

# THE ROLE OF COUNCIL COMMITTEES IN PROMOTING FINANCIAL ACCOUNTABILITY: A CASE STUDY OF STELLENBOSCH MUNICIPALITY

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A mini-thesis submitted to the School of Government Faculty of Economic and Management Science, University of the Western Cape, in partial fulfilment of the requirements for the degree of Master in Public Administration.

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## KEY WORDS AND / OR PHRASES

Municipality

Good governance

Elected representative

Municipal Council Committees

Municipal Administration

Financial Accountability

Budget process

Legislative Authority

Executive Authority

Budget financial accountability

Public resources



## ABSTRACT

Municipal councils are vested with the legal authority to promote financial accountability in their respective municipalities. To accomplish this responsibility, municipal council establishes committees to enable a structured and coordinated mechanism through which it can promote financial accountability effectively. However and despite the available legal and institutional mechanisms established to enable council committees to promote financial accountability, the lack of effective financial accountability in municipalities has persisted. This study focused on the role of council committees in ensuring financial accountability. It was guided by the following research questions: What are the major factors that contribute to financial accountability at local level, what is the role of council committees in promoting financial accountability and how can council committees be strengthened to play an effective role in Stellenbosch municipality's municipal financial accountability. Stellenbosch Local Municipality was used as a case study for this research. The data was collected from primary and secondary sources. Primary data was sourced from members of relevant council committees through structured and unstructured interviews. Secondary data was obtained from relevant municipal reports, internet sources, government department publications, journals and Auditor - General's reports which contributed to the reliability, validity and objectivity of the findings. The findings showed that political instability, a lack of a culture of accountability, lack of clearly defined authority for accountability, lack of relevant capacity and willingness are some of the major factors that have impacted negatively on council committees from promoting effective financial accountability. The study opens up the possibility of future research to include a wider number of municipalities.

## DECLARATION

I declare that the role of council committees in promoting financial accountability a case study of Stellenbosch municipality is my own unaided work, that it has not been submitted for any degree or examination in any other university, and that all resources I have used or quoted have been indicated and acknowledged as complete references.

Fundiswa Miso

October 2011

Signed.....



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## Abbreviations

AC:	Audit Committee
AG:	Auditor-General
AFS:	Annual Financial Statements
ANC:	African National Congress
DA:	Democratic Alliance
FA:	Financial Accountability
GG:	Good Governance
KCA:	Kayamnandi Community Association
MSA:	Municipal Systems Act
MFMA:	Municipal Finance Management Act
MSA:	Municipal Structures Act
MPAC:	Municipal Public Accounts Committee
OC:	Oversight Committee
PAC:	Public Accounts Committee
PEFA:	Public Expenditure and Financial Accountability Program
SA:	South Africa
SCOPA:	Standing Committee on Public Accounts
UDM:	United Democratic Movement
WC:	Western Cape



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# Chapter One: Introduction and Background

## 1.1 INTRODUCTION

This study focuses on the legislative oversight role and responsibilities of municipal council committees at the local sphere in South Africa, Western Cape and specifically in Stellenbosch Municipality to ensure policy implementation and accountability. This chapter provides the background to the study, the research question and objectives guiding the research. It explains the reasons for using the specific research methodology and the collection of data and the analysis thereof.

## 1.2 BACKGROUND TO THE STUDY

Post 1994 the South African state was reconfigured into three spheres, national, provincial and local to give effect to the Constitution of 1996. Constitutional powers were bestowed on each of these spheres (South Africa, 1996). Local government in particular for the first time in the history of South Africa was constitutionally empowered as autonomous or independent spheres of government. The local sphere of government by default is viewed as the delivery arm of the government. In the main this is because the local level is nearest to people and therefore perceived to be solely responsible for the delivery of basic services. Many of the service delivery deficiencies rightfully or wrongfully are placed at the door of local government.

During the up run to the 2011 municipal election community service delivery protest was directed at local government. Politicians and communities alike pointed fingers at the local level for failing to deliver on its constitutional mandate (Cape Times April, 2011). Local government undeniably has an important role to fulfill in the democratic system that emerged in post-apartheid South Africa. The transformation of local government probably had been the largest undertaking within the entire democratic transformation process since 1994. (State of Local Government in South Africa, Overview Report, 2009: 12).

The number of municipalities had been reduced from 1200 to 283 over a six year period. Previously an autonomous municipality has been merged with one another. The merged institutions were fraught with organisational challenges, amongst other different policies, financial and human resource capacity constraints as well as different management systems. Accompanying these was national pressure placed on municipalities to play a meaningful role in redressing the past inherited service delivery inequalities. These pressures were exerted through the promulgation of national legislations such as Local Government: Municipal Systems Act 32 of 2000 Section 4 (2) (f) to direct the affairs of the local level. The major challenges for the newly established municipalities were to deliver services and to simultaneously consolidate organisationally.

Many municipalities due to capacity constraints and institutional challenges failed to live up to the constitutional expectations resulting in many people not being much better off than under the apartheid regime. South Africa's municipal councils are seen as cornerstones of local democracy and legitimacy. As local elected assemblies, municipal councils are key structures endowed with the law making, representation and financial accountability powers

and functions in terms of section 151 of the Constitution of Republic of South Africa(RSA), 1996 (Act 108 of 1996).

The combination of these functions position municipal councils to play a critical role in ensuring accountability of the executive and bureaucratic structures of the municipality.

The municipal council's authority to promote financial accountability is of immense importance considering the limited financial resources in municipalities. Municipal Council legislative oversight had been delegated to Section 79 Council Committees. Section 79 Council Committees are established in terms of Municipal Structures Act of 1998 (Act 117 of 1998) to act on behalf of the council. The number of Council Committees varies within municipalities and is chaired by the political head. The committees comprise of politicians and elected public representative. The delegated responsibilities of these sections 79 Council Committees are to ensure administrative accountability for the implementation of council policy (Local Government: Municipal Structures Act of 1998 (Act 117 of 1998)).

As a result of the intense criticism directed at local government for failing to deliver on its Constitutional mandate, a necessity arises for in-depth study to assess the role of Municipal Council Committees in ensuring policy implementation and accountability. Similarly, there is a need to identify and develop an understanding of the factors that negate the effectiveness of these council committees.

### 1.3 RESEARCH STATEMENT

The need to exercise good governance obligates the municipal council to promote financial accountability of the executive and administrative structures. This is supported by various legal arrangements such as Section 152 (1) of the Constitution which vests the municipal council with the authority to promote financial accountability. It was envisaged that by entrenching the municipal council as the ultimate structure for ensuring financial accountability it will contribute towards sound financial management, responsiveness and accountability (Krafchick & Wehner, 1998:2). However, and despite the legally prescribed and accountability induced environment, the recent National State of Local Government Assessment Overview Report revealed that lack of financial accountability is still a major challenge in municipalities (Cooperative Governance & Traditional Affairs, 2009:10).

While the municipal financial management challenges such as corruption, underspending, overspending, procurement irregularities implicate the municipal council, executive and the administrative structures, a greater deficit has been observed on the part of the municipal councils (Cooperative Governance & Traditional Affairs, 2009:10). These challenges persisted despite the establishment of committees that are supposed to assist the municipal council to promote financial accountability. However, it is the contention of the researcher that there are some underlying complicit factors that have not been sufficiently explored.

It is has become necessary to identify these factors in order to contribute towards the search for possible solutions. Ideally, a meaningful attempt to search for possible solutions should assist in identifying the factors that negatively affect municipal council and particularly the relevant council committees from promoting financial accountability. Therefore, a comprehensive study on the role of the council committees in ensuring financial accountability is necessary. This will enable an informed assessment of the council committees in respect of financial accountability. While this will contribute towards building the necessary literature on municipal financial accountability, it will also facilitate constructive and practical solutions to the challenges or failure to exercise effective municipal financial accountability

#### **1.4 RESEARCH QUESTION**



The study is guided by the following research questions:

1. What are the major underlying factors that contribute to financial accountability at the local level?
2. What is the role of council committees in promoting financial accountability?
3. What are the strength and weaknesses of Stellenbosch municipality's municipal council committees?
4. How can council committees be strengthened to play an effective role in Stellenbosch municipality's municipal financial accountability?



## 1.5 OBJECTIVES OF THE STUDY

The objectives of the study are:

- a) To analyse the legislative and regulatory framework that guides local financial accountability in South Africa.
- b) To contextualize the role of the council committees to ensure effective and efficient financial accountability.
- c) To identify key factors that impact positively and negatively on the role of the council committees entrusted with the responsibility to promote financial accountability.
- d) To put forward recommendations based on the findings and analysis of the research.



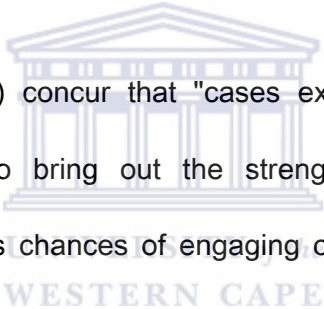
## 1.6 SIGNIFICANCE OF THE STUDY

The proposed research is significant for the following reasons; the study will contribute to the discourse on the legislative oversight role of Council committees in relation to financial sustainability and management of local resources. It will provide valuable insights into financial accountability deficiencies and contribute to strengthening policy formulation thereof. The findings of the research will enable policy makers and Stellenbosch Municipality to develop appropriate interventions to deal with the current financial weaknesses at the local level.

## 1. 7 METHODOLOGY

### 1. 7.1 RESEARCH DESIGN

The study is a qualitative one and the case study research design is the most appropriate to answer the research questions posed. It enables the researcher to carry out an empirical inquiry of the role of Council Committees and their operations in their own setting (Yin 1981: 97-114). In addition, Bryman (1995: 27) states that a case study is suitable in a "study that is focus on understanding areas that are not well documented". Yin (2003:13) further indicates that a case study approach is useful when the study, such as this one, investigates "the what questions".



Bless & Higson-Smith (1995:43) concur that "cases expose the operational reality of organisations and allow one to bring out the strengths and weaknesses of such organisations and enhance one's chances of engaging or suggesting remedial action of such organisations". The design is suitable since the study should benefit from an in-depth and holistic analysis of the role of the municipal council committees in promoting financial accountability. Similarly, understanding the role of municipal council committees in promoting financial accountability will require flexibility and critical engagement with the phenomena that is offered by a qualitative method (Durrheim, 1995:43). The qualitative method allowed the researcher to adequately assess the role that which the municipal council and its respective committees played in ensuring and promoting financial accountability. Consequently, the use of the qualitative methodology enabled the researcher to observe the operations of the municipal council committees in their own setting.

The triangulation methodology or multiple sources methods was used to enhance the validity, reliability and the objectivity of the findings and recommendations. In order to achieve the research objectives data was collected from multiple sources. The data was collected from primary and secondary sources. Primary data was sourced from members of relevant council committees through structured and unstructured interviews. The questionnaire was the major data collection instrument used to guide the interviews. The interviews were held with Council Chairpersons and members of the committees. Secondary data was obtained from relevant municipal reports, internet sources, government department publications, journals and Auditor-General's reports.

### **1.7.2 SCOPE AND DELIMITATION OF THE STUDY**

The locus of the study was the Stellenbosch Local Municipality. The study in particular focused on the Section 79 Committees, namely, Oversight Committee and Audit Committee established in terms of the Municipal Structures Act (117 of 1998). This is because these committees are established by the municipal council to specifically promote or facilitate financial accountability. The Municipal Public Account Committee will not receive much attention due to the fact that Stellenbosch Municipality did not establish such a committee. The study will not cover the executive and administrative structures of the municipality. Likewise the external financial accountability structures such as National and Provincial Standing Committees on Public Accounts, the Auditor-General and the Provincial Treasury will not receive attention in this study. Whilst the immediate focus of the study is on the two above- mentioned committees, this does not however imply that other statutory structures are insignificant players in the promotion of financial accountability.

### 1.7.3 STRUCTURE OF THE STUDY

The study is structured into six distinctive but interrelated chapters:

**Chapter 1** outlines the background, research statement, research objectives, methodology, research design, scope and delimitation, significance of the study and structure of the study.

**Chapter 2** The chapter is divided into two sections. The first section discusses the legislature's role in financial accountability. The second section uses the available literature to discuss the concept of accountability and financial accountability.

**Chapter 3** The chapter provides an overview of the legislative and regulatory framework within which municipalities in South Africa function and the principles of accountability.

**Chapter 4** The chapter explores the design and methodology followed during fieldwork. The use of the qualitative research method is motivated as well as the choice of the case study approach.

**Chapter 5** The chapter provides a background overview of the Stellenbosch Municipality, as well as the research findings based on the interviews conducted.

**Chapter 6:** The chapter presents the analysis of the data collected in order to bring clarity to the research questions posed and recommendations.

# CHAPTER 2: THEORETICAL FRAMEWORK AND APPROACHES ON FINANCIAL ACCOUNTABILITY

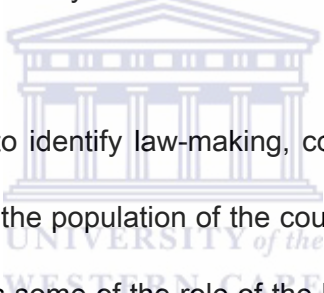
## 2.1 INTRODUCTION

Most modern democratic governments have constitutionally established legislatures, executive and administrative structures. In most of these countries, legislatures have the constitutional mandate to serve as legitimate representatives for the electorate. In an effort to make legislatures meaningful players, they have an oversight role to enforce accountability of the executive. Therefore, the establishment and effective functioning of the legislature is extensively considered as the necessary condition for financial accountability and good governance in general. Furthermore, legislative committees are key institutional mechanisms and processes used by the legislature to exercise financial accountability over the executive.

The chapter discusses the establishment, role and processes used by committees to promote financial accountability over the executive. The main objective of the chapter is to provide a context and the theoretical grounding to be used to assess the role of council committees in promoting financial accountability.

## 2.2 THE LEGISLATURE AND FINANCIAL ACCOUNTABILITY

A broad definition of the concept of legislature is the body of elected representatives. Polsby (1975:36) defines the legislature as the formal assemblies of elected representatives. Similarly, Mezey (1979:10) concurs that legislatures are a popularly elected representatives who hold their position as a result of an election. Legislatures are widely regarded as the representatives of the people with the legitimate claim to participate in matters affecting the welfare of the people. As representatives of the people, legislatures are often entrusted with constitutional and or political activities which include law-making and accountability. Mezey (1979:43) supports this argument by identifying “law-making, representation and oversight” as the key functions of the legislature.



Borthwick (2002:4) goes further to identify law-making, controlling of raising of taxes and spending of money, representing the population of the country and possibly influencing the composition of the government as some of the role of the legislature. Since this role serve as the foundation for a parliamentary democracy to flourish, it can be argued that the legislature has the “ultimate responsibility for good governance and promoting a culture of accountability” (Sahgal, 2001:3). Generally, the aspect of good governance has influenced the nature of the relationship between the legislature and the executive by putting the checks and balances that regulate how each branch exercise their powers. This relationship has made accountability an essential requirement.

As Sahgal (2001:4) observed, “accountability is not optional in democracy as it is a “price paid in exchange for the power and delegation of authority”. The legislature has the power to make the executive account for its actions. The legislature it is believed has the ability to

illicit as well as enforces “responsible behaviour from government (Ahmed, 2000:16). He goes further to state that accountability in general is likely to promote the main values of financial accountability such as honesty, productivity and fairness.

In view of the above, it can be argued that the legislature has the right to represent the people in ensuring that the public financial resources are used effectively and efficiently. This argument is supported by Jibo (2000:3) who infer that the oversight function of the “financial behaviour” is monitored, supervised and controlled by the legislature. The legislature has an important role to play in ensuring financial accountability. In some countries, financial accountability is exercised as a deliberative function of the legislature whereby, it is a constitutional requirement for the legislature to approve appropriations and taxation in order to be lawful (Dobell & Ulrich, 2002:34).



Thus, it will be correct to conclude that financial accountability is an essential part of the oversight function of the legislature. The concepts such as the ‘power of the purse and stewardship of public money” clearly highlight the power of the legislature to “the right to give prior approval to rising of finance through taxation, the right to approve the total and allocations of expenditure of public funds and the right to control the execution of the expenditure” (Dicey, 1960:447). Following on Dicey’s assertion, many legislatures in developed and developing countries play a role in financial accountability. Legislative financial accountability refers to supervision, ensuring accountability and oversight of the legislature over the utilisation of the public finances by the executive structures and the administration.

## 2.3 DEFINITION OF ACCOUNTABILITY AND FINANCIAL ACCOUNTABILITY

Accountability has become a critical part of public governance. As a concept that originally emerged as an element of public finance management (i.e. “computing and giving account for the expenditure of public funds” (Redlynch, 2001:15). The concept of accountability now goes beyond the domain of public finance and applies to a wide array of important decisions and authorities that are responsible for making those decisions. At the centre of the concept of accountability is the checking and balancing of potential abuse of power by public officials with the objective of limiting the potential for corruption of public offices and officials.

The domain of accountability has, however, expanded through time, from the proper exercising of power to include accountability for improving the efficiency and reducing waste in carrying out public programmes. It also expanded “to focus on the effectiveness of government in meeting publicly desired outcomes for programmes and operations” (Community Law Centre: 2008).

Griffith, (2005: 10) argues that accountability is acknowledged to be ‘a notoriously imprecise term. The relevant academic literature typically spends some time explaining both what it is and what it is not. As to what is, as good as starting point as any is the approach adopted in the 2001 Sharman Report which divides the notion of accountability into four aspects:

- giving an explanation - through which the main stakeholders ( for example Council are advised about what is happening, perhaps through an annual report, outlined performance, and capacity;



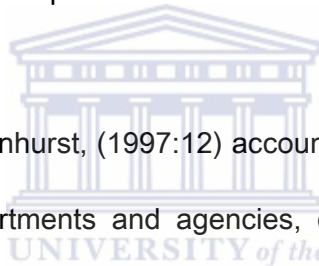
- providing further information when required – where those accountable may be asked to account further, perhaps by providing information ( e.g. to a select committee) on performance, beyond accounts already given;
- reviewing, and if necessary revising – where those accountable respond by examining performance, systems or practices, and if necessary, making changes to meet expectations; and
- granting redress or imposing sanctions – if a mechanism to impose sanctions exists, stakeholders might enforce their rights on those accountable to effect changes.

A similar definition is given by Ghutto (2007: 8) who state that accountability is a social relationship where an actor (an individual or any agency) feels an obligation to explain and justify his or her conduct to some significant other (the accountability form, accountee, specific person or agency). He argues further that accountability is the hallmark of modern democratic governance; democracy remains cliché if those in power cannot be held accountable in public for their acts or omissions, for their decisions, their expenditures or policies. Historically, the concept of accountability was closely linked to accounting in the financial sense. It has however moved far beyond its origins and has become a symbol of good governance both in public and private sector.

Ghutto (2007:8) further argues that accountability refers to institutionalised practices of giving account of how assigned responsibilities are carried out.

From available literature, we can state that the functions of accountability include the following:

- to enhance the integrity of public governance in order to safeguard government against corruption, nepotism, abuse of power and other forms of inappropriate behavior;
- as an institutional arrangement, to effect democratic control;
- to improve performance which will foster institutional learning and service delivery;
- in the sense of transparency, responsiveness, answerability, it is meant to assure public confidence in government and bridge the gap between the governed and government and ensure public confidence in government; and
- to enable the public to judge the performance of the government by the government giving account in public.



According to Dye and Stephenhurst, (1997:12) accountability is a process that subjects a form of control over departments and agencies, causing them to give a general accounting for their actions. “Etzioni, (1975: 279) is of the view that there are three meanings associated with the term accountability:

- a. greater responsibility to elected members
- b. greater responsiveness to community groups
- c. greater commitment to “values and higher standards of morality.

We could therefore argue that accountability is a process whereby people entrusted with resources are required to give account of their stewardship to the relevant stakeholders and this may or may not be required by legislation.

Financial accountability is simply defined as the duty or liability to give account on financial matters. Scott, (2000:40) state that accountability is “a liability to reveal, to explain, and to justify what one does; how one discharges responsibilities, financial or others, whose several origins may be political, constitutional, hierarchical or contractual”. Along the same line, Rabrenovic (2009:30) defines financial accountability as “answerability or justification for one’s actions and behaviour”.

Redlynch, (2001:15) also state that financial accountability is about “responsible stewardship for use of public money.” The issue of responsible stewardship for the use of public money answers the ‘for what’ dimension of accountability. It furthermore clarifies the relationship issues embedded in the accountability relations between the council and the administration.



According to Brinkerhoff, (2001:10) financial accountability concerns tracking and reporting on allocation, disbursement, utilization of financial resources, using tools of auditing, budgeting and accounting. He asserts that this dimension of accountability deals with compliance with laws, rules and regulations regarding financial control and management.

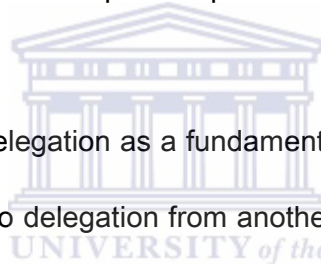
Having identified fiscal transparency as a pillar in the achievement of good governance, Asselin (1995:3) writes that:

“Financial accountability demands a properly functioning government accounting system for effective budgetary control and cash management; an external audit system which reinforces expenditure control by exposure and sanctions against misspending and

corruption, and mechanism to review and act on the results of audit and to ensure that follow-up action is taken to remedy problems identified.”

He argues further that “Without a well-functioning system of financial accountability, government efficiency is poor, the probability of corruption increases greatly and the prospects of economic growth and development is impaired.”

As Dwivedi & Jabbra (1989:5) conclude that “financial accountability in its core sense is a democratic accountability, as a relationship is established between the government and its citizens, where citizens, through direct or indirect means and institutions are holding the government to account for the stewardship of the public money.



The above definitions highlight delegation as a fundamental issue. It can be assumed that one is obligated to account due to delegation from another body. Therefore, the body that delegates has the responsibility to ensure that duties or functions as delegated have been performed as intended. In other words, the body or person who has been entrusted with delegated authority has the obligations to give account.

In view of the above, Rabrenovic (2009:40) define the concept of financial accountability as “the means of ensuring that public money has been used in a responsible and productive way. It is about verification of legality and regularity of financial accounts, but also about making sure that the value for money has been achieved in the use of resources”.

Understanding the concept of financial accountability requires clarity on terms such as public money, stewardship of public money, proper and productive use of public resources.

For example, Rabrenovic, (2009:40) state that public money is all the money raised by government in the form of taxes, fees and charges borrowed by government. Regarding stewardship of public money, Rabrenovic provides that it is an expectation and requirement that public money is spent in accordance with existing laws, regulations and principles. In terms of the concept of value for money, Rabrenovic, (2009:41) state that the obligation rests with public bodies to make the best use of the resources.

The executive structures play a dominant role in financial matters of government (Wehner, 2003:29). The dominant role in the financial matters is as the result of the expertise and information held by the administration. Similarly, being dominant in the formulation and implementing stages of the budget, gives the executive an advantage over the legislature. Following the above discussion, it is logical for the councils to establish internal mechanisms for financial accountability. The essence of internal mechanisms is the presence of a hierarchical line of accountability between the political executive, such as the councillors and officials. The councillors and the political executive are empowered to account on behalf of the municipality. Most countries have some systems of financial accountability which are intended on strengthening the control of the Treasury over spending departments Rabrenovic, (2009:67). In this arrangement, the Treasury is responsible for holding spending department accountable.

Ahmed, (2000:8) argues that in most cases the existing internal mechanisms used to facilitate financial accountability are “defective”. According to him, there is a complete breakdown of internal control mechanisms as evidenced by a number of irregularities and

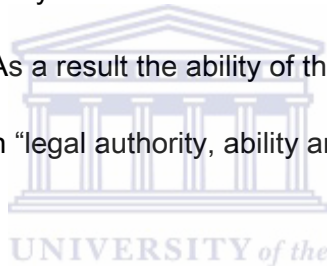
incidents of maladministration in public expenditure. Ahmed (2000:9) goes further to state that internal financial accountability mechanisms are weak and that accounting officers have failed to take “ownership of the responsibility assigned by law”. To remedy weak internal mechanisms of financial accountability, Rabrenovic (2009:65) proposes a “strong interlink between the internal and external financial mechanisms such as those exercised by the legislature and Auditor-General.

According to Rabrenovic, interlink between legislative and executive mechanism will bring about “about external political and public accountability as well as internal” managerial or administrative” accountability, which is useful in building trust and consensus among all key stakeholders. The distinction between political and administrative accountability is very useful in financial accountability. In a democracy, political accountability is exercised by the legislature on behalf of the people. Accordingly, the legislature as the elected body is mandated to hold government as the political executive structure accountable for use of public financial resources. On the other hand, administrative accountability is about the various control mechanisms internally within government departments. Both the internal and external mechanisms facilitate an effective complementarity relationship are critical to promoting effective financial accountability. This argument is supported by Rabrenovic (2009:44) statement that the financial accountability is a relationship between the government and the legislature in “securing and safeguarding public money”.

According to Rabrenovic (2009:51) appropriate mechanism are necessary for the legislature to ensure that the executive behaves in accordance with the approved budget. Thus, the appropriate mechanisms assist in ensuring that legislatures are not marginalised,

that activities such as financial scrutiny is not ad-hoc but systematic and most fundamentally that the role of the legislature in exercising financial accountability become culture and not perceived as an unnecessary intrusion by the executive ( Martinez – Soliman , 2003:5).

There are various mechanisms available to legislature to use when exercising financial accountability. According Krafchik & Wehner (2002:2) mechanisms such as access to Information, Legislative budget Research, Legislative Committees, are some of the key mechanisms used by legislatures to exercise financial accountability. Cilliers, (1996:18) also note that financial accountability is the end result of a complex interrelated measures, laws, institutions and practices. As a result the ability of the legislature to exercise effective financial accountability depend on “legal authority, ability and attitude” of the legislature.



According to Ebo (2008:10) legal authority refers to the legal instruments available to empower the legislature to exercise financial accountability. These legal instruments can originate from the constitution and or from ordinary laws and regulations. Ability on the other hand, refers to the capacity of the legislature to hold the executive accountable over the financial matters.

Ebo (2008:10) identifies human, financial and technical resources as constituting the capacity of the legislature to exercise financial accountability. Lastly, attitude is regarded by Ebo (2008:10) as the “political drive” of the legislature for financial accountability. Similarly, attitude relates to the will of the elected representative to truly exercise government departments accountable. To implement financial accountability, legislatures must establish

appropriate processes and mechanisms. One of the key internal mechanisms and processes available for legislature to exercise financial accountability is committees. “Committees can provide an effective means of underpinning the authority of the legislature against the executive” in terms of how public financial resources are utilised (Rockman, 1984:415).

## 2.4 LEGISLATIVE COMMITTEES

Legislatures of modern democracies are complex institutions entrusted with huge responsibilities. The role of legislatures had grown substantially along that of government as a whole. Mattsson & Strom agree that legislatures have become “large and unwielding bodies “with variety of functions and responsibilities (1995:24). The nature and the amount of work performed by the legislature in terms of analysing, deliberating, and approving volumes of documents can be daunting for legislators.

Legislative committees are widely regarded as sub-groups or sub-division of the assembly or legislature. Wehner state that committees are small groups of legislators who are delegated, “on either a temporary or permanent basis” the responsibility to investigate issues in detail and propose policy changes (2009:29). Many of the activities of the legislature do not take place in the plenary Mattsson & Strom (1995:249). Accordingly, committees of the legislature are established to assist in transacting some of the business of the legislature. Davidson & Olleszek argue that committees are the “means through which legislatures shift through an otherwise impossible jumble of bills, proposal and issues” (1996:53).



Legislative committees are established for a variety of reasons which include institutional tasks such as law making, budgeting and administrative accountability. In addition to institutional tasks, legislatures establish committees to attend to “household” issues” Mattson & Strom, (1995:257). Specifically, committees are established for legislative purpose, financial purpose, investigative purpose and housekeeping purpose. It can be argued that the existence of committees is recognition that the legislature is often ill-prepared to engage in any meaningful detail its law-making, representation and oversight functions. Mattsson & Strom supports this argument when saying that legislative committees promote efficiency and productivity emanating from specialisation of committees and adequate time for committees to deliberate on issues (1995:249).

The significance attached to legislative committees is reflected in how they are regarded globally. For example in South Africa legislative committee are referred to as engine rooms, while in other countries such as Bangladesh, they are depicted as “miniature legislatures or microcosms of their parent bodies” (Strom, 1998:96). Equally, President Woodrow Wilson is quoted by Huitt as having described committees as “the very heart of law making process in the United States and that Congressional committee is Congress at work” (1954:340). The legislative committee is also recognised by Rabrenovic as a key financial instrument of the legislature to exercise financial accountability (2009:75). According to him, these committees are useful in examining the conformity of the executive to issues of “regularity, propriety and value for money”.

### **2.4.1 Factors Impacting on Legislative Committees Effectiveness in Promoting Financial Accountability**

It has been highlighted that effective financial accountability by legislatures require the creation of appropriate mechanisms. However, the existence of these mechanisms does not necessarily guarantee effective financial accountability. It is important that these mechanisms must be complemented by other factors to promote a culture of governance that facilitates a conducive environment within which legislatures can promote accountability in general and financial accountability in particular.

Ogul in Lees state, there are “opportunity factors that produce an oversight-maximising syndrome” 1977:196). According to Lees, factors like “legal authority, staff resources, committee structure, status of committee and cooperative relations with executive structures” have the ability to promote effective financial accountability. Similarly, in his articulation of the conceptual framework of legislative committees, Mahiuddin argues that the effectiveness of committees to perform their functions is dependent on the appropriate “political environment, committee structure and committee capacity” (2009:13).

Political environment refers to issues such as the political situation, nature of political parties and society. The committee structure on the other hand speaks to the authority, types and the establishment processes of committees. Committee capacity entails technical, financial and human resources at the disposal of the committees to carry out its responsibilities. Following Ogul and Mahiuddin’s above propositions, the factors that impact on the effectiveness of the legislative committees can be summarised as their structure, powers and procedures.

According to Mattson & Strom structures, procedures and powers of committees “impact the ways in which they foster or hinder the legislative effectiveness for financial accountability (1995:250).

#### **2.4.2 COMMITTEE STRUCTURE**

Different countries have established a variety and diverse committee. Mattson & Strom state that divergence is in terms of their functions, size, composition and institutionalization (1995:250). Similarly, committees have different structural features influenced by legal and political dynamics of a country. Legislative committee structure is prescribed and influenced by formal statutory instruments and internal Rules of the legislature. Formal statutory instruments include the constitution and other laws and regulations. Internal Rules are the prescriptions developed by the legislature to manage the business of the legislature and its committees.



The above view is supported by Mahiuddin when he state that the constitution, statutory regulation and the internal rules are the three key sources of committee organisation and their functioning (2009:22). Those that are established by the constitution are explicitly provided for by the provisions of the constitution. In certain instances the constitution will provide for the enactment of a law for the establishment of the committees. Similarly, the constitution will also provide for the legislature to establish measures to manage its internal business.

Considering that legislative committees are established for various reasons, there are therefore, permanent or standing committees and ad hoc committees. Mattson & Strom (1995:250) describe standing committees as “having a fixed membership and jurisdiction over the entire legislative term”. They also further identify ad hoc committees as having “no fix duration and generally dissolves after completion of their designated task”.

Mattson & Strom list the following committees available in different countries:

- a) Ad hoc committee: They consider a specific task;
- b) Permanent or standing committees: They have an entrenched role in all legislative processes; and
- c) Joint committees: A committee made up of members of both chapters of houses in a bicameral legislature.



### 2.4.3 POWERS OF COMMITTEES

In general, legislative committees are vested with powers to scrutinise proposed legislation as well as conducting accountability. According to Mahiuddin constitutionally established committees are generally accompanied by prescriptions on establishment as well as their jurisdiction (2009:22). He adds that the constitution prescribes for broad principles of issues such as “information acquisition”, the right to call members of the executive and the right to demand access to information.

The power or authority of committees is defined by their respective parent legislatures. In some instances, committees such as those dealing with financial matters are vested with the authority to “examine whether public money voted by the legislature has been spent in

accordance with the legislative intentions and with due regard to issues of regularity, propriety and value for money” (Schick, 1999:30).

According to Wehner committees generally perform the following functions:

- I. to advise the legislature after undertaking an inquiry or after members negotiate with each other;
- II. to inquire and advice; and
- III. to scrutinise and control, seeing whether and how a process is being performed.

#### **2.4.4 COMMITTEES PROCEDURE**

According to Wehner the manner in which legislative committees perform their functions is greatly influenced and governed by the nature of the “institution of which they form part” (2009:29). Accordingly, committees are expected to function in a non-partisan manner. Similarly, the effectiveness of the committees is dependent on how independent it is from the ruling majority party in the legislature.

The independence and impartiality of the committees, especially finance committees such as the Public Accounts Committees is achieved through legal and traditional legislative practices. One such prescription is that the chairperson of the committee must be a member of the opposition party Rabrenovic, (2009:76). The committee, especially the Public Accounts Committee uses measure such as the Auditor-General’s report and other special reports to summon, investigate, and engage through a hearing the elected representatives and officials.

Similarly, the committee has the authority to make recommendation and may impose sanctions Rabrenovic, (2009:77).

## 2.5 CHALLENGES EXPERIENCED BY LEGISLATIVE COMMITTEES

Friedberg in Stapenhurst, Pelizzo, Olson & Trapp, identify the following as structural and procedural failures characterising legislative committees (2008:217):

- I. Lack of overlap between committees and departments. Committees that cover a “wide variety of government activities is often unable to focus on, and gain in-depth expertise in, an area of a specific department”;
- II. The ability of factions to change committee members as desired. On this issue, they argue that procedures allow parties to change their committee representation whenever they wish resulting in opportunities to silence members who express independent opinions. Accordingly the removal of members’ impact negatively on the turnover of and consequently the committee is weakened; and
- III. Lack of binding status for committee decisions. Often committees lack the power to enforce their decisions or compel the department to implement their decisions. For example, in South Africa ministers have often failed to appear before the Standing Committee on Public Accounts or other committees of the legislature Friedberg in Stapenhurst, Pelizzo, Olson & Trapp (2008:217).

## 2.6 REQUIREMENTS FOR EFFECTIVE LEGISLATIVE COMMITTEES

Legislative committees responsible for ensuring effective financial accountability must have a deliberate focus on and interest in exercising substantive scrutiny over the financial affairs of government departments. To ensure effective oversight, committee members must be familiar with the role and understanding the budget process and content. Similarly, Rabrenovic suggests that members represented in committees must have the capacity to participate in the budget and finance hearings (2009:217).

Rabrenovic proposes the following as requirements for legislative committees responsible for ensuring financial accountability:

- I. There is a need to for establishing a special legislative committee that deals solely with financial accountability. According to Rabrenovic this will require changes of rules of procedure of the respective chamber;
- II. The committee members must be “extensively trained to in order to obtain the knowledge necessary to provide support to the legislature in exercising financial accountability;

The main aim of this committee should be to “enhance the oversight role by the legislature. Specifically, the focus of the committee should be to exercise vigorous scrutiny of the public expenditure continuously during the financial year (Wehner, 1955:3);

- III. The committees should be composed in a manner that promotes equitable representation of political parties in the legislature. However, an attempt must be made to minimise the political polarisation of the committees. Therefore,

constructive cooperation among members represented in the committee must be encouraged;

- IV. Rabrenovic is of the view that appointing a member of the opposition to chair the committee promotes robustness and independence of the committee (2009:218);  
and
- V. The committee must have the power to summon or call any person to testify before it. Similarly, the committee must have the authority to access relevant information from any person or government institution.

While the above are requirements of the committee dealing with financial accountability, it is still critical for all members of the legislature to have the necessary knowledge and information on financial accountability matters. In addition, the legislature should inculcate a culture of governance that promotes accountability, transparency and non-partisan approach to issue of financial accountability.

## **2.7 CONCLUDING REMARKS**

Financial accountability is a fundamental requirement for legislature's quest to promote good governance. Entrusted with the power to serve as custodians of public resources, legislature are developing and experimenting with various mechanisms to strengthen their efforts of ensuring that the spending of public money promotes stewardship and value for money. The key mechanism used by the legislature as evident in the literature review is legislative committees. Legislative committees, especially, finance or public accounts



committees are structures and vested with the necessary powers to ensure effective financial accountability.

However, these committees must be assisted with the necessary capacity, information and legal authority to exercise their role and responsibilities in an effective and efficient manner.



# CHAPTER 3: LEGISLATIVE AND POLICY FRAMEWORK PERTAINING TO THE STRUCTURES, POWERS AND FUNCTIONS OF COUNCIL COMMITTEES INVOLVED IN PROMOTING FINANCIAL ACCOUNTABILITY

## 3.1 INTRODUCTION

An objective of this study was to highlight the legislative and policy framework governing municipal council committees. This objective is informed by the fact the ability of the council to promote effective financial accountability over the executive and administrative structures is contingent on the establishment of appropriate council committees with adequate authority and resources



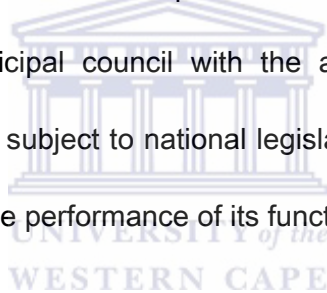
This chapter provides an overview of the South African legislative and policy framework governing council committees. It focuses on the legal and policy framework establishing and regulating the powers, functions and procedures of council committees responsible for financial accountability.

Accordingly, this Chapter discusses the relevant provisions of the Constitution, the Municipal Structures Act, Municipal Systems Act and the Municipal Finance Management Act. In addition, the chapter explains the processes undertaken by municipal council to establish and empower council committees to exercise financial accountability.

### 3.2 CONSTITUTIONAL FRAMEWORK

South Africa's founding values as provided by Section 1 of the Constitution of the Republic of South Africa, 1996, entrench the principle of accountability. This constitutional provision obligates all organs of state to provide a system of governance that promotes accountability. Enshrining accountability alongside other values such as "responsiveness and openness" the Section 1 of the Constitution elevates accountability as a basic requirement of an open democratic society.

With regard to the establishment of council committees, the Constitution locates that as the responsibility of the municipal council internal procedures. Specifically, Section 160 (1) of the Constitution vests the municipal council with the authority to "elect an executive committee and other committees subject to national legislation and may employ personnel that are necessary for the effective performance of its functions".

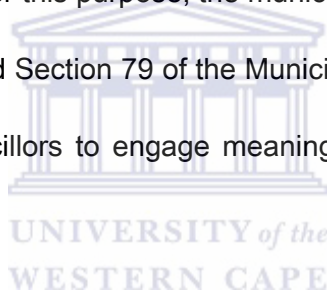


The above Constitutional provision on the establishment of council committees provides a much needed authority for these committees. The constitutionally establishment committees system is an indication of their significance and relevance in terms of transacting the business of the council effectively. In addition, the legal status of the committees is a core mechanism through which the council exercises accountability is significantly enhanced.

### 3.3 MUNICIPAL STRUCTURES ACT OF 1998 (MSA)

It must also be noted that the municipal council meetings do not often provide an adequate platform for detailed deliberation on issues. Due to stringent procedures governing the debate in the municipal council meetings, an in-depth discussion on issues tabled is insufficient to facilitate active and meaningful financial accountability for the executive and administrative structures.

Therefore municipal council establishes institutional mechanism that would provide non-executive councillors with spaces for in-depth deliberations on various issues impacting on their roles and responsibilities. For this purpose, the municipal council establish committees as provided for by Section 33 and Section 79 of the Municipal Structures Act (117 of 1998), to create opportunities for councillors to engage meaningfully with municipal governance and related issues.



To give effect to Section 160 (1) of the Constitution, the Municipal Structures Act 117 of 1998 provides for the establishment of various types of committees. Section 33 of the Municipal Structures Act establishes the criteria of the establishment of committee. In terms thereof the municipality “may establish a committee provided for in this act if

- the municipality is of a type that is empowered in terms of this Act to establish a committee of the desired kind;
- the establishment of the committee is necessary, taking into account
- the extent of the functions and powers of the municipality;

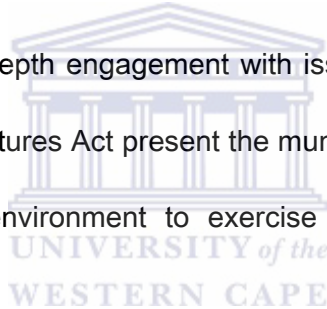
- the need for the delegation of those functions and powers in order to ensure efficiency and effectiveness in their performance;
- the financial and administrative resources of the municipality available to support the proposed committee; and
- In the case of the establishment of an executive committee, the municipality has more than nine councillors”

In addition, Section 79 (1) (a) to (e) and (2) (a) to (f) of the Municipal Structures Act makes provision for the establishment of committees in the municipality including council committees. According to this provision, the municipal council is vested with the authority to “establish one or more committees necessary for the effective and efficient performance of any of its functions or exercise of any of its powers and appoint the members of such committees from among its members (Section 79 (2) of the Municipal Structures Act (117 of 1998).” Furthermore, Section 79 (2) of the Municipal Structures Act (117 of 1998) prescribes that the municipal council:

- “ Must determine the functions of a committee;
- May delegate duties and powers of it in terms of section 59 of the Municipal Systems Act;
- May authorise a committee to co-opt advisory members who are not members of the council within the limits determined by the council;
- May remove a member of a committee at any time; and
- May determine a committee’s procedure”.

As indicated, both Section 33 and Section 79 of the Municipal Structures Act provide municipal council with adequate legal authority to shape the nature and content of the council committees. Consequently, municipal council can use Section 79 committees as one of the mechanisms to exercise financial accountability.

Similarly, it can be argued that it would be impossible for the municipal council to exercise proper accountability over the executive and the administration by reviewing all performance aspects related to the Integrated Development Plan (IDP), Budget, Performance Management and Service Delivery during its plenary processes. Therefore, there is a need for the council to establish committees for specialised and focused attention on specific issues to ensure in-depth engagement with issues. Therefore, Section 33 and Section 79 of the Municipal Structures Act present the municipal council with the necessary and an enabling governance environment to exercise accountability on all municipal functions.



### **3.4 MUNICIPAL FINANCE MANAGEMENT ACT**

Municipal Finance Management Act of 2003 (Act 56 of 2003) is the key legal authority regulating municipal finance and budgeting. The Municipal Finance Management Act is the cornerstone of municipal finance and it consist of four interrelated components, namely “planning and budgeting, revenue and expenditure, reporting and oversight” The Local Government Budget and Expenditure Review, (2008:157). In realising the accountability objectives of the Constitution and the Municipal Finance Management Act establish various mechanisms which include committees.

The Municipal Finance Management prescribes for the establishment of audit committees. Section 166 of the Municipal Finance Management Act provides for Audit Committee which must serve as an independent advisory structure to the municipal council. In terms of these provisions, each municipality must have an Audit Committee consisting of at least four persons and with the majority of members coming from outside the municipality. Councillors are not allowed to be members of the Audit Committee.

Though the Audit Committee is a separate arrangement from that established in terms of Section 79 of the Municipal Structures Act, it however, serves similar purpose of assisting the municipal council to exercise financial accountability over the executive and administrative structures. According to De Visser, Steytler & May (not dated: 14) the information generated by the Audit Committee is significant in enhancing the ability of the municipal council to promote financial accountability.



Regarding its ability to facilitate council oversight over the officials, the Audit Committee is appointed by the council to provide an “objective review of the municipality’s finances” (De Visser, Steytler & May (not date: 14). Being a committee of council, the Audit Committee provides councillors with information that empowers them for meaningful interaction with the executive and administrative structures. The most important element emerging from the role of the Audit Committee is its significance in facilitating opportunities for the municipal council to access or receive relevant information.

Furthermore, by reporting to the council about the committee's activities, issues, and related recommendations, the committees creates a practical avenue of communication between internal audit, the external auditors, and the municipal council. Thus, it can be argued that the Audit committee assists the councillors to exercise their financial oversight over the executive and administration.

### **3.5 OVERSIGHT COMMITTEE**

An Oversight Committee is one of the council committees consisting only of non-executive councillors. The council may determine and delegate powers and functions to the Oversight Committee. As a committee of a municipal council, an Oversight Committees is established for the detailed analysis and review of the Annual Reports and the drafting of an oversight reports that may be taken to full council for discussion" (MFMA Circular No 32, 2006:17). An Annual Report is a requirement placed on all municipal entities as a key reporting instrument for municipalities to report against performance targets outlined in their strategic plans. The report allows the committee members the opportunity to determine if the pre-determined budgetary plan has been implemented.

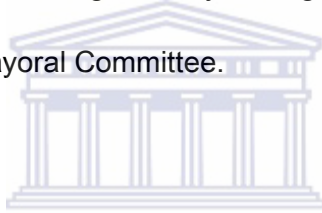
The MFMA Circular No 32 (2006: 17) suggests that "at the same time that the Oversight Committee is analysing the report in detail, other councillors should also be conducting their own review of the report." This entails councillors actively undertaking for the following activities:

- Invite, receive and consider inputs from ward committees and other relevant stakeholders;



- Consider written comments received on the Annual Report from the public consultation process;
- Conduct public hearing(s) to allow the local community or any organs of the state to make representations on the Annual Report; and
- Receive and consider Council's Performance Audit Committee views and comments on the annual financial statements and the performance report.

The above mentioned activities of the oversight committee would certainly facilitate active involvement of councillors in the process of scrutinizing Annual Report. Consequently, non-executive councillor's role would be significantly strengthened in ensuring performance from the Executive Mayor and Mayoral Committee.



### **3.6 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN**

A Service Delivery and Budget Implementation Plan (SDBIP) is provided for in terms of Section 69 (3) (a) & (b) of the Municipal Finance Management Act (56 of 2003). It is defined as a management, implementation and monitoring tool that provides in year information for all key stakeholders in municipal governance. In terms of the MFMA Circular No 13 (2005:2), the SDBIP is submitted for final approval by the Mayoral /Executive Mayor within 14 days of the approval of the budget and it is used to “monitor the execution of the budget, performance of Senior Management and the achievement of strategic objectives set out by Council”.

The SDBIP makes the following information available:

- Monthly Projections of Revenue to be Collected for each Source;
- Monthly Projections of Expenditure and Revenue for each Vote;
- Quarterly Projections of Service Delivery Targets and Performance Indicators; for each Vote; and
- Detailed Capital Budget Broken Down by Ward over 3 years.

The above components should produce comprehensive information that would be strategic for councillors to exercise effective oversight over the administration. As indicated by De Visser the SDBIP is a hands-on implementation plan that the council can hold the executive and administration accountable for". The SDBIP makes available information on the output and goals that will be used to measure performance on a quality basis during the financial year (MFMA Circular No. 13, 2005: 4). Accordingly, the SDBIP serves a critical role to focus the council on outputs by providing clarity of Service Delivery Expectations, Expenditure and Revenue Requirements, Service Delivery targets and performance indicators.

### **3.7 MUNICIPAL PUBLIC ACCOUNTS COMMITTEES**

The establishment of Municipal Public Accounts Committees (MPAC) is a recent practice adopted by some municipalities to strengthen their municipal council's oversight duties over the executive and administration. In the case of the City of Johannesburg, the MPAC is mandated to investigate any cases of alleged fraudulent activities, corruption and mismanagement, and is empowered to access any information required for these

investigations ([www.joburg.org.za](http://www.joburg.org.za)). Similarly, the City of Cape Town has established the Municipal Standing Committee on Public Accounts (MSCOPA) to “review the Auditor-General’s Annual Report and also when instructed by the council or on its own initiative, to investigate and advise Council in respect of unauthorised, irregular or fruitless and wasteful expenditure” ( City of Cape, 2008:122). As in the case of the City of Johannesburg, the SCOPA in the City of Cape Town has been delegated the power to access:

- a) “All accounts and financial statements of the municipality;
- b) All reports of the Auditor-General;
- c) Information in respect of any disciplinary action taken in terms of the MFMA;
- d) Information in respect of transgressions in terms of MFAM

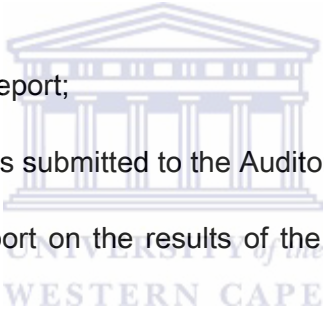
The Public Accounts Committee for municipalities is a recent development. However, it is envisaged that it will critically question, summon officials and the executive and produce information that the council could use to exercise accountability

### **3.8 FINANCIAL ACCOUNTABILITY TOOLS USED BY COUNCIL COMMITTEES**

Municipal council committees are endowed with various tools to exercise their financial accountability. Some of the tools are established through legal measures whilst others are institutional constructions of municipalities’ Rules of Order. Some of the key instruments include the Annual Reports and Service Delivery and Budget Implementation Plan.

### 3.9 ANNUAL REPORT

Section 121 (1) of the Municipal Finance Management Act (56 of 2003) instructs every municipality and municipal entity to prepare an Annual Report of each financial year. The Annual Report is a “backward looking report consisting of financial and non-financial information about the municipality that must be table in the municipal council by 31 January” (MFMA Circular No 11, 2005:1). De Visser et al. (-16), identify the recording of activities and performance of the previous financial year as the main purpose of the Annual Report. The Annual Report promotes the “municipality’s accountability for decision made during the year to the local community and further highlight the following issues that must be included in the report:

- 
- The annual performance report;
  - The financial statements as submitted to the Auditor-General;
  - The Auditor-General’s report on the results of the performance measurement and financial statement;
  - If required, details of the corrective action taken or planned by relevant municipality in response to the report;
  - An assessing of arrears of municipal taxes and service charges and whether the revenue raising objectives set in the budget have been met; and
  - The recommendations of the Audit Committee.

When presenting the Annual Report to Council, the Mayor is required to report on all relevant “aspects of performance providing a true, honest and accurate account of the goals set by the council and success or otherwise in achieving these goals” (MFMA Circular No 11, 2005:1). Thus, De Visser concludes that the Annual Report is an extensive scrutiny that would enable the council to produce its oversight report.

### **3.10 CONCLUDING REMARKS**

The Council and its committees are prescribed in the Constitution and statutes. The Municipal Structures Act and the Municipal Finance Management give effect to the Constitutional provisions on the establishment, authority and roles and functions of the council committees. The legislative framework of the council committees is a significant development which empowers the Council to manage its internal business including financial accountability. Similarly, it gives the council committees the necessary legal authority. The anchoring of the council committees within the legislative framework removes the arbitrariness regarding this establishment, powers and functions. This is important in terms of creating uniformity and standards for financial accountability in municipalities.

# CHAPTER 4: RESEARCH METHODOLOGY

## 4.1 INTRODUCTION

This chapter introduces and justifies the suitability of the qualitative approach to answer the research question posed. The chapter further discusses the process of data collection as well as its related analysis, reliability, objectivity and validity. The chapter ends by highlighting the ethical consideration and the limitation of the research.

## 4.2 RESEARCH DESIGN

Barbie and Mouton see research design as a plan or blue print of how the researcher intends to conduct the research (2001:74-75). The focus is mainly on the end-product in identifying the points of departure and the logic of the research. However it is essential to describe research design clearly, and to motivate one's choice regarding research design by referring to the relevant literature. Generally, research is described as "finding a way to a better understanding and explanation through literature and empirical study" (Henning, Gravett and Van Rensburg (2005: xvi). Similarly, research is also described as a "voyage of discovery" intended to unearth new knowledge or contribute to already existing body of knowledge (Remenyi: 1996:24).

Like any process of discovery, a research requires a design to provide a plan of how to among other things, obtain relevant information (Welman & Kruger, 2001:46). Accordingly, the study was conducted through the use of a case study design complemented by a qualitative approach.

The choice of the research design was influenced by its ability to foster an “understanding rather than predict, to interpret rather than manipulate the phenomena being studied”. (Yin, 1981:56). This research requires scientific methods to ensure that its validity and acceptability is beyond reproach. Consequently, the qualitative approach was deemed suitable.

#### **4.2.1 QUALITATIVE METHOD**

A qualitative approach was used to assess the role of council committees in promoting financial accountability. The qualitative approach was considered relevant in by its ability to undertake the study due to its ability to facilitate flexible, rigorous exploration and engagement with phenomena as they “unfold in real-world situations” (Durrheim, 1999:43). The approach was considered appropriate to solicit the views of the various council committees’ members regarding their understanding of the role of council committees in financial accountability (Clarke and Proctor, 1999:39). The qualitative approach, as used in this study, is an effective way of providing a set of preliminary findings in an emerging area of investigation with few empirical precedents (Yin, 1994:39).

Neuman state that qualitative researchers emphasize the human factor and their intimate first-hand knowledge of the research setting, avoiding distancing themselves from people or events that they study (2000:126). This however does not mean arbitrarily interjecting personal opinion, being sloppy about data collection, or using evidence selectively to support personal prejudices, but taking advantage of personal insight, feelings and human perspectives to understand life more fully.

Furthermore, Neuman stipulates that qualitative researchers do not stop once there is an understanding of the significance of the action, but they go further to generalize and hence move to a broader level of interpretation, where a researcher assigns general theoretical significance (2000:148).

#### **4.2.2 CASE STUDY**

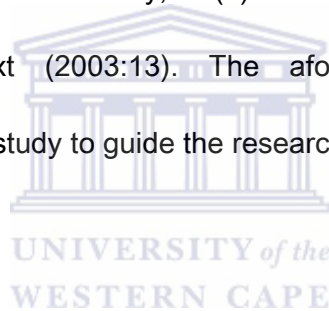
A case study was used to bring clarity and understanding of the role of the council committees. The rationale for this approach was informed by the work of Creswell, Yin and others (1994:12). According to Creswell, a case study is an example of qualitative research in which the researcher “explores a single entity or phenomenon (‘the case’) bounded by time and activity (a programme, event, process, institution, or social group) and collects detailed information by using a variety of data collection procedures during a sustained period of time” (1994:12).

Similarly, Yin provides that a case study is the collection and presentation of detailed information about a particular participant or small group, frequently including the accounts of subjects themselves (1994:14). Yin goes further to state that when the goal of the study is to “understand rather than to predict, to interpret rather than to manipulate the phenomena under review”, then a case study as a research strategy is the most appropriate (1981:56). The appropriateness of using a case study was also influenced by the intention to understand the perceptions of council committees to promote effective financial accountability. This concern is informed by an understanding that the municipal council has the legal authority to promote financial accountability.



As this study is intended to assess issues related to the functioning of council committees, a case study is considered relevant in “studies that focus on the understanding of areas” that are not well documented Bryman, (1995:123). Accordingly, a field research case study in Stellenbosch Municipality will enable an “examination of a real world scenario” Yin (2000:40).

According to Yin a case study design should be considered when: (a) the focus of the study is to answer “how” and “why” questions; (b) you cannot manipulate the behaviour of those involved in the study; (c) you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context (2003:13). The aforementioned underscores the appropriateness of using a case study to guide the research.



#### **4.2.3 SAMPLING METHOD**

According to Babbie and Mouton a sample means “a special subset of a population observed in order to make inferences about the nature of the population (2001:203). Similarly Kitcin and Tate, (2000: 54) and Arkarva and Lane, (1983:27), state that a sample is studied in an effort to understand the population from which it was drawn. As a result, the candidates for the interviews were selected from a list of councillors who served on two committees namely; Oversight Committee, and Audit Committee of Stellenbosch Local Municipality. This method of selecting the respondents was used mainly for convenience as councillors were busy campaigning for the local government elections of 18 May 2011. The

respondents consisted of the following ten participants, see table 1. There are ten members serving on the Oversight Committee and four members on the Audit Committee.

**Table 1**

COMMITTEES	PARTY REPRESENTATION
Audit Committee	Independent (2)
Oversight Committee	Democratic Alliance (3) African National Congress (2) Kayamandi Community Alliance (1) United Democratic Movement (1) African Christian Democratic Party (1)

Source: Own Source.



#### 4.2.4 DATA COLLECTION METHODS

Multiple data collection methods were used to gather information. Mouton provides that data collected within the qualitative paradigm can be used to obtain details of subjective experiences (2003:32). Therefore, this qualitative approach enabled the researcher to focus on the subjective experiences, opinions and feelings of individual councillors represented in council committees. Furthermore, the qualitative approach enabled a comprehensive understanding from the councillors' perspective of their role in promoting financial accountability, thereby ensuring that issues were explored appropriately. Within this objective, the study conducted face-to-face, semi-structured interviews, while other

councillors decided to complete the questionnaire. The semi-structured interviews were deemed relevant due to their potential to encourage councillors to freely articulate their experiences regarding the financial accountability processes. As indicated, the interviews were held with councillors from the Stellenbosch Municipality. Interviews were managed in a manner that promoted “iterative and continuous flexibility”, as advised by Rubin & Rubin (1995:46). Furthermore, an environment of trust was created that enabled the researcher to listen and ask probing questions to unearth relevant information. The researcher took notes during the interviews, which were typed up immediately after the interviews. The reason for not using audio-recording was as a result of a direct request by all interviewees to guarantee their privacy due to highly volatile political environment characterising the Western Cape.



#### **4.2.5 DATA ANALYSIS**

On completion of each interview, the main issues were summarised. All interviews were analysed using a descriptive approach as proposed by Tesch (1990:142-144). This approach consists of various steps that the researcher can use to reduce data into themes. In this study, the themes were constructed according to the relative importance of the factors mentioned during the interviews. Specifically, the issues that were mentioned frequently during the interviews and the level of qualitative emphasis articulated on each factor influenced the construction of themes. In addition, themes were also linked to the factors that were mentioned in the literature review.

#### **4.2.6 RELIABILITY AND VALIDITY**

Babbie and Mouton (2006:24), argues that social researches should look both to their colleagues and to their subjects as sources of agreement on the most useful meanings and measurements of the concept they study. Sometimes one source will be more useful; sometimes the other, but neither should be dismissed. Therefore the researcher made a conscious effort to ensure that this study was conducted in a manner that promoted reliability and validity.

The validity of the study was enriched by linking the findings with the literature, as well as maintaining alignment between the research question, the analyses and the conclusions. Similarly, the data collection and processing took into consideration the request to keep the interview candidates anonymous. The validity, reliability and the objectivity of the study was enhance by using triangulation. Data was collected from primary and secondary sources, compare, contrast and subsequently informing the findings and recommendations made.

#### **4.2.7 ETHICAL STATEMENT**

Fetterman (1989:129), state some underlying ethical principles that need consideration in research are permission, honesty, trust, anonymity, reciprocity, and rigorous work. Firstly, the researcher obtained a letter from the supervisor Dr. Davids that granted her permission to conduct interviews with the concerned respondents from Stellenbosch municipality. Secondly, an introductory letter addressed to Stellenbosch Municipality requesting permission to conduct this research was also presented.

Lastly permission was obtained from the various interviewees before interviews were conducted. Through the above undertakings, the researcher is committed and guided by the ethics code of conduct, as prescribed and agreed to by the University's research committees. The code of conduct is listed below:

- Obtain the consent of the participants before research is undertaken;
- Ensure that the well-being of the participants takes precedence over the expected benefits to knowledge;
- Inform participants of their right of refusal and of the degree of confidentiality with which the material that they provide will be handled;
- Ensure that the participants have the right to remain anonymous and to have their rights to privacy and confidentiality respected, permitting no release of information about individual persons that has been guaranteed as confidential, to any person inside or outside the institution;
- Approach the project with an unbiased attitude and strive to gather evidence fairly and accurately, and
- Acknowledgement of all the sources of data used and quotations in the report in order to verify that the work meets all appropriate standard and expectations.

#### **4.2.8 LIMITATIONS OF THE STUDY**

The data collection for the study experienced some limitations. Specifically, the sample used was very limited. As indicated earlier, the timing of the data collection took place on the eve of the Local Government Elections and most councillors were unavailable. Similarly, the other councillors who completed the questionnaire on their own made it impossible for the anticipated quality interaction with the researcher.

### 4.3 CONCLUDING REMARKS

This chapter discussed the methodology and the related data collection techniques. A detailed explanation and justification for the methodology, case study, data collection and analyses have been outlined.



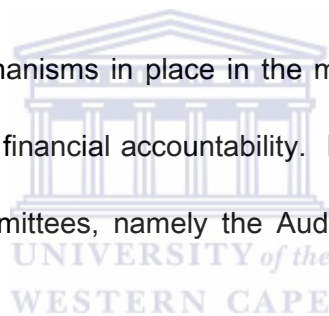
## CHAPTER 5: CASE STUDY OF STELLENBOSCH MUNICIPALITY

### 5.1 INTRODUCTION

This Chapter outlines the governance and finance management role of Stellenbosch Municipality. It provides the governance practices and challenges between 2006 and 2011. The Chapter also discusses the council committee's establishment in terms of Section 79 of the Municipal Structures Act 117 of 1998. The establishment of these committees is informed by and complied with the policy and legislative frameworks discussed in Chapter 3 of this study.

The Chapter highlights the mechanisms in place in the municipal council of Stellenbosch Municipality to promote effective financial accountability. Particularly, the Chapter focuses on the two finance related committees, namely the Audit Committee and the Oversight Committee.

The Chapter provides a description of the field work conducted with respondents from the Oversight and Audit committees. The qualitative nature of the interviews focused on the opinions, knowledge, views of the members of the respective committees on the establishment, authority, procedures, capacity and attitudes of the members of these committees concerning issues that impact on their effectiveness.



## 5.2 BACKGROUND

Stellenbosch Municipality is a category B municipality established in terms of Section 9 and 16 of the Municipal Structures Act of 1998. It is one of the constituent municipalities of the Cape Winelands District Municipality. The Stellenbosch Municipality, as presently demarcated, consists of 19 wards spread across the following areas: Stellenbosch town, Kayamandi, Klapmuts, Cloetesville, Idas Valley and Jamestown; Franschoek town, De Novo, Vlotenburg, Lynedoch, Raithby, Jamestown, Johannesdal, Kylemore, Phiel Lanquedoc, Wemmershoek, La Motte and Maarsdorp.

The Stellenbosch Municipality is home to approximately 200527 people (IDP, 2010). The Coloured population group constitute 54% of the total population of the municipality while the other race groups, namely; African, White and Asian accounting collectively for the 46% of the municipality's total population (Stellenbosch Municipality Annual Report, 2007/2008:3). According to the socio-economic profile published by the Western Cape Provincial Government, Stellenbosch Municipality's regional gross domestic product (GDPR) reached 3.9 billion in 2004, measured at constant 2000 prices. (Stellenbosch Municipality Annual Report, 2011/12).

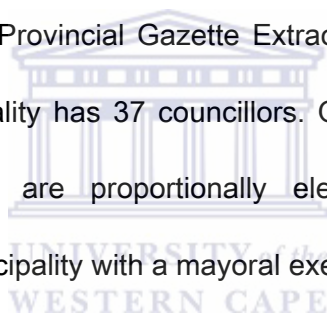
The 2001 unemployment rate was 17.1%. Most unemployed are Black youths aged between 15 and 24 years not yet completed secondary school, consisting of fewer women than men. Monthly individual per capita income shows that Black and Coloured population receives less income than other groups. The manufacturing sector employed the largest proportion of all workers followed by the wholesale and retail sector.



Manufacturing is regarded as the most significant resource which is linked to the agricultural activities of the region (Stellenbosch Municipality IDP 2010). The municipality has a diverse revenue source generated mainly from electricity sales, property rates and municipal services. Its revenue and other transfers from National and Provincial Government contribute to the municipality's R856 million Operational Annual Budget (Stellenbosch Municipality: Budget 2011/12).

### **5.3 GOVERNANCE STRUCTURE OF STELLENBOSCH MUNICIPALITY**

In terms of the "Stellenbosch Municipality fourth establishment Amendment Notice as published in the Western Cape Provincial Gazette Extraordinary No. 6137 dated 8 June 2004" the Stellenbosch Municipality has 37 councillors. Of these nineteen (19) are ward councillors and eighteen (18) are proportionally elected councillors. Stellenbosch Municipality is a category B municipality with a mayoral executive system.



According to the Stellenbosch Municipality's Annual Report 2009/10, party representation in the municipal council is as follows:

**Table 2: Municipal Council Party Representation**

Political Party	No. of Councillors
African National Congress	17
Democratic Alliance	14
African Christian Democratic Party	2
Independent	1
Independent Democrats	1
Kayamandi Community Association	1
United Democratic Movement	1
<b>Total</b>	<b>37</b>

Source: Stellenbosch Municipality Annual Report 2009/10

### 5.3 .1 MUNICIPAL COUNCIL

The municipal council of Stellenbosch Municipality is the primary structure with the Mayoral Executive system of the municipality. The municipal council is the legitimate representative of the citizens of Stellenbosch Municipality and has legislative and executive powers. The legislative powers of the Stellenbosch municipality are vested in the council (Section 151 of the Constitution of the RSA, 1996). In terms of this provision, the Municipal Council has the Constitutional Authority to pass by laws as well as ensure that they are implemented in accordance with the Councils' intent.

Therefore, Councillors in Stellenbosch Municipality have a critical role to play to ensure that the Executive Mayor, Mayoral Committee and the Municipal Administration adhere to the agenda set by the Council through the approved Integrated Development Plans (IDP), Budget and other Council resolutions in general. The Stellenbosch Municipality has through its Rules of Order, adopted various mechanisms to enable it to exercise its functions and responsibilities effectively (Stellenbosch Municipality Rules of Order, 2006:29). For purpose of financial oversight to ensure accountability, the Municipal Council has established the Oversight Committee, Steering Committee and Audit Committee to fulfill this role. These committees are an extension of and report to the municipal council.

### 5.3.2 EXECUTIVE STRUCTURES

Stellenbosch local Municipality has an Executive Mayor elected by the Municipal Council in terms of Section 55 of the Structures Act 1998. The Executive Mayor has the executive power to appoint the Mayoral Committee. The Mayoral Committee is established mainly to assist the executive mayor in executing the executive powers. Members of the Mayoral Committees serve as the political executive of municipal portfolios.

During the 2009/10 financial year, Stellenbosch Municipality was governed through a multi-party coalition led by the Democratic Alliance (Annual Report, 2009/10). The council elected a political representative of the Democratic Alliance as the Executive Mayor of the Municipality. The executive mayor subsequently appointed the Mayoral Committee members. The members of the Mayoral Committee were drawn from Independent Democrats, African Christian Democratic Party, African National Congress, Independent, United Democratic Party, Kayamnandi Community Alliance, and the Democratic Alliance.

The Executive Mayor and the Mayoral Committee of Stellenbosch Municipality functioned as the executive arm of the municipality. They do not derive their executive functions from the Constitution as these are vested in the municipal council which in turn delegated it to the Executive Mayor. The Executive Mayor is charged with the responsibility to coordinate the budget process (Chapter 7 of Municipal Finance Management Act, No. 56 of 2003). Other executive functions are delegated to the various executive structures by the municipal council using the provisions of the Municipal Systems Act of 2000 and the Municipal Council Rules of Order.

## 5.4 GOVERNANCE AND FINANCE MANAGEMENT ISSUES

The governance of the Stellenbosch Municipality can be referred to as being unstable. During the period between 2006 and 2010, Stellenbosch Municipality was characterised by a high degree of political instability. The political instability was a result of lack of an outright single party majority to form a government. Consequently, this led to the formation of shaky coalitions between a number of political parties and independents that changed annually between 2006 to 2010.

A survey of the municipal Annual Report from 2006/07 to 2009/10 indicates that the Municipality has experienced constant regime change with the executive structure, especially the Executive Mayor and the Mayoral Committee being changed regularly. These Annual Reports indicate that the African National Congress and the Democratic Alliance have both been the leading parties in the Stellenbosch Municipality's Coalition government. With regard to finance management matters, Stellenbosch Municipality has managed to satisfy most of the finance management requirements. This view is reflected in the consecutive unqualified findings audit outcomes received by Stellenbosch Municipality for the 2008/09 and 2009/10 financial years. According to the Western Cape MFMA of 2009/10 Stellenbosch Municipality is one of the 21 municipalities in the Western Cape which received an "unqualified with findings" audit opinion from the Auditor-General. An unqualified audit opinion refers to a clean audit. On the other hand, an unqualified audit with findings indicates that in general the municipality complied with relevant legislation but there are some minor problems.

In terms of the above discussion, it can be argued that the audit outcomes received by the Stellenbosch Municipality indicate the lack of effective measures for budget accountability. Equally, the fact that audit outcome is recurring, is also an evidence of the inability to completely comply with laws and regulations.

## **5.5 COUNCIL COMMITTEES PROMOTING FINANCIAL ACCOUNTABILITY IN THE STELLENBOSCH MUNICIPALITY**

The municipal council of Stellenbosch Municipality has established two committees to assist it to exercise financial accountability. Specifically, two council committees, namely; Audit and Oversight Committee were established to assist the municipal council in exercising financial oversight between the period of 2006 to 2010.



### **5.5.1 AUDIT COMMITTEE**

An Audit Committee is one of the finance related committees established to provide the municipal council with the necessary specialised support to exercise financial accountability. Unlike the other council committees which are not compulsory, the Audit Committee is a statutory requirement in terms of Section 166 (1) of the MFMA. The Stellenbosch Municipality established Audit Committee in terms of the act comprises of four members. The members are independent professionals recruited from outside the municipality.

The Audit Committee is appointed by the municipal council. Political representatives are excluded from the Audit Committee. The committee is structured in a manner that would enable it to be an independent advisory body to the municipal council. In addition, the committee provides the municipal council with finance management information from an external perspective. Consequently, the Audit Committee provides the councillors and the council in general with the relevant information to utilise in their exercise of financial oversight function.

Some of the functions of the Audit Committee include:

- I. Advise the municipality and its constituent structures on all financial matters;
- II. Review the annual statement in order to provide the municipal council with an authoritative, informed and credible advice on the financial position of the municipality;
- III. Provide the municipal council with information regarding the compliance with the laws such as Municipal Finance Management Act, the Division of Revenue Act and other applicable regulations; and
- IV. Assist the council to respond to issues raised by the Auditor-General as well conduct financial investigations as and when requested by the municipal council.

#### **5.5.2 OVERSIGHT COMMITTEE:**

The Municipal Council established an Oversight Committee as provided for by Section 79 of the Municipal Structures Act 117 of 1998. Unlike the Audit Committee which is established in terms of statutory requirement, the Oversight Committee is established in terms of the Rules of Order.

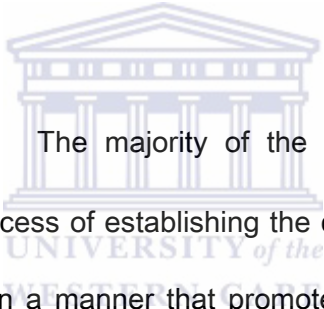
The Oversight Committee was established in terms of Stellenbosch Municipality's Part 12 of the Rules of Order of 2006 which provides for the "establishment, composition procedures, powers and functions of committee". Non-executive councillors serve on the Oversight Committee. It is not clear whether the Council has delegated powers to the Oversight Committee. However, the councillors interviewed indicated that Municipal Council expects the Oversight Committees to consider the Annual Report.

The Annual Report is a requirement placed on all municipalities and municipal entities as a key reporting instrument for municipalities to report against performance targets outlined in their strategic plans (Section 71 of the Municipal Finance Management Act, 56 of 2003). In considering the Annual Report, the Oversight Committee must exercise a detailed analysis and review produce the Oversight Report. This Oversight Report is presented, discussed and adopted by the full Council. What was very clear is that the Oversight Committee is only active after the end of the financial year. The role of the Oversight Committee is only visible during the Annual Report processes.



## 5.6 ESTABLISHMENT

The establishment process of both the Audit and Oversight Committee is required to satisfy the legal requirement as prescribed by the Municipal Structure Act, 117 of 1998, the Municipal System Act, 32 of 2000 and the Municipal Finance Management Act 56 of 2003. The fundamental aspect of the legal requirements is that these committees must be such that it enhances the ability of the Municipal Council to exercise effective financial accountability. As indicated in Chapter two, the nature of the establishment is critical to the image and functioning of the committee. As Ahmed suggests, there is a relationship between the strength of the committee and the manner in which it was established (2000:30).



**5.6.1 OVERSIGHT COMMITTEE:** The majority of the Oversight Committee members interviewed indicated that the process of establishing the committee was representative of parties in council and operated in a manner that promotes openness. There was a high degree of consensus among the respondents, with the majority highlighting multiparty representation on the Oversight Committee as an important requirement when establishing the Oversight Committee. Few of the members were of the opinion that the process was driven by the dominant political party and that smaller parties were ignored. It was also highlighted by the majority of the interviewed members that the Oversight Committee was made up of non-executive councilors. This was raised as an important requirement for the establishment of the Oversight Committee. However, when asked about the impact of the constant changes of the executive structures, caused by the regular changes in the coalition governments on the composition, the respondents were of the view that changes in the coalition partners' impacted negatively or positively on the composition of the

committee. Some members of the Mayoral Committee could be relegated to Non-Executive Councilors after the new coalition was formed.

**5.6.2 AUDIT COMMITTEE:** The majority of the Audit Committee members interviewed believed that their establishment was in accordance with the requirements of Section 166 (1) of the Municipal Financial Management Act 56 of 2003. They indicated that the establishment process was never questioned and therefore their legitimacy was beyond reproach. Asked if the process was transparent and inclusive, the interviewees remarked that they believed that the process of establishing the Audit Committee was in accordance with the relevant legal requirements. The Audit Committee unlike the Oversight Committee was not directly affected by the change in the political leadership. In the main this is contributed to the fact that the members are appointed based on their professional ability and not on party political affiliation.



## **5.7 THE AUTHORITY**

Chapter 2 highlighted the significance of the nature and scope of authority vested in committees. It was indicated that the authority given to committee is the major determining factor on whether it will be able to exercise financial accountability. Whether prescribed by legislation or council's Rules of Order, the committee must be able to advice, inquire, and scrutinise the financial matters of the municipality.

**5.7.1 OVERSIGHT COMMITTEE:** The majority of the members interviewed felt that the power to consider the Annual Report is sufficient to exercise its mandate. When probed further about the adequacy of the authority in enabling the Committee to assist the council to exercise financial oversight, only few members indicated that the authority of the Oversight Committee is significant in promoting effective financial accountability. All the interviewees indicated that they were not sure if they have the powers to call individuals within the executive and administrative structures to appear before the Oversight Committee. Equally, all the interviewees were not aware of any delegated authority that could make the committee effective.

**5.7.2 AUDIT COMMITTEE:** The general consensus was that the Committee had adequate authority to advise, inquire, and scrutinize the financial matters of the municipality. According to them, the authority to access the financial records and other relevant information of the municipality, as well as the direct access to the municipal council is empowering and essential to the function of the Committee. They raised some reservation on their ability to effectively exercise their mandate.

## **5.8 PROCEDURES**

It was indicated in Chapter 2 that the committee's procedure is important in influencing its effectiveness. One of the fundamental elements of the committees' procedure is the ability to act in a non- partisan manner.

**5.8.1 OVERSIGHT COMMITTEE:** The members initially express the view that the committee achieves consensus on decisions and that the committee worked well together despite diverse political representation. But follow up questions revealed that this is not necessarily the case. This is due to different political agendas' that the committee members pursue. When asked whether the procedures used by the committee are effective in enabling them to conduct oversight on all the stages of the budget to allow an informed decision only few members agree. The interviewees further indicated that their ability to force the executive to adopt their recommendations is limited.

**5.8.2 AUDIT COMMITTEE:** Respondents indicated that they transacted their tasks and functions in a non-partisan manner. Being individuals drawn from various institutions and not political parties, the nature of financial advice that they offered to the council was the only important contribution. However, members indicated that the council was not taking its recommendations seriously. Furthermore, the financial statements are only sent to them after actual transactions had taken place and therefore limited the room for corrective action to take place.

## 5.9 CAPACITY

Issues of capacity include technical ability and resources made available for committees to exercise financial accountability. Accordingly, council committees tasked with exercising financial accountability must have the necessary capacity.

**5.9.1 OVERSIGHT COMMITTEE:** The majority of the members interviewed indicated that there were capacity challenges within the committee. The major challenges were financial and accounting skills. They indicated that they were not trained on how to read budget information and analyse financial statements. The absence of this important skill directly impacts on their ability of ensuring financial accountability. The majority of the members indicated that the committee lacks the technical ability to formulate relevant and adequately analysed financial questions to ask the executive and administrative structures. The members interviewed indicated that they do not have time to critically engage with the Annual Report of the municipality to make informed recommendations to the council.

**5.9.2 AUDIT COMMITTEE:** The respondents indicated that all members of the Audit Committee have the necessary skills and competencies to perform the required functions. One respondent indicated that the committee members have skills in reading the budget document, financial statements and reports. The interviewees indicated that they were chosen based on their expertise to execute their auditing responsibility.

## **5.10 ATTITUDES OF COUNCIL COMMITTEES IN PROMOTING THEIR FINANCIAL ACCOUNTABILITY**

Another major factor influencing the effectiveness of the committees to exercise financial oversight is the willingness of their members to meaningfully engage the executive and officials.

**5.10.1 OVERSIGHT COMMITTEE:** The majority of the members interviewed indicated that some members were reluctant in criticising the executive and the administration attributed this reluctance to party political affiliation. The committee members of the ruling political party tend to take a soft approach to the executive and seldomly express a negative view. The opposite is similarly stated about those committee members from the opposition parties. They indicated that the constant changes in the position and the executive has impacted negatively on the Oversight Committee to clearly define its accountability relationship with the executive.

**5.10.2 AUDIT COMMITTEE:** The Audit Committee members indicated during the interview that political instability has impacted on the willingness of the committee to perform its accountability function. The council does not seem to value the recommendations of the Audit Committee. This inevitably affected the energy and commitment of the Audit Committee.

## 5.11 GOVERNANCE ENVIRONMENT

Santiso & Belgrano state that effective financial accountability takes place in legislature where there is a culture of accountability, transparency and openness (2004:24). This culture is critical as it enhances the legislature and its constituent structures to exercise effective financial accountability. All the respondents indicated that Stellenbosch Municipality's governance environment has been seriously challenged by the regular changes to the executive structures. This resulted in animosity and strained working relations between the Council and the various political parties constituting the executive structures. The animosity impacted on the relationship between the various parties in the Council and the Executive Structure resulting in accountability being compromised.

## 5.12 CONCLUDING REMARKS

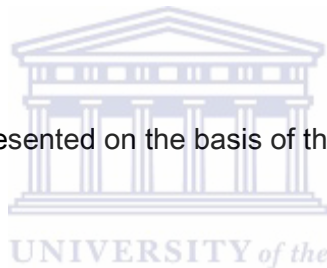
Stellenbosch Municipality is in general terms complying with the legislative requirement for establishing committees to assist the council to exercise financial accountability. Notwithstanding, a considerable amount of valuable information was generated from the fieldwork on the Establishment, Authority, Procedure, Capacity and Attitude of the Oversight and Audit Committee to make informed recommendations for the effective financial accountability in Stellenbosch Municipality.

# CHAPTER 6: RESEARCH FINDINGS, CONCLUSION AND RECOMMENDATIONS

## 6.1 INTRODUCTION

The chapter presents the findings, conclusion and recommendations. The findings and recommendations are based on the data collection and analysis process of the study. The recommendations are informed by the findings and focus on issues of establishment, authority, procedures, capacity and the attitude of council committees to exercise financial accountability.

The conclusion of this study is presented on the basis of the research questions and objectives.



### 6.1.2 THE STUDY WAS GUIDED BY THE FOLLOWING RESEARCH QUESTIONS:

- What are the major underlying factors that contribute to financial accountability at the local level?
- What is the role of council committees in promoting financial accountability?
- What are the strengths and weaknesses of Stellenbosch municipality's municipal council committees?
- How can council committees be strengthened to play an effective role in Stellenbosch municipality's municipal financial accountability?



### **6.1.3 THE OBJECTIVES OF THE STUDY WERE TO:**

- Analyse the legislative and regulatory framework that guides local financial accountability in South Africa.
- Contextualize the role of the council committees to ensure effective and efficient financial accountability.
- Identify key factors that impact positively and negatively on the role of the council committees entrusted with the responsibility to promote financial accountability
- Put forward recommendations based on the findings and analysis of the research.



## **6.2 RESEARCH FINDINGS**

### **6.2.1 STELLENBOSCH MUNICIPALITY GOVERNANCE ENVIRONMENT**

A significant finding of the study is that the constant change of the executive structures of the Stellenbosch Municipality created political leadership instability which negatively impacted on the general governance environment. Inevitably, Oversight Committees were affected negatively. For example, by the time the Oversight Committee considered the Annual Report, the executive structures, mainly, the Executive Mayor and the Mayoral Committee would have changed. This meant that, the parties and individuals who were initially in the executive during the financial year under review were no longer part of the executive.

The roles were now reversed and the current committee members now assess an Annual Report for a period when they were the executive in charge. Therefore, the issue of accountability or answerability was merely to comply with the law rather than to hold the executive accountable. In addition, the constant political changes distorted the notion of who was a non-executive councillor. A case in point is one councillor who was part of the executive but as a result of the changes to the executive became a non-executive councillor. The result thereof is that the councillor now participates in processes assessing the performance of the executive of which he was a member.

This change in status inevitably compromises the objectivity and impartiality of the committee or individual councillor. Equally, the hostile relationship between parties impacted on the council-executive relations. Good governance principles such as openness, transparency and accountability were replaced by distrust which impacted on access to information and cooperation between parties. In the process decision-making was along party lines and committees lost sight of their responsibility and accountability ultimately suffered.

### **6.3 ESTABLISHMENT**

Stellenbosch Municipality complied with the legislative and policy framework discussed in chapter 3 regarding the establishment of Audit and Oversight Committees. Both committees enjoyed the necessary credibility in respect of the manner in which they were established.

The findings though suggest that the independence of the committees was be compromised. Committee members in some instances acted in a partisan manner and assessed documents from a party political rather than a governance perspective.

In this way objectivity and impartiality was affected. The political instability resulted in positional changes between executive and non-executive positions. Respondents clearly indicated that they believed that the necessary procedures were followed when both committees were established. This according to them provided committees with the required stature necessary among the other structures of the municipality. The Audit Committee member enjoys a high degree of credibility. In the main this is attributed to the fact that they are experts in their field.



#### **6.4 AUTHORITY**

The assignment of authority generated much confusion among the respondents. The confusion emanated from the fact that authority was not formally delegated to the Oversight Committee. Neither were the terms of reference clearly defined. As a result, the Oversight Committee members were unclear about the authority with regard to key factors such as conducting independent analysis, the power to summon people to appear before the committee or the power to force people to provide additional information.

A critical finding with regard to the granting of authority was that the executive dominance of the formulation and implementation of the budget is entrenched in the Stellenbosch Municipality. The authority delegated to council committees was not effective in changing the practice and culture of executive structures' dominance on the budget process. The

findings supported the view that effective budget accountability will require council committees to exercise scrutiny and oversight on all the stages of the budget process. According to the respondents' experience, the authority of the Oversight Committee is limited and is confined to compiling an oversight report. This restriction in scope of responsibility negates the committee's effective contribution to financial accountability.

## **6.5 PROCEDURES USED BY COUNCIL COMMITTEES**

The procedure undertaken by the Oversight Committee is useful in as far as producing an oversight report on the municipality's Annual Report is concerned. Being a committee that is relegated to last stages which is auditing of the budget process, its effectiveness in terms of promoting financial accountability is not clear.

Members of the Oversight Committee do not attach seriousness to the oversight report. This is mainly due to the fact that the report does not inform policy making. It appears the report is mostly compiled for the sake of legislative compliance and not necessarily to make any meaningful changes in the operations of the municipality. The fact that many committee members were not aware of the main issues reflected in Section 71 reports presented to the Council by the Mayor highlighted a challenge in exercising continuous monitoring of the budget process.

With regard to the Audit Committee there is a clear structure, processes and procedures with regard to their role. Unlike the Oversight Committee, the Audit Committee had a clear agenda and focus. Furthermore the fact that this committee is independent consisting of

external professionals enhanced the credibility, role and functions thereof. It is therefore impossible to make an opinion on the effectiveness of the meetings of the two committees.

## **6.6 CAPACITY**

As indicated under the issue of establishment, the main concern influencing representation is multi-party representativeness. The issue of technical capacity and expertise is not considered as a requirement for appointment. This is the reason most Oversight Committee members indicated that a lack of technical capacity is a major impediment in their quest to do justice in terms of what is expected of them. In the same vein, the non-executive councillors indicated that a lack of time and accurate information on budget related matters does impact on their effectiveness. In addition, the regulated interaction between councillors and the administration made the task of getting clarity of financial issues more difficult. Also the hostile environment that existed in the Municipality made interaction between councillors and official difficult and limited.

## **6.7 ATTITUDES OF COUNCIL COMMITTEES IN PROMOTING FINANCIAL ACCOUNTABILITY**

Oversight Committee members are part of a highly politically divided council. Party political laarger mentality informs the decision making processes. Politician's decision making is not informed by rationality but by party political mandate. This has resulted in committee members being partisan in practice. The end result is that accountability is compromised. Another major finding is the general view that the council does not value recommendations regarding financial accountability. As a result, those who are aware of financial irregularities

in the municipality prefer to report them to external law enforcement agencies such as the police rather than first discussing them in the municipal council. This in essentially means that the internal system of accountability is not trusted and more trust is placed in outside agencies to call the executive to account.

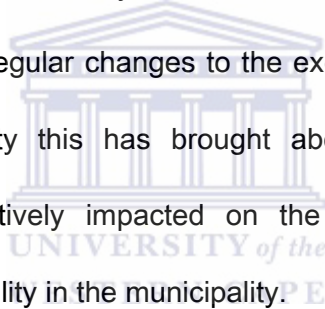
## **6.8 CONCLUDING REMARKS**

The study supports the view that legislative structures such as the municipal councils are an undisputed requirement for effective financial accountability. In addition to other critical roles and responsibilities, municipal councils are required to be the custodians of public resources at local government level and that they need to provide leadership on the stewardship of these resources. Therefore, the findings of this study are expected to contribute to the body of knowledge regarding the efforts to strengthen the role of the municipal councils in financial accountability. More importantly, the role and responsibilities of council committees to enhance the council oversight ability to hold the executive and the administrative structures accountable will improve service delivery and financial governance in municipalities.

The study highlighted the significant role of the committees in assisting the Council to promote financial accountability. The research findings indicated that without committees the council would be unable to undertake all the necessary activities to enable effective financial accountability. Similarly, the study revealed that a mere existence of the committees is not a guarantee that there will be effective financial accountability. This highlights the fact that complying with the law regarding establishment of the committees is

counter-productive. The establishment of Committees must promote the notion of 'fit for purpose' to ensure financial accountability. Likewise, these Committees must be endowed with adequate authority to realise their purpose. The authority must be formally delegated to empower the Committees. The delegation must be comprehensive to enable Committees to access the required information and persons in the promotion of the financial accountability.

The study confirmed the need for technical capacity for members of council committees without the required capacity, members serving on council committees will have difficulty in discharging their role. While the study was not focusing on the advantages or disadvantages of the impact of regular changes to the executive structure, indications are that in Stellenbosch Municipality this has brought about political and administrative instability. This instability negatively impacted on the work of the committees and subsequently suffered accountability in the municipality.



## 6.9 RECOMMENDATIONS

A number of recommendations are put forward stemming from the findings of the research.

They are:

- I. The municipal council needs to create a culture of governance that promotes accountability, openness and transparency through its Rules of Order. Practices that compromise these principles must be discouraged. Where possible the municipal council should take action against offending parties.
- II. Financial accountability must be promoted throughout the year and not a once-off activity as is currently the situation. The council committees cannot exercise effective financial oversight only at the tail-end of the budget process. They must participate in all the stages of the budget process to ensure that they are neither disadvantaged nor dominated by the executive structures that tend to be much more informed about the budget issues than non-executive councillors.
- III. The municipal council needs to assign the required authority such as access to information, the power to summon people to the committees and more importantly the power to demand that their recommendations get implemented by the municipal council.
- IV. Oversight Committee members must be trained in financial analysis and management.



- V. Additional administrative support should be provided to them to assist in complex financial matters. Committee members require these skills to develop an informed and meaningful input into the financial management processes of the municipality.



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