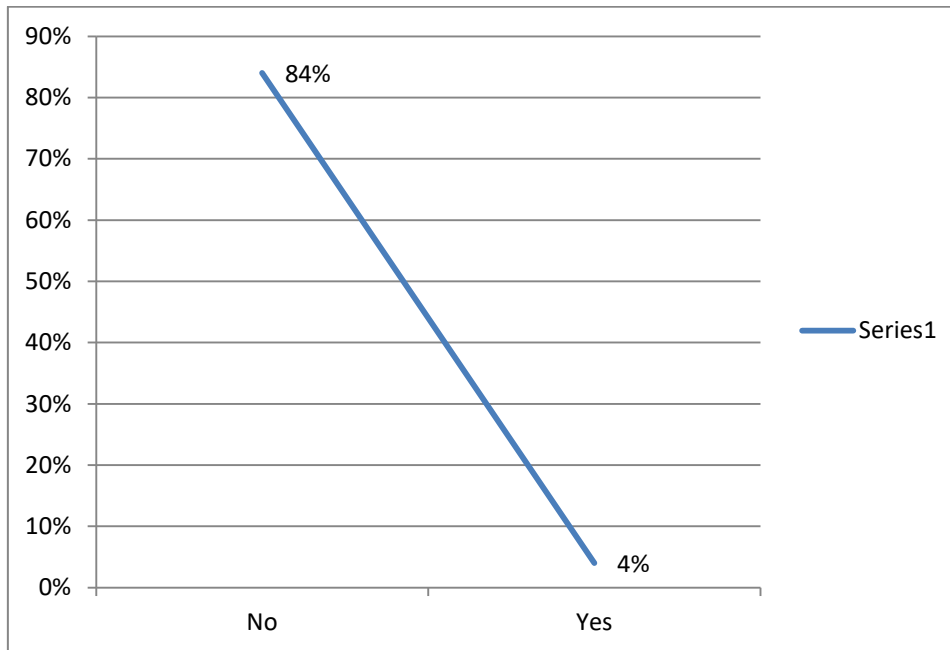


Figure 9: Participation of respondents in submitting their views regarding the budget

Respondents were asked to rate Blouberg Municipality in terms of public consultation and were asked to rate the municipality on a scale of Good, Average or Poor

The link between public participation and democracy becomes more relevant in a South African context where public participation is seen as not only playing a pivotal role but also as enhancing local democracy (Siphuma 2009:40). According to the South African Legislative Sector Consultative Seminar (2012:2), public participation is a fundamental dimension of democracy and an important factor in the strengthening and maturing of democracies. The South African Constitution asserts a participatory democracy which calls for the active involvement and participation of the citizenry.

The International Association for Public Participation (2007) has developed seven core values for public participation for use in the development and implementation of public participation processes. These core values are as follows:

- a. Public participation is based on the belief that those who are affected by a decision have a right to be involved in the decision-making process.
- b. Public participation includes the promise that the public's contribution will influence the decision.
- c. Public participation promotes sustainable decisions by recognising and communicating the needs and interests of all participants, including decision-makers.
- d. Public participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.
- e. Public participation seeks input from participants in designing how they participate.
- f. Public participation provides participants with the information they need to participate in a meaningful way.
- g. Public participation communicates to participants how their input affected the decision.

Responses of the participants are captured below.

Fifty-two per cent of the participants revealed that Blouberg Municipality is doing good in terms of public consultation, 28% indicated that the municipality is performing poorly, whereas 20% of the participants felt that the municipality is at an average level. One of the objectives of the study is to determine whether Blouberg Municipality is complying with Municipal Finance Management 56 of 2003 in terms of public consultation. The researcher can conclude that Blouberg Municipality is doing well in terms of public participation. This can be supported by 52% of the respondents in this study as well as 20% of responses that indicated that Municipality is at average scale in terms of public consultation.

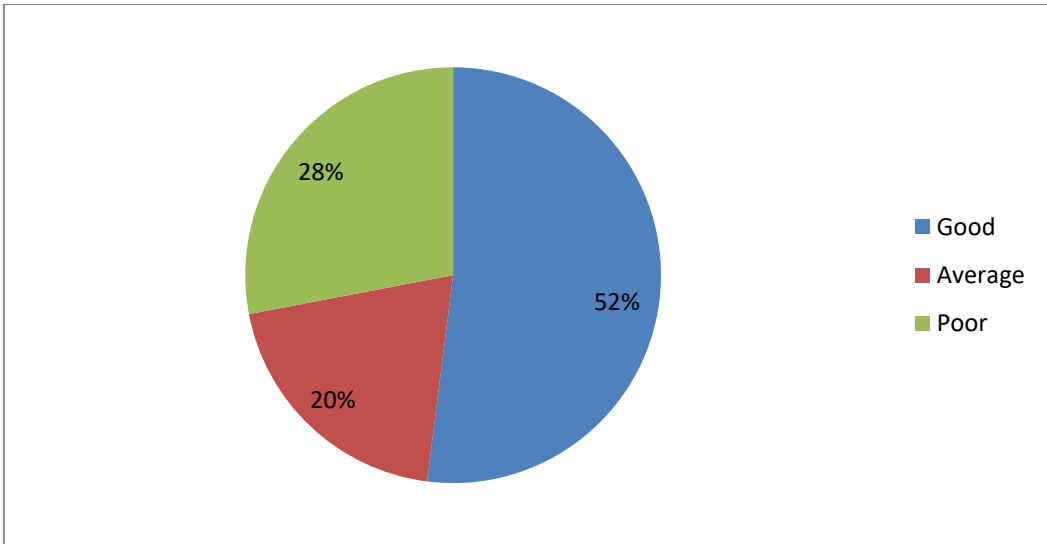


Figure 10: Performance of Blouberg Municipality with regard to public consultation

Respondents were asked to rate Blouberg Municipality in terms of compliance with MFMA No. 56 of 2003 and were asked to rate the municipality on a scale of Good, Average or Poor

Respondents participated as follows:

Twenty-four per cent of the participants indicated that the municipality is on track in terms of compliance with MFMA, 44% highlighted that the municipality is at an average level, while 32% revealed that the municipality is on a poor scale in terms of compliance and 24% highlighted that the municipality is is on a poor scale. Researcher can conclude that Blouberg Municipality is complying with MFMA based on the response of 44% compliance as compared to 32% which is on poor scale.

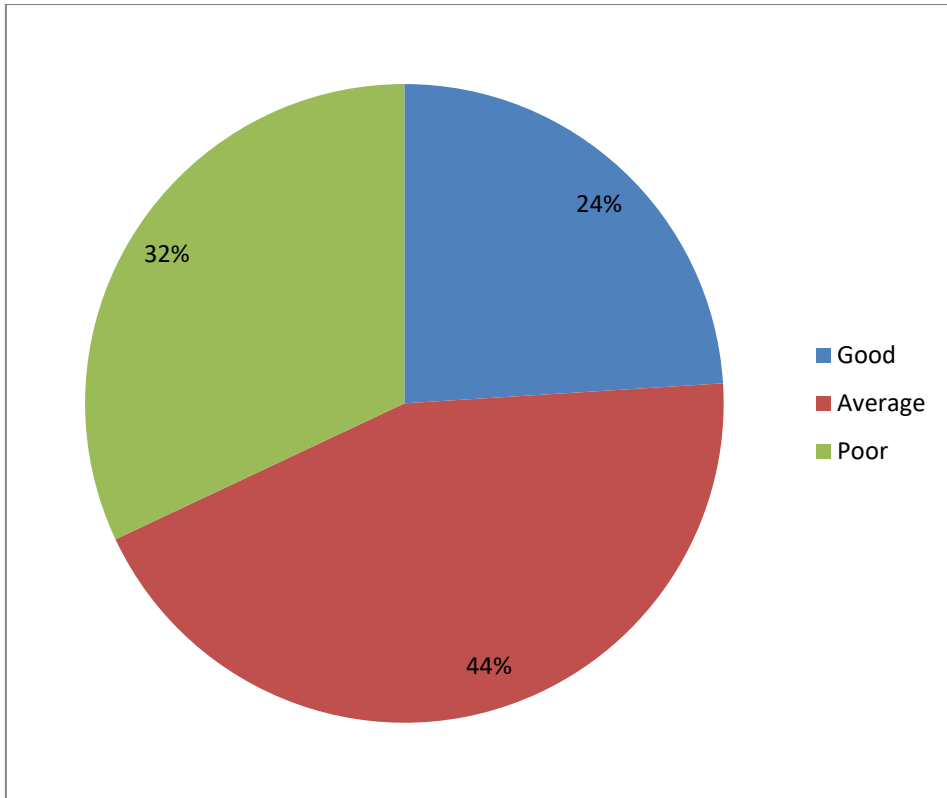


Figure 11: Performance of Blouberg Municipality in terms of compliance with MFMA

4.3. Data analysis and interpretation for municipal officials

Interviews were conducted with the municipal officials. For the municipal officials, a questionnaire was divided into two sections; the first section includes demographic data. Section B includes the position of the respondents in the municipality, their responsibilities in terms of the implementation of MFMA No. 56 of 2003, qualifications and competencies of the personnel in implementing the MFMA, competencies and skills of the audit committee in implementing the MFMA. That section also includes management of the budget, rating of the municipality in terms of public consultations, and rating of the municipality in terms of compliance with the Municipal Finance Management Act.

The sample consisted of 25 municipal officials, and the respondents participated as follows:

Forty-four per cent of females participated in the study as compared to 52% of males.

Figure 14 illustrates gender participation of municipal officials in the study.

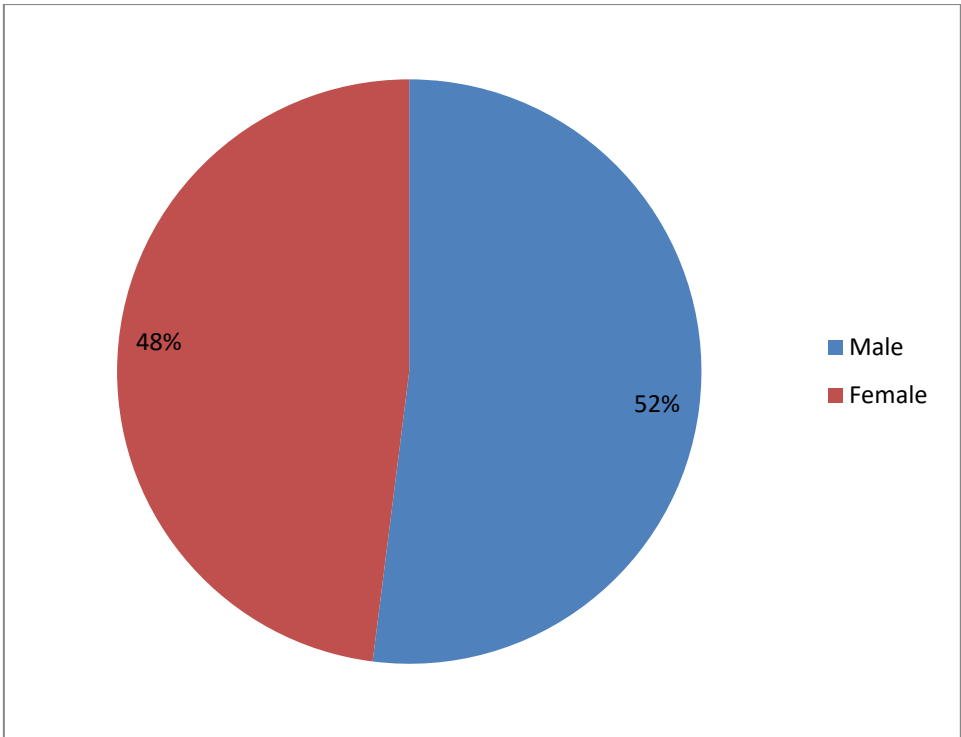


Figure 12: Gender participation of municipal officials

4.3.1. Participation in terms of age groups

As shown in Figure 15, a large number of females between the age of 31-40 participated in the study. The figure indicates that 24% of females between the age of 31-40 participated, 8% of females between the age of 20-30 participated, while 16% of females between the age of 41-50 took part in the study.

On the other hand, 24% of males between the age of 31-40 participated in the study, whereas 16% of males between the ages 20-30 participated. In addition, 12% of males between 41-50 also participated in the study.

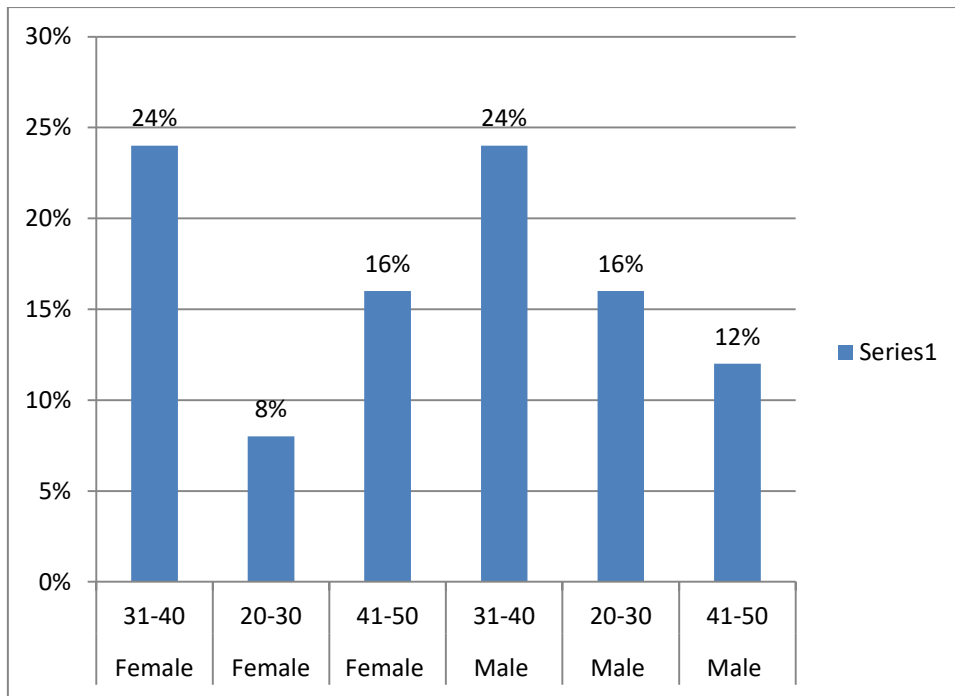


Figure 13: Participation of municipal officials in terms of age groups

4.3.2. Use of language by the respondents

Ninety-six per cent of the participants who took part in the study use Northern Sotho as their official language, while 4% of them use Venda as their official language.

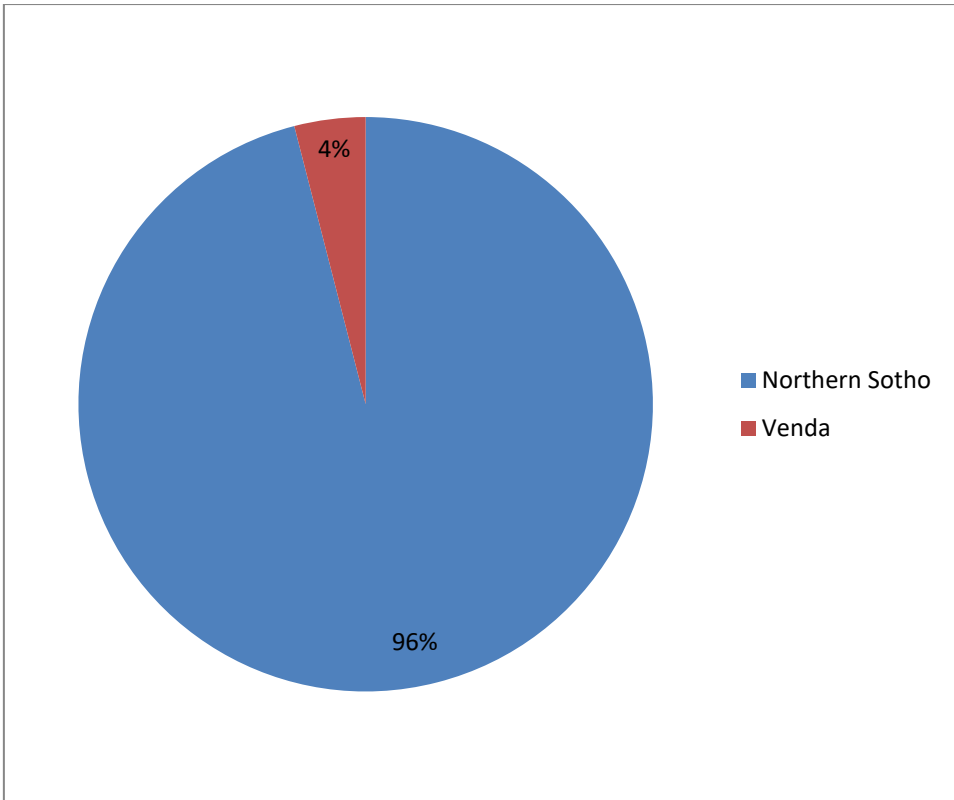


Figure 14: Use of language by municipal officials

4.3.3. Respondents' educational level

Figure 17 reveals that 80% of the participants have degrees or diplomas. On the other hand, 8% of the participants have a matric qualification, while 12% of the participants have postgraduate qualifications. The level of education determines the ability to implement Municipal Finance Management Act 56 of 2003. The level of qualifications plays an important role in assessing whether Blouberg Municipality is complying with Municipal Finance Management Act 56 of 2003. One can not argue the importance of education in implementing Municipal Finance Management Act 56 of 2003.

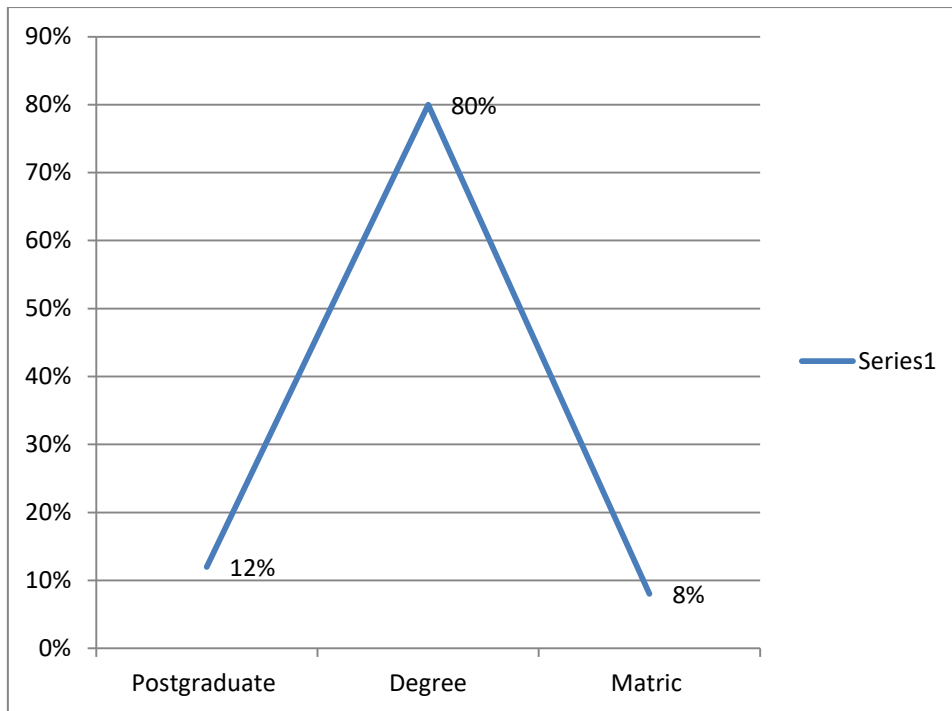


Figure 15: Educational level of municipal officials

Respondents were asked to rate Blouberg Municipality in terms of public consultation and were asked to rate the municipality on a scale of Good, Average or Poor

Respondents participated as follows:

Eighty per cent of the participants indicated that Blouberg Municipality is doing good in terms of public consultation, while 20% highlighted that the municipality is at an average level. In contrast, 0% revealed that the municipality is at a poor level.

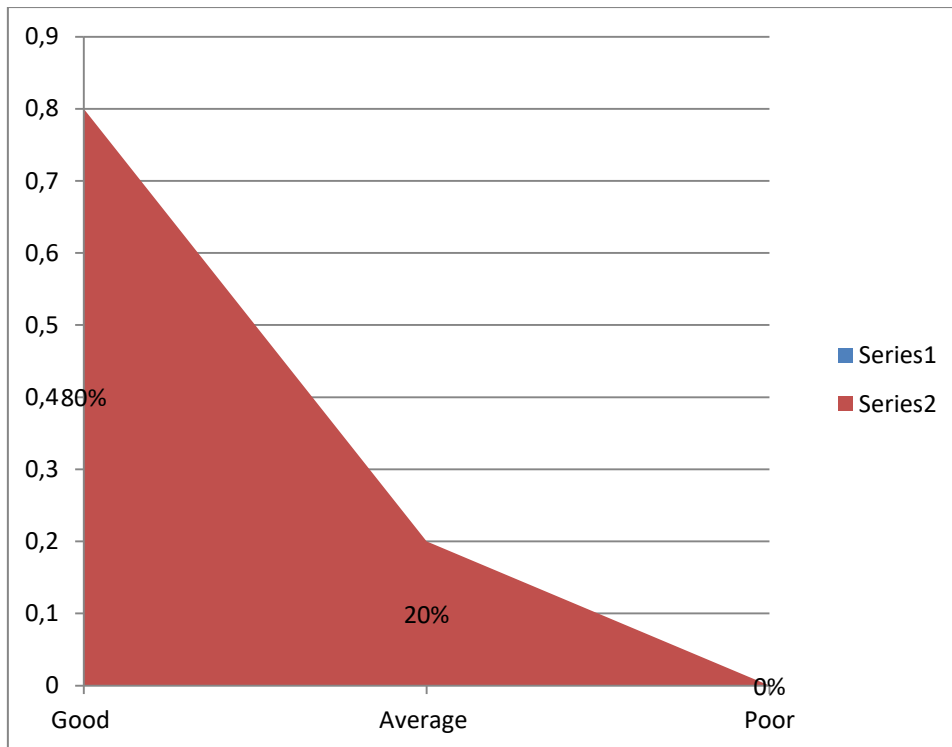


Figure 16: Blouberg Municipality’s performance in terms of public consultation

Respondents were asked to rate Blouberg Municipality in terms of compliance with MFMA No. 56 of 2003 and were asked to rate the municipality on a scale of Good, Average and Poor

The main purpose of the question posed related to the above was to get information from the employees regarding whether they are doing enough or have the capacity to implement this legislation and even to assist in identifying areas of staff development.

Respondents participated as follows:

Sixty-four per cent of the participants indicated that the municipality is doing good in terms of compliance with the MFMA, whereas 32% revealed that the municipality is at an average level. On the other hand, 4% highlighted that the municipality is at a poor scale in terms of compliance.

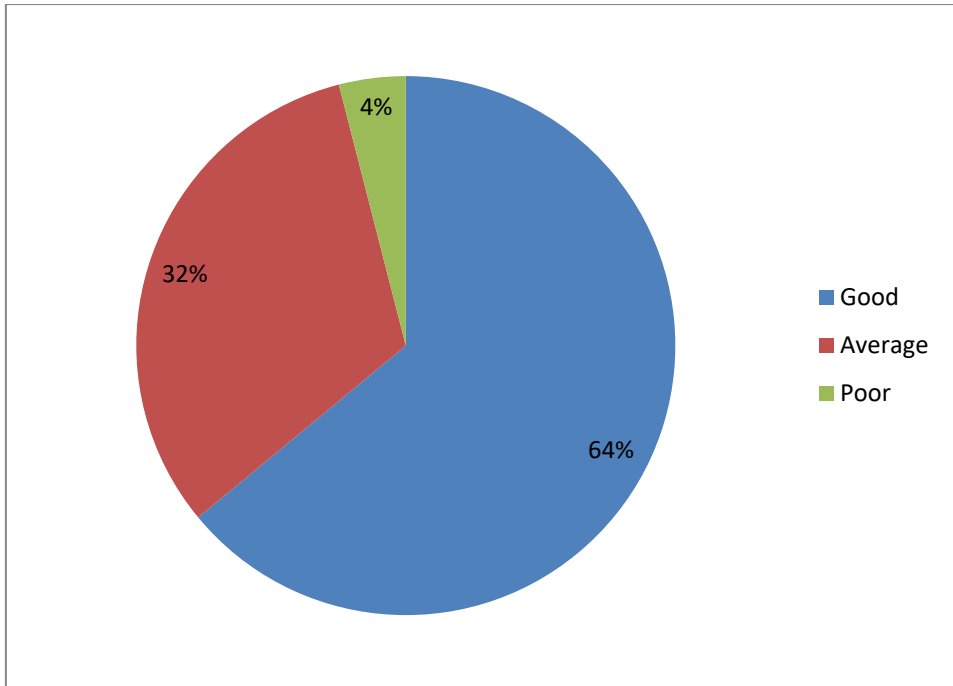


Figure 17: Blouberg Municipality's compliance with the MFMA

4.4. Conclusion

The objective of the study is to assess compliance with Municipal Finance Management Act 56 of 2003. Most of the participants indicated that Blouberg Municipality is complying with Municipal Finance Management Act 56 of 2003. This can be substantiated by response in terms of qualifications of the officials of the Municipality.

A question on qualifications of officials of the Municipality is very important to this study as it serves a a fundamental basis for good governance across all spheres of government. Upon conclusion of the study it is found that Blouberg Municipality requires to improve slightly on the implementation of Municipal Finance Management Act 56 of 2003 in order to ensure good governance. This chapter gave an overview of data analysis in terms of gender, educational level, as well as the age group of all participants. The next chapter will focus on findings and recommendations of the study in order to assist Blouberg Municipality to improve on the implementation of Municipal Finance Management Act 56 of 2003.

CHAPTER 5: FINDINGS AND RECOMMENDATIONS

5.1. Introduction

The penultimate chapter dealt with an analysis and interpretation of the data in this study. This final chapter will focus on the findings of the study as well as the recommendations in terms of how the municipality can implement the MFMA in relation to the budgetary processes, public consultation, audit committee and oversight role by various political parties.

5.2. Findings

Findings were drawn from the views of the participants in order to determine whether Blouberg Municipality is complying with Municipal Finance Management Act 56 of 2003. By giving reference to public consultation, knowledge of the municipal budget, qualifications of officials in implementing Municipal Finance Management Act 56 of 2003, functionality of audit committee and Management of the Municipal Budget

5.2.1. Public consultation

Most of the community members do not know what the municipal budget or IDP is. They are not even aware of the processes that must be followed during the budget process wherein their input plays a vital role. However, the municipality is trying its best based on the information and evidence provided by the municipality in terms of public consultation. It is also trying its level best to ensure public participation by transporting community members so that they can participate in budget and IDP processes, as well as in popularisation of their events in local newspapers and on radio stations.

Most of the residents are not willing to participate due to the fact that they lack information or knowledge about the importance of public participation as a result of a lack of knowledge. After adoption of the budget, the municipality did not motivate or make the environment enabling because there was no record or platform created for the submission, since communities did not have the opportunity to make submissions within 10 days after the tabling of the budget in the municipal council.

Section 22 of the MFMA states that the accounting officer should immediately – after tabling the annual budget in the municipal council – in accordance with chapter 4 of the Local Government Municipal Systems Act 32 of 2000, make public the annual budget and invite local communities to submit representations in connection with the budget.

Sixty four percent of the respondents indicated the Municipality is doing well inn terms of Public consultation as they got a chance to submit their inputs during the budget and IDP process, of which they thought is a good idea. Nonetheless, community members should be allowed some opportunity to submit their inputs after the IDP or budget process within a given time frame by the MFMA. The Act does not stipulate that submission for inputs should be done concurrently during budget processes. Rather, a municipality should make a copy of the draft budget accessible to community members in order to be able to submit their inputs.

Elderly people feel like they have been neglected in terms of participatory government because they cannot manage to participate during the IDP or budget processes. Their lack of participation seems to be attributable to initiatives that are organized to be held at other villages other than where the elderly resides. The use of a traditional council may be considered non-effective.

Respondents were asked to rate Blouberg Municipality in terms of compliance with MFMA No. 56 of 2003 and were asked to rate the municipality on a scale of good, average or poor. Thirty-two per cent of the respondents rated the municipality at a poor level due to the fact that the municipality does not have competent and qualified people to implement the Act. In addition, some of the officials indicated that the municipality is not doing well in terms of compliance with the MFMA, which was rated at 64%. It was also brought to light that measures will be developed to improve the municipality to a better position in the near future.

The electronic communication strategy was not stated on the policy, as it is important to ensure that young people who are mostly found on social media are engaged in order to cover various age groups. It was realised that Facebook, Twitter and YouTube are not being effectively utilised.

5.2.2. Knowledge of the municipal budget and IDP

Sixteen per cent of the participants revealed that they know the municipal budget or IDP from an academic perspective. Nevertheless, they highlight that little has been done by the municipality to ensure that people understand their responsibilities when coming to planning and budgeting.

5.2.3. Qualifications of the officials in implementing the MFMA

This related to the issue of the municipality having competent and qualified personnel to implement the MFMA. However, it came to light that the municipality has qualified personnel at management level to implement the MFMA and have credible experience based on the following:

Most of the personnel appointed in the finance section have qualifications such as Bachelor of Commerce in Accounting and Cost Management in order to implement the legislation.

The municipality has made an effort to ensure that staff development becomes a priority of the municipality based on the following:

- The municipality is trying its utmost best to ensure that most of the officials are capacitated in the field of MFMA through a partnership with the University of the Witwatersrand. Most of the officials are sent to this institution to receive training that leads to obtaining a Certificate in Municipal Finance and Supply Chain. However, much still needs to be done in the area of staff development, especially in the area of communication to sustain stakeholder relations.

5.2.4. Functionality of audit committee

It was pointed out from the audit directorate that committee members are in possession of qualifications and skills in financial management, auditing, law and governance. The audit committee meets quarterly to discuss issues of governance within the municipality.

5.2.5. Management of the municipal budget

Irregular, unauthorised and wasteful expenditures are normally experienced by the Blouberg Municipality. However, the municipality has various measures in place to deal with such challenges. Measures which were introduced include having an invoice register and liaising with service providers in advance in order to finalise payments.

5.3. Recommendations

Recommendations can be regarded as proposed solution to the research problem by the researcher. The below recommendations will assist the municipality to address findings to ensure compliance with the Municipal Finance Management Act 53 of 2003

5.3.1. Public participation

Respecting the information and evidence provided by the municipality in terms of public consultation, the municipality is trying its level best to ensure maximum public participation by issuing notices on the municipal notice board, newspapers and transporting community members to participate in budget and IDP processes. The municipality should accommodate people who cannot read and write. The municipality should come up with a mechanism to ensure that every citizen is accommodated in the management and administration of the municipality.

Most of the residents are not willing to participate because they lack information or knowledge about the importance of public participation. The municipality should use different platforms such as community meetings, use of local media, strengthening relationships with local traditional councils, and embarking on outreach activities to educate people about the importance of public participation in decision-making at the local sphere of government.

Most of the people in the communities do not have access to newspapers; that being the case, the municipality should make use of local supermarkets and any place where people gather to intensify their outreach programme. The use of current affairs at radio stations that can be accessed by everyone in the municipality should be considered, and the municipality should budget allocate more funds to radio slots to ensure maximum participation.

Ward councillors and committees should play a prominent role in educating community members on the importance of public participation because they can interact with people at grass roots level on a regular basis. The municipality should within its limited resources organise an indoor training in public participation course for ward councillors or committees in order to help them better understand the relationship between the municipality and the community.

The municipality should use different platforms such as ward committees and councillor conference and gatherings to present public views in terms of communication channels amongst the community members and ward councillors and committees. This can be done through development of questionnaires to evaluate the effectiveness of communication and to evaluate if community members are able to interact with municipal representatives at all levels.

The IDP and communication office should develop a schedule to visit the local council to ensure that people understand the operation and culture within which the municipality operates. Also, the municipality should ensure that it accommodates community members at its offices to make their submission on the budget before the budget is made final. This can be possible if they dedicate an officer within the office of public participation to be tasked with interpreting the content of the draft budget to the community members and even to include their views in the draft. During budget processes, the municipality should inform community members of the date on which they can come to the office in order to make their submissions. This can also be done at satellite offices to ensure convenience to the community members.

The municipality should develop a Public Participation Policy to guide community members in terms of public participation. The policy should also be made public, and by doing so, community members will be able to assist the municipality if the policy is not properly implemented.

The municipality should also invite various stakeholders such as government departments, civic society, development organisations, business organisations, and sports and arts bodies. These can be used to form a forum that will assist the Mayor and the executive committee to solicit advice and inputs that will assist in the preparation of the municipal annual IDP and budget.

Invitations to public meetings may be posted on Facebook or Twitter in order to have a dialogue and get views of communities regarding particular meetings. A notice for the submission of the inputs regarding the budget may be posted and allow people to make their submissions electronically.

5.3.2. Qualifications of the officials in implementing the MFMA

Appointment of highly experienced people such as chartered accountants to the positions of chief financial officers will assist municipalities to overcome challenges regarding financial management. Postgraduate qualifications such as honours or master's degrees and extensive experience in public and private sector should be a prerequisite for the appointment of directors and managers in order to assist in ensuring that the municipality moves towards obtaining clean audits and inculcate the public with a sense of public participation.

The municipality has made an effort to ensure that a skills development policy is developed to address the problem of skills shortages. However, a great deal still needs to be done in the area of staff development, especially in the area of finance and community services or communication department.

As a step in the right direction, the municipality can send members of staff to attend short courses and further their studies in the area of finance and communications or local government to ensure that the municipality does well in terms of communications or public consultation. Advertisement of bursaries for matriculants in order to address skills shortages is also of utmost importance.

It should become legislated that appointments of directors and managers within municipalities be endorsed by the provincial Department of Cooperative Governance in order to ensure relevant people are appointed. This will assist municipalities to overcome challenges with implementation of the Municipal Finance Management Act and ensure compliance thereof.

The provincial departments responsible for Local Government and the Offices of the Premier are the oversight, support and lead governance entities in provinces. Both offices should be resourced in terms of finance and personnel to provide capacity building within the local sphere of government. Provincial departments responsible for local government and the South African Local Government Association (SALGA) should appoint a consultant to provide capacity building on an annual basis for all councillors in order to understand their mandate. It is important to have a provincial approach than a municipal approach, as this will ensure a uniform approach to various challenges at the local sphere of government.

Provincial departments, in consultation with municipalities and SALGA, should call for an annual provincial-municipal summit to discuss performance of the municipalities taking into cognisance the latest report from the Auditor-General in order to assess challenges regarding non-compliance and the development of an action plan.

5.3.3. Management of the budget

Development of internal control measures plays a crucial role, as this will assist in identifying challenges at an early stage. Internal control measures cannot eliminate all errors and irregularities, but they can alert management of potential problems. Monthly reviews or projections of the budget will assist in tracking and tracing the trend of how the municipality is spending, and the likelihood of complying with the MFMA in terms of budget management will be high. This will assist in identifying areas of non-spending or poor spending, and payment of service providers will be done in advance.

It is also essential for the municipality to ensure that councillors who participate in the portfolio committee of finance are trained on the basics of budget management in order to be in a better position to understand and interpret the financial performance of the municipality. Municipalities can also select councillors with financial management backgrounds to be part of the committee unlike selecting people randomly without skills and knowledge to take the financial status of the municipality to the next level.

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ANNEXURES

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Blouberg Municipality



P.O. Box 1593
SENWABARWANA 0790
Tel No.: 015 505 7100
Fax: No.: 015 505 0560 / 0295
E-mail: info@blouberg.gov.za

Enq : Masipa M.H (071 474 9875)

06 June 2013

Att : Mr Magwasha Selby

Sir

**Re : REQUEST TO CONDUCT RESEARCH IN THE FULFILMENT OF MASTERS
DEGREE (PUBLIC ADMINISTRATION)**

The above matter refers

1. We acknowledge receipt of your letter of request in respect of conducting a research in fulfillment of Master of Public Administration degree;
2. We further wish take this opportunity to inform you that we agree to your request and undertake to assist you in every way possible towards the realization of your noble objectives;
3. It is also appreciated that you are a local resident who is familiar with the environment and that your studies will hopefully go a long way in assisting the municipality improve in one way or the other;
4. Wishing you the best in your studies.

Youth Faithfully

Kgoale T.M.P
Municipal Manager

QUESTIONNAIRES

Department of Public Administration and Management

Magwasha Mokgadi Selby

46531076

Assessing Compliance with the Municipal Finance
Management Act in the Blouberg Municipality

A research proposal submitted in partial fulfillment of the
requirements for the degree Master of Public Administration

Supervisor: Mr S J Tsoabisi

Co-Supervisor: Mr A Van Schalkwyk

Section A

Demographic data

Please put an X in the appropriate box.

1.1. Gender

Male Female

1.2. Age

20-30 years

31-40 years

41-50 years

51-60 years

60 years and above

1.3. Home language

Northern Sotho Other

If other, please specify: _____

1.4. Highest qualification

Primary Matric Diploma/Degree Postgraduate

Section B

Questions for residents

Please answer the following questions by placing an X in the appropriate box.

1. Do you know what an IDP/Municipal budget is?

Yes	No
-----	----

If yes, have you ever attended any?

2. Have you ever been given a chance to make your submission regarding the municipal budget?

Yes	No
-----	----

If yes, how and where did you make your submission?

3. Did you ever find a copy of the draft municipal budget for your input?

Yes	No
-----	----

If yes, where and how did you find the copy?

4. How do you rate the Blouberg Municipality in terms of public consultation?

Good	Average	Poor
------	---------	------

5. How do you rate the Blouberg Municipality in terms of compliance with the Municipal Finance Management Act No 56 of 2003?

Good	Average	Poor
------	---------	------

6. What do you think is required to improve the challenges with public consultation and compliance with the Municipal Finance Management Act No 56 of 2003?

Section C

Questions for officials

1. Background information

1.1. What is your position within the municipality?

1.2. What are your responsibilities in terms of ensuring the municipality's compliance with Municipal Finance Management Act No 56 of 2003?

2. Qualifications and competencies of the municipal officials to implement the Municipal Finance Management Act

2.1 Does the municipality have competent and qualified personnel to implement the Municipal Finance Management Act?

Yes	No
-----	----

If yes, what is the highest qualification and what is the level of experience of the Section 57 manager in the municipality?

2.2 Does the municipality have plans in place to ensure that staff members are trained to implement the Municipal Finance Management Act?

Yes	No
-----	----

If yes, which short courses are these staff members pursuing and what is the name of the institution where they are attending?

3. Audit committee to assist the municipality to implement the Municipal Finance Management Act

3.1 Does the municipality have an audit committee that is functional?

Yes	No
-----	----

If yes, what are the skills and competencies of the people appointed as audit committee members?

3.2 How often does the audit committee meet?

Annually	Quarterly	Monthly
----------	-----------	---------

4. Management of the municipal budget

4.1 Do you experience irregular, unauthorised and wasteful expenditure on your budget?

Yes	No
-----	----

If yes, how do you deal with such challenges?

4.2 Do you have measures in place to deal with irregular, unauthorised and wasteful expenditure?

Yes	No
-----	----

If yes, what are those measures?

5. How do you rate the Blouberg Municipality in terms of public consultation?

Good	Average	Poor
------	---------	------

6. How do you rate the Blouberg Municipality in terms of compliance with the Municipal Finance Management Act?

Good	Average	Poor
------	---------	------

7. What do you think is required in order to overcome the challenges with public consultation and compliance with the Municipal Finance Management Act?

LETTER TO THE BLOUBERG MUNICIPALITY

P.O. Box 424

Babirwa

0716

24 February 2012

The Municipal Manager
Blouberg Municipality
Senwabarwana

Dear Sir/Madam

Re: Permission to conduct research in your institution

I am a student of Public Administration at University of South Africa (UNISA) registered for a Master's Degree this year. My research topic is "Assessing compliance with the Municipal Finance Management Act in the Blouberg Municipality".

I am therefore requesting your permission to conduct research in your institution. It is my belief that the research results would contribute to the best practice of MFMA in various municipalities in the province.

Hope you will find this request in order.

Regards
