

**STRENGTHENING OF INTERNAL CONTROLS TO ENSURE COMPLIANCE WITH
THE LOCAL GOVERNMENT MUNICIPAL FINANCIAL MANAGEMENT ACT NO 56
OF 2003 IN MUNICIPALITIES: CASE OF THE CITY OF TSHWANE MUNICIPALITY**

By

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DECLARATION

I declare that **STRENGTHENING OF INTERNAL CONTROLS TO ENSURE COMPLIANCE WITH THE LOCAL GOVERNMENT MUNICIPAL FINANCIAL MANAGEMENT ACT NO 56 OF 2003 IN MUNICIPALITIES: CASE OF THE CITY OF TSHWANE MUNICIPALITY** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

Monatlale.

Kefilwe Portia Monatlale

30 AUGUST 2023_____

Date

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ABSTRACT

The internal control is a critical component of financial management in all municipalities in order to improve transparency and accountability in local government. However, the City of Tshwane Municipality (hereinunder referred to as CoT Municipality) also does not fully comply with the Municipal Financial Management Act No 56 of 2003 (hereinunder referred to as MFMA) requirements. As required by Section 63(2)(c) of the MFMA, the CoT Municipality) does not take all reasonable steps to ensure that it has an adequate system of internal controls. The aim of the study was to investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

The qualitative research methodology was used, and the study followed the interpretivism philosophy. The phenomenology research strategy and case study strategy were used for capturing an in-depth understanding of challenges facing the CoT Municipality in implementing internal controls to ensure compliance with the MFMA. The target population for this study was all 24 municipal finance management team of the CoT Municipality. After conducting 12 semi-structured interviews, this study concluded that data saturation had been reached.

The research found that effective financial management leadership is a challenge for the CoT Municipality. The study also revealed that the CoT Municipality faces difficulties in implementing effective internal control systems for financial reporting quality. Further, the research discovered that the CoT Municipality faces challenges in implementing an effective MFMA framework that emphasises the prevention of unauthorised expenditure. Therefore, the study recommends that the CoT Municipality should have a strong financial management leadership. The study also recommends that the CoT Municipality ensure that internal control systems are an important input to financial reporting quality. It is significant that the CoT Municipality has an effective framework emphasising the prevention of unauthorized spending. As this study focused on the municipal finance management team of the CoT Municipality, quantitative research with a large number of research participants would be beneficial.

KEYWORDS:

Accountability; City of Tshwane Municipality; effectiveness and efficiency; financial management leadership; internal controls; municipal borrowing; Municipal Finance Management Act; revenue; transparency

TSHOBOKANYO

Tsenyotirisong ya mekgwataolo ya mo setheong – e e leng karolwana ya bothokwa ya taolo le tsamaiso ya ditšhelete mo bommasepaleng botlhe – e e oketsang tiriso e e seng bofitlha ya ditšhelete le boikarabedi mo pusoselegaeng. Le fa go ntse jalo, Mmasepala wa City of Tshwane, ga o latele melawana ya Molao wa Taolo le Tsamaiso ya Ditšhelete tsa Mmasepala (MFMA), segolo bogolo Karolo 63(2)(c), e e laolelang mmasepala go tsaya dikgato tsotlhe tse di utlwalang go tsenya tirisong le go tswellets mokgwatsamaiso o o lekaneng wa mekgwataolo ya mo setheong. Maikaelelomagolo a thutopatlisiso eno e ne e le go sekaseka dikgwetlho tse di kgoreletsang bommasepala go tsenya tirisong mekgwataolo ya go nna jalo gonne e leka go tsamaisana le melawana ya MFMA, ka tsepamiso mo Mmasepaleng wa City of Tshwane. Ka ntlha ya seno, motlhotlhomisi o dirisitse mokgwa wa go kgobokanya le go sekaseka tshedimose tso e e seng ya dipalo a ikaegile ka filosofi ya tlhotlhomiso e e sekasekang maitemogelo a batho, mme o dirisitse togamaano ya tlhotlhomiso e e lekaneng go tlhologanya maemo a batho ka nosi ba a itemogelang le patlisiso e e tseneletseng e e dirwang mo maemong a mmatota go kgona go tlhologanya mo go tseneletseng dikgwetlho tse mmasepala o lebaneng natso malebana le kobamelo ya MFMA. Batho ba ba neng ba totilwe mo thutopatlisisong ba ne ba akaretsa maloko otlhe a le 24 a setlhopho sa taolo le tsamaiso ya ditšhelete tsa mmasepala. Morago ga go dira dipotsolotso di le 12 tse go boditsweng dipotso tse di se nang dikarabo tse di rileng, go ne ga fitlhelwa maemo a go sa tlholeng go na le tshedimose tso epe e ntšha e e ka kgobokanngwang. Diphitlhelelo di senotse gore mmasepala ono o itemogela dikgoreletsi tsa go tswellets ketapele mo taolong le tsamaiso e e nonofileng ya ditšhelete, le mo go tsenyeng tirisong mekgwataolo e e nonofileng go oketsa tiriso e e siameng ya pegelo ya one ya ditšhelete. Mo godimo ga moo, go fitlhetswe gore mmasepala o itemogela mathata ka kamogelo le tsenyotirisong ya letlhomiso le le nonofileng la MFMA le le ikaelelang go thibela tiriso e e sa rebolelwang ya ditšhelete. Ka jalo, go atlanegisiwa gore mmasepala o tiise boetapele jwa one jwa taolo le tsamaiso ya ditšhelete, le mekgwataolo ya one, go neela pegelo ya

maemogodimo ya ditšhelete. Gape, mmasepala o tshwanetse go tlhama letlhomiso le le nonofileng go khutlisa tiriso e e sa rebolelwang ya ditšhelete. Ka ntlha ya gore porojeke eno e ne e tsepamisitse fela mo setlhopheng sa balaodi le batsamaisi ba

ditšhelete sa mmasepala o o rileng, go ka nna botlhokwa go dira tlotlhomiso e e ka ga dipalo ka go dirisa palo e ntsi ya batho ba ba ka tsayang karolo mo thutopatlisisong.

Mafoko a botlhokwa:

Boikarabedi; Mmasepala wa City of Tshwane; nonofo; boetapele mo taolong le tsamaiso ya ditšhelete; mekgwataolo; kadimo ya madi ya mmasepala; Molao wa Tsamaiso le Taolo ya Ditšhelete tsa Mmasepala; tiriso ya madi kwa ntle ga bofitlha; lotseno;

ISISHWANKATHELO

Ukusetyenziswa kolawulo lwangaphakathi – nto leyo iyinxalenye engundoqo yolawulo lwezimali kubo bonke oomasipala – kunceda ekuphuculeni ukusebenza okungenamfihlo nokuphendulela izenzo kuburhulumente beendawo. Noxa kunjalo, uMasipala Wesixeko saseTshwane, (*City of Tshwane Municipality*) awufikeleli kuzo zonke iimfuno zoMthetho Wolawulo Lweemali ZooMasipala (*Municipal Finance Management Act – MFMA*), ngakumbi Icandelo 63(2)(c), eligunyazisa ukuba umasipala athathe onke amanyathelo okuqinisekisa ukuba kukho ulawulo lwangaphakathi oluluqilima. Injongo engundoqo yesi sifundo yayikukuphoononga imingeni ephazamisa ukusetyenziswa kolawulo loomasipala njengoko ezo ndlela zolawulo zazisenzelwa ukuthobela izimiselo ze*MFMA*, kugxininiswa ngakumbi kuMasipala Wesixeko saseTshwane. Ukufezekisa le njongo, umphandi wasebenzisa indlela yophando ngokuzathuza esekelwe kwifilosofi yokutolika ngokweemeko zentlalo. Kusetyenziswe kwakhona icebo lophando lefinominoloji nezifundo ezingumzekelo ngeemeko ezenzekayo, injongo ikukufumana ulwazi olunzulu ngemingeni ejongene nomasipala malunga nokuthobela i*MFMA*. Iqela ekuphandwe kulo ibingawo onke amalungu agama-24 olawulo lwezimali. Emva kokuqhuba iindliwano ndlebe ezili-12 ezingaqingqwanga ngqongqo, lwafumaneka lonke ulwazi oludingekayo. Kwafumaniseka ukuba lo masipala ufumana izithintelo kumsebenzi wawo wokukhokela isimo sezimali ngokufezekileyo, nasekuqhubeni iinkqubo zolawulo lwangaphakathi ezisebenza kakuhle ngenjongo zokuphakamisa umgangatho wokunika ingxelo ngezozoqoqosho. Ngaphezulu, kwafumaniseka ukuba umasipala utsala nzima ekulandeleni isakhelo se*MFMA* esisebenzayo nesijolise ekuthinteleni ukusetyenziswa kwemali ingagunyaziswanga. Ngoko ke, kucetyiswa ukuba umasipala aqinise ubunkokheli bakhe kulawulo lwemali neenkqubo zolawulo zangaphakathi, ukwenzela ukuphucula ukunika ingxelo ngezozoqoqosho. Ngaphaya koko, umasipala makaqulunqe isakhelo esisebenza kakuhle sokuthintela ukusetyenziswa kwemali ingagunyaziswanga. Njengoko olu phando lwalugxile kuphela kwiqela lolawulo lwemali kumasipala othile, ukuqhuba uphando lokuzathuza kubathathi nxaxheba abaninzi kungaba luncedo.

Amagama aphambili:

Imali engenayo; ukuboleka kukamasipala; ubunkokheli bolawulo loqoqosho; ukungafihli; ukusebenza okuneziqhamo nokufezekileyo; Ukuphendulela izenzo; ulawulo lwangaphakathi; uMasipala Wesixeko saseTshwane; uMthetho Wolawulo Lweemali ZooMasipala

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CHAPTER 1: INTRODUCTION

1.1 Introduction

This research study investigated the challenges facing the strengthening of internal controls to ensure compliance with the Municipal Financial Management Act No 56 of 2003 (hereinunder referred to as MFMA) in municipalities with reference to the case of the City of Tshwane Municipality (hereinunder referred to as CoT Municipality). This chapter provides the background and motivation for the research and the problem statement. The research questions, aim of the study and research objectives are provided. Subsequently, assumptions, significance of the study, definition of terms and preliminary literature review are presented. Finally, research methodology, limitations, delimitations, structure of this research report and summary of this chapter are set out at the end of this chapter.

1.2 Background to the problem

The genesis of MFMA dates back when South African government embarked on policy reforms (Mathebula, 2014:936). Several pieces of legislation were promulgated for public service and local government regulation in Post-1994 (Mathebula, 2014:936). However, South Africa Public Finance Management Act, 1999 (Act 1 of 1999) (as amended by Act 29 of 1999) (hereafter referred to as PFMA) is one of the most important pieces of legislation passed by the first democratic government in South Africa (Mathebula, 2014:941; Mokale, 2019:20; & Ajam & Fourie, 2016:270). According to Dollery and Graves (2009:103), the MFMA was modeled after the PFMA, which is applicable to the entire public sector, but was changed to account for unique local government circumstances. In addition, “the 1998 White Paper on Local Government, which places the South African Constitution at its core, is where the framework for municipal finance may be found” (Imuezerua & Chinomona, 2015:360). The assumption is that the finances of a municipality must be managed in accordance with the MFMA (Mokale, 2019:20). In this context, in their financial transactions with municipalities, national and provincial organs of state, as well as all municipalities, including municipal entities, must abide with MFMA (Kruger & Van Rooyen, 2016:166). Therefore, the CoT Municipality and its entities are administered within the confines of the MFMA. Moreover, the CoT Municipality manages its assets in accordance with the

MFMA (Nawa & Dlamini, 2019:174). However, according to the Auditor General (2019:250), the CoT Municipality does not take all reasonable steps to ensure that it has an adequate system of internal controls for the purpose of safeguarding its assets, as required by the MFMA (The Auditor General, 2019:250).

The existing literature also provides that the CoT Municipality's service delivery and budget implementation plans, as well as the integrated development plan, did not include MFMA indicators (Cameron-Ellis, 2019:37). The substantial works of the Auditor General (2019:249) provides that accounting officers in the CoT Municipality do not exercise adequate oversight responsibility for MFMA compliance. Existing information also shows that the CoT Municipality reports on MFMA indicators at less than 20%, and standard operating procedures to facilitate data collation and reporting have not been developed (Cameron-Ellis, 2019:37). In fact, the CoT Municipality is facing a number of internal control challenges, which are undermining its efforts to improve governance (Banda, 2019:239). Similarly, Cameron-Ellis (2019:38) argues that internal audit and the Auditor General have previously raised concerns about the CoT Municipality's internal controls for asset safeguarding. For example, internal control deficiencies at the CoT Municipality resulted in millions of rands unauthorised expenditure (Cameron-Ellis, 2019:38). Experience and existing literature suggest that “the CoT Municipality's senior management did not always make sure that there were sufficient controls in place to guarantee the creation of accurate and thorough financial reports that were supported and shown by trustworthy data” (The Auditor General, 2019:249). Hence, collection and credit management remain serious challenges within the CoT Municipality, which has a negative impact on the CoT Municipality's financial sustainability, resulting in service delivery constraints (Cameron-Ellis, 2019:33).

Furthermore, the literature review indicates that in accordance with the requirements of MFMA section 97(i), the City of Johannesburg Municipality entities lacked an efficient internal control system for debtors and income (The Auditor General, 2019:366). A part of the literature also stresses that completed irregular expenditure in the billions of rands was referred to the CoT Municipality Council in order to activate the requirements of Section 32(2) of the MFMA on recovery and write-off of irregular expenditure (Cameron-Ellis, 2019:39). A search of the literature shows that in the

2018/19 fiscal year, the CoT Municipality's net debtors' days were 63, exceeding the norm of 30 days (Banda, 2019:229). It is easy to see from the annual financial reports that the collection rate for the CoT Municipality fell from 92.95% in 2018 to 88.67% in 2019 (Banda, 2019:229).

There is evidence that the City of Cape Town's financial system has internal control flaws that prevent payments from being made after contract expiration dates (The Auditor General, 2020:177). The literature also suggests that the City of Johannesburg Municipality's senior management lacked the requisite control disciplines for financial and performance reporting as well as for compliance with important laws (The Auditor General, 2019:368). In fact, insufficient monitoring and review mechanisms were in place at the City of Johannesburg Municipality to guarantee the correctness of the financial and performance reports submitted for auditing (The Auditor General, 2019:368). Generally, internal control effectiveness is frequently linked to financial issues (Rich, Roberts & Zhang, 2018:25). Within the literature, internal control system weaknesses have a negative impact on audit opinion (Pamungkas, Ibtida & Avrian, 2018:14). It is against this background that this study intended to establish the strengthening of internal controls to ensure compliance with the MFMA with reference to the case of the CoT Municipality.

1.3 Motivation for the study

This study was motivated by the context in which the CoT Municipality uses internal control in order to improve transparency and accountability in local government. A review of the literature showed that the internal control is a critical component of financial management in all municipalities in order to improve transparency and accountability in local government. The general goal of strengthening internal controls to ensure MFMA compliance is to establish requirements for the efficient and effective management of municipal and municipal entity revenue, expenditure, assets, and liabilities. The government practitioners will find value in understanding the implementation of internal controls to ensure compliance with the MFMA in municipalities through this study and how it will affect their practice. Therefore, this research has the potential to the CoT Municipality in the following ways:

- Control assignment enables future prediction and avoidance of negative phenomena.
- MFMA examines municipalities' financial management internal controls to ensure compliance with legislation.
- Strengthening internal controls to ensure MFMA compliance encourages the public sector to operate economically.
- Internal financial management controls and good governance ensure municipalities' financial viability.
- Internal control systems are factors that impede the operation of municipal financial management.
- MFMA established monitoring and supervisory functions with the goal of assisting municipalities in continuously improving their management of municipal finances.
- MFMA is the primary piece of legislation that governs municipal finances.

1.4 Problem statement

Internal control is a critical component of financial management in all municipalities in order to improve transparency and accountability in local government (Mantzaris, 2014:82). MFMA is a decision-making structure or process that monitors and controls local government finances in order to achieve desired results (Nzuza & Lekhanya, 2014:252). However, as required by Section 63(2)(c) of the MFMA, the CoT Municipality does not take all reasonable steps to ensure that it has an adequate system of internal controls for the purpose of safeguarding its assets (The Auditor General, 2019:249). The CoT Municipality also does not fully comply with the MFMA requirements (Cameron-Ellis, 2019:37). Further, non-compliance with the MFMA resulted in a significant financial loss, which the CoT Municipality disclosed in its financial statements (The Auditor General, 2019:250). The MFMA provides a theoretical framework for sound and sustainable municipal financial management (Kruger & Van Rooyen, 2016:166). The point is that significant material losses, unauthorized spending, pointless and wasteful spending, and irregular spending are all caused by a lack of internal controls (The National Treasury, 2011:85). Therefore, the study will focus on investigating the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference

to the case of the CoT Municipality. The above problem statement yields the following research questions:

- What are the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality?
- What are the barriers to the implementation of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality?
- What are the problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality?
- What are the impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on the municipalities' delivery of services to communities with reference to the case of the CoT Municipality?
- What are recommended effective ways of improving the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality?

1.5 Objectives of the study

The following objectives are set for this study:

- To investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.
- To determine the barriers to the implementation of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.
- To establish the problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.
- To identify the impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on the municipalities' delivery of services to communities with reference to the case of the CoT Municipality.

- To recommend effective ways of improving the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

1.6 Aim of the study

The primary aim of the study was to investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

1.7 Assumptions

An assumption is a principle that is accepted as being true based on logic or custom without proof (Polit & Beck, 2012: 720). The assumptions made in this study by the researcher provide a point of departure for the research. Theoretical assumptions include theoretical framework, concepts and definitions that are used as a point of departure in this study.

1.8 Significance of the study

The study research contributions are both theoretical and practical in that they provide municipalities with a reference to the case of the CoT Municipality body of knowledge regarding how implementation of internal controls ensure compliance with the MFMA is perceived. The research also contributes to the body of knowledge regarding how the literature depicts municipalities with reference to the case of the CoT Municipality knowledge of internal controls to ensure compliance with the MFMA. Numerous studies have been conducted in South Africa with regards to the internal controls to ensure compliance with the MFMA. However, the lack of literature focussing on the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality has motivated this study, aiming to raise awareness of the problem. Further, this study offers new empirically grounded knowledge to the municipalities with reference to the case of the CoT Municipality, hence investigating the challenges facing the implementation of internal controls to ensure compliance with the MFMA. The government practitioners will find value in understanding the implementation of internal

controls to ensure compliance with the MFMA in municipalities through this study and how it will affect their practice. The gaps found and suggestions for additional research areas are crucial for guiding current and upcoming academic and research endeavors. In addition, the study offers recommendations on the implementation of internal controls to ensure compliance with the MFMA in municipalities.

1.9 Definition of terms

The following terms are key to the discussion in this research study and thus defined below.

1.9.1 The Municipal Financial Management Act No 56 of 2003

The MFMA No 56 of 2003 in research is defined by Mazibuko and Fourie (2013:133) as “securing sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing treasury norms and standards for the local sphere of government.

1.9.2 Internal controls

The internal control is a critical component of financial management in all municipalities in order to improve transparency and accountability in local government (Mantzaris, 2014:82).

1.9.3 Budget

A budget in research is defined by Imuezerua and Chinomona (2015:360) as “a plan outlining the municipality's yearly or long-term revenue and spending goals”.

1.9.4 Planning

Jimenez (2019:400) reports that “planning is an effort to shape the future by assessing the business and its surroundings in order to accomplish the objectives”.

1.9.5 Financial accountability

Ngwakwe (2012:313) concedes that financial accountability refers to the transparent and effective management of public finances in accordance with the national budget and plans.

1.9.6 Revenue

Mazibuko and Fourie (2013:135) believe that revenue is the primary fund applicable to all municipalities from which the majority of a municipality's funding flows.

1.9.7 Asset management

A study by Ngcobo (2019:30) defines asset management as “a system that monitors and maintains valuable items for an entity or group”.

1.10 Preliminary literature review

According to the Auditor General (2019:250), the City of Tshwane Municipality does not take all reasonable steps to ensure that it has adequate system of internal controls for the purpose of safeguarding its assets as required by MFMA (The Auditor General, 2019:250). The objective of the MFMA is to ensure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities (Kruger & Van Rooyen, 2016:166). Nzuzza and Lekhanya (2014:252) also state that effectiveness, efficiency, economic viability, and transparency are mentioned as contributing most to internal controls to ensure compliance with MFMA.

Chapter two presents the context and the theoretical framework to the study. The literature study also concentrates on pertinent implementation of internal controls of municipal financial management theories. This is followed by the literature study on the implementation of budget internal controls as well as implementation of financial management reporting internal controls. Further, the literature study concentrates on impact of the challenges of the implementation of internal controls of municipal financial management.

1.11 Research methodology

The qualitative research methodology was used to investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality. The research design and methodology, study area, data analysis, and ethical considerations are discussed in the following sections.

1.11.1 Research design and methodology

As shown previously, a research design is a detailed plan that specifies how the research will be carried out (Grove, Burns & Gray, 2013:195). Nieuwenhuis (2012:70) comments that there are three major types of research designs that have been identified: exploratory design, explanatory design, and descriptive research design. An explanatory research design is known as a qualitative follow-up approach, with the overall goal of using a qualitative strand to explain initial quantitative results (Jeanty & Hibel, 2011:639). An exploratory research design was used to seek answers to unanswered research questions in a relatively unknown field of scientific investigation. It could be argued that when the subject of the research is new, social research is conducted to explore it and familiarize it with it (Marshall & Rossman, 2011:69).

1.11.2 The study area

The study area was the CoT Municipality and its entities which are administered within the confines of the MFMA. Therefore, the characteristics of the municipal finance management team were deemed non-negotiable in order to ensure that the participants were aware of the challenges that the CoT Municipality faced in implementing internal controls to ensure compliance with the MFMA.

1.11.3 Data analysis

Thematic qualitative analysis was used in the study to analyse open-ended questions in order to measure emergent descriptions and ideas. Thematic analysis also enabled the study to associate an analysis of a theme's frequency with the entire content and to improve understanding of a theme in relation to previous research. Taken together, analysing the frequency of a common theme within one data set is what thematic analysis entails (Hlagala, 2012:143). Therefore, this study followed the steps outlined for thematic qualitative analysis.

1.11.4 Ethical considerations

Miller, Birch, Mauthner and Jessop (2012:62) perceive that “research ethics is a set of acceptable norms that prescribe and govern what is acceptable during the research process”. The informed consent form informed participants about the study in a clear, detailed, and factual manner. The participants were assured that their participation in the study would not cause participants any harm. As a result, in order to protect the research participants, the researcher adhered to confidentiality and anonymity by assigning a pseudonym to each name mentioned in this study. The researcher also applied for permission to conduct this study from the CoT Municipality, which was granted. Participants were not coerced, manipulated, or intimidated in any way to participate in this study. All consulted sources were referred to using the Harvard citation style, and complete references were provided in the bibliography.

1.12 Limitations

A case study was conducted, and as such, it has limitations. In fact, no data collection technique is without limitations. The use of the in-depth qualitative case study method of research meant that a limited number of cases were investigated in this context. The use of non-probability purposive sampling in this study also did not provide potential participants with an equal opportunity to be chosen. Furthermore, due to time and work constraints, the study used a cross-sectional research study rather than a longitudinal research study.

1.13 Delimitations

The primary aim of the study was to investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality. The delimitations was that the target population was municipal finance management team of the CoT Municipality. The second delimitation was that the study was framed within the qualitative research methodology. Hence the questions for this study were only structured in a semi-structured format. As a result, thematic qualitative analysis was used in the study.

1.14 Format of the study

The study is divided into five chapters according to the following layout:

Chapter 1: Introduction

This chapter introduces the reader to the study problem and describes its context. It provides the background and motivation for the research and the problem statement. The research questions, aim of the study and research objectives are provided. Finally, the significance of the study, structure of this research report and summary of this chapter are set out.

Chapter 2: Literature review

Chapter 2 presents the context and the theoretical framework to the study. The literature study also concentrates on pertinent implementation of internal controls of municipal financial management theories, namely effectiveness and efficiency, transparency, economic viability and inventory stock management. This is followed by the literature study on the implementation of budget internal controls as well as implementation of financial management reporting internal controls. Further, the literature study concentrates on impact of the challenges of the implementation of internal controls of municipal financial management. These variables include revenue; cash and expenditure management; asset management; and Municipal borrowing.

Chapter 3: Research methodology

This chapter describes the methodology and method adopted in this research. The chapter begins the discussion by presenting the research methodology, research philosophy and research approach. Subsequently, the research design assumptions, research strategy and research time horizon are presented. In this section, the target population, sampling methods and sample size used in the study are also presented.

Chapter 4: Results, discussion and interpretation of findings

This chapter is designed to provide empirical answers to the research questions. The data is presented in themes, subthemes and categories. This is followed by a discussion of what the findings reveal about the strengthening of internal controls to ensure compliance with MFMA in municipalities with reference to the case of the CoT Municipality.

Chapter 5: Recommendations and conclusion

This chapter marks the end of the study by drawing conclusions from the findings of this study. The conclusions reached from the results are arranged in relation to the objectives of the study. Recommendations are made with regard to effective ways of improving the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

1.15 Conclusion

This introductory chapter has presented background to the problem of the strengthening of internal controls to ensure compliance with MFMA in municipalities with reference to the case of the CoT Municipality. It provided the background and motivation for the research and the problem statement. The research questions, aim of the study and research objectives are provided. Subsequently, definition of terms and study assumptions have been presented. Finally, the significance of the study, structure of this research report and summary of this chapter are set out. The following chapter, chapter 2, contains the literature review. This review is informed by the theoretical framework used in the study.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter provides literature review of the prior and current discussions within the internal controls to ensure compliance with the MFMA domain. The first section provides an insight into the theoretical framework used in this study. The second section explains on pertinent implementation of internal controls of municipal financial management theories, namely effectiveness and efficiency, transparency, economic viability and inventory stock management. The third section provides the literature study on the implementation of budget internal controls. This is followed by the fourth section of literature review on implementation of financial management reporting internal controls. Further, the literature study concentrates on impact of the challenges of the implementation of internal controls of municipal financial management. These variables include revenue; cash and expenditure management; asset management; and Municipal borrowing. The chapter concludes with a summary.

2.2 Theoretical framework

The theoretical framework underpinning this study is MFMA theoretical framework which examines municipalities' financial management internal controls to ensure compliance with legislation (Nzuza & Lekhanya, 2014:252). According to Nzuza and Lekhanya (2014:252), internal controls to ensure MFMA compliance are mentioned as having the greatest impact on effectiveness, efficiency, economic viability, transparency, and inventory stock management. The knowledge gathered through the review of the literature shows that the MFMA has proposed a collective internal controls approach that takes into account effectiveness, efficiency, economic viability, and transparency (Nzuza & Lekhanya, 2014:252). To illustrate further, Manyaka (2014:130) supports the assertion that "the general goal of strengthening internal controls to ensure MFMA compliance is to establish requirements for the efficient and effective management of municipal and municipal entity revenue, expenditure, assets, and liabilities". In this context, internal control is made up of five interconnected components (Pamungkas et al., 2018:6). Examples of these include the control environment, risk assessment, control activities, information and communication, and monitoring (Pamungkas et al., 2018:6). In the same light, Kruger and Van Rooyen (2016:166) claim that to ensure MFMA compliance, internal controls must be

strengthened. This will guarantee that municipalities and municipal entities conduct their financial and fiscal affairs in a transparent, accountable, and responsible manner (Kruger & Van Rooyen, 2016:166). From the literature it is also evident that strengthening internal controls to ensure MFMA compliance encourages the public sector to operate economically (Nzuza & Lekhanya, 2014:253). Internal financial management controls and good governance ensure municipalities' financial viability (Mantzaris, 2014:81).

This study found MFMA theoretical framework relevant for this research because the CoT Municipality and its entities are administered within the confines of internal controls to ensure compliance with MFMA. The CoT Municipality can appreciate the effectiveness, efficiency, economic viability and transparency to address the gaps in the implementation of internal controls to ensure compliance with the MFMA. According to Nzuza and Lekhanya (2014:252), “the theoretical framework of the MFMA also emphasizes the prevention of unauthorized, irregular, and wasteful spending by local government authorities”. In this context, financial reporting is less reliable when internal controls are weak (Pamungkas et al., 2018:6).

2.3 Internal controls of municipal financial management

Kruger and Van Rooyen (2016:166) state that the “the MFMA establishes a framework for the sound and sustainable management of municipal and other local government financial affairs”. Municipal finances are managed in accordance with the MFMA (Mokale, 2019:20). In this context, internal control is critical in any municipal setting (Mazibuko & Fourie (2013:138). It is easy to see from the literature that the number of weaknesses in the internal control structure is used to assess internal control deficiencies (Pamungkas et al., 2018:1). Nzuza and Lekhanya (2014:252) report that internal control systems are factors that impede the operation of municipal financial management. Empirical evidence indicates that according to the MFMA, the accounting officer is responsible for ensuring that the municipality develops all necessary policies (Molobela, 2016:264). This is because the MFMA established monitoring and supervisory functions with the goal of assisting municipalities in continuously improving their management of municipal finances (Mokale, 2019:20). Existing research shows that the MFMA establishes sound principles for protecting

public funds from mismanagement (Mathebula, 2014:941). Hence, MFMA is the primary piece of legislation that governs municipal finances (The Department of Cooperative Governance and Traditional Affairs, 2015:8). Melnichuk (2016:73) acknowledges that control assignment enables future prediction and avoidance of negative phenomena.

Mantzaris (2014:91) attests to the fact that qualified personnel are expected to plan and implement financial management systems. A search of the literature also shows that internal and external factors both influence financial condition (Cuadrado-Ballesteros & Bisogno, 2019:743). Further, the risk of corruption is positively related to a lack of compliance (Guillamón, Bastida & Benito, 2011:391). On the other hand, there is a growing consensus that indicators of fiscal condition must be validated against objective reality (Sebestova, Majerova & Szarowska, 2018:98). Drawing from the literature, the National Treasury provides advice on how to improve MFMA compliance and the application of best practices in municipal finance management (The Mikebarwood, 2015:239). However, internal control quality is still frequently associated with financial problems (Rich et al., 2018:25). Mazibuko and Fourie (2013:138) also state that “the duties assigned to the various internal control stakeholders imply that management is responsible for the system's ownership and compliance”. In general, the financial statement includes an evaluation of internal control systems (Pamungkas et al., 2018:2). Graves, Dollery and Kortt (2016:304) also document that the MFMA is in charge of local government financial management in South Africa. Therefore, the consequences of poor internal control quality, which include increased municipal interest costs (Rich et al., 2018:25).

Furthermore, there is general consensus within the literature that control aims to detect deviations in the formation and appropriation of financial resources, as well as to implement corrective measures in a timely manner (Melnichuk, 2016:73). This is to suggest that in order to create effective methods to encourage both short-term financial recovery and long-term fiscal stability, it is vital to identify and separate the underlying causes of fiscal stress (Jimenez, 2019:402). The risk of corruption is positively related to a lack of standards (Guillamón et al., 2011:391). Martinez-Vazquez and Smoke (2012:81) state that “local governments are weakened and the

rest of the local budgetary structure is undermined by deficiencies in the unambiguous assignment of obligations. A more applicable view in the context of this study is that financial management systems that operate in the realm of financial management are critical to the development of local government entities (Mantzaris, 2014:80). However, the majority of South African municipalities are experiencing significant financial difficulties (Kleynhans & Coetzee, 2019:1). From the literature it is also evident that despite the passage of the MFMA, corruption in local government remains rampant (Mathebula, 2014:941).

Manyaka (2014:130) proclaims that sound financial management concepts and procedures are established in local government by the MFMA. Mazibuko and Fourie (2013:132) also advise that the decisions made by municipal governments regarding revenue and expenditure are referred to as municipal finance. In pursuit of what Nzuzo and Lekhanya (2014:253) say is that there is no internal structure in place to ensure the MFMA framework runs smoothly. A lack of skills and a weak control system pose challenges to the financial environment (Moloto & Lethoko, 2018:750). This assertion is located within the argument that municipalities are plagued by a lack of financial management leadership (Ngwakwe, 2012:314). Non-compliance with laws and regulations has a significant impact on audit opinion as well (Pamungkas et al., 2018:2). Hence, according to Caperchione and Salvatori (2012:24), because of the double knowledge gap, short-term business has been prioritized over long-term. This perspective implies that local governments' decisions to deal with financial problems can be thought of as adaptation (Hendrick & Crawford, 2014:26).

Sebestova et al. (2018:98) purport that municipalities' financial stability and responsible financial management are critical starting points for long-term sustainable development. Legislation governs financial management systems (Mantzaris, 2014:91). In this situation, however, it seems that unobservable factors influence municipalities' financial position (Kleynhans & Coetzee, 2019:1). The MFMA established the norms and standards for financial management in local government (Manyaka, 2014:130). However, the MFMA fails to present best practices for preventing corruption and imposing punitive measures on perpetrators (Mathebula, 2014:941). In an earlier work, Ngwakwe (2012:321) reminds that for economic reasons, the accounting profession willingly submits to political maneuvering. The

MFMA framework also requires more attention in terms of the implications of unresolved policies (Nzuza & Lekhanya, 2014:252). Therefore, financial management is the task of monitoring an organisation's financial position (Mazibuko & Fourie, 2013:137).

2.3.1 Effectiveness and efficiency

Ngwakwe (2012:313) indicates that effective service delivery requires effective and efficient financial management. The MFMA strives to provide effective and efficient service to all of its residents, customers, and users (Mokale, 2019:20). Mantzaris (2014:91) also found that financial management systems are critical components of efficient and effective service delivery in all municipalities around the world. It is evident that ‘a financial management internal control system is a process that is designed to provide reasonable assurance regarding accounting principles’ (Pamungkas et al., 2018:6). However, the failure of local government to control finances is directly related to municipal finance management inefficiencies (Nzuza & Lekhanya, 2014:253). Earlier work by Kruger and Van Rooyen (2016:166) show that despite the MFMA guidelines, the province's financial health face several challenges related to financial management in municipalities. More so, most municipalities struggle to provide efficient services to their communities as a result of ineffective financial management systems (Manyaka, 2014:127). Existing trends suggest that “the MFMA's objectives include regulating municipal financial management and establishing standards for efficient and effective financial administration” (Molobela, 2016:264).

Cuadrado-Ballesteros and Bisogno (2019:743) advise that in local governments, efficiency is viewed as a strategic tool. The previous economic difficulties prompted the need to improve the effectiveness of the municipal finance management framework (Nzuza & Lekhanya, 2014:253). The conventional wisdom is that the most common weaknesses identified in audit reports by the Auditor General are a lack of internal controls (The National Treasury, 2011:85). Melnichuk (2016:73) observes that the management process is governed by the presence of control and the interaction. One of the most pressing issues in the aftermath of the new public management system has been the efficiency of local government (Cuadrado-Ballesteros & Bisogno,

2019:743). Therefore, the negative impact of municipal finance management on public resource control is the result of careless management (Nzuza & Lekhanya, 2014:253).

2.3.2 Transparency

Guillamón et al. (2011:391) highlight that transparency is a necessary component for effective control and monitoring of the public sector. Any effort to improve municipal financial transparency must consider legal requirements (Birskyte, 2018:1). The broader point is that municipal finance management officials' lack of transparency contributes to a lack of accuracy in enforcement (Nzuza & Lekhanya, 2014:252). One study showed that one major impediment to public financial transparency is that the accounting profession has come under the control of politicians (Ngwakwe, 2012:321). Pamungkas et al. (2018:1) also viewed that the deficiency in the internal control system is one of the factors considered when expressing an audit opinion. Government audits have the potential to reduce waste in government spending (Pamungkas et al., 2018:6). Therefore, the MFMA established norms and standards for open and accountable financial management (Mokale, 2019:20).

Mathebula (2014:941) reports that to ensure transparency in the fiscal and financial affairs of municipalities and associated entities is one of the goals of the MFMA. Internal controls in all municipalities must be revisited and perfected in order to improve transparency and accountability (Mantzaris, 2014:82). One possible explanation is that government corruption is frequently associated with a lack of transparency (Guillamón et al., 2011:391). Municipal finance management continues to fall short of transparency because its principles remain difficult for officials to grasp (Nzuza & Lekhanya, 2014:252). As a result, African governments are vulnerable to non-transparent contracts from foreign firms that profit from weak governance in African public institutions (Ngwakwe, 2012:318). In other cases, the lack of transparency may give policymakers an advantage in achieving their goals, which do not always maximize the welfare of the principals (Guillamón et al., 2011:393). Therefore, external auditors' workload has increased due to municipal finance management practitioners' failure to enforce transparency in local government (Nzuza & Lekhanya, 2014:252).

2.3.3 Economic viability

Moloto and Lethoko (2018:750) mention that a government must be financially viable in order to be able to pay its bills without relying on borrowing or grants from the public sector. The research shows that the capacity of a municipality to sustainably meet its financial obligations is the definition of financial viability (Mantzaris, 2014:81). There is also evidence that internal organisational controls are in place to ensure the municipality's economic viability (Mazibuko & Fourie, 2013:131). In fact, the competence of municipal financial management in South Africa has made it more difficult for many municipalities to maintain their financial viability (Moloto & Lethoko, 2018:750). Molobela (2016:265) also perceives that most municipalities' financial health appears to be jeopardised. MFM principles have a negative impact on societal economic growth (Nzuza & Lekhanya, 2014:253). In this context it is important to note that local government systems throughout the developed world are struggling to maintain financial sustainability (Drew & Dollery, 2016:53). For this reason, without adequate financial capacity, most municipalities will be unable to continue providing services to their various communities (Manyaka, 2014:130).

2.3.4 Procurement management

Ngwakwe (2012:324) reveals that procurement is an important and delicate aspect of government administration. According to Mathebula (2014:941), the MFMA's goals include dealing with financial challenges in municipalities, including procurement. Conversely, municipalities are required by the MFMA to practice supply chain management (The Department of Cooperative Governance and Traditional Affairs, 2015:8). In general, financial management includes procurement (Mazibuko & Fourie, 2013:138). However, South African local government has faced numerous challenges in terms of procurement management in order to improve performance (Nzuza & Lekhanya, 2014:251). Ngwakwe (2012:318) also deduce that transparency in procurement has been questioned, with calls for effective mechanisms. More so, poor procurement management leads to resource misallocation and increases the risk of corruption (The National Treasury, 2011:73). This means that greater accountability issues typically manifest in the supply chain's procurement section (Ngwakwe, 2012:318). Therefore, municipal challenges may become overwhelming if procurement processes are not used effectively and (Mazibuko & Fourie, 2013:138).

2.4 The implementation of budget internal controls

A budget in research is defined by Imuezerua and Chinomona (2015:360) as “a plan outlining the municipality's yearly or long-term revenue and spending goals”. The local government's fiscal priorities are outlined in the municipal budget, which also serves as a roadmap for upcoming transactions and activities (Williams, 2012:4). According to Melnichuk (2016:73), municipal budgetary control is the oversight exercised by local governments during the implementation and appropriation of local government financial resources. Mazibuko and Fourie (2013:134) have made it evident that a municipality's service delivery strategies can be implemented most quickly and effectively through the budget. The MFMA regulates municipal finances, which includes budgetary processes (Kruger & Van Rooyen, 2016:166). However, concerns have been raised about budget allocation and expenditure patterns in South African municipalities (Imuezerua & Chinomona, 2015:359). This is due to municipalities' limited ability to fulfill their developmental local government role due to insufficient budgets (The Mikebarwood, 2015:239). Research also has discovered that municipal budgets frequently concentrate on inputs while failing to articulate outputs as community goals (Williams, 2012:4). According to MFMA, “a credible and realistic budget is one that includes revenue and expenditure estimates that are in line with present and previous performance and is backed by information that supports future assumptions” (Dollery & Graves, 2009:103).

2.4.1 Financial planning

Jimenez (2019:400) reports that “planning is an effort to shape the future by assessing the business and its surroundings in order to accomplish the objectives”. Effects of strategic planning on different facets of financial success can vary (Jimenez, 2019:400). In light of this explanation, the MFMA's objectives are financial planning processes and process coordination with other organs of state in other spheres of government (Mathebula, 2014:941). This is the reason Jimenez (2019:417) argues that municipalities that take a long-term perspective are better positioned to implement constructive fiscal solutions (Jimenez, 2019:417). According to the National Treasury (2011:77), improved municipal planning processes enable a council to make more informed decisions and are critical to efficient service delivery. However, municipalities are having difficulty collecting revenue due to poor revenue planning (Molobela, 2016:265). Noticeably also is that municipalities may have made progress in planning

for the future, but they lack the financial resources to carry out their plans (The Mikebarwood, 2015:239). Therefore, the MFMA regulates municipal finances, which includes planning (Kruger & Van Rooyen, 2016:166).

2.5 The implementation of financial management reporting internal controls

Molobela (2016:263) points out that financial performance is a general indicator of a business's overall financial health over a specific time frame. Mazibuko and Fourie (2013:137) also attest that in order to promote an environment where potential financial issues are disclosed promptly and the municipal council is able to address them, the MFMA mandates that the council receive regular and accurate financial reporting. This suggests that the MFMA's reporting system aims to ensure that municipalities produce timely and reliable financial and performance data (The National Treasury, 2011:83). This insight may have relevance that internal control systems are a critical component of financial reporting quality (Rich et al., 2018:28). This is because internal controls help to predict or prevent future significant accounting and financial reporting issues (Rich et al., 2018:28). Therefore, state and municipal governments are required by the Governmental Accounting Standards Board to present the outcomes of their governmental activities using the accrual and modified accrual accounting techniques (Beck, 2018:786).

Reck and Wilson (2014:37) comment that “accrual basis modification Accounting provides information that can be used to evaluate short-term performance by focusing on the sources and uses of funds”. According to Beck (2018:786), for presenting the results of current-period activities, modified accrual accounting is ideal. It is also important to note that according to MFMA, municipal councils must deal with the municipality's annual report within nine months of the end of the fiscal year (Khalo, 2013:582). In this context, the annual report is a critical tool for transparent governance and accountability, and it must be used to report on the year's performance (The National Treasury, 2011:85). In fact, the weakness in the accounting and reporting controlling system is used to analyse the lack of internal control (Pamungkas et al., 2018:1). Empirical evidence indicates that, meeting international accounting standards is one of the most difficult challenges municipalities faces (Mantzaris, 2014:81). Conversely, financial measures frequently produce contradictory results (Graves et

al., 2016:303). Therefore, a lack of reporting correlates positively with the risk of corruption (Guillamón et al., 2011:391).

Pridgen and Wilder (2013:175) explain that “full accrual financial statements are expected to provide more useful information to readers while reducing managers' opportunistic reporting”. According to Beck (2018:786), full accrual accounting results in more transparent disclosures of long-term government obligations. In general, to address management capacity constraints, full accrual accounting implementation was developed as a standardised assessment (Dollery & Graves, 2009:101). However, a major issue has been identified as the lack of quality and quantity of information available about local governments' financial health (Caperchione & Salvatori, 2012:23). More so, financial data is not fully disclosed in an understandable format (Birskyte, 2018:1). This means that the technical reasons are related to the difficulties and complexities in preparing consolidated financial statements (Santis, Grossi & Bisogno, 2019:535). Therefore, the dependability of an internal control system has a significant impact on the quality of financial statements as measured by conformity with Government Accounting Standards (Pamungkas et al., 2018:2).

2.5.1 Financial audits

Mazibuko and Fourie (2013:137) affirmed that financial audits are intended to detect flaws in the internal financial control system. The goal of financial auditing is to identify potential problems that could jeopardize the system (Kruger & Van Rooyen, 2016:166). Hence, financial audits play an important role in ensuring that financial statements are free of errors (Kruger & Van Rooyen, 2016:166). In this sense, the yearly financial accounts and performance data in the annual report have been independently verified and, in many cases, undergone significant scrutiny in order to arrive at audit findings (The National Treasury, 2011:85). The audit function is also an essential component of an organisation's governance structure (Haraldsson, 2017:673). However, internal control system's shortcomings have a detrimental impact on the audit's conclusion (Pamungkas et al., 2018:2). Moreover, Haraldsson (2017:674) shows that “Municipalities are audited by elected political auditors who are aided by professionals who do not directly have the authority to demand that their clients abide by the rules and laws governing accounting”. As pointed out by Moloto and Lethoko (2018:750), most municipalities have poor audit reports as a result of

their inability to manage annual financial statements and the systems described in the MFMA. Therefore, most municipalities in South Africa have financial issues, and only a few have ever received a clean audit from the Auditor-General (Kleynhans & Coetzee, 2019:2).

2.5.2 The audit committee

Mazibuko and Fourie (2013:138) allude that the audit committee should be able to identify and respond to situations in which management may override internal controls. Municipalities must improve internal audit functions and audit committees to support the work of municipal public accounts committees and to tighten financial internal controls. (Mantzaris, 2014:82). Municipal Public Accounts Committees play an important role, even though the financial affairs of municipalities are sometimes addressed subtly by provincial and national government Standing Committees on Public Accounts (Khalo, 2013:586). Findings from the research support the idea that the MFMA's overarching goal is to define responsibilities in municipal financial management (Manyaka, 2014:130). Because supervisory powers lack legal standing, decisions on control results are only a rule and a recommendation (Melnichuk, 2016:73). Graves, Dollery and Kortt (2016:303) also opine that many jurisdictions' local government regulators have established long-term financial sustainability goals. This is an important aspect of local government financial management (Graves et al., 2016:303). Therefore, to fully understand the peculiar aspects of public sector management and accounting, local governments and oversight bodies require a better understanding of the rules (Caperchione & Salvatori, 2012:24). This is due to the audit committee's independence from management influencing the control environment in a municipality (Mazibuko & Fourie, 2013:138).

2.5.3 Accountability

Ngwakwe (2012:313) concedes that financial accountability refers to the transparent and effective management of public finances in accordance with the national budget and plans. Financial accountability is critical to fulfilling public sector accountability (Puron-Cid & Bolívar, 2016:97). It is also important to note that supervising implementation, particularly how resources are used increase accountability while reducing abuse of authority and resources (Pamungkas et al., 2018:6). In fact,

individuals' failure to accept responsibility and be accountable is one of the causes of poor MFMA (Nzuzza & Lekhanya, 2014:252). To support this view, Moloto and Lethoko (2018:750) argue that when the position of accounting officer or chief financial officer is vacant in a municipality, accountability and financial control are jeopardised. The MFMA applies to all municipalities insofar as they have financial dealings with municipalities (Kruger & Van Rooyen, 2016:166). In other words, policies that improve accountability include an examination of strategic planning processes that have an overall impact on financial management (Ngwakwe, 2012:325). Conversely, in accordance with the MFMA, the municipal manager, along with other senior managers, bears primary legal responsibility for financial management (The National Treasury, 2011:74). Therefore, accountability is the cornerstone of local government financial reporting (Mazibuko & Fourie, 2013:137).

2.5.4 Financial management governance

Manyaka (2014:130) comments that the MFMA's purpose is to establish a financial management governance framework for municipal entities. Good governance is built on well-developed financial management systems (Mantzaris, 2014:81). More so, financial management governance is based on the accountability and regular reporting responsibilities (Mazibuko & Fourie, 2013:137). Rich et al. (2018:28) note that "internal control quality is critical for measuring municipal officials' and managers' stewardship roles and holding them accountable for using public resources". This means that internal control is a process that boards of directors, management, and staff use to provide reasonable assurance that laws and regulations are being followed (Pamungkas et al., 2018:6). However, a lack of relevant skills in municipal finance management is detrimental to promoting good governance in municipalities (Moloto & Lethoko, 2018:750). There is also evidence that given the increasing political interference and appropriation of the profession's watchdog role, politicians may muffle the profession's voice (Ngwakwe, 2012:321). The general consensus in the literature is that municipalities in South Africa lack the capacity to close gaps and deficiencies in oversight and accountability (Khalo, 2013:582). When it comes to financial management and related matters, the MFMA established clear lines of responsibility (Mokale, 2019:20). Therefore, good governance is the foundation upon which state entities exercise their authority to provide citizens with the long-term delivery of services (Mantzaris, 2014:81).

2.6 The impact of the challenges of the implementation of internal controls of municipal financial management

The National Treasury (2011:73) discloses that “municipal financial management entails overseeing a number of interconnected components”. Examples of these include planning and budgeting, revenue, cash, and expense management, procurement, asset management, reporting, and oversight (The National Treasury, 2011:73). The MFMA's goals are to manage revenues, expenses, assets, and liabilities, as well as to handle financial transactions (Mathebula, 2014:941). Pamungkas et al. (2018:6) reveal that internal control system flaws have a negative impact on revenue and expenditure budget realisation. In this context, fiscal stress occurs when demand for local services increases and local revenues cannot keep up (Rakabe, 2011:134). There is evidence that municipalities face financial challenges as a result of various socioeconomic issues, the impact of which is the interconnected international economies (Ngcobo, 2019:30). Therefore, municipalities must have the necessary financial capacity to meet their service obligations (Wu & Shi, 2020:1).

2.6.1 Revenue

Mazibuko and Fourie (2013:135) believe that revenue is the primary fund applicable to all municipalities from which the majority of a municipality's funding flows. According to Manyaka (2014:127), municipalities are required by law to collect their own revenue. The theory relies on the premise that internal controls implemented along the revenue value chain aid in effective revenue collection (Chetty, van Niekerk & Olivier, 2016:85). Actually, within the literature, internal controls implemented along the revenue value chain aid in the use of system data validation mechanisms to ensure the integrity of billing data (The National Treasury, 2013:11). However, municipal revenue collection issues are blamed on a faulty recording system (Moloto & Lethoko, 2018:751). It may have been assumed that a large number of municipalities are unable to expand their revenue base (Molobela, 2016:265). In the same spirit, Rakabe (2011:132) believe that ad hoc revenue enhancement measures overlook critical components of the revenue enhancing value chain. Prior literature suggests that local governments are concerned about their ability to meet their financial obligations on a consistent basis in an era of limited financial resources (Kim, 2018:875). On the one hand, in developing nations where local governments rely on insufficient central government support, the problem of insufficient financial resources is especially serious (Mgonja &

Poncian, 2019:101). Therefore, non-compliance with legislation is measured in terms of potential losses and revenue shortfalls (Pamungkas et al., 2018:1).

Furthermore, the Mikebarwood (2015:239) suggests that municipalities lack the financial resources necessary to carry out their constitutional mandate. According to the National Treasury (2013:11), internal controls implemented along the revenue value chain aid in effective data handover. It must however be argued that compliance is defined as the conformity of accounting regulations and revenue recognition accounting practices within municipal management (Haraldsson, 2017:670). However, fiscal challenges include the proliferation of fiscal rules that limit municipalities' ability to raise revenue (Jimenez, 2019:400). One notable feature of this is that municipalities do not devote enough attention to the use and management of their real estate (Feschiyan & Raleva, 2013:389). Moreover, in terms of the quantitative efficiency of use and management of municipal real property, municipal real property is deemed insufficient (Feschiyan, 2013:402). More importantly, financial resources for local governments are either unavailable or insufficient (Mgonja & Poncian, 2019:101). On a broad level is that little guidance has been provided on what municipalities should do to maximize the revenue-generating potential of existing revenue sources (The National Treasury, 2013:2). Other inherent problems are that there is frequently an absence of a revenue-boosting program implementation plan outlining the desired outcomes and objectives (Rakabe, 2011:132). Therefore, due to an increasing reliance on intergovernmental transfers as an income source, municipal revenue collection has been decreasing (Chetty et al., 2016:78).

Manyaka (2014:127) confirms that “legislations have been promulgated and adopted to provide guidelines and principles for municipalities in South Africa to collect their own revenue and ensure their sustainability”. According to Mgonja and Poncian (2019:103), the central government contributes significantly to local government revenues. However, conditional grants are almost never linked to a specific outcome (The Mikebarwood, 2015:244). In effect, the taxing authority of local governments is controlled by state governments (Hendrick & Crawford, 2014:26). On the other hand, the overreliance of local governments on intergovernmental transfers is problematic (Mgonja & Poncian, 2019:103). This is because over-reliance on central government

funding limits the fiscal autonomy of local governments (Mgonja & Poncian, 2019:103). In this context, municipalities' ability to fulfill their developmental local government role is limited due to a lack of revenue-raising opportunities (The Mikebarwood, 2015:239). One reason for this difficulty is that many states do not permit local governments to levy a sales tax, which eliminates the option of accessing revenue bases (Hendrick & Crawford, 2014:26). Therefore, the municipal manager is responsible for managing the municipality's revenue in accordance with the MFMA (Manyaka, 2014:127).

2.6.2 Cash and expenditure management

Su and Hildreth (2018:95) feel that managing government cash flows is an important aspect of government financial management. According to Graves et al. (2016:304), South African legislation seeks to ensure that local governments plan to spend within their means in the short to medium term. It is arguable that a municipality's municipal manager and chief finance officer must establish proper cash management in accordance with the regulations (Mokale, 2019:20). However, citizens' failure to pay for services makes it difficult for municipalities to provide services in a sustainable manner (Moloto & Lethoko, 2018:749). There are notable links that municipal challenges arise as a result of poor revenue collection from customers, which has a negative impact on financial performance (Molobela, 2016:265). More widely, many municipal governments face the challenge of temporary cash deficits as a result of mismatched cash flow-in and flow-out schedules (Su & Hildreth, 2018:95). In some places, municipalities fail to meet their service and expenditure obligations as a result of revenue reductions caused by changes in the resource base (Rakabe, 2011:134). According to Molobela (2016:265), the problem is that most municipalities spent more than their available resources, resulting in deficits. Therefore, many municipal governments experience cash flow mismatches (Su & Hildreth, 2018:95).

Slack (2009:1) argues that municipal finance is concerned with municipal government revenue and expenditure decisions. According to Kruger and Van Rooyen (2016:166), municipal finance is concerned with municipal government revenue and expenditure decisions. To explain this phenomenon, "the municipal financial management component helps to ensure that spending is developmental and that municipalities can be held accountable" (The National Treasury, 2011:73). However, insufficient clarity

in the assignment of local government expenditure responsibilities is a common problem with fiscal systems (Martinez-Vazquez & Smoke, 2012:81). Pamungkas et al. (2018:1) explain that “internal control deficiencies are examined through the controlling system of revenue and expenditure budget realisation”. This suggests that the MFMA framework emphasises the prevention of unauthorized and wasteful expenditure by local governments (Nzuzi & Lekhanya, 2014:252). This insight may have relevance that a lack of expenditure management leads to unnecessary and wasteful spending (Mazibuko & Fourie, 2013:131). Therefore, where there are more levels of government, the ambiguity of expenditure assignments can be even more severe (Martinez-Vazquez & Smoke, 2012:82).

2.6.3 Debt management

Mazibuko and Fourie (2013:138) assert that municipal financial management considers interconnected management aspects like debt collection. According to Kruger and Van Rooyen (2016:166), the MFMA regulates municipal finances, which includes consumer debt management. It is also important to note that revenue enhancement programs are typically even broader, encompassing a wide range of activities ranging from debt management to credit control strategies (Rakabe, 2011:132). In this context, internal control-debtors and revenue must be the foundation of the revenue plan (Molobela, 2016:263). In fact, a critical aspect of credit control and debt collection is that credit control must be meticulously planned (Chetty et al., 2016:93). However, because of increased debt owed to the sector, revenue collection in municipalities has become a major challenge, jeopardising a municipality's fiscal position (Moloto & Lethoko, 2018:751). Molobela (2016:262) also discloses that “municipal consumer debt and revenue planning are issues in the South African local government system as a result of municipal service nonpayment”. In other words, higher debt capacity may have led to governments incurring more long-term debt to meet their capital requirements (Shon & Kim, 2019:246). Hence, the municipality's failure to collect debts stems from the municipal council's refusal to support revenue enhancement programs (Moloto & Lethoko, 2018:751). Therefore, the high volume of debt and the deficit are two critical issues for local governments (Navarro-Galera, Rodríguez-Bolívar, AlcaideMuñoz & López-Subires, 2016:3961).

2.6.4 Asset management

A study by Ngcobo (2019:30) defines asset management as “a system that monitors and maintains valuable items for an entity or group”. According to Wojewnik-Filipkowska (2018:81), asset management necessitates decisions about use and maintenance. There is evidence also that the goal of the MFMA is to ensure asset management (Kruger & Van Rooyen, 2016:166). The general consensus in the literature is that “a number of compliance standards and guidelines have been made available to municipalities in order to ensure adherence to the MFMA, which mentions asset safeguarding” (Ngcobo, 2019:30). However, municipalities complain about a lack of funds for capital investment (The National Treasury, 2013:5). It is evident that the presence of an infrastructure gap indicates that existing facilities are of insufficient quality (Wojewnik-Filipkowska, 2018:82). Therefore, the conventional wisdom is that inadequate budgeting continues to be a serious issue in terms of adequate asset operations and maintenance (Ngcobo, 2019:30).

2.6.5 Municipal borrowing

Manyaka (2014:130) posits that the MFMA's purpose is to establish a municipal borrowing framework. According to Slack (2009:1), municipal finance includes borrowing to fund infrastructure. The broader point is that municipalities' preferred financial instrument is bank loans (Casal & Gómez, 2014:564). However, local governments in South Africa cannot support their budgets with short-term borrowing (Graves et al., 2016:304). One study showed that borrowing proceeds should only be used to finance infrastructure (The National Treasury, 2013:5). One possible explanation is that governments are not compelled to issue short-term debt if increased expenditures can be offset by higher revenues (Shon & Kim, 2019:245). There is also evidence that local government borrowing frameworks are underdeveloped and underutilised (Martinez-Vazquez & Smoke, 2012:84). In fact, unlike corporate issuers, most municipal issuers lack bond issuance expertise (Liu, 2015:4). To a certain extent, the budget support provided by the bond issue is incomparable to the possibilities available without issuing securities (Wałęsa, 2015:78). In addition, there are costs and risks associated with local borrowing (Gábor, 2011:75). Therefore, when entering the bond market, officials face economic pressures to obtain additional resources at a low cost (Beck, 2018:786).

2.7 Conclusion

This chapter provided a review of the prior and current discussions within the internal controls to ensure MFMA domain compliance. The first section provided an overview of the theoretical framework that was used in this study. According to the literature review, the general purpose of strengthening internal controls to ensure MFMA compliance is to establish requirements for the efficient and effective management of municipal and municipal entity revenue, expenditure, assets, and liabilities. The second section discussed how to implement relevant internal controls of municipal financial management theories, such as effectiveness and efficiency, transparency, economic viability, and inventory stock management. According to the literature review, municipalities and other institutions in the local sphere of government can handle their financial affairs in accordance with the MFMA's framework for responsible and sound management. The third section included a review of the literature on the implementation of budget internal controls. The review of the literature confirmed that municipal budgets are important policy documents that outline the fiscal priorities of the local government and guide future transactions and operations. The fourth section of the literature review focused on the implementation of financial management reporting internal controls. According to the literature review, for any financial issues to be reported to the municipal council in time for the council to take appropriate action, MFMA mandates regular and accurate financial reporting to the council. Finally, the literature review focused on the impact of the challenges associated with the implementation of municipal financial management internal controls. Revenue, cash and expenditure management, asset management, and municipal borrowing were among the variables considered. According to the literature review, the management of revenues, expenses, assets, and liabilities, as well as the handling of financial transactions, are the goals of the MFMA. The chapter that follows describes the research methodology and methods used in this study.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the methodology and method used in this study. The chapter starts by introducing the research methodology, research philosophy, and research approach. Following that, the research design assumptions, research strategy, and time horizon are presented. The target population, sampling methods, and sample size used in the study are also presented in this section. The elements of a research instrument, construction of a research instrument, pilot study, and administration of a research instrument are all covered in this chapter. Further, this chapter elaborates on and discusses the data analysis and trustworthiness of the study. Furthermore, it explains the elimination of bias and the study's limitations for qualitative studies. The remainder of the chapter discusses research ethics considerations and provides a chapter summary.

3.2 Research methodology

The research methodology in research is defined by Zikmund, Babin, Carr and Griffin (2013:135) as the method used to collect data for a study project. This indicates that one of two research methodologies can be used in a study: quantitative or qualitative (Layder, 2012:12). Chinn and Kramer (2015:159) concede that a study using a mixed methodology gathers and examines both quantitative and qualitative data. In fact, triangulation is the process of comparing an investigation's findings obtained using a technique connected to one research strategy to those obtained using a different research approach (Bryman & Bell, 2011:631). Reference shows that a quantitative study is one that is based on numerical measurements of specific aspects of a phenomenon (Mthiyane, 2013:89). Munro (2012:26) also states that quantitative research is applicable to phenomena that are expressed numerically.

The qualitative research methodology was used to investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality. The advantages of the qualitative method are the basis for its selection. A qualitative research method is appropriate for this study because it provides a comprehensive view of the phenomenon under investigation. When using a qualitative approach, the investigator

makes knowledgeable claims based primarily on personal experiences (Bryman & Bell, 2015:38). Leedy and Ormrod (2014:97) also note that because it allows for multiple lines of inquiry, qualitative research methodologies aid in gaining a deeper understanding of human behaviour.

3.2.1 Research philosophy

Manroop, McKenna and Richardson (2011:150) refer to philosophical foundations as worldviews which are a set of beliefs that guide behaviour. It is worth highlighting that three pairs of research philosophy assumptions are epistemological, ontological, and methodology (Mertens & Wilson, 2012:35). In particular, an ontological assumption is concerned with what reality is (Tuckman & Harper, 2012:388). In this research, the epistemological assumption was that knowledge was subjective, personal, and unique. In this respect, The nature of knowledge produced by this research was shaped by an epistemological assumption. Ruben and Babbie (2013:42) indicate that “epistemology is concerned with the nature of knowledge and the researcher's ability to know and explain something”. This view is also supported by Alves, Azevedo and Goncalves (2012:627) who further argue that epistemology is the study of the nature of knowing and the construction of knowledge.

A review of the literature suggests that “there are four major paradigms or principles that support qualitative inquiry: positivist and post-positivist, constructivist-interpretivist, critical, and feminist-poststructural” (Borgdorff, 2011:48). Among the arguments presented, it was argued that “the ability to combine the macro and micro levels of a research issue is enabled by pragmatism, which allows a researcher to use qualitative research to inform the quantitative portion of a study and vice versa” (Kumar, 2011:11). Arthur (2012:17) finds that “the feminist acknowledges that a researcher's background and location have a significant impact on research results”. The practical point is that positivism gives a researcher a clear focus of the research at an early stage, making it much easier to control the research (Delpont, De Vos, Fouche & Strydom, 2013:6). The central argument of this research is that quantitative researchers conduct research using a positivist scientific approach (Cohen, Manion & Morrison, 2011:5). Wahyuni (2012:71) advises that “the pragmatist viewpoint holds

that combining qualitative and quantitative methods in research studies that require different types of data to answer research questions is acceptable”.

This study followed the interpretivism philosophy to investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality. This research was interpretive as it sought to understand values, beliefs and meanings of social phenomena. Evidence from the study pointed that qualitative methods are associated with an interpretivist paradigm (Dogan, 2013:249). In the same vein, Cameron (2011:102) observes that an interpretivism requires the researcher to take an empathetic stance by viewing the world through the eyes of the human actor.

3.2.2 Research approach

Earlier work by McDevitt and Ormrod (2013:49) show that a research approach is a collection of procedures used to answer a research question. The literature review identified three research approaches, namely deductive, inductive, and abductive research (Neuman, 2012:49). The evidence indicated that the deductive research approach moves reasoning from a theoretically expected pattern in a literature review to hypotheses (Quinlan, 2011:286). Barbie (2013) highlights that the abductive research approach should combine inductive and deductive research strategies.

This study was an inductive approach because no theory was tested, and no findings were attempted to be generalised. Because of the variety of perspectives presented by the various research participants, this inductive inquiry was critical for this study. The literature has suggested that the inductive approach is based on an interpretivist philosophy of inquiry (Quinlan, 2011:286). Richards and Morse (2013:221) view that “in interpretative research, the investigator creates a large collection of detailed descriptions of participants' perceptions as the foundation for inductively generating an understanding of what is going on or how things work”.

3.3 Research design

As shown previously, a research design is a detailed plan that specifies how the research will be carried out (Grove et al., 2013:195). Nieuwenhuis (2012:70) comments that there are three major types of research designs that have been identified: exploratory design, explanatory design, and descriptive research design. Henning (2013:34) reports that the researcher ensures complete and accurate description of information collected in descriptive studies. It may be deemed to indicate that one of the main advantages of explanatory research design is its simplicity (Jeanty & Hibel, 2011:639). An explanatory research design is known as a qualitative follow-up approach, with the overall goal of using a qualitative strand to explain initial quantitative results (Jeanty & Hibel, 2011:639).

This study used an exploratory research design to investigate the phenomenon of the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality. An exploratory research design was used to seek answers to unanswered research questions in a relatively unknown field of scientific investigation. It could be argued that when the subject of the research is new, social research is conducted to explore it and familiarize it with it (Marshall & Rossman, 2011:69). Parahoo (2014:164) mentions that because it typically examines new interests and subject fields, exploratory studies provide new insights and ground-breaking research.

3.3.1 Research strategy

An explanation put forward by Arthur (2012:17) suggests that a research strategy is a set of methods used by researchers to gather evidence for the development and testing of theories. This perspective implies that “a qualitative research strategy can include action research, case study, historical study, ethnographic research, grounded theory research, narrative research, and phenomenology research” (Van Wyk, 2013:127). Pallant (2011:9) perceives that action research aims to improve professional practice through problem solving and ongoing learning. In the opinion of the Neuman (2012:49), the story telling are all sustained concurrently in narrative. Liamputtong (2013:203) believes that the art and science of describing a social group or culture is known as ethnography.

The phenomenology research strategy enabled this study to comprehend the difficulties associated with implementing internal controls to ensure MFMA compliance. The researcher went out to research participants in this study to obtain information from the original people who lived the experience and who knew about the phenomenon of the implementation of internal controls to ensure compliance with the MFMA at the CoT Municipality. Borrowing from Leedy and Ormrod (2013:141), phenomenologists study social and psychological phenomena from the participants' points of view. Diggins (2013b:110) confirms that the emphasis of phenomenology should remain on personal, first-hand experiences that are always regarded as reality for that specific individual.

The case study strategy was also an acceptable approach for capturing an in-depth understanding of the issues and complexities of the challenges confronting the CoT Municipality in implementing internal controls to ensure compliance with the MFMA. The case study research strategy was identified as the qualitative research approach best suited to generate the type of data from which answers to the research questions emerged. Field (2013:882) defines a case study as a detailed examination of interactions in a single instance of an enclosed system. Other author took the view that in case study design, the researcher is able to investigate, describe, and explain the phenomenon in its natural context (Seddon, 2014:11).

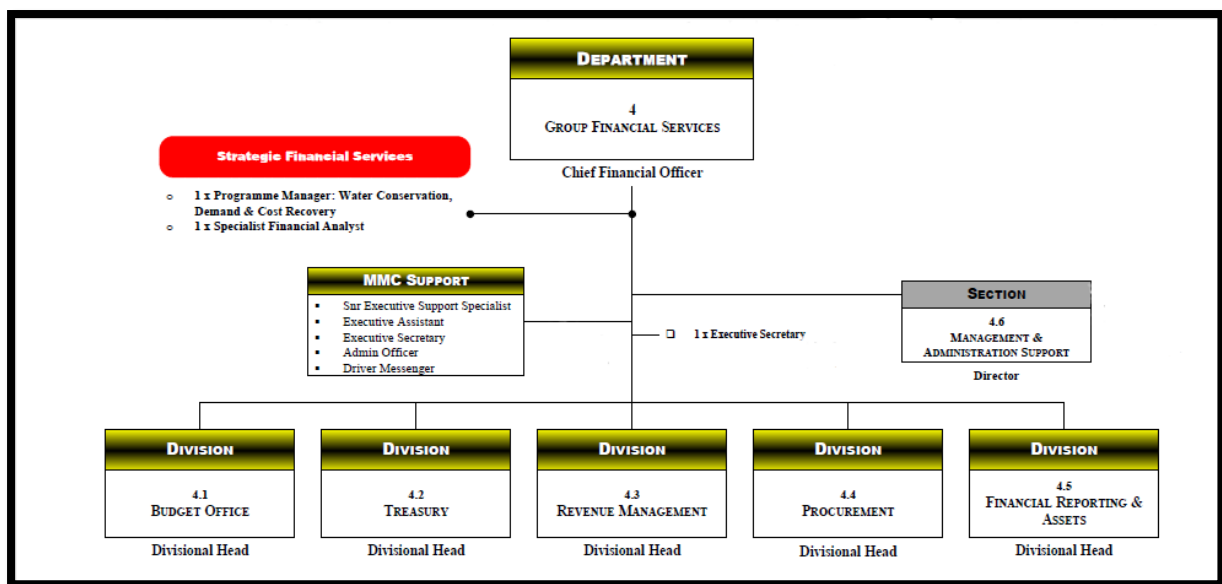
3.3.2 Research time horizon

There is general consensus today that longitudinal studies are repeated over a long period of time (Saunders, Lewis & Thornhill, 2012:190). Malhotra (2012:106) feels that longitudinal research studies take a long time. As a result, because this study was conducted at a specific time to study phenomena at that time, a cross-sectional time horizon was used. This study arose from the need to collect data from selected research participants at a single point in time. The import of this view lies in its recognition that cross-sectional research is conducted at a specific point in time (Blumberg, Cooper & Schindler, 2011:199). Zikmund et al. (2013:195) also suggest that in comparison to longitudinal research studies, cross-sectional research is much more cost effective and can be completed quickly.

3.4 Target population

Cassim (2014:73) states that the population, also known as the target population, is the universe of units from which the sample is drawn. There are good reasons for arguing that all individuals or objects in a given population share certain characteristics or traits (Creswell, 2013:156). The target population for this study was all 24 municipal finance management team of the CoT Municipality. Figure 3.1 presents onagram of finance department of the CoT Municipality.

Figure 3.1: Onagram of finance department of the CoT Municipality



Source: The CoT Municipality (2017:1)

The characteristics of the municipal finance management team were deemed non-negotiable in order to ensure that the participants were aware of the challenges that the CoT Municipality faced in implementing internal controls to ensure compliance with the MFMA.

3.4.1 Sampling methods

As pointed out by Hunniger (2012:5), sampling is the process of selecting cases to observe and draw conclusions about a larger category of people or things based on the observations of a smaller subset of that category. Empirical research has provided evidence that probability sampling and non-probability sampling are the two types of

sampling techniques (McMillan, 2012:105). Bhattacharjee (2012:66) argues that “probability sampling techniques are used in quantitative studies”.

The research participants were chosen using non-probability sampling. Wagner, Kawulich and Garner (2012:87) posit that non-probability sampling, also known as purposive sampling strategies, is commonly used in qualitative approaches. The common ground is that the most important aspect of non-probability sampling is that, unlike its quantitative counterpart, it can provide answers to research questions (Guest, Namey & Mitchell, 2013:43). This is due to the fact that qualitative researchers rarely collect a large representative sample from a population (Guest et al., 2013:43). It must be noted, however that non-probability sampling of convenience, quota, snowball, and judgement samples are distinguished (Delpont, Strydom, Theron & Geyer, 2011:121). Clow and James (2014:237) explain that convenience samples are still used frequently because they are sometimes the only practical way to collect the necessary data. It is also generally agreed that when people are discovered, snowball samples are used to direct the researcher to other subjects (Burns & Grove, 2013:357). Other say that “judgement sampling could take the form of criterion sampling” (Cooper & Schindler, 2014:359).

The study used quota sampling to select research participants from four finance department management levels at the CoT Municipality. The quotas were used to select participants from each management level group to participate in the study. For example, it was found that quota sampling entails selecting participants based on pre-determined quotas for specific behaviours (Wagner et al., 2012:87). Saunders, Lewis and Thornhill (2016:274) refer to quota sampling as “a stratified sampling method in which samples are drawn from different strata in an entirely non-random manner. Most importantly, however, it also became clear that “quota sampling is a non-random sampling technique in which samples are chosen based on predetermined criteria, so that the sample size is representative of the study's population” (Polit & Beck, 2012:750).

3.4.2 Sample size

Greeff (2011:365) proclaims that the number of observations or replicates in a sample is referred to as its sample size. The ensuing argument suggests that the purpose of the research, as well as the type of analysis to be performed, influence the size of non-probability samples (Dahlberg, Dahlberg & Nyström, 2011:175). After conducting 12 semi-structured interviews, this study concluded that data saturation had been reached. Resulting evidence indicates that “saturation refers to the condition where the researcher can intuitively say they have thoroughly explored the data” (Strydom, 2011:335). As a result, data was collected until saturation was reached. Table 3.1 presents target population and sample size for this study.

Table 3.1: Categories of target population and sample size for this study

Management levels	Target population	Sample size
City Manager	1	1
Chief Financial Officer	1	1
Divisional heads	5	4
Directors	17	6
Grand total	24	12

3.5 Research instrument

McMillan and Schumacher (2014:353) indicate that a qualitative study would allow to combine different methods of gathering information. One could also argue that data collection methods include interviews, focus groups, surveys, field notes, taped social interactions, and questionnaires (Grey, 2014: 32). Primary data sources were used in this study. A multi-method design was used for primary source data collection, which included a semi-structured interview schedule, participant observations, audio recording, and field notes. The use of multiple data collection techniques helped to ensure that the weaknesses of one technique were compensated for by the strengths of others, thereby increasing the credibility of the fieldwork data. It has been asserted that an interview schedule is a list of general topics or questions that the interviewer wishes to cover during the course of the interview (De Vos & Strydom, 2012:351).

Christensen, Johnson and Turner (2011:58) also assert that the process of gathering first-hand information by observing people is known as observation. It is worth noting that field notes represent what the researcher observed and recorded in order for the data to be better understood (Gary, 2011:373). Moreover, the capacity of audio recording for completeness of analysis and comprehensiveness of material reduces the researcher's reliance on prior interpretations (Kukartz, 2014:122).

3.5.1 Interviews

Dube (2012:126) defines an interview as "a face-to-face discussion or conversation with a purpose in which the interviewer or researcher extracts information from another person." Moreover, research has shown that interviewers use various approaches when interviewing participants, and interviews can be structured, semi-structured, or unstructured (Silverman, 2011:77). In particular, structured interviews provide answers to the questions posed but do not allow the researcher to sift through the data for new issues (Neuman, 2011:387). Taylor and De Vocht (2011:157) disclose that "the unstructured interview method has the disadvantage of causing the researcher to lose focus and divert the participants' narratives".

Semi-structured interviews were used to collect data for this study. The questions for this study were structured in a semi-structured format, allowing the researcher to probe or change questions based on the responses. Semi-structured interviews allow the interviewer to expand on the original response or pursue a line of inquiry initiated by the interviewee (Morgan, 2014:54). Maree (2012:89) also establishes that because interviews are more conversational, semi-structured interviews are more adaptable. Face-to-face interviews were used to collect rich data for the study in order to probe, describe, and explore the stories of research participants. It should be equally clear that in qualitative research, interviews are used to collect data through face-to-face interaction (Irvine, Drew & Sainsbury, 2012:87).

3.5.2 Construction of research instrument

Barbie (2013:71) reveals that although many of the questions are created during the interview, the pre-planned core questions ensure a degree of consistency across the interviews. Before the interviews, the researcher created interview questions to guide

the discussion. A qualitative interview schedule was used to elicit the research participants' subjective experiences. The literature review provided useful information that was used to design the interview schedule questions. The semi-structured interview schedule was written in English, allowing research participants to express more openly and thoroughly.

Two main section questions were included in the semi-structured interview schedule (Appendix E). Section A was created to gather general and detailed information about the research participants. Gender, age, education, and work experience were among the demographic questions. Section B questions posed to research participants looked into the challenges of implementing internal controls to ensure compliance with the MFMA at the CoT Municipality. The interview schedule was also based on the research objectives and questions. The semi-structured interview questions were specifically related to themes that the researcher felt required more insight and understanding. The questions included open-ended questions that allowed participants to respond freely. The research supervisor reviewed the semi-structured interview schedule to ensure that the questions were clear and unambiguous.

3.5.3 Pilot study

Maxwell (2013:66) purports that “pilot studies are small-scale preliminary studies that are used to evaluate and refine the research strategy”. Two pilot study research participants were used to test the semi-structured interview schedule. The questions were piloted in a context with conditions that were similar to the conditions in the main study. A pilot study was carried out with the goal of testing and adjusting the semi-structured interview schedule questions in order to improve comprehension and resolve any procedural issues. The semi-structured questions were easy to answer, and the responses were insightful. The results of the pilot study were not included in the main study. The research supervisor agreed that the data generated by the semi-structured interview schedule piloting study interview was detailed enough. As a result, no changes to the semi-structured interview schedule were required.

3.5.4 Administration of research instrument

The rationale for the type of research participants required by the study in order to extract richer data was provided by data collection. The target population's contact information was obtained from the CoT Municipality Human Resource Department. After identifying potential research participants for the study, the researcher approached the selected research participants to inquire about their willingness to participate in the study. In preparation for formal interviews, preliminary telephone contacts with selected research participants were made. The researcher asked the participants for permission to participate in the study, and consents were obtained through a dialogue. After the purposes and procedures of the research were explained to participants, the selection of research participants was based on their willingness to participate. The researcher scheduled appointments with selected research participants a week before the interviews. Prior to the interviews, the semi-structured interview schedule and consent forms were emailed to the research participants. Despite the fact that each participant confirmed the appointment through email, the researcher re-confirmed the appointments the morning of the interview as a courtesy reminder. The researcher traveled to each research participant's preferred location to conduct interviews. However, the researcher conducted the interviews in the offices of the research participants, allowing the participants to be at ease. Conducting interviews in the workplace provided a more complete picture of what was going on, as insights from body language and information from the environment were gained.

Between November 2022 and January 2023, semi-structured interviews were conducted with twelve research participants. At the start of the interview, the research objectives, interview outline, and data confidentiality were discussed. The researcher established rapport with the participants and used facilitative skills and techniques to elicit responses. The researcher indicated to research participants in this introduction that their contributions were valued and encouraged participants to express responses freely. The informed consent form described the study, its benefits, the extent of confidentiality, and the request to audio tape the interview. To ensure that the research participants were at ease, the researcher had to obtain consent in the field.

The researcher used a semi-structured interview schedule (Appendix E) that began with general questions about the participants and their experience in the organisation.

Furthermore, in this study, the researcher gave the participants enough time to answer the questions without being interrupted. The researcher avoided interrupting research participants unnecessarily and made a point of carefully listening and not leading participants in any particular direction of response. The research participants shared their experiences and practices in implementing internal controls to ensure MFMA compliance at the CoT Municipality. Probing questions based on participant responses were asked in order to explore their perceptions and elicit a plethora of responses. As a result, probing questions allowed participants to provide rich detail about the phenomenon under study. The semi-structured interviews with the participants were audio recorded for the purpose of detailed analysis after the participants gave permission for the researcher to audio record. The need for the digital recorder to capture the responses as accurately as possible was explained at the start of the interview in an attempt to put the participants at ease with the use of the digital audio recorder. Notes were taken from observed actions and behaviours. In this study, observations were used to collect data as it occurred during the interviews. The researcher assured participants once more that the information provided would be kept confidential, and that they would be able to read the transcripts of the interviews and comment on or correct any errors in the recording of the discussions. The length of the interviews ranged from 45 minutes to an hour. At the end of each session, the researcher thanked the research participants.

3.6 Data analysis

The study done by McMillan and Schumacher (2014:221) report that “data analysis is the search for patterns in data and ideas to explain the patterns, as well as the linking of findings to other research”. Punch (2014:200) also presents that the goal of qualitative data analysis is that the researcher can extract meaning. Thematic analysis was used to analyse the qualitative data from the interviews. Altinay, Paraskevas and Jang (2016:211) note that “thematic analysis allows the researcher to search the data for themes or patterns”. Thematic qualitative analysis was used in the study to analyse open-ended questions in order to measure emergent descriptions and ideas. Thematic analysis also enabled the study to associate an analysis of a theme's frequency with the entire content and to improve understanding of a theme in relation to previous research. Taken together, analysing the frequency of a common theme within one

data set is what thematic analysis entails (Hlagala, 2012:143). Therefore, this study followed the steps outlined below for thematic qualitative analysis.

3.6.1 Phase 1: Familiarisation and immersion

Friese (2013:9) states that for familiarisation and immersion, the researcher moves back and forth between data collection and data analysis. To understand and become acquainted with the responses, the transcription process required repeated listening to recordings. Moreover, the familiarisation and immersion processes aided reflection on the generated data.

3.6.2 Phase 2: Generating initial codes

Saldana (2013:3) finds that “coding is the process of naming or tagging selected quotations with a descriptive word or short phrase known as a code”. After reading the transcripts, the researcher began the coding and labeling process. Coloured markers were used to distinguish between the sections of the transcript assigned to each code.

3.6.3 Phase 3: Searching for the themes

Saunders et al. (2016:579) mention that a theme is a new discovery that captures something significant about the data in relation to the research question. Coding analysis revealed a variety of themes in the data and allowed the researcher to order categories, allowing the study to perform logical analyses across the data. The data was then sorted and classified into meaningful units, and code families were created.

3.6.4 Phase 4: Reviewing the themes

Pluye and Hong (2014:39) highlight that examining the themes entails ensuring their internal homogeneity and external heterogeneity. The researcher reviewed and refined the identified themes during this phase. The themes represented broad frameworks into which various aspects of the data were subsumed.

3.6.5 Phase 5: Defining and naming the themes

Yin (2014:165) suggests that themes should not be too broad, too narrow, too diverse, or too complex. The research participants reviewed the categorisations and codes,

which were then reviewed by the research supervisor. The data-driven detailed categories were organised into broader themes. The qualitative data was analysed by creating categories and themes, as well as noting patterns and relationships with literature reviews.

3.6.6 Step 6: Producing the final report

Cresswell (2013:47) reports that the final report step is to compile the interpretation as a written account of the phenomenon studied by the researcher. The researcher completed the naming of themes and categories as well as the presentation. The study's reports contained richly detailed narratives based on data from the research participants' own words.

3.7 Trustworthiness of the study

There is a large and growing literature arguing that “validity is ensured by employing trustworthiness strategies to ensure the research's trustworthiness” (Creswell, 2014:201). Babbie (2013:407) also demonstrates that the credibility, transferability, dependability, confirmability, and authenticity of qualitative research findings are all issues that must be addressed. To ensure that the study findings were scientifically sound, the criteria were applied throughout the entire research process.

3.7.1 Credibility

The first is a fact that the link between the participants' construct of reality and its presentation in the study is the focus of credibility (Creswell, 2013:251). Throughout the investigation, the researcher kept in mind the use of well-established qualitative research methods. The use of various data collection methods was justified in order to capture the phenomenon's multiple contexts. The researcher also ensured the findings' credibility by conducting in-depth interviews with research participants.

3.7.2 Transferability

Some research, however, suggests that “the transferability criterion refers to the usefulness and applicability of a study's findings in a different context or to a different phenomenon” (Polit & Beck, 2012:585). In accordance with this principle, the researcher sought to present the findings in a rich, descriptive manner in order to

facilitate transferability. Moreover, all of the methods used and strategies employed in this study were thoroughly described. As a result, providing a detailed description of data assist other researchers in applying this study in similar contexts.

3.7.3 Dependability

As scholars have observed, “the term dependability refers to the process's ability to be logical, traceable, and documented” (Merriam & Tisdell, 2016:252). The researcher described the reserch methods processes and demonstrated how processes were followed throughout the research process, as well as reflected on and recorded the methods used to arrive at theoretical constructs. There are also a detailed description of the research processes.

3.7.4 Confirmability

King and Horrocks (2011:153) confirm that the ability of the research process to accurately expose the perceptions of stakeholders without relying on the researcher's own construction is referred to as confirmabilit. As previously discussed, multiple data collection methods as well as triangulation of data analysis approaches were used to reduce researcher bias. The findings were then presented to the participants in order to ensure the report's accuracy.

3.8 Elimination of bias

The researcher tried diplomatically to reshape the opinions to fit the main research questions and the study topic, which helped to eliminate bias. The goal of interviewing the municipal finance management team of the CoT Municipality was to gather enough data to avoid bias. The risk was reduced by being open about the study's purpose and design, as well as obtaining formal approvals from the CoT Municipality to ensure that any bias was avoided. Controlling the findings against the literature aided in their accurate representation. Reading and re-reading the transcriptions before and after the researcher's own interpretations and theoretical perspectives was involved in the analysis of the data as situated in different contexts. These were used to construct the findings in order to ensure that the voices of the research participants dominated the analysis.

3.9 Limitations of the study

Walliman (2011:101) deduces that the inclusion of limitations reminds the reader that the study is situated within a specific context. A case study was conducted, and as such, it has limitations. In fact, no data collection technique is without limitations. The use of the in-depth qualitative case study method of research meant that a limited number of cases were investigated in this context. The use of non-probability purposive sampling in this study also did not provide potential participants with an equal opportunity to be chosen. The generalisation of the findings of this study is limited to an explanation of the difficulties encountered in implementing internal controls to ensure compliance with the MFMA in municipalities, with reference to the CoT Municipality. The researcher's interpretations of the data, textual clues, and narratives presented on are, to some extent her own. Furthermore, due to time and work constraints, the study used a cross-sectional research study rather than a longitudinal research study.

3.10 Ethical considerations

Miller, Birch, Mauthner and Jessop (2012:62) perceive that “research ethics is a set of acceptable norms that prescribe and govern what is acceptable during the research process”. The following ethical issues were addressed in this study:

3.10.1 Informed consent

Cresswell (2011:230) believes that it is unethical to collect information from participants without consent. In this regard, the principles of informed consent were emphasised. The informed consent form informed participants about the study in a clear, detailed, and factual manner (Appendix D). Prior to participation, all participants were given an overview of the study and its purpose, as well as an explanation of what was expected of the research participants.

3.10.2 Prevention of harm

Bless, Higson-Smith and Sithole (2013:25) attest that the protection of participants is a fundamental principle in social research. The participants were assured that their participation in the study would not cause participants any harm. The research

participants were non-discriminatory, and no one was discriminated against because of participants religion, gender, ethnic group, socioeconomic status, educational background, or any other factor.

3.10.3 Confidentiality and anonymity

Polit and Beck (2012:158) allude that one of the primary responsibilities of the researcher is to keep the information provided by participants strictly confidential and to protect participants privacy. As a result, in order to protect the research participants, the researcher adhered to confidentiality and anonymity by assigning a pseudonym to each name mentioned in this study. Anonymity was used to protect participants' identities while also respecting participants dignity and privacy.

3.10.4 Permission

Neuman (2012:296) describes a gatekeeper as someone who field members must obey. The researcher applied for and received ethical approval from the University of South Africa's Research Ethics Committee (Appendix A). The researcher also applied for permission to conduct this study from the CoT Municipality, which was granted (Appendix C).

3.10.5 Voluntary participation

Kumar (2011:244) attests to the fact that all participants must express their willingness to take part in a research study. In this study, ethical issues were taken into account to ensure that research participants had the opportunity to freely participate in the study and that the research work was of high quality. Participants were not coerced, manipulated, or intimidated in any way to participate in this study.

3.10.6 Scientific ethical considerations

Beckett and Maynard (2013:67) acknowledges that “scientific integrity refers to ethical practices that are widely accepted in the scientific community for conducting and reporting research”. By communicating findings in this research report, the researcher adhered to the principles of honesty, transparency, and scrutiny by the public and

peers. All consulted sources were referred to using the Harvard citation style, and complete references were provided in the bibliography.

3.11 Conclusion

The methodology and method used in this study were described in this chapter. The chapter began the discussion by presenting the research methodology, research philosophy, and research approach. Following that, the assumptions for the research design, research strategy, and research time horizon were presented. The target population, sampling methods, and sample size used in the study were also presented in this chapter. The chapter brought together research instrument elements, research instrument construction, pilot study, and research instrument administration. Further, this chapter elaborated on and discussed the data analysis and trustworthiness of the study. Moreover, it explained the elimination of bias and the study's limitations for qualitative studies. The remainder of the chapter discussed research ethics and provided this chapter summary.

CHAPTER 4: RESULTS, DISCUSSION AND INTERPRETATION OF FINDINGS

4.1 Introduction

The design and data collection process of the study highlighted the data analysis and research process that were utilised. This chapter aims to present and discuss the findings of the data collected on the study on the challenges facing the implementation of the Local Government Municipal Financial Management Act No 56 of 2003 that contributed to the deteriorating accountability and performance of the CoT Municipality. The research findings are divided into two sections. The first section focuses on the biographical profiles of the participants. Comparisons of gender, age group, educational level, and length of working experience were part of the participants' biographical information analysis. The second section consists of a presentation and discussion of the identified themes and sub-themes for each of the four research objectives. The findings are based on the responses of those who took part in the research interviews. As a result, much of the data is presented in participants' own words. Finally, a summary of the information gathered from the interview responses is presented.

4.2 Biographical information of the research participants

The participants' biographical information, including gender, age group, educational level, and length of working experience, is presented in the figures below.

4.2.1 Finding 1: Gender of participants

Figure 4.1 shows a representation of both male and female participants.

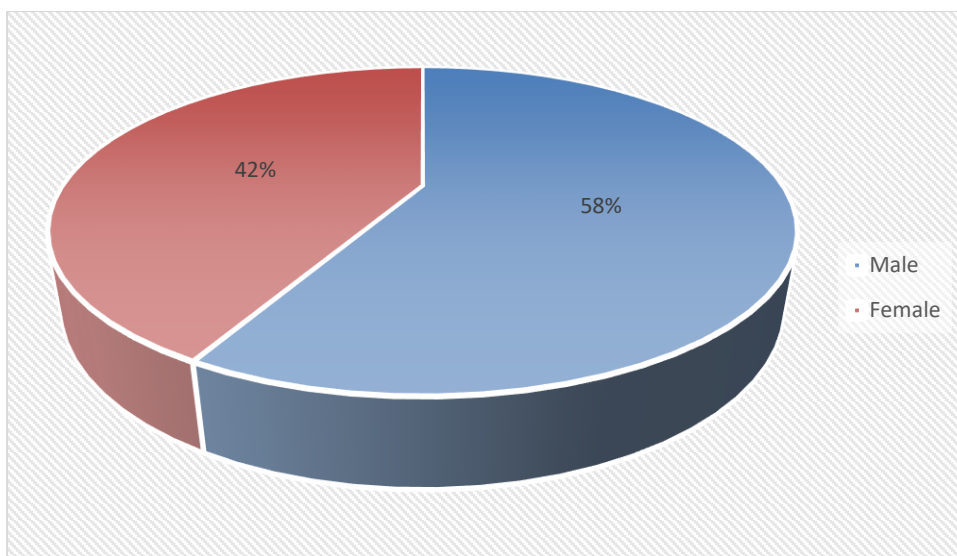


Figure 4.1: Gender of participants

According to Figure 4.1, the majority of participants (58%) were male, while only 42% were female. This picture is consistent with the fact that more men than women participated in the interviews in the finance department of the CoT Municipality.

4.2.2 Finding 2: Age of participants

The age distribution of participants is depicted in Figure 4.2.

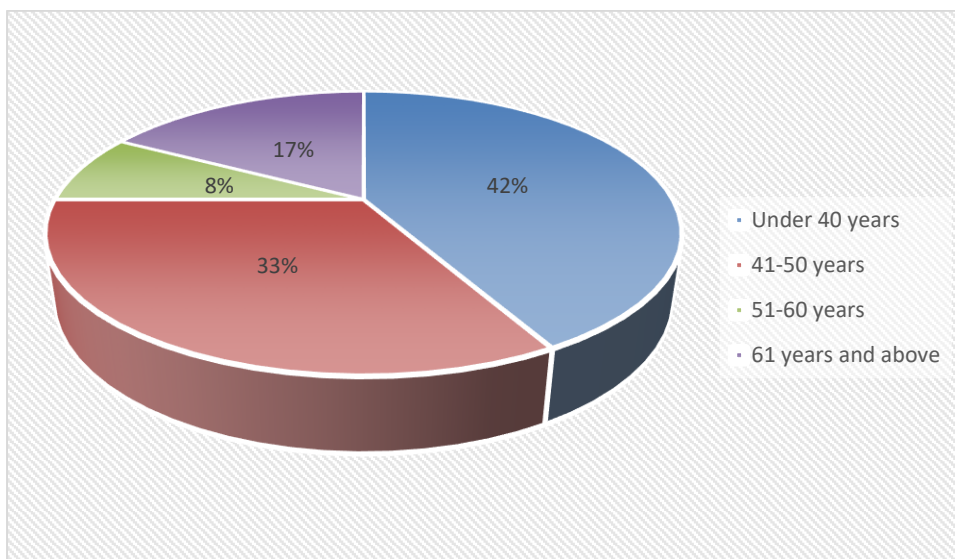


Figure 4.2: Age of participants

According to Figure 4.2, 5 participants (42%) were under 40 years old, followed by 4 participants (33%) who were 41-50 years old. The third group is made up of one participant who was 51-60 years old, accounting for 8%, and two participants who were 61 years old and above, accounting for 17%. According to the findings, the majority of research participants were 41 years old and above. As a result, the study's findings were obtained from participants with mature knowledge and elders. This is an encouraging picture in that the level of continuity can be guaranteed for a number of years if the majority of the participants remain in the field.

4.2.3 Finding 3: Educational levels of participants

Figure 4.3 breaks down of participants' levels of education.

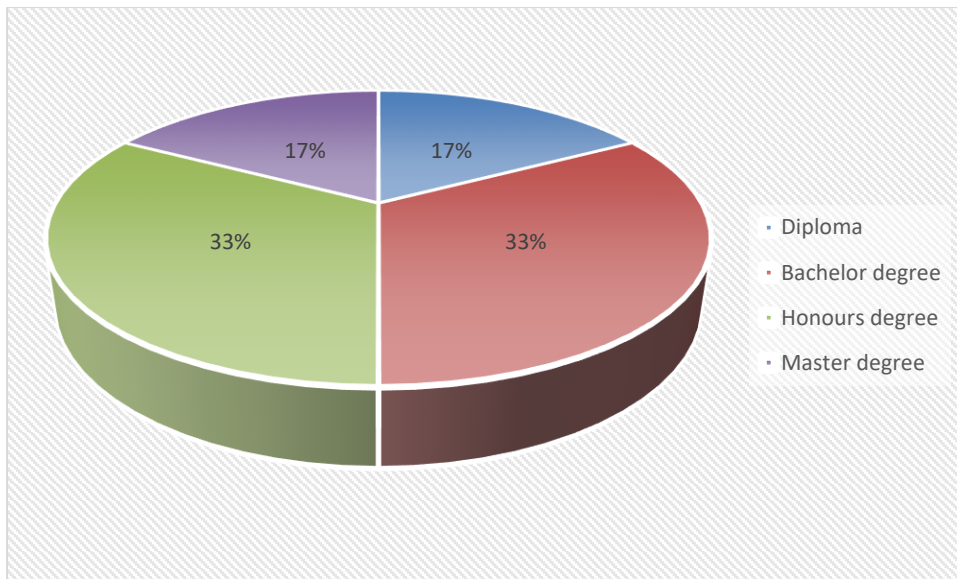


Figure 4.3: Educational levels of participants

Figure 4.3 shows that 2 (17%) of the participants completed Diplomas, while 4 (33%) had bachelor's degrees. It is also worth noting that four participants (33%) already held Honours degrees. Furthermore, two (17%) of the participants held master's degrees. It is worth noting that 83% of those who took part in the interviews had bachelor's degrees or higher. It should be noted that some of the diplomas and degrees were specifically in the field of finance.

4.2.4 Finding 4: Length of service in the CoT Municipality

Figure 4.4 depicts the length of service of participants.

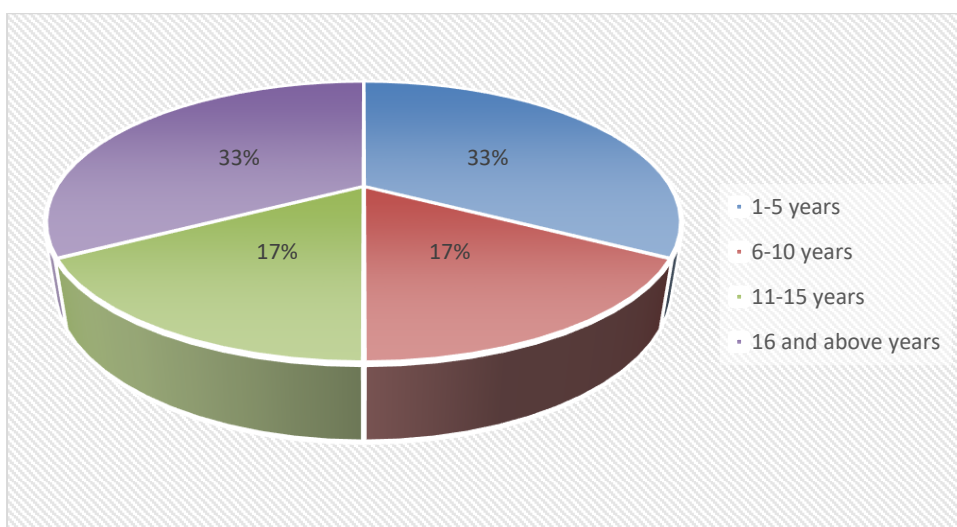


Figure 4.4: Length of service

Figure 4.4 shows that 4 participants (33%) worked in the CoT Municipality for 1-5 years, followed by 2 participants (17%) who worked for 6-10 years, 2 participants (17%) who worked for 11-15 years, and 4 participants (33%) who worked for 16 years or more. It should be noted that the majority of those who took part in the interviews worked for the CoT Municipality for 6 years or more.

4.3 Presentation of the data findings

This section contains a presentation of the data findings under each of the four research objectives.

4.3.1 Research objective 1

This section is the presentation of the results of investigating the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

4.3.1.1 Finding 1: MFMA providing framework for sound sustainable management of the financial affairs

The participants were asked about their understanding of the MFMA providing framework for sound sustainable management of the financial affairs in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 6: *“MFMA is partially implemented because the city does not adhere to MFMA guidelines”.*
- Participant 7: *“The City of Tshwane accounting processes do not effectively present the MFMA compliance”.*
- Participant 9: *“We have challenges as the city, when it comes to implementation of internal control to ensure compliance and we sometimes do not follow what the MFMA says we must implement, we have a challenge of implementation”.*
- Participant 10: *“I am not saying we do not have challenges, we do have challenges, but we are managing it because that financial recovery plan it encourages the departments not to overspend”.*
- Participant 12: *“We do have challenges as the city of Tshwane of implementing MFMA”.*

The analysis shows that the CoT Municipality has challenges with effective MFMA providing framework for sound sustainable management of the financial affairs in the CoT Municipality. Most of the research participants (7) were positive that MFMA providing framework for sound sustainable management of the financial affairs in the CoT Municipality. Some of the research participants (5) indicated that MFMA does not providing framework for sound sustainable management of the financial affairs in the CoT Municipality.

4.3.1.2 Finding 2: Accounting officer developing policies of MFMA

The participants were asked to express their understanding of the accounting officer developing policies of MFMA in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 5: *“Remember that MFMA is an important document for all the municipalities, but I would say we do not take it seriously or we do not take it to a level of importance”.*
- Participant 6: *“We have got MFMA regulations that we must follow but to be honest with you the implementation is a huge challenge at the CoT Municipality because we do not do what the MFMA says”.*
- Participant 7: *“Right now, we are not taking the audit outcomes seriously and we are even not taking the MFMA regulation serious”.*
- Participant 8: *“Based on the past 3-year audit outcomes, my view is that the Accounting Officer has not carried out his/her duties in ensuring that the MFMA policies are carried out as they should”.*
- Participant 9: *“We have policies that are drafted and that we must follow on everyday basis, but we have the challenge in implementation of those policies”.*

Findings revealed that the CoT Municipality has challenges with effective accounting officer developing policies of MFMA in the CoT Municipality. The research participants (6) highlighted that accounting officer is developing policies of MFMA in the CoT Municipality. Some of the research participant (5) in the study felt that accounting officer does not develop policies of MFMA in the CoT Municipality. One of the research participants stated not have information.

4.3.1.3 Finding 3: Financial management leadership

The participants were invited to explain how they understand financial management leadership in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 1: *“I think to some extent I would rate it as satisfactory, because I feel like there is a lot that can be done especially where key decisions and key processes are made”.*
- Participant 3: *“Moderate because I feel like they are on an average level because we just need to make sure that we strengthen the financial processes in the financial leadership then everything will be okay”.*
- Participant 5: *“There are efforts made to comply with, but a lot of political alignment gets in the way”.*
- Participant 6: *“It is ineffective, if you peruse through the current audit findings by the Auditor General, there is still financial mismanagement”.*
- Participant 7: *“Not yet satisfactory, in my view the effective leadership work to improve or implement the audit recommendations of the findings identified”.*
- Participant 8: *“Based on the past 3 years audit outcomes or audit report issued by the office of the Auditor General the financial management leadership from the accounting officer and chief financial officer has not been sound and been ineffective”.*
- Participant 9: *“The financial management leadership is not at a satisfactory level”.*
- Participant 12: *“I feel that the kind of supervision that is required is not there and the oversight that is required is somewhat lacking”.*

The findings confirmed that the CoT Municipality has challenges with effective financial management leadership. Many of the research participants (8) alluded to the fact that financial management leadership is a problem in the CoT Municipality. Another research participants (4) indicated financial management leadership is effective in the CoT Municipality.

4.3.1.4 Finding 4: Financial management systems dictated by MFMA

The participants were asked to comment on financial management systems dictated by MFMA in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 3: *“We are using System Analysis Program system, and I feel like System Analysis Program system does not help us on financial management systems dictated by the MFMA in the CoT Municipality”.*
- Participant 6: *“They are being bypassed because most of the times we want to do our work quicker that is why the financial management system is sometimes being bypassed”.*
- Participant 8: *“My view is that the systems and controls dictated by the MFMA are not being fully complied by the City of Tshwane”.*
- Participant 11: *“I think they are very good; it is just that the only challenge that we have, we have got a lot of fragmented systems which needs to be incorporated”.*
- Participant 12: *“I am not happy about the financial management systems dictated by the MFMA”.*

The research discovered that the CoT Municipality has challenges with effective financial management systems dictated by MFMA. Several research participants (7) indicated that good financial management systems dictated by MFMA in the CoT Municipality. Another research participants (5) indicated that the CoT Municipality does not have good financial management systems dictated by MFMA.

4.3.1.5 Finding 5: MFMA improving fiscal sustainability

The participants were invited to give their views on MFMA improving fiscal sustainability in the CoT Municipality. The following were statements made by research participants:

- Participant 1: *“Legislation basically indicates that we must pass a funded budget and currently the city of Tshwane budget is unfunded as it is but that does not mean we did not follow the processes”.*
- Participant 3: *“Right now, we do not comply with it, we do not implement it and we are having a challenge with following the MFMA”.*

- Participant 4: *“We are having a challenge now, we are not following and implementing what the MFMA says we must implement, most of the municipal staff do not have the correct knowledge to improve fiscal sustainability in the city to take the city forward”*.
- Participant 5: *“The current situation at the city now is that we have the guiding document, we are not complying with the MFMA in improving the fiscal sustainability in the city”*.
- Participant 6: *“The employees need to implement it because now the employees are not implementing it so we make fiscal sustainability to suffer, its tough, but we will try to follow the MFMA to improve the sustainability”*.
- Participant 12: *“MFMA supports the implementation of budget and if we are able to speak and spend according to how we planned in line with the MFMA provisions it will be seen to be a good document buut at the moment we are not doing well”*.

The research established that the CoT Municipality has challenges with effective MFMA improving fiscal sustainability. The research participants (6) believed that MFMA is improving fiscal sustainability in the CoT Municipality. Some of the research participants (6) stated that MFMA is not improving fiscal sustainability in the CoT Municipality.

4.3.1.6 Finding 6: MFMA laying down standards for transparent in financial management

The participants were asked to discuss on MFMA laying down standards for transparent in financial management in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 6: *“There is lack of transparency in the city, MFMA as a standard has brilliant guidance regarding transparency but as long as the city does not enforce them, they are good in paper but not good in implementing them”*.
- Participant 8: *“The application of standards and transparency thereof has not been adequately applied by the City of Tshwane”*.
- Participant 12: *“The transparency in the financial management in the city is not at its best, we need to be more transparent”*.

The research discovered that the CoT Municipality has challenges with effective MFMA laying down standards for transparent in financial management in the CoT Municipality. A majority of research participants (9) mentioned that MFMA is laying down standards for transparent in financial management in the CoT Municipality. Very few of the research participants (3) felt that MFMA is not laying down standards for transparent in financial management in the CoT Municipality.

4.3.1.7 Finding 7: Appropriate MFMA internal controls

The participants were asked to discuss on appropriate MFMA internal controls to ensure economic viability in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 1: *“There are loopholes within the systems as well. So those internal controls were implemented but some of them get bypassed sometimes, that is the reality”.*
- Participant 3: *“The internal controls end up being weak, and it becomes bad for the city”.*
- Participant 6: *“There are weaknesses or deficiencies of internal controls in the city, , it is making economic viability ineffective”.*
- Participant 7: *“Right now we are having the challenges with improving customer services and improving our financial management, so economic viability is ineffective in the city”.*
- Participant 8: *“We do not have appropriate internal controls that are good and that are in place for the city”.*
- Participant 12: *“Right now the appropriate MFMA internal controls I feel like they are not helping, they are ineffective”.*

The research proved that the CoT Municipality has challenges with effective MFMA internal controls to ensure economic viability. The research participants (6) were of the opinion that MFMA internal controls are ensuring economic viability in the CoT Municipality. The research participants (6) also pointed out that MFMA internal controls are not ensuring economic viability in the CoT Municipality.

4.3.1.8 Finding 8: Procurement forming part of the financial management

The participants were asked to comment on procurement forming part of the financial management in the CoT Municipality. The following were adverse statements made by research participant:

- Participant 5: *“Current situation in the city now is that there is no implementation of accountability to ensure compliance in the city and every one benefit from the procurement”.*

The research found that the CoT Municipality has effective procurement forming part of the financial management. Almost all research participants reported that procurement is forming part of the financial management in the CoT Municipality. Only one of the research participants noted that procurement is not forming part of the financial management in the CoT Municipality.

4.3.2 Research objective 2

This section is the presentation of the results of determining the barriers to the implementation of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

4.3.2.1 Finding 1: Budgetary control during budget implementation

The participants were asked to explain their understanding of budgetary control during budget implementation in the CoT Municipality. The following was an adverse statement made by research participant:

- Participant 7: *“I do not think budget control is at a good level or at an improved level because if we were controlling the budget well, we would not have unnecessary expenditures that were not budgeted for”.*

The finding suggested that the CoT Municipality has effective budgetary control during budget implementation. Many research participants argued that budgetary control is good during budget implementation in the CoT Municipality. One of the research participants said that budgetary control is not good during budget implementation in the CoT Municipality.

4.3.2.2 Finding 2: MFMA regulating budgetary processes of finance management

The participants were asked to comment on their understanding of MFMA regulating budgetary processes of finance management in the CoT Municipality. The results showed that the CoT Municipality has effective MFMA regulating budgetary processes of finance management. All research participants indicated MFMA is regulating budgetary processes of finance management in the CoT Municipality.

4.3.2.3 Finding 3: Budget allocation

The participants were asked to explain how they understood the budget allocation in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 4: *“The city is currently under financial constraints because we prioritise expenditure based on the funding of critical projects or areas”.*
- Participant 5: *“Right now, every year we overspend even though the budget is allocated fairly and well in the city”.*
- Participant 6: *“I do not think budget allocation is fair, some departments get more budget, and some department gets less budget because priority is given to infrastructure in the city”.*
- Participant 7: *“I believe that the budget allocation is not well apportioned because a big chunk of it goes to employee related costs”.*
- Participant 12: *“The budget allocation is not fair in the city at all because the less budget allocated for support, it restricts what support can do and that leads to service delivery suffering”.*

The research has confirmed that the CoT Municipality has challenges with effective budget allocation. The research participant (7) suggested that budget allocation is good in the CoT Municipality. Quite a number of the research participants (5) voiced concern that budget allocation is not good in the CoT Municipality.

4.3.2.4 Finding 4: Budget reflecting community interests

The participants were asked about their understanding of the budget reflecting community interests in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 6: *“I am not satisfied about the little amount of our budget, the way it includes the community interest because it is so little”.*
- Participant 7: *“In reality, I do not think all the budgeted budget goes to the communities, because money gets finished without having to point the services that have been rendered to communities and it is a challenge that we have as the city”.*
- Participant 12: *“My opinion is that the city’s budget is not pro-poor because at the moment I am not happy about how the city’s budget reflects community interest and I am not happy about the service delivery in communities”.*

Findings revealed that the CoT Municipality has challenges with effective budget reflecting community interests. Most of the research participants (9) that were interviewed indicated that budget is reflecting community interests in the CoT Municipality. Very few of the research participants (3) felt that budget is not reflecting community interests in the CoT Municipality.

4.3.2.5 Finding 5: Realistic budget consistent with current performance

The participants were asked to express their understanding of the realistic budget consistent with current performance in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 2: *“Realistic budgets are not consistent with current performances in the city because the experience that I have observed in Tshwane municipality for a number of years is that expenditure targets are never met”.*
- Participant 3: *“We still have a long way to go for our realistic budgets to be consistent with our current performances in the city because the performances are not good”.*
- Participant 4: *“We are very far as the city for our realistic budgets to be consistent with current performance in the city of Tshwane because the city is currently under financial constraints”.*

- Participant 5: *“Realistic budget is not consistent with current performances because management do not like to focus on service delivery”.*
- Participant 6: *“Realistic budgets are not consistent with the current performance because most of the times departments have unauthorized expenditure in the city”.*
- Participant 7: *“I am not happy about the current performances that are not in line with the realistic budgets because current performance does not go in line with realistic budgets in the city”.*
- Participant 8: *“Realistic budget consistent with current performance does not look good in the city because current performance goes the other way”.*
- Participant 9: *“Budgets are not consistent with current performance in the city”.*
- Participant 10: *“Realistic budgets versus current performance is not balancing somewhere because when we have to spend, we are experiencing what we call liquidity problems or cash flow problems”.*
- Participant 12: *“With the current realities in the city its difficult, the budget looks good but it’s a tough task and it is not consistence with the current performance in the city and is very bad”.*

The study established that the CoT Municipality has challenges with effective realistic budget consistent with current performance. Most of the research participants suggested that realistic budget is not consistent with current performance in the CoT Municipality. A few research participants (2) believed that realistic budget is consistent with current performance in the CoT Municipality.

4.3.2.6 Finding 6: MFMA regulating finance management planning

The participants were invited to explain how they understand MFMA regulating finance management planning in the CoT Municipality. The study found that the CoT Municipality has effective MFMA regulating finance management planning. All the research participants believe that MFMA is regulating finance management planning in the CoT Municipality.

4.3.2.7 Finding 7: MFMA improving processes for municipal planning

The participants were asked to comment on their understanding of the MFMA improving processes for municipal planning in empowering Council to make informed

decisions in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 5: *“I feel like the council are not making good, informed decisions for the city because every decision that the council takes affects the city”*.
- Participant 6: *“Right now I do not think MFMA processes are doing a great job in making sure that the councillors are making informed decision for the city”*.
- Participant 7: *“Councillors do not have more knowledge and skills to make informed decisions for the city”*.
- Participant 8: *“The problem that we have is that most councillors are not educated so they do not make good decisions for the city, they just make decisions that they think they are good”*.
- Participant 10: *“Things are not as bad but councillors need to be trained, councillors are the one who got the power in terms of every approval and they lack proper training and be equipped with proper knowledge”*.
- Participant 12: *“Some members of the council are not familiar with what the MFMA requires, so that is the challenge we are having at the moment and their decisions are sometimes not making employees happy”*.

The study discovered that the CoT Municipality has challenges with effective MFMA improving processes for municipal planning in empowering Council to make informed decisions. Research participants (6) felt that MFMA is improving processes for municipal planning in empowering Council to make informed decisions in the CoT Municipality. Some research participants (6) disclosed that MFMA is not improving processes for municipal planning in empowering Council to make informed decisions in the CoT Municipality.

4.3.2.8 Finding 8: MFMA co-ordinating processes with the processes of organs of state

The participants were invited to give their views on MFMA co-ordinating processes with the processes of organs of state in other spheres of government in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 3: *“Right now I am not happy with how the organs of state are operating because they follow different legislation, and when they form part of*

our reports, I do not see our financial reports being different to the previous year's report and they need to improve".

- Participant 4: *"Circulars alone that are currently used are not enough and they are not helping at all".*
- Participant 6: *"MFMA co-ordinating processes is a bit of a challenge because it has not included more guidelines, rules and regulations".*
- Participant 7: *"The CoT Municipality has a lot to do, we have a long way to go because coordinating process with the process of organs of state include the provincial government and national government".*
- Participant 12: *"Most of the time where we see intergovernmental is when the other sphere needs to interfere on local government which become complicated and challenging".*

The study established that the CoT Municipality has challenges with effective MFMA co-ordinating processes with the processes of organs of state in other spheres of government. Research participants (7) were of the opinion that MFMA is co-ordinating processes with the processes of organs of state in other spheres of government in the CoT Municipality. Some of the research participants (5) in this research study indicated MFMA is not co-ordinating processes with the processes of organs of state in other spheres of government in the CoT Municipality.

4.3.3 Research objective 3

This section is the presentation of the results of establishing the problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

4.3.3.1 Finding 1: Accurate financial reporting to the municipal council

The participants were asked to discuss the accurate financial reporting to the municipal council to facilitate an environment in which financial problems are reported in time in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 4: *“At this moment the financial problems are not reported on time and are not detected on time”*.
- Participant 5: *“The financial statements submitted cannot be accurate as some required processes are not accounted for in the correct period that should be reported thus rendering them inaccurate at a given point in time”*.
- Participant 6: *“Right now we do not report financial problems on time”*.
- Participant 9: *“At this moment we do not have a strong system that can assist with accurate financial report that can detects any financial problems on time hence we have a weak system”*.
- Participant 12: *“Right now we do not have a system that assist us as employees of the city to report financial problems in time and we report them late”*.

The study has shown that the CoT Municipality has challenges with effective accurate financial reporting to the municipal council to facilitate an environment in which financial problems are reported in time. Most of the research participants (7) perceived that there is accurate financial reporting to the municipal council to facilitate an environment in which financial problems are reported in time in the CoT Municipality. Among the group of the research participants (5) included in the study indicated that there is no accurate financial reporting to the municipal council to facilitate an environment in which financial problems are reported in time in the CoT Municipality.

4.3.3.2 Finding 2: Internal control systems in financial reporting quality

The participants were asked to comment on internal control systems in financial reporting quality in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 1: *“The quality is compromised in terms of the report but in terms of the internal controls I think they are weak”*.
- Participant 2: *“The challenge that we have as the CoT Municipality is that of adhering to these internal controls and operate within their confines”*.
- Participant 5: *“We are not accurate in terms of financial reporting quality and our financial reporting is not good enough and is not at a satisfactory level”*.
- Participant 6: *“My opinion is that I think we still lack more internal controls that can be in place, because the ones that are in place are not helping at all”*.

- Participant 7: *“In my opinion the quality in the financial reporting is not satisfactory as we received adverse audit opinion improvement is still required”*.
- Participant 8: *“The City of Tshwane do not have sound internal control systems in place to mitigate past, current, and emerging risk arising from the business environment around the areas of financial reporting”*.
- Participant 9: *“The city of Tshwane’s financial reports is not accurate”*.
- Participant 10: *“The only problem that we have is not in the system, the problem is the information that needs to come from the department but in terms of the internal control in place they are good”*.
- Participant 12: *“We have not arrived at a higher level where the internal control systems in financial reporting quality is good, its challenge that we are faced with”*.

The results showed that the CoT Municipality has challenges with effective internal control systems in financial reporting quality. Majority of the research participants (9) felt that there are problems with internal control systems in financial reporting quality in the CoT Municipality. A few of the research participants (3) commented that internal control systems are good in financial reporting quality in the CoT Municipality.

4.3.3.3 Finding 3: Modified accrual basis accounting

The participants were asked to explain their understanding of modified accrual basis accounting providing information useful for assessing short-term performance in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 1: *“I know what accrual accounting is, but I do not know what is modified accrual accounting”*.
- Participant 3: *“I do not have an answer regarding this question, and I do not have a view regarding this”*.
- Participant 5: *“We have bad modified accrual basis accounting”*.
- Participant 7: *“The modified accrual basis accounting its bad in the city because they are not even being done on a monthly basis”*.

- Participant 10: *“The only problem is information that needs to come from department that needs to go in the systems but in terms of the internal controls the systems are good”.*
- Participant 12: *“Modified accrual basis accounting one is not something I am close to, and I do not think my opinion will be substantial”.*

The study found that the CoT Municipality has challenges with effective modified accrual basis accounting providing information useful for assessing short-term performance. The research participants (6) indicated that modified accrual basis accounting is providing information useful for assessing short-term performance in the CoT Municipality. Some of the research participants (6) stated that modified accrual basis accounting is not providing information useful for assessing short-term performance in the CoT Municipality.

4.3.3.4 Finding 4: Full accrual accounting creating transparent disclosures

The participants were asked to comment on full accrual accounting creating transparent disclosures of long-term obligations in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 3: *“I do not have an answer regarding full accrual accounting in the city”.*
- Participant 4: *“I do not have an answer regarding full accrual accounting in the city”.*
- Participant 6: *“I do not think full accrual accounting create a transparent disclosure of long-term obligation in the city”.*

The research proved tha the CoT Municipality has challenges with effective full accrual accounting creating transparent disclosures of long-term obligations in the CoT Municipality. The majority of research participants (9) believed that full accrual accounting is creating transparent disclosures of long-term obligations in the CoT Municipality. Very few of the research participants (3) felt that full accrual accounting is not creating transparent disclosures of long-term obligations in the CoT Municipality.

4.3.3.5 Finding 5: Financial audits detecting problems in the system

The participants were asked to explain how they understood the financial audits detecting problems in the system of internal financial control in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 2: *“We have seen the Auditor General detecting through the audits process problems in the systems of internal financial control in the City of Tshwane”.*
- Participant 3: *“We received an unqualified audit opinion, which is not good for the city, but we will try to implement the recommendations from the Auditor General”.*
- Participant 4: *“Controls are very weak, and we cannot rely on the controls”.*
- Participant 5: *“There are numerous times where disagreements still stand with no solution given and it is a challenge that we have”.*
- Participant 6: *“The internal controls are not helping in financial audits detecting problems in the system”.*
- Participant 7: *“I am not satisfied with the internal controls that are in place because controls are weak”.*
- Participant 8: *“In my view the role of internal audit has not been effective as the methodology selected in use does not align to level of risk cited within the control environment by the office of the Auditor General”.*

The findings confirmed that the CoT Municipality has challenges with effective financial audits detecting problems in the system of internal financial control. A number of the research participants (7) clearly felt that financial audits is not detecting problems in the system of internal financial control in the CoT Municipality. The research participants (5) mentioned that financial audits is detecting problems in the system of internal financial control in the CoT Municipality.

4.3.3.6 Finding 6: Audit committee acting on management override internal control

The participants were asked about their understanding of the audit committee acting on instances where management override internal control in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 5: *“I feel like there is no consequence management, we lack that as the city, we cannot be controlled by the management and do as they like”.*
- Participant 6: *“Our audit committees are lacking accountabilities; they must make sure that the management take responsibilities for their own action”.*
- Participant 7: *“My opinion is that management have more powers compared to audit committees, so that is why audit committee end up not taking any further cations when management override the internal controls”.*
- Participant 8: *“Committee recommendations are not implemented by management accompanied with the absence of consequence management being actioned by the city”.*
- Participant 12: *“My opinion is that they are not as fair as enough to determine future, deviations and the consequences management are not there, people know, and they can override at any time”.*

The finding suggested that the CoT Municipality has challenges with effective audit committee acting on instances where management override internal control. Most research participants (7) said that audit committee is acting on instances where management override internal control in the CoT Municipality. Some of the research participants (5) indicated that audit committee is not acting on instances where management override internal control in the CoT Municipality.

4.3.3.7 Finding 7: The municipal manager holding the primary legal accountability

The participants were asked to express their understanding of the municipal manager holding the primary legal accountability for financial management in terms of the MFMA in the CoT Municipality. The study established that the CoT Municipality has effective municipal manager holding the primary legal accountability for financial management in terms of the MFMA. All the research participants believed that the municipal manager is holding the primary legal accountability for financial management in terms of the MFMA in the CoT Municipality.

4.3.3.8 Finding 8: MFMA determining financial management governance framework

The participants provided information on their understanding of the MFMA determining financial management governance framework for municipal entities in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 7: *“At this moment we are not following the MFMA legislation, it is a challenge that we have as the CoT Municipality”.*
- Participant 11: *“They are entities of the city’s and if they are not performing, it affects the liquidity of the city”.*
- Participant 12: *“Entities in the city are working with nationals and nationals follow the Public Financial Management Act”.*

The findings confirmed that the CoT Municipality has challenges with effective MFMA determining financial management governance framework for municipal entities. The research participants (9) believe that MFMA is determining financial management governance framework for municipal entities in the CoT Municipality. Very few of the research participants felt that MFMA is not determining financial management governance framework for municipal entities in the CoT Municipality.

4.3.4 Research objective 4

This section is the presentation of the results of identifying the impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on the municipalities’ delivery of services to communities with reference to the case of the CoT Municipality.

4.3.4.1 Finding 1: Possessing necessary financial capacity to meet service responsibilities

The participants were invited to explain how they understand the CoT Municipality possessing necessary financial capacity to meet service responsibilities. The following were adverse statements made by research participants:

- Participant 1: *“I do not think we can meet the services in full because we also take loans to do some projects”.*

- Participant 3: *“So, my understanding is that I do not think the city have the capacity to meet the service responsibilities, due to the money that is being used reckless, like the wasteful expenditure that we have it is a lot of money that can be saved”*.
- Participant 7: *“The funds are misdirected to other things, other than service delivery then we end up not meeting the service responsibilities and not having the financial capacity to implement the projects that society needs and want”*.
- Participant 8: *“The poor liquidity status of the city has a negative impact on service delivery”*.
- Participant 9: *“We do have corruption and manipulators who take the money for their own good and we end up not meeting the service responsibilities on time”*.
- Participant 12: *“The current culture does not support the city to be the best in the country”*.

The analysis showed that the CoT Municipality has challenges with effectively possessing necessary financial capacity to meet service responsibilities. The research participants (6) in the current study disclosed that the CoT Municipality is possessing necessary financial capacity to meet service responsibilities. Another research participants (6) indicated that the CoT Municipality is not possessing necessary financial capacity to meet service responsibilities.

4.3.4.2 Finding 2: Implementation of internal controls along the revenue value chain

The participants were asked to comment on their understanding of the implementation of internal controls along the revenue value chain aiding effective revenue collection in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 1: *“There are issues with City of Tshwane revenue at this stage”*.
- Participant 2: *“The City of Tshwane does not have an effective revenue value chain to remain a sustainable and viable municipality”*.
- Participant 3: *“We are having a challenge when it comes to revenue collections”*.

- Participant 5: *“This activity is an ongoing challenge and when new measures are put in place for collection, different kinds of challenges present itself”.*
- Participant 6: *“It is still a challenge and City is unable to collect according to projects in addition to number of indigents increase rapidly, and we do not have enough revenue”.*
- Participant 7: *“Revenue collection is not taken seriously because measures are not taken to ensure correct billing and resolving of customer queries hence, we are having that challenge, and it makes our revenue collections not to be satisfactory”.*
- Participant 8: *“The revenue collection is below the expected targets which negatively affect the liquidity standing of the city”.*
- Participant 9: *“Right now we are having a challenge as the city, revenue is not collected on time, we have incorrect billing systems and people are being charged incorrect rates”.*
- Participant 11: *“The problem that we have is that the revenue collection is centralised, and the controls are up to scratch”.*
- Participant 12: *“Right now, the method that we are using is not helping at all and it is a disaster”.*

The finding suggested that the CoT Municipality has challenges with effective implementation of internal controls along the revenue value chain aiding effective revenue collection. Many research participants (10) indicated that implementation of internal controls along the revenue value chain is not aiding effective revenue collection in the CoT Municipality. Only two of the research participants noted that implementation of internal controls along the revenue value chain is aiding effective revenue collection in the CoT Municipality.

4.3.4.3 Finding 3: MFMA framework emphasising prevention of unauthorized expenditure

The participants were asked to comment on on MFMA framework emphasising the prevention of unauthorized expenditure in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 1: *“Unauthorized expenditure is caused by departments because if we have budget that is approved, we would not have unauthorized expenditure”.*
- Participant 3: *“The problem that we have as the officials of the city is that not everyone follows and implement what the MFMA says we must do”.*
- Participant 4: *“The city’s unauthorised expenditure is not avoided as it is unforeseen during the budget preparation”.*
- Participant 5: *“So, it is very bad in the city, we have a lot of unauthorised expenditure in the city, and it affects our budgets”.*
- Participant 6: *“The unauthorized expenditure in the city is very high, every year we have unauthorized expenditure with a higher amount so it is bad for the city”.*
- Participant 7: *“The framework is often not followed because the department do as they please in the city and we have a huge challenge”.*
- Participant 8: *“The City of Tshwane has not adequately addressed the root causes that lead to the unauthorized expenditure in the past and lack of well-defined action plans dealing with the proposed or desired internal control to be implemented has not been effective”.*
- Participant 9: *“The challenge that we have is that the framework is not followed in the city then we end up not preventing unauthorized expenditure”.*

The research found that the CoT Municipality has challenges with effective MFMA framework emphasising the prevention of unauthorized expenditure. The majority of the research participants (8) indicated that MFMA framework is not emphasising the prevention of unauthorized expenditure in the CoT Municipality. Some of the research participants (4) indicated that MFMA framework is emphasising the prevention of unauthorized expenditure in the CoT Municipality.

4.3.4.4 Finding 4: Credit control

The participants were invited to give their views on credit control in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 1: *“I do not have an opinion regarding credit control in the CoT Municipality”.*

- Participant 2: *“Implementation of credit control in the City of Tshwane is however not fully active due to many circumstances, many which are outside the control of the City of Tshwane”.*
- Participant 3: *“We do not handle well our credit control in the city, I do not know if we are too much relaxed or we are being ignorant, but we are not taking it seriously”.*
- Participant 7: *“Credit control is only enforced on a small percentage of households, resulting in the municipality being owed millions by business and government”.*
- Participant 8: *“So the credit control in the city is very bad based on the poor collection rate that we have as the city, and the high value of the city’s debtor’s book with long aged balances thus increasing the value of debt impairment has a negative impact on cash flow standing of the city”.*
- Participant 9: *“My opinion is that the city does not have the complete cycle of credit control and that affect our financial position”.*
- Participant 11: *“It is bad, it is very bad, because if we are doing the good credit control, we would not issue the first letter as demand, the second letter, the third letter”.*

This study has shown that the CoT Municipality has challenges with effective credit control. Most of the research participants (7) perceived that there is no credit control in the CoT Municipality. Some of the research participants (5) stated that there is credit control in the CoT Municipality.

4.3.4.5 Finding 5: MFMA safeguarding assets

The participants were asked to comment on MFMA safeguarding assets in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 1: *“I do not have an experience in the safeguarding of assets in the CoT Municipality”.*
- Participant 2: *“The City of Tshwane’s safeguarding of its assets has got many weaknesses and challenges, resulting in some infrastructure vandalization”.*
- Participant 3: *“Right now we are not checking our assets regularly, our assets safeguarding is not at a satisfactory level”.*

- Participant 5: *“Safeguarding of assets in the city is not good and currently not sustainable in its current form”.*
- Participant 7: *“It is not good at all because for example when the employees were moving from 373 BKS building to a new building called Tshwane House building, the assets were stolen”.*
- Participant 8: *“So, it is very bad for the city because of poor handling and accounting of the city assets disclosed or non-disclosed in the fixed asset register”.*

The research established that the CoT Municipality has challenges with effective MFMA safeguarding assets. The research participants (6) agreed that MFMA is safeguarding assets in the CoT Municipality. Some of the research participants (6) stated that MFMA is not safeguarding assets in the CoT Municipality.

4.3.4.6 Finding 6: MFMA putting in place a municipal borrowing framework

The participants were asked to explain their understanding of MFMA putting in place a municipal borrowing framework in the CoT Municipality. The research has confirmed that the CoT Municipality has effective MFMA putting in place a municipal borrowing framework in the CoT Municipality. It is important to mention that all of the research participants who participated in this study reported that MFMA is putting in place a municipal borrowing framework in the CoT Municipality.

4.3.4.7 Finding 7: Funds derived from borrowing utilised in financing infrastructure

The participants were asked to comment on their understanding of the funds derived from borrowing utilised in financing infrastructure in the CoT Municipality. The following were adverse statements made by research participants:

- Participant 2: *“The City of Tshwane does not at any given time have adequate internal funding to meet all the infrastructure needs and it is a huge challenge”.*
- Participant 5: *“Right now we are working on a loss as a city, we have used borrowing funds to infrastructure, and it is not a good idea”.*
- Participant 7: *“We just do as we please, and make the city to have an obligation to pay loan”.*

- Participant 8: *“Currently the city’s cost of capital is not below its return on assets thus sound financial management practices are not being practiced”*.
- Participant 10: *“I am not sure if borrowing have been utilised for infrastructure”*.

Results revealed that the CoT Municipality has challenges with effective funds derived from borrowing utilised in financing infrastructure. The research participants (7) of this study indicated that funds derived from borrowing are utilised in financing infrastructure in the CoT Municipality. Another research participants (5) indicated that funds derived from borrowing are not utilised in financing infrastructure in the CoT Municipality.

4.4 Discussion of themes of the research findings

Based on the presentation of the research findings, the following themes were derived:

4.4.1 Research objective 1

This section is the discussions of themes of the research findings of investigating the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

4.4.1.1 MFMA providing framework for sound sustainable management of the financial affairs

The results do not concur with the findings in Kruger and Van Rooyen (2016:166) which reveal that the MFMA establishes a framework for the sound and sustainable management of municipal and other local government financial affairs. It is also reasonable to conclude that the CoT Municipality faces difficulties with effective municipal finances governed by the MFMA. It appears in practice that despite the MFMA guidelines, the province's financial health faces several challenges in municipal financial management (Kruger & Van Rooyen, 2016:166).

4.4.1.2 Accounting officer developing policies of MFMA

The views are not in line with the belief that according to the MFMA, the accounting officer must ensure that the municipality develops all necessary policies (Molobela, 2016:264). However, it can be strongly argued that the CoT Municipality accounting officer is ineffective in terms of managing municipal revenue under Section 64 of the MFMA. Moreover, research has shown that the most common problems discovered

are related to key officials' competencies in finance units and their inability to implement controls (Molobela, 2016:265).

4.4.1.3 Financial management leadership

This observation is consistent with findings by Ngwakwe (2012:314) who reports that municipalities face a leadership gap in financial management. This understanding is based on the assumption that the CoT Municipality finance departments suffer from a lack of financial management leadership, which has a negative impact on service delivery. The key insight from extant research is that for economic reasons, the accounting profession willingly submits to political maneuvering (Ngwakwe, 2012:321).

4.4.1.4 Financial management systems dictated by MFMA

The finding is inconsistent with Mantzaris (2014:91) study, which found that legislation governs financial management systems. This may lead to the conclusion that the financial management systems of the CoT Municipality are rarely used in the realm of financial management. Prior research has shown that financial management systems serve as guiding lights for the economic, social, and infrastructure development of local government entities and the communities they serve (Mantzaris, 2014:91).

4.4.1.5 MFMA improving fiscal sustainability

This finding is inconsistent with the findings of Cuadrado-Ballesteros and Bisogno (2019:743) who disclosed that improving efficiency may be required to improve fiscal sustainability. This means that the efficiency of the CoT Municipality may not be related to financial sustainability. It is worth adding that improvements in efficiency may be required because demographic factors, independent of municipal efficiency, may have an impact on financial sustainability (Cuadrado-Ballesteros & Bisogno, 2019:743).

4.4.1.6 MFMA laying down standards for transparent in financial management

This observation is not confirmed in a study conducted by Mokale (2019:20) who reports that the MFMA establishes guidelines and standards for transparent and

accountable financial management. The preceding suggests that the CoT Municipality has problems with MFMA defining the monitoring and supervisory functions of treasury as more of a guiding nature. It is well recognised within the academic literature that municipal finances must be managed in accordance with the MFMA and regulations (Mokale, 2019:20).

4.4.1.7 Appropriate MFMA internal controls

The outcome of this study is not consistent with the research finding of Mazibuko and Fourie (2013:131) that internal organisational controls ensure the municipality's economic viability. This demonstrates that the CoT Municipality has problems with internal control functions, which are critical in any municipal setting. It is important to state that management is ultimately accountable for the implementation, compliance, and ownership of the internal control system (Mazibuko & Fourie, 2013:138).

4.4.1.8 Procurement forming part of the financial management

The findings supported previous research study which informed that financial management includes procurement (Mazibuko & Fourie, 2013:138). Procurement, asset management, reporting, and oversight appear to be part of financial management in the CoT Municipality. It is arguable that municipal challenges may become overwhelming if procurement, asset management, reporting, and oversight processes are not applied effectively and efficiently (Mazibuko & Fourie, 2013:138).

4.4.2 Research objective 2

This section is the discussions of themes of the research findings of determining the barriers to the implementation of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

4.4.2.1 Budgetary control during budge implementation

The finding of this study corresponds with the work of Melnichuk (2016:73) which find that municipal budgetary control is the oversight exercised by local governments during the implementation and appropriation of local government financial resources. It can be strongly argued that the CoT Municipality's effective control mechanism of

the cash flow budget is based on adequate conditions of modern financial practices and the transformation of economic relation. It must be remembered that the absence or deterioration of any budgetary control subsystem components compromises or destroys the entire management system and financial management system (Melnichuk, 2016:73).

4.4.2.2 MFMA regulating budgetary processes of finance management

The results are supported by Kruger and Van Rooyen (2016:166) who point out that the municipal finances are regulated by the MFMA which includes budgetary processes. The CoT Municipality's finances appear to be governed by the MFMA, which includes capital planning. Based on the analysis above, it is clear that the MFMA's goal is to ensure that municipalities' financial affairs are managed in sustainable manner (Kruger & Van Rooyen, 2016:166).

4.4.2.3 Budget allocation

The results interpretation are consistent with the Mikebarwood (2015:239) decision that concerns have been raised about budget allocation and expenditure patterns in South African municipalities. These perceptions are based on the assumption that the CoT Municipality is constrained in its ability to fulfill its developmental local government role due to a lack of funds. Earlier research also has found that municipalities may have made progress in planning for the future, but they lack the financial resources to carry out their plans (The Mikebarwood, 2015:239).

4.4.2.4 Budget reflecting community interests

The results do not concur with the findings in Williams (2012:4), which reveals that “budgets should reflect community interests and city council goals because municipal budgets determine frequently used services such as transportation, garbage collection, and community recreation”. It could be argued that the CoT Municipality does not have budgets that require it to do more than meet fiscal or even legislative obligations. A review of literature further reveals that budgets often focus on inputs and neglect to articulate outputs or outcomes as community goals (Williams, 2012:4).

4.4.2.5 Realistic budget consistent with current performance

The findings are discordant with what was advocated by Dollery and Graves (2009:103) that “a budget that is credible and realistic, with estimates for revenues and expenses that are in line with current and historical performance and are backed by evidence of future assumptions”. The reasoning is nearly identical to the CoT Municipality credible and realistic budget jeopardises the municipality's financial viability. Furthermore, there is a literature which suggests that a realistic budget is achieved by aligning projected financial performance (Dollery & Graves, 2009:103).

4.4.2.6 MFMA regulating finance management planning

The current findings reinforce those of Kruger and Van Rooyen (2016:166), who perceived that the MFMA regulates municipal finances, which includes capital planning. This means that the MFMA applies to the CoT Municipality. There is evidence that the MFMA governs municipal finances, which include financial reporting and auditing (Kruger & Van Rooyen, 2016:166).

4.4.2.7 MFMA improving processes for municipal planning

The results concerns are not in line with the literature review in which the National Treasury (2011:77) emphasises that MFMA improves processes for municipal planning in empowering a council to make informed decisions. It is clear that the CoT Municipality lacks improved processes for municipal planning and budgeting which would enable a council to make more informed decisions. Literature often states that by ensuring that municipalities' plans are appropriately matched, the MFMA aims to enable compliance with constitutional requirements (The National Treasury, 2011:75).

4.4.2.8 MFMA co-ordinating processes with the processes of organs of state

The findings of this study are not consistent with Mathebula (2014:941) that the MFMA's objectives are financial planning processes and the coordination of those processes with those of other organs of state. The analysis shows that the CoT Municipality has problems with financial planning processes and the coordination of those processes with other organs of state. Existing trends suggest that the MFMA's objectives are to manage revenues, expenses, assets, and liabilities, as well as to handle financial transactions (Mathebula, 2014:941).

4.4.3 Research objective 3

This section is the discussions of themes of the research findings of establishing the problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

4.4.3.1 Accurate financial reporting to the municipal council

The findings are not corroborated by a study done by Mazibuko and Fourie (2013:137) which indicate that MFMA requires accurate financial reporting to the municipal council. This language demonstrates that the CoT Municipality has problems with financial reporting and auditing, both of which are critical to the sustainability of a municipality. There is also evidence that management can only set financial goals if they have accurate, up-to-date information (Mazibuko & Fourie, 2013:147).

4.4.3.2 Internal control systems in financial reporting quality

The findings do not support the study done by Rich et al. (2018:28) who found that internal control systems are an important input to financial reporting quality because they aid in the prediction or prevention of future significant accounting and financial reporting problems. This means that the internal control systems of the CoT Municipality are not an important input to the quality of financial reporting. There is also evidence that when governments conduct longer audits or have a limited number of accountants, the likelihood of reporting problems increases (Rich et al., 2018:28).

4.4.3.3 Modified accrual basis accounting

The findings are not supported by a study undertaken by Reck and Wilson (2014:37) that modified accrual basis accounting provides information useful for assessing short-term performance. It is likely that the CoT Municipality has a problem with using modified accrual accounting information to assess short-term financial performance. This is the reason Reck and Wilson (2014:37) argue that municipal creditors can use the information provided on a modified accrual basis to assess default risk.

4.4.3.4 Full accrual accounting creating transparent disclosures

The findings do not correspond with Beck (2018:786) who found that “full accrual accounting creates more transparent disclosures of governmental long-term

obligations". Circumstances indicate that the CoT Municipality has a problem with full accrual financial statements providing information for default risk assessment. By reviewing previous literature, it is witnessed that "full accrual financial statements must be consulted by creditors in order to learn about a government's long-term obligations and associated costs, which are not included in modified accrual financial statements" (Beck, 2018:786).

4.4.3.5 Financial audits detecting problems in the system

The participants views are not shared by Mazibuko and Fourie (2013:137) who argue that financial audits are intended to detect flaws in the internal financial control system. It has become far more difficult for the CoT Municipality where appropriate organisational systems and internal controls are in place. Research has also discovered that when any internal control flaws are discovered, the Auditor-General has a part in making recommendations (Mazibuko & Fourie, 2013:138).

4.4.3.6 Audit committee acting on management override internal control

The participants views seem not to resonate with Mazibuko and Fourie (2013:138) who state that the audit committee should be able to identify and act on instances. In that context, accountability is not predicated at the CoT Municipality. It is easy to see from the literature that financial management governance is based on the accountability and regular reporting responsibilities (Mazibuko & Fourie, 2013:137).

4.4.3.7 The municipal manager holding the primary legal accountability

The findings are consistent with scholarly that the municipal manager holds the primary legal accountability for financial management (The National Treasury, 2011:74). The very fact that the CoT Municipality municipal manager together with other senior managers have a duty to act with fidelity. Empirical evidence also indicates that the MFMA's primary goal is to modernize municipal financial management (The National Treasury, 2011:73).

4.4.3.8 MFMA determining financial management governance framework

The findings do not confirm the findings from earlier studies by Manyaka (2014:130) that the MFMA's purpose is to establish a financial management governance framework for municipal entities. Further supporting this is the fact that the CoT

Municipality is unable sustain the provision of services to their various communities without adequate financial capacity. Existing research shows that the general purpose of the MFMA relates to define responsibilities with regards to municipal financial management (Manyaka, 2014:130).

4.4.4 Research objective 4

This section is the discussions of themes of the research findings of identifying the impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on the municipalities' delivery of services to communities with reference to the case of the CoT Municipality.

4.4.4.1 Possessing necessary financial capacity to meet service responsibilities

The results do not concur with the findings in Wu and Shi (2020:1) study which reveal that municipalities possess necessary financial capacity to meet their service responsibilities. So far, it is clear that the CoT Municipality is struggling to recognise the need for budget stabilisation funds in the general funds to alleviate budgetary fluctuations during economic downturns. A search of the literature also shows that in order to maintain their budgets and service offerings during downturns, state governments have implemented countercyclical fiscal measures (Wu & Shi, 2020:2).

4.4.4.2 Implementation of internal controls along the revenue value chain

The findings of this study are not consistent with those in Chetty et al. (2016:85) that "internal controls implemented along the revenue value chain aid in effective revenue collection". The facts show that the CoT Municipality has a revenue generation problem. From the literature it is also evident that effective management of all municipal operations that may affect the preservation and expansion of their tax base is a need (Chetty et al., 2016:85).

4.4.4.3 MFMA framework emphasising prevention of unauthorized expenditure

The findings are not supported by Nzuzza and Lekhanya (2014:252) who found that "the MFMA framework emphasises the prevention of unauthorised and wasteful expenditure by local governments". This supports the notion that the CoT Municipality has a problem with the MFM tool used to conserve resources. Moreover, research has

shown that a breach of MFMA principles is not saving money (Nzuza & Lekhanya, 2014:253).

4.4.4.4 Credit control

The observation is not consistent with findings by Chetty et al. (2016:93) that “a critical aspect of credit control and debt collection is that credit control must be meticulously planned”. This insight's normative lesson is that the CoT Municipality has a problem collecting all outstanding debts and maintaining and implementing a credit control and debt collection policy. The key insight from extant research is that letters of demand for the payment of past-due accounts, as well as other related legal processes, are part of an appropriate debt management process (Chetty et al., 2016:85).

4.4.4.5 MFMA safeguarding assets

The current findings do not affirm (Ngcobo, 2019:30) contention that in order to ensure compliance with the MFMA, which addresses asset safeguarding, a number of compliance standards and recommendations have been made accessible to municipalities. This is yet another example of how the CoT Municipality's asset management approach has not only been costly, but has also yielded minimal results. Prior research has shown that the necessity to effectively manage existing assets in order to ensure the efficient delivery of services to different communities has made asset management a focus in local government (Ngcobo, 2019:30).

4.4.4.6 MFMA putting in place a municipal borrowing framework

The finding appears consistent with results of Manyaka (2014:130) study that the MFMA's purpose is to establish a municipal borrowing framework. There is some evidence that the CoT Municipality relies on subsidies and grants to finance capital and operational expenditure due to its inability to generate its own revenue. Moreover, some research has shown that service charges are the main source of revenue to municipalities (Manyaka, 2014:134).

4.4.4.7 Funds derived from borrowing utilised in financing infrastructure

The participants views are not corroborated by the National Treasury (2013:5) that funds derived from borrowing should only be utilised to finance infrastructure. The preceding analysis shows that the CoT Municipality's capital budget funding mix is not

met. Research has demonstrated that municipalities are expected to contribute a portion of their own revenue generated internally to the capital budget funding mix (The National Treasury, 2013:5).

4.5 Conclusion

This chapter presented and discussed the research findings of the semi-structured interviews with municipal finance management team of the CoT Municipality. Face-to-face interviews were used to investigate the challenges facing the implementation of the Local Government Municipal Financial Management Act No 56 of 2003 that contributed to the deteriorating accountability and performance of the CoT Municipality. The findings reported in this chapter were analysed against the research objectives guiding the current study. The findings confirmed that effective financial management leadership is a challenge for the CoT Municipality. The study also revealed that the CoT Municipality faces difficulties in implementing effective MFMA internal controls to ensure economic viability. Further, the findings revealed that the CoT Municipality faces difficulties in implementing effective internal control systems for financial reporting quality. Furthermore, the findings confirmed that the CoT Municipality faces difficulties in conducting effective financial audits that detect problems in the internal financial control system. Additionally, the research discovered that the CoT Municipality faces challenges in implementing an effective MFMA framework that emphasises the prevention of unauthorised expenditure.

The responses provided were utilised to derive themes. These themes are deliberated upon and will form part of the summary of findings and recommendations in the next chapter.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The preceding chapter presented the research findings of the semi-structured interviews and the chapter concluded with a discussion of the themes and sub-themes formulated during the research. The purpose of this chapter is to revisit the chapter outline of this study, to discuss a summary of the findings, provide recommendations for improving the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality and areas for future research based on the findings, and present conclusions drawn from the study.

5.2 Summary of the findings

This section presents a summary of the findings which are described in detail in the previous chapters. The summary of the findings are presented according to the research objectives that guided the study.

5.2.1 Research objective 1: Investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality

The analysis shows that the CoT Municipality has challenges with effective MFMA providing framework for sound sustainable management of the financial affairs in the CoT Municipality. Kruger and Van Rooyen (2016:166) also revealed that the MFMA establishes a framework for the sound and sustainable management of municipal and other local government financial affairs. Findings revealed that the CoT Municipality has challenges with effective accounting officer developing policies of MFMA in the CoT Municipality. The literature review also suggested that according to the MFMA, the accounting officer is responsible for ensuring that the municipality develops all necessary policies (Molobela, 2016:264). The findings confirmed that the CoT Municipality has challenges with effective financial management leadership. Similarly, a study conducted by Ngwakwe (2012:314) finds that municipalities are beleaguered by a lack of financial management leadership. The research discovered that the CoT Municipality has challenges with effective financial management systems dictated by

MFMA. Worth noting is that legislation governs financial management systems (Mantzaris, 2014:91).

The research established that the CoT Municipality has challenges with effective MFMA improving fiscal sustainability. Research by Cuadrado-Ballesteros and Bisogno (2019:743) indicate that improving efficiency may be required to improve fiscal sustainability. The research discovered that the CoT Municipality has challenges with effective MFMA laying down standards for transparent in financial management in the CoT Municipality. A review of the literature reveals that the MFMA establishes guidelines and standards for transparent and accountable financial management (Mokale, 2019:20). The research proved that the CoT Municipality has challenges with effective MFMA internal controls to ensure economic viability. The reviewed literature also suggests that adequate organisational internal controls ensure the municipality's economic viability (Mazibuko & Fourie, 2013:131). The research found that the CoT Municipality has effective procurement forming part of the financial management. Literature studied indicates that financial management includes procurement (Mazibuko & Fourie, 2013:138). Therefore, this study concludes that the above are investigated challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

5.2.2 Research objective 2: to determine the barriers to the implementation of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality

The finding suggested that the CoT Municipality has effective budgetary control during budget implementation. Previous research shows that municipal budgetary control is the oversight exercised by local governments during the implementation and appropriation of local government financial resources (Melnichuk, 2016:73). The results showed that the CoT Municipality has effective MFMA regulating budgetary processes of finance management. Research also reveals that the MFMA regulates municipal finances, which includes budgetary processes (Kruger & Van Rooyen, 2016:166). The research has confirmed that the CoT Municipality has challenges with effective budget allocation. Research shows that concerns have been raised about budget allocation and expenditure patterns in South African municipalities (The

Mikebarwood, 2015:239). Findings revealed that the CoT Municipality has challenges with effective budget reflecting community interests. This study found that budgets should reflect community interests and city council goals because municipal budgets determine frequently used services such as transportation, garbage collection, and community recreation (Williams, 2012:4).

The study established that the CoT Municipality has challenges with effective realistic budget consistent with current performance. Dollery and Graves (2009:103) disclose that a realistic budget is consistent with performance. The study found that the CoT Municipality has effective MFMA regulating finance management planning. It must be noted that the MFMA regulates municipal finances, which includes capital planning (Kruger & Van Rooyen, 2016:166). The study discovered that the CoT Municipality has challenges with effective MFMA improving processes for municipal planning in empowering Council to make informed decisions. The theory relies on the premise that MFMA improves municipal planning processes by empowering councils to make more informed decisions, which is essential for efficient service delivery (The National Treasury, 2011:77). The study established that the CoT Municipality has challenges with effective MFMA co-ordinating processes with the processes of organs of state in other spheres of government. Research also suggests that the MFMA's objectives are financial planning processes and process coordination with other organs of state in other spheres of government (Mathebula, 2014:941). Therefore, this study concludes that the above are determined barriers to the implementation of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

5.2.3 Research objective 3: to establish the problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality

The study has shown that the CoT Municipality has challenges with effective accurate financial reporting to the municipal council to facilitate an environment in which financial problems are reported in time. Earlier research has found that MFMA requires the municipal council to receive regular and accurate financial reporting in order to foster an environment in which potential financial problems are reported in a timely manner, allowing the council to correct the situation (Mazibuko & Fourie, 2013:137).

The results showed that the CoT Municipality has challenges with effective internal control systems in financial reporting quality. There is evidence that internal control systems are an important contributor to financial reporting quality because they aid in the prediction and prevention of future significant accounting and financial reporting problems (Rich et al., 2018:28). The study found that the CoT Municipality has challenges with effective modified accrual basis accounting providing information useful for assessing short-term performance. Earlier work by Reck and Wilson (2014:37) show that accrual basis modification accounting provides information that can be used to evaluate short-term performance by focusing on the sources and uses of funds. The research proved that the CoT Municipality has challenges with effective full accrual accounting creating transparent disclosures of long-term obligations in the CoT Municipality. Existing trends suggest that full accrual accounting results in more transparent disclosures of long-term government obligations (Beck, 2018:786).

The findings confirmed that the CoT Municipality has challenges with effective financial audits detecting problems in the system of internal financial control. One study showed that financial audits are intended to detect flaws in the internal financial control system (Mazibuko & Fourie, 2013:137). The finding suggested that the CoT Municipality has challenges with effective audit committee acting on instances where management override internal control. There is also evidence that the audit committee should be able to detect and respond to instances where management may disregard internal controls (Mazibuko & Fourie, 2013:138). The study established that the CoT Municipality has effective municipal manager holding the primary legal accountability for financial management in terms of the MFMA. Research has discovered that in accordance with the MFMA, the municipal manager, along with other senior managers, bears primary legal responsibility for financial management (The National Treasury, 2011:74). The findings confirmed that the CoT Municipality has challenges with effective MFMA determining financial management governance framework for municipal entities. It is easy to see from the literature that the MFMA's purpose is to establish a financial management governance framework for municipal entities (Manyaka, 2014:130). Therefore, this study concludes that the above are established problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality.

5.2.4 Research objective 4: to identify the impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on the municipalities' delivery of services to communities with reference to the case of the CoT Municipality

The analysis showed that the CoT Municipality has challenges with effectively possessing necessary financial capacity to meet service responsibilities. Existing research shows that municipalities have the necessary financial resources to meet their service obligations (Wu & Shi, 2020:1). The finding suggested that the CoT Municipality has challenges with effective implementation of internal controls along the revenue value chain aiding effective revenue collection. A search of the literature also shows that internal controls implemented along the revenue value chain aid in effective revenue collection (Chetty et al., 2016:85). The research found that the CoT Municipality has challenges with effective MFMA framework emphasising the prevention of unauthorized expenditure. From the literature it is also evident that the MFMA framework emphasizes the prevention of unauthorized and wasteful expenditure by local governments (Nzuza & Lekhanya, 2014:252). This study has shown that the CoT Municipality has challenges with effective credit control. An explanation put forward by Chetty et al. (2016:93) suggest that a critical aspect of credit control and debt collection is that credit control must be meticulously planned.

The research established that the CoT Municipality has challenges with effective MFMA safeguarding assets. Moreover, research has shown that “a number of compliance standards and guidelines have been made available to municipalities in order to ensure adherence to the MFMA, which mentions asset safeguarding” (Ngcobo, 2019:30). The research has confirmed that the CoT Municipality has effective MFMA putting in place a municipal borrowing framework in the CoT Municipality. Similarly, Manyaka (2014:130) found that the MFMA's purpose is to establish a municipal borrowing framework. Results revealed that the CoT Municipality has challenges with effective funds derived from borrowing utilised in financing infrastructure. The key insight from extant research also is that borrowing proceeds should only be used to finance infrastructure (The National Treasury, 2013:5). Therefore, this study concludes that the above are identified impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on

the municipalities' delivery of services to communities with reference to the case of the CoT Municipality.

5.3 Recommendations based on research objective 5

This section contains recommendations that are organised around the study's four objectives. The recommendations are based on the empirical findings of this study.

5.3.1 Reducing challenges facing the implementation of internal controls

The study recommends that the CoT Municipality ensure that the MFMA provides a framework for sound and sustainable financial management. The study also recommends that the accounting officer of the CoT Municipality ensure that the municipality develops all necessary policies. It is significant that the CoT Municipality has strong financial management leadership. The CoT Municipality must ensure that financial management systems are governed by legislation. There is also a need for the CoT Municipality to improve efficiency in order to improve fiscal sustainability. According to the findings, the CoT Municipality should ensure that the MFMA establishes norms and standards for transparent and accountable financial management. It is significant that the CoT Municipality focuses on putting in place appropriate organisational internal controls to ensure the municipality's economic viability.

5.3.2 Reducing barriers to the implementation of budget internal controls

The study recommends that the CoT Municipality ensure effective budget allocation. The CoT Municipality must also focus on effective budgets that reflect community interests and city council goals. The study also suggests that the CoT Municipality create a credible and realistic budget with revenue and expenditure projections that are consistent with current and past performance. It is significant that the CoT Municipality ensures that MFMA improves planning processes, which enable a council to make more informed decisions and are essential to efficient service provision. The CoT Municipality must ensure that the MFMA's objectives are financial planning processes and process coordination with the processes of organs of state in other spheres of government.

5.3.3 Reducing the problems to the implementation of financial management reporting internal controls

The study recommends that the CoT Municipality ensure regular and accurate financial reporting to the municipal council in order to facilitate an environment in which potential financial problems are reported in time for the council to correct the situation. The study also recommends that the CoT Municipality ensure that internal control systems are an important input to financial reporting quality because they help to predict or prevent future significant accounting and financial reporting problems. It is significant that the CoT Municipality use modified accrual basis accounting, which provides information useful for assessing short-term performance by focusing on funding sources and uses. The CoT Municipality must ensure that full accrual accounting results in more transparent disclosures of long-term obligations. The CoT Municipality must also ensure that financial audits are designed to detect problems in the internal financial control system. It is critical that the audit committee of the CoT Municipality be able to identify and act on instances where management may override internal control. The CoT Municipality must ensure that MFMA is used to determine the financial management governance framework for municipal entities.

5.3.4 Reducing challenges on impact of the implementation of internal controls

The study recommends that the CoT Municipality should ensure that it has the necessary financial capacity to meet its service responsibilities. The study also recommends that the CoT Municipality ensure that internal controls are implemented along the revenue value chain to aid in effective revenue collection. It is significant that the CoT Municipality has an effective framework emphasising the prevention of unauthorized and wasteful spending. The CoT Municipality must ensure that credit controls are thoroughly planned. The CoT Municipality must also ensure that compliance standards and guidelines are available to ensure adherence to the MFMA, which mentions asset safeguarding. It is critical that the CoT Municipality focus on funds derived from borrowing being used only to finance infrastructure.

5.3.5 Consequence management

According to the study, the CoT Municipality should make sure that any allegations of wrongdoing against an employee are submitted in writing to the Municipal Manager or

another designated representative so that the matter can be looked into. The study also suggests that regardless of whether a criminal or civil case has been filed, the concepts of natural justice and fair procedure should be followed. The CoT Municipality disciplinary inquiry must take place within five (5) days or within fifteen (15) days of the employee receiving the notice of misconduct. The CoT Municipality must make sure that the Municipal Manager or their representative may bring the matter before a Disciplinary Tribunal or Department Enquiry, depending on how serious the misconduct was. Additionally, considering the seriousness of the misconduct or the fact that there has been a prior warning or warnings for the same action, the CoT Municipality must impose a sentence of suspension without pay. It is important to note that the CoT Municipality's involuntary suspension ought to be viewed as a harsher penalty than a final written warning. Furthermore, the CoT Municipality must make sure that policies are disseminated to all staff members and published in order to explicitly inform them of the expected behaviour at work.

5.4 Recommendations for further research

Future research is suggested in terms of investigating the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality. As this study focused on the municipal finance management team of the CoT Municipality, quantitative research with a large number of research participants would be beneficial. The themes and conclusions drawn from the qualitative case study can be tested in a larger survey. Future studies can also be extended to other municipalities in Gauteng province to investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities.

5.5 Conclusion

The primary aim of the study was to investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality. This study concludes that there are challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality. This study also concludes that there are barriers to the implementation

of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality. Further, this study concludes that there are problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the CoT Municipality. Furthermore, this study concludes that there are impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on the municipalities' delivery of services to communities with reference to the case of the CoT Municipality. Therefore, recommendations are made on the basis of the empirical results and conclusions of this research.

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APPENDICES

Appendix A: Ethics clearance approval



**DEPARTMENT: PUBLIC ADMINISTRATION AND MANAGEMENT
RESEARCH ETHICS REVIEW COMMITTEE**

Date: 21 October 2022

PAM/2022/025 (Monnatlale)
Name of applicant: KP Monnatlale
Student#: 61185655

Dear Ms Monnatlale

Decision: Ethics Clearance Approval

Details of researcher:

Ms KP Monnatlale, student#: 61185655, email: 61185655@mylife.unisa.ac.za, tel: 0767233577

Supervisor: BC Lekonyane, email: lekonbc@unisa.ac.za

Research project: 'STRENGTHING OF INTERNAL CONTROLS TO ENSURE COMPLIANCE WITH THE LOCAL GOVERNMENT MUNICIPAL FINANCIAL MANAGEMENT ACT NO 56 OF 2003 IN MUNICIPALITIES: CASE STUDY OF CITY OF TSHWANE MUNICIPALITY'

Qualification: MAdmin – Public Administration

Thank you for the application for **research ethics clearance** submitted to the Department: Public Administration and Management: Research Ethics Review Committee, for the above mentioned study. Ethics approval is granted. The decision will be tabled at the next College RERC meeting for notification/ratification.

Full approval: The application was **reviewed** in compliance with the *Unisa Policy on Research Ethics* and the *Standard Operating Procedure on Research Ethics Risk Assessment*.

The proposed research may now commence with the proviso that:

- 1) The researcher will ensure that the research project adheres to the values and principles expressed in the Unisa Policy on Research Ethics.



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- 2) Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study, as well as changes in the methodology, should be communicated in writing to this Ethics Review Committee.
- 3) The researcher will conduct the study according to the methods and procedures set out in the approved application.
- 4) Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
- 5) The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study, among others, the **Protection of Personal Information Act 4/2013**; **Children's Act 38/2005** and **National Health Act 61/2003**.
- 6) Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data requires additional ethics clearance.
- 7) Field work activities **may not** continue after the expiry date of this ethics clearance, which is 21 October 2025. Submission of a completed research ethics progress report will constitute an application for renewal of the ethics clearance certificate for approval by the Research Ethics Committee.

Kind regards



Mr ND Baloyi

Chairperson: Research Ethics Review
Committee
Department of Public Administration and
Management
Research Ethics Review Committee
Office tel. : 012 429-6181;
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Prof MT Mogale

Executive Dean:
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Appendix B: Editing certificate

LET'S EDIT

EDITING CERTIFICATE

12 May 2023

TO WHOM IT MAY CONCERN

DECLARATION: Editing of Dissertation

I hereby declare that the Master of Public Administration (MPA) dissertation of **Kefilwe Portia Monnatlale** entitled "**STRENGTHENING OF INTERNAL CONTROLS TO ENSURE COMPLIANCE WITH THE LOCAL GOVERNMENT MUNICIPAL FINANCIAL MANAGEMENT ACT NO. 56 OF 2003 IN MUNICIPALITIES: CASE OF THE CITY OF TSHWANE MUNICIPALITY**" has been edited. It is the responsibility of the student to address any comments from the editor. The editor shall not be responsible for any subsequent additions or deletions made by the student in their document. Additionally, it is the final responsibility of the student to make sure of the correctness of the dissertation.



Khomotso Bopape

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Appendix C: Letter of permission to conduct the study



City Strategy and Organizational Performance

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My ref: **Research Permission/ Monnatlale**
Contact person: **Pearl Maponya**
Section/Unit: **Knowledge Management**

Tel: 012 358 4559
Email: PearlMap3@tshwane.gov.za
Date: 12 October 2022

Ms Kefilwe Monnatlale
4229 Block B
Mabopane
0190

Dear Ms Monnatlale

RE: STRENGTHENING OF INTERNAL CONTROLS TO ENSURE COMPLIANCE WITH THE LOCAL GOVERNMENT MUNICIPAL FINANCIAL MANAGEMENT ACT NO 56 OF 2003 IN MUNICIPALITIES: CASE OF THE CITY OF TSHWANE MUNICIPALITY

Permission is hereby granted to Ms Kefilwe Monnatlale, Master of Public Administration degree candidate at the University of South Africa (UNISA), to conduct research interviews in the City of Tshwane Metropolitan Municipality.

It is noted that the primary aim of the study is to investigate the challenges facing the internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality. The City of Tshwane further notes that all ethical aspects of the research will be covered within the provisions of UNISA Research Ethics Policy. You will be required to sign a confidentiality agreement with the City of Tshwane prior to conducting research.

Relevant information required for the purpose of the research project will be made available as per applicable laws and regulations. The City of Tshwane is not liable to cover the costs of the research. Upon completion of the research study, it would be appreciated that the findings in the form of a report and or presentation be shared with the City of Tshwane.

Yours faithfully,

PEARL MAPONYA (Ms.)
DIRECTOR: KNOWLEDGE MANAGEMENT

Appendix D: Participant information sheet



PARTICIPANT INFORMATION SHEET

Ethics clearance reference number:

7th September 2022

Title: Strengthening of Internal Controls to Ensure Compliance with the Local Government Municipal Financial Management Act No 56 of 2003 in Municipalities: Case of The City of Tshwane Municipality

Dear Prospective Participant

My name is Kefilwe Portia Monnatlale and I am doing research with Mr Buti Clement Lekonyane, a lecturer in the Department of Public Administration and Management towards a Masters degree at the University of South Africa. We are inviting you to participate in a study entitled:

Strengthening of Internal Controls to Ensure Compliance with the Local Government Municipal Financial Management Act No 56 of 2003 in Municipalities: Case of The City of Tshwane Municipality

WHAT IS THE PURPOSE OF THE STUDY?

I am conducting this research to investigate the challenges facing the implementation of internal controls to ensure compliance with the Local Government Municipal Financial Management Act No 56 of 2003 (MFMA) in municipalities with reference to the case of the City of Tshwane Municipality. The internal control is a key element of financial management in all municipalities to improve the level of transparency and accountability in local government. MFMA is a decision-making structure or process that monitors and controls the finances of local government in order to achieve desired goals. The MFMA provides theoretical framework for sound and sustainable management of the financial affairs of municipalities

This study is expected to collect important information that could offers new empirically grounded knowledge to the municipalities with reference to the case of the City of Tshwane Municipality. The government practitioners will find value in understanding the implementation

of internal controls to ensure compliance with the MFMA in municipalities through this study and how it will affect their practice.

WHY AM I BEING INVITED TO PARTICIPATE?

You are invited to participate in this study due to your knowledge and experience regarding the challenges facing the implementation of internal controls to ensure compliance with the MFMA at the City of Tshwane Municipality. Your contact details were established by information provided by the City of Tshwane Municipality Human Resource Department. The characteristics of municipal finance management team were deemed non-negotiable to ensure that the participants are conversant regarding the challenges facing the implementation of internal controls to ensure compliance with the MFMA at the City of Tshwane Municipality. The target population for this study is all 24 municipal finance management team of the City of Tshwane Municipality. This study will carry out semi-structured interviews concluding that data saturation will be reached.

WHAT IS THE NATURE OF MY PARTICIPATION IN THIS STUDY?

The research will gather rich data through face-to-face interviews in order to be able to probe, describe and explore the stories from research participants. This study will use semi-structured interviews to collect data. The questions for this study are structured in a semi structured format which will allow the researcher to probe or change questions depending on responses that will be obtained. The semi-structured interviews with the participants will be audio recorded for the purpose of detailed analysis after permission will be given to the researcher by the participants to audio record. Observations will be used in this study as a technique to collect data as data occurred during the interviews. The duration of the interviews conducted will range from 45 minutes to 1 hour.

CAN I WITHDRAW FROM THIS STUDY EVEN AFTER HAVING AGREED TO PARTICIPATE?

In this study, ethical issues are considered to ensure that research participants will be given the opportunity to freely participate in the study. Participants will not be coerced, manipulated or intimidated to take part in this study in any way.

Participating in this study is voluntary and you are under no obligation to consent to participation. If you do decide to take part, you will be given this information sheet to keep and be asked to sign a written consent form. You are free to withdraw at any time and without giving a reason. *[Do not mislead your potential participants by stating that they can withdraw*

from a research project at any time if the project involves the submission of non-identifiable material such as questionnaires. Explain clearly to them that it will not be possible to withdraw once they have submitted the questionnaire. Please note that this will depend on the nature of the questionnaire. Some questionnaires may clearly indicate the identity of the participant, but the researcher may have agreed to anonymise personal data. Thus, it may be possible to withdraw the data provided].

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

Your participation in this study will assist in determining the barriers to the implementation of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality. It will also assist to establish the problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality. Further, it will assist to identify the impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on the municipalities' delivery of services to communities with reference to the case of the City of Tshwane Municipality.

ARE THERE ANY NEGATIVE CONSEQUENCES FOR ME IF I PARTICIPATE IN THE RESEARCH PROJECT?

The study is categorized as low risk. The participants are assured that the involvement in the study will not bring harm to participants. The research participants in the study will be non-discriminative and none of the participants will be discriminated against based on religion, gender, ethnic group, socio-economic status, educational background or any other factor.

WILL THE INFORMATION THAT I CONVEY TO THE RESEARCHER AND MY IDENTITY BE KEPT CONFIDENTIAL?

The researcher will adhere to maintaining confidentiality and anonymity to protect the research participants by allocating a pseudonym to every name mentioned in this study. Anonymity will be used to protect the identity of the participants and to honour participants' dignity and privacy.

HOW WILL THE RESEARCHER(S) PROTECT THE SECURITY OF DATA?

Hard copies of answers will be stored by the researcher for a period of five years in a locked cupboard/filing cabinet at Unisa for future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. Hard copies will

be shredded and electronic copies will be permanently deleted from the hard drive of the computer through the use of a relevant software programme.

WILL I RECEIVE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

Participation is voluntary, therefore you will not receive any payment or incentive for participating in this study.

HAS THE STUDY RECEIVED ETHICS APPROVAL?

This study has received written approval from the Research Ethics Committee Review of the College of Economic and Management Science, Unisa. A copy of the approval letter can be obtained from the researcher if you so wish.

HOW WILL I BE INFORMED OF THE FINDINGS/RESULTS OF THE RESEARCH?

If you would like to be informed of the final research findings, please contact the researcher Kefilwe Portia Monnatlale on 0767233577 or via email on 61185655@mylife.unisa.ac.za. The findings are accessible for a period of five (5) years after completion.

Should you have concerns about the way in which the research has been conducted, you may contact the researcher's supervisor Mr Buti Clement Lekonyane telephonically on 012 429 6116 or via email at lekonbc@unisa.ac.za. Alternatively, contact the research ethics chairperson of Economic and Management Sciences Professor Engelbrecht via email on engelm1@unisa.ac.za if you have any ethical concerns.

Thank you for taking time to read this information sheet. To agree to partake in the study, kindly scroll to the next page to sign the informed consent form.

Thank you.



Kefilwe Portia Monnatlale

Masters Researcher.

[PLEASE SCROLL DOWN TO COMPLETE THE INFORMED CONSENT FORM]

Appendix E: Research instrument



Dear Participant,

INSTRUCTIONS TO COMPLETE THIS QUESTIONNAIRE:

- Do not write your name, surname or any other personal details or numbers on this interview.
- The interview will not take longer than 60 minutes to complete.
- There is only 1 [one] answer per question.
- Please note that the information you provide in this section will remain confidential and will only be used for research purposes.

PLEASE TICK THE FOLLOWING BOX IF YOU CONSENT TO PARTICIPATE:

I hereby consent and understand that my participation is voluntary and anonymous, that the information will be kept strictly confidential and you are free to withdraw anytime if you feel uncomfortable.

INTERVIEW QUESTIONS-QUALITATIVE

**STRENGTHENING OF INTERNAL CONTROLS TO ENSURE COMPLIANCE WITH
THE LOCAL GOVERNMENT MUNICIPAL FINANCIAL MANAGEMENT ACT NO 56
OF 2003 (MFMA) IN MUNICIPALITIES: CASE OF THE CITY OF TSHWANE
MUNICIPALITY**

The primary aim of the study is to investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality.

SECTION A: PARTICIPANTS BIOGRAPHICAL INFORMATION QUESTIONS

This section of the interview refers to your biographical information.

1.1 What is your gender?

1.2 What age group are you in?

1.3 What is your educational level?

1.4 How long have you been working with the City of Tshwane Municipality?

INTERVIEW QUESTIONS-QUALITATIVE

SECTION B: RESEARCH OBJECTIVES QUESTIONS

Research objective 1: Investigating the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality

2.1 In your opinion, how is MFMA providing framework for sound sustainable management of the financial affairs in the City of Tshwane Municipality?

2.2 What is your perception on accounting officer developing policies of MFMA in the City of Tshwane Municipality?

2.3 In your experience, how effective is financial management leadership in the City of Tshwane Municipality?

2.4 What is your view on financial management systems dictated by MFMA in the City of Tshwane Municipality?



INTERVIEW QUESTIONS-QUALITATIVE

2.5 What is your perception on MFMA improving fiscal sustainability in the City of Tshwane Municipality?

2.6 What is your experience on MFMA laying down standards for transparent in financial management in the City of Tshwane Municipality?

2.7 What is your opinion on appropriate MFMA internal controls to ensure economic viability in the City of Tshwane Municipality?

2.8 What is your view on procurement forming part of the financial management in the City of Tshwane Municipality?

INTERVIEW QUESTIONS-QUALITATIVE

Research objective 2: Determining the barriers to the implementation of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality

3.1 What is your understanding on budgetary control during budget implementation in the City of Tshwane Municipality?

3.2 What is your opinion on MFMA regulating budgetary processes of finance management in the City of Tshwane Municipality?

3.3 What is your view on budget allocation in the City of Tshwane Municipality?

3.4 What is your perception on budget reflecting community interests in the City of Tshwane Municipality?



INTERVIEW QUESTIONS-QUALITATIVE

3.5 What is your experience on realistic budget consistent with current performance in the City of Tshwane Municipality?

3.6 What is your opinion on MFMA regulating finance management planning in the City of Tshwane Municipality?

3.7 What is your view on MFMA improving processes for municipal planning in empowering Council to make informed decisions in the City of Tshwane Municipality?

3.8 How do you think on MFMA co-ordinating processes with the processes of organs of state in other spheres of government in the City of Tshwane Municipality?

Research objective 3: Establishing the problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality



INTERVIEW QUESTIONS-QUALITATIVE

4.1 What is your understanding on accurate financial reporting to the municipal council to facilitate an environment in which financial problems are reported in time in the City of Tshwane Municipality?

4.2 What is your opinion on internal control systems in financial reporting quality in the City of Tshwane Municipality?

4.3 What is your view on modified accrual basis accounting providing information useful for assessing short-term performance in the City of Tshwane Municipality?

4.4 What is your perception on full accrual accounting creating transparent disclosures of long-term obligations in the City of Tshwane Municipality?

INTERVIEW QUESTIONS-QUALITATIVE

4.5 What is your experience on financial audits detecting problems in the system of internal financial control in the City of Tshwane Municipality?

4.6 What is your opinion on audit committee acting on instances where management override internal control in the City of Tshwane Municipality?

4.7 What is your view on the municipal manager holding the primary legal accountability for financial management in terms of the MFMA in the City of Tshwane Municipality?

4.8 How do you think on MFMA determining financial management governance framework for municipal entities in the City of Tshwane Municipality?



INTERVIEW QUESTIONS-QUALITATIVE

Research objective 4: Identifying the impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on the municipalities' delivery of services to communities with reference to the case of the City of Tshwane Municipality.

5.1 What is your understanding on the City of Tshwane Municipality possessing necessary financial capacity to meet service responsibilities?

5.2 What is your opinion on implementation of internal controls along the revenue value chain aiding effective revenue collection in the City of Tshwane Municipality?

5.3 What is your view on MFMA framework emphasizing the prevention of unauthorized expenditure in the City of Tshwane Municipality?

5.4 What is your perception on credit control in the City of Tshwane Municipality?



INTERVIEW QUESTIONS-QUALITATIVE

5.5 What is your experience on MFMA safeguarding assets in the City of Tshwane Municipality?

5.6 What is your opinion on MFMA putting in place a municipal borrowing framework in the City of Tshwane Municipality?

5.7 What is your view on funds derived from borrowing utilised in financing infrastructure in the City of Tshwane Municipality?

END OF THE QUESTIONNAIRE

THANKING YOU FOR YOUR COOPERATION

PARTICIPANT INFORMATION SHEET

Ethics clearance reference number:

7th September 2022

Title: Strengthening of Internal Controls to Ensure Compliance with the Local Government Municipal Financial Management Act No 56 of 2003 in Municipalities: Case of The City of Tshwane Municipality

Dear Prospective Participant

My name is Kefilwe Portia Monnatlale and I am doing research with Mr Buti Clement Lekonyane, a lecturer in the Department of Public Administration and Management towards a Masters degree at the University of South Africa. We are inviting you to participate in a study entitled:

Strengthening of Internal Controls to Ensure Compliance with the Local Government Municipal Financial Management Act No 56 of 2003 in Municipalities: Case of The City of Tshwane Municipality

WHAT IS THE PURPOSE OF THE STUDY?

I am conducting this research to investigate the challenges facing the implementation of internal controls to ensure compliance with the Local Government Municipal Financial Management Act No 56 of 2003 (MFMA) in municipalities with reference to the case of the City of Tshwane Municipality. The internal control is a key element of financial management in all municipalities to improve the level of transparency and accountability in local government. MFMA is a decision-making structure or process that monitors and controls the finances of local government in order to achieve desired goals. The MFMA provides theoretical framework for sound and sustainable management of the financial affairs of municipalities

This study is expected to collect important information that could offers new empirically grounded knowledge to the municipalities with reference to the case of the City of Tshwane Municipality. The government practitioners will find value in understanding the implementation

of internal controls to ensure compliance with the MFMA in municipalities through this study and how it will affect their practice.

WHY AM I BEING INVITED TO PARTICIPATE?

You are invited to participate in this study due to your knowledge and experience regarding the challenges facing the implementation of internal controls to ensure compliance with the MFMA at the City of Tshwane Municipality. Your contact details were established by information provided by the City of Tshwane Municipality Human Resource Department. The characteristics of municipal finance management team were deemed non-negotiable to ensure that the participants are conversant regarding the challenges facing the implementation of internal controls to ensure compliance with the MFMA at the City of Tshwane Municipality. The target population for this study is all 24 municipal finance management team of the City of Tshwane Municipality. This study will carry out semi-structured interviews concluding that data saturation will be reached.

WHAT IS THE NATURE OF MY PARTICIPATION IN THIS STUDY?

The research will gather rich data through face-to-face interviews in order to be able to probe, describe and explore the stories from research participants. This study will use semi-structured interviews to collect data. The questions for this study are structured in a semi structured format which will allow the researcher to probe or change questions depending on responses that will be obtained. The semi-structured interviews with the participants will be audio recorded for the purpose of detailed analysis after permission will be given to the researcher by the participants to audio record. Observations will be used in this study as a technique to collect data as data occurred during the interviews. The duration of the interviews conducted will range from 45 minutes to 1 hour.

CAN I WITHDRAW FROM THIS STUDY EVEN AFTER HAVING AGREED TO PARTICIPATE?

In this study, ethical issues are considered to ensure that research participants will be given the opportunity to freely participate in the study. Participants will not be coerced, manipulated or intimidated to take part in this study in any way.

Participating in this study is voluntary and you are under no obligation to consent to participation. If you do decide to take part, you will be given this information sheet to keep and be asked to sign a written consent form. You are free to withdraw at any time and without giving a reason. *[Do not mislead your potential participants by stating that they can withdraw*

from a research project at any time if the project involves the submission of non-identifiable material such as questionnaires. Explain clearly to them that it will not be possible to withdraw once they have submitted the questionnaire. Please note that this will depend on the nature of the questionnaire. Some questionnaires may clearly indicate the identity of the participant, but the researcher may have agreed to anonymise personal data. Thus, it may be possible to withdraw the data provided].

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

Your participation in this study will assist in determining the barriers to the implementation of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality. It will also assist to establish the problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality. Further, it will assist to identify the impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on the municipalities' delivery of services to communities with reference to the case of the City of Tshwane Municipality.

ARE THERE ANY NEGATIVE CONSEQUENCES FOR ME IF I PARTICIPATE IN THE RESEARCH PROJECT?

The study is categorized as low risk. The participants are assured that the involvement in the study will not bring harm to participants. The research participants in the study will be non-discriminative and none of the participants will be discriminated against based on religion, gender, ethnic group, socio-economic status, educational background or any other factor.

WILL THE INFORMATION THAT I CONVEY TO THE RESEARCHER AND MY IDENTITY BE KEPT CONFIDENTIAL?

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HAS THE STUDY RECEIVED ETHICS APPROVAL?

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If you would like to be informed of the final research findings, please contact the researcher Kefilwe Portia Monnatlale on 0767233577 or via email on 61185655@mylife.unisa.ac.za. The findings are accessible for a period of five (5) years after completion.

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Thank you for taking time to read this information sheet. To agree to partake in the study, kindly scroll to the next page to sign the informed consent form.

Thank you.



Kefilwe Portia Monnatlale

Masters Researcher.

[PLEASE SCROLL DOWN TO COMPLETE THE INFORMED CONSENT FORM]

Appendix E: Research instrument



Dear Participant,

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INTERVIEW QUESTIONS-QUALITATIVE

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THE LOCAL GOVERNMENT MUNICIPAL FINANCIAL MANAGEMENT ACT NO 56
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The primary aim of the study is to investigate the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality.

SECTION A: PARTICIPANTS BIOGRAPHICAL INFORMATION QUESTIONS

This section of the interview refers to your biographical information.

1.1 What is your gender?

1.2 What age group are you in?

1.3 What is your educational level?

1.4 How long have you been working with the City of Tshwane Municipality?

SECTION B: RESEARCH OBJECTIVES QUESTIONS

Research objective 1: Investigating the challenges facing the implementation of internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality

2.1 In your opinion, how is MFMA providing framework for sound sustainable management of the financial affairs in the City of Tshwane Municipality?

2.2 What is your perception on accounting officer developing policies of MFMA in the City of Tshwane Municipality?

2.3 In your experience, how effective is financial management leadership in the City of Tshwane Municipality?

2.4 What is your view on financial management systems dictated by MFMA in the City of Tshwane Municipality?



INTERVIEW QUESTIONS-QUALITATIVE

2.5 What is your perception on MFMA improving fiscal sustainability in the City of Tshwane Municipality?

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2.7 What is your opinion on appropriate MFMA internal controls to ensure economic viability in the City of Tshwane Municipality?

2.8 What is your view on procurement forming part of the financial management in the City of Tshwane Municipality?

INTERVIEW QUESTIONS-QUALITATIVE

Research objective 2: Determining the barriers to the implementation of budget internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality

3.1 What is your understanding on budgetary control during budget implementation in the City of Tshwane Municipality?

3.2 What is your opinion on MFMA regulating budgetary processes of finance management in the City of Tshwane Municipality?

3.3 What is your view on budget allocation in the City of Tshwane Municipality?

3.4 What is your perception on budget reflecting community interests in the City of Tshwane Municipality?



INTERVIEW QUESTIONS-QUALITATIVE

3.5 What is your experience on realistic budget consistent with current performance in the City of Tshwane Municipality?

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3.7 What is your view on MFMA improving processes for municipal planning in empowering Council to make informed decisions in the City of Tshwane Municipality?

3.8 How do you think on MFMA co-ordinating processes with the processes of organs of state in other spheres of government in the City of Tshwane Municipality?

Research objective 3: Establishing the problems to the implementation of financial management reporting internal controls to ensure compliance with the MFMA in municipalities with reference to the case of the City of Tshwane Municipality



INTERVIEW QUESTIONS-QUALITATIVE

4.1 What is your understanding on accurate financial reporting to the municipal council to facilitate an environment in which financial problems are reported in time in the City of Tshwane Municipality?

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INTERVIEW QUESTIONS-QUALITATIVE

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INTERVIEW QUESTIONS-QUALITATIVE

Research objective 4: Identifying the impact of the challenges facing the implementation of internal controls to ensure compliance with the MFMA on the municipalities' delivery of services to communities with reference to the case of the City of Tshwane Municipality.

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5.4 What is your perception on credit control in the City of Tshwane Municipality?



INTERVIEW QUESTIONS-QUALITATIVE

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5.6 What is your opinion on MFMA putting in place a municipal borrowing framework in the City of Tshwane Municipality?

5.7 What is your view on funds derived from borrowing utilised in financing infrastructure in the City of Tshwane Municipality?

END OF THE QUESTIONNAIRE

THANKING YOU FOR YOUR COOPERATION