
MAKHOSANDILE HERCULES KWAZA

SUBMITTED IN FULFILMENT FOR THE DEGREE: DOCTOR OF ADMINISTRATION

FACULTY OF MANAGEMENT AND COMMERCE
DEPARTMENT OF PUBLIC ADMINISTRATION
UNIVERSITY OF FORT HARE

SUPERVISOR:
PROFESSOR EDWIN IJEOMA

JUNE 2017
Declaration

I, Makhosandile Hercules Kwaza, hereby declare that the thesis entitled: Utilisation of the Auditor-General’s reports in improving the audit outcomes at selected municipalities within Amathole District Municipality (2006 – 2015) is my own original work, except where indicated in terms of acknowledgement; and it has not been submitted for any other degree in any other university.

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Signed Date
Abstract

Amathole District Municipality has for the past five consecutive years been receiving an unqualified audit opinion from the AGSA. This has been the trend, despite the commitment made by the Executive Mayor in April 2012 to the then Auditor-General, Mr Nombembe, that the leadership of the municipality would deliver a clean audit outcome by 30 June 2013. This scenario is replicated in the local municipalities within the district. Two of the district municipalities have for the past three consecutive years been receiving a disclaimer audit opinion. In one of the municipalities, this trend changed; and this municipality received an unqualified audit opinion for two consecutive years; while in the third year, it received a qualified audit opinion. The stagnation and regression in the audit outcomes of these municipalities may be as a result of either the non-implementation of audit-action plans to address the previous year’s audit findings; or there could be other factors resulting in the above scenario.

The main objective of this study is to investigate whether the utilisation of the Auditor-General’s reports improve the audit outcomes in selected municipalities within Amathole District Municipality for the period 01 July 2006 to 30 June 2015.

A mixed-method design was used in this study. The researcher collected the data from two main groups within the selected municipalities represented by the council committees and the municipal officials. The quantitative data were collected through closed-ended questionnaires from the municipal officials. The qualitative and quantitative data were collected from the council committee members of the selected municipality through questionnaires.

Each questionnaire had closed-ended questions, together with a portion for open-ended questions. The one-sample test revealed that only the implementation (mean=2.8619, SD=0.66813, t=0.3081, p=0.002) had a mean level that is
significantly lower than 3.0; thereby suggesting that the respondents in all the municipalities disagreed that the implementation of the audit-action plans was being properly done.

The results across all the municipalities suggest that the non-improvement of the audit outcomes at selected municipalities for three consecutive years was affected by the inadequate implementation of the prepared audit-action plan by the selected municipalities. The stagnation and regression in the audit outcomes of the municipalities within the Amathole District Municipality is as a result of the non-implementation of the audit action plans to address those issues raised by the Auditor-General.

The municipalities do prepare credible action plans; but they fail to implement these plans. The preparation of the plans may be influenced by a desire to comply with legislation, rather than a desire for a clean administration. In addition, the council structures are not exercising adequate oversight to ensure that the prepared audit action plans are implemented. Instability in municipal councils plays a major role in municipalities receiving bad audit outcome.
Dedications

This thesis is dedicated to my late father, Wolela Bethwell Kwaza, who passed on in 1972 when I was ten years of age. Before departing this world, he expressed a desire for his children to pass matric; as he believed that this was the key for success. It is also dedicated to my mother, Nothobile Sanna Kwaza, who worked for many years as a domestic worker. It is also dedicated to my late sisters, Zukiswa and Thandiwe, who passed on in 2000 and 2003, respectively. Lastly, it is also dedicated to my late brother, Themba, who passed on in 2010.
Acknowledgements

A word of appreciation must also go to all those, who have assisted and motivated me in working towards the completion of this journey. The journey has not been easy; and if it was not for their encouragement and assistance, this thesis would have not been completed.

A special word of thanks goes to my supervisor, Professor Edwin Ejeoma, who guided and walked with me through to the completion of this thesis. Indeed, I would have not finished this document without reaping the benefits from his experience and intellect.

I would also like to give a word of gratitude to my family, my wife, Michelle Noxolo Kwaza, to our children Sibulele, Luyolo and Sakhula, who became my pillars of strength during this journey.

I would also like to acknowledge my entire extended family, amachethe, oochimzane, oobhuruma, oodl’inyam’imrhada, oonkcenkceza, who have influenced me to become what I am today.
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<td>AGSA</td>
<td>Auditor-General South Africa</td>
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<td>A</td>
<td>Agree</td>
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<td>AC</td>
<td>Audit Committee</td>
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<td>ADM</td>
<td>Amathole District Municipality</td>
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<td>AFS</td>
<td>Annual Financial Statements</td>
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<td>AG</td>
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<td>AGF</td>
<td>Auditor-General of Federation</td>
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<td>AO</td>
<td>Accounting Officer</td>
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<td>AR</td>
<td>Annual Report</td>
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<td>CAE</td>
<td>Chief Audit Executive</td>
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<td>CEO</td>
<td>Chief Financial Officer</td>
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<td>CIDB</td>
<td>Construction Industry Development Board</td>
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<td>COGTA</td>
<td>Cooperative Governance and Traditional Affairs</td>
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<td>D</td>
<td>Disagree</td>
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<td>DORA</td>
<td>Division of Revenue Act</td>
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<td>EA</td>
<td>External Audit</td>
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<td>GRAP</td>
<td>Generally Recognised Accounting Practice</td>
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<td>IA</td>
<td>Internal Audit</td>
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<td>IDP</td>
<td>Integrated Development Plan</td>
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<td>IFAC</td>
<td>International Federation of Accountants</td>
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<td>IMFO</td>
<td>Institute of Municipal Financial Officers</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>MFMA</td>
<td>Municipal Finance Management Act</td>
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<td>MIG</td>
<td>Municipal Infrastructure Grant</td>
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<td>MM</td>
<td>Municipal Manager</td>
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<td>MMR</td>
<td>Mixed-Method Research</td>
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<td>MPAC</td>
<td>Municipal Public Accounts Committee</td>
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<td>MPPMR</td>
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MSA  Municipal Systems Act
NA  National Assembly
PAC  Performance Audit Committee
PARBICA  Pacific Regional Branch of International Council on Archives
PMFA  Public Finance Management Act
PPE  Property, plant and equipment
RSA  Republic of South Africa
SA  Strongly Agree
SAIs  Supreme-Audit Institutions
SALGA  South African Local Government Association
SCM  Supply Chain Management
SCOPA  Standing Committee on Public Accounts
SD  Strongly Disagree
SDBIP  Service Delivery Budget and Implementation Plan
SPSS  Statistical Package for Social Scientist
VAT  Value-Added Tax
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CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

Public officers make important decisions that affect the daily living of many people in society. Thus, it is essential that government officials become mindful of this; and they should be concerned about the significant circumstances of their administrative duties. Public officials need to be aware – not merely of their moral principles – but also of those extended to them; as they decide on ways of carrying out their duties. The standing and the accomplishments of any State depend on the conduct of public officials. These officials should act without bias, and impartially, to everyone they serve.

Since public activities are carried out by officials on behalf of the legislative institutions, specific rules and guidelines must be put in place to serve as the basis for officials to do their work. For this reason, a public official has a distinct obligation to be just and fair in his dealing with the public. Adherence to the normative fundamentals of public administration should thus be the aim of all employees in the public institutions.

Public officials should therefore have respect for supreme political authority, maintain public accountability, efficiency, rules of administrative law, observe community or social values, and promote public relations (Coetzee, 1991: 58).

The employees of the municipalities in South Africa, as public service officials, are also expected to adhere to the normative fundamentals of public administration when executing their duties.

Section 153 of the Constitution of the Republic of South Africa, 1996 stipulates that a municipality must – (a) “Structure and manage its administration, budgeting, and planning processes to give priority to the basic needs of the community, and to promote
the social and economic development of the community; and (b) they should participate in the national and provincial programmes”.

Gildenhuys (2000: 29) is of the opinion that “to maintain their responsibility towards the voters-cum-taxpayers, central legislatures should compel local governments to keep records of all their official financial transactions; and to subject them to external auditing annually.

In South Africa, the accounts and financial statements of local governments are audited by auditors from the Auditor-General’s office, or by auditors from a private audit firm appointed by the Auditor-General. The compulsory auditing of the financial records of local governments is one of the cornerstones of external control over the activities of local government.

The Auditor-General appointed to audit the accounts and financial statements of local governments does not demand final accountability directly from the chief executive officer. His or her investigation and audit report should serve as the basis on which the council demands accountability from the executive committee. If the Auditor-General considers that any significant matters arise from his or her review, he or she is required to report to the council; and if necessary, to make this report public (Gildenhuys, 2000: 29).

The Auditor-Generals of South Africa (AGSA) act as a Supreme Audit Institution (SAI); and they offer the highest level of external auditing of public sector institutions in the country. The Auditor-General’s examination role is anticipated to deliver fair and impartial evaluation of whether the resources of the public are reliably and well managed to attain the envisaged results.
The government institutions remain the instrument of any government’s growth initiatives; and without an answerable, efficient and honest public service, there cannot be good governance in the government institutions. The task of the Auditor-General is to assist public sector institutions to realise answerability and truthfulness, to improve processes, and to inspire confidence amongst the people and the stakeholders (Akhidime, 2012: 183).

The AGSA has its responsibilities laid in the constitution; and as the only audit institution in South Africa, it was established to strengthen the country’s democracy by assisting in accountability, oversight and governance within the public service through auditing. Adherence to these norms inherently builds public confidence (Auditor-General South Africa, 2015).

It might, therefore, be argued that the Auditor-General’s work is one of the checks and balances of good governance in the public sector. The Auditor-General’s reports play a significant role – for both the legislature and the general public – to make the executive and public officials accountable for the activities of the public sector entities in any specific period of time.

This study seeks to investigate the utilisation of the Auditor-General’s reports in improving audit outcomes at selected municipalities within the Amathole District Municipality for the period 01 July 2006 to 30 June 2015.

1.2 STATEMENT OF THE PROBLEM

Amathole District Municipality has for the past five consecutive years been receiving an unqualified audit opinion from the AGSA. This has been confirmed in the Annual Reports of the municipality for the financial years 2010/2011, 2011/2012, 2012/2013, 2013/2014, and 2014/2015. This has been the trend, despite the commitment made by the
Executive Mayor in April 2012 to the then Auditor-General, Mr Nombembe, that the leadership of the municipality would deliver a clean audit outcome by 30 June 2013 (ADM SODA 2012:16).

This scenario is replicated in the local municipalities within the district. Two of the district municipalities have for the past three consecutive years been receiving a disclaimer audit opinion; and this is reflected in their annual reports and the Auditor-General’s reports for the 2010/2011, 2011/2012, 2012/2013, and 2013/2014 financial years.

In one of the municipalities, this trend changed; and this municipality received an unqualified audit opinion for two consecutive years; while in the third year, it received a qualified audit opinion. This is reflected in the municipality’s annual reports and in the Auditor-General’s reports for the 2010/2011, 2011/2012, and 2012/2013 financial years.

The stagnation and regression in the audit outcomes of these municipalities may be as a result of either the non-implementation of audit-action plans to address the previous year’s audit findings; or there could be other factors resulting in the above scenario. The non-implementation of the action plans to address the previous year’s audit findings in these municipalities, has been confirmed by the Auditor-General in its 2013/2014 general report.

Currently, there is no scientific evidence to prove that the monitoring and implementation of an audit-action plan may result in the improvement of the audit outcomes. This study seeks to prove, or disprove, that the monitoring and implementation of the audit-action plan to address the previous year’s audit findings may result in an improvement of the audit outcomes.
1.3 BROAD RESEARCH OBJECTIVE
To investigate whether the utilisation of the Auditor-General’s reports improve the audit outcomes in selected municipalities within Amathole District Municipality for the period 01 July 2006 to 30 June 2015.

1.4 THE SPECIFIC RESEARCH OBJECTIVES
1) To investigate whether the public officials at selected municipalities within Amathole District Municipality have been implementing the audit-action plans, in order to improve the audit outcomes.

2) To examine whether there are other factors that contribute to the non-improvement of the audit outcome at selected municipalities within the Amathole District Municipality.

3) To make policy recommendations based on the research findings.

4) To investigate whether the utilisation of the Auditor-General's reports improve the audit outcomes in selected municipalities within Amathole District Municipality.

1.5 THE RESEARCH QUESTIONS
1) Have the public officials of selected municipalities within the Amathole District Municipality implemented the audit-action plans, in order to improve the audit outcomes?

2) If the audit action plans have been implemented, are there any other factors contributing to the non-improvement of the audit outcomes at the selected municipalities within the Amathole District Municipality?

3) Do the research findings provide a basis for any policy recommendations?
4) Do utilisation of the Auditor-General’s reports improve the audit outcomes in selected municipalities within Amathole District Municipality?

1.6 THE SIGNIFICANCE OF THE STUDY

This study provides a foundation for the discussion of the improvement of audit outcomes in the local government sphere in South Africa. There is a need for this kind of debate – not only in the local government sphere of government, but also in the other spheres of government in South Africa. Thus, other spheres of government could also adapt the recommendations suggested in this study – with a view of improving the audit outcomes within their provincial and/or national departments. The recommended strategies on how to improve the audit outcomes could be adopted by all the municipalities in South African. In cases of stagnation or regression of the audit outcomes in municipalities; the Auditor-General could recommend to municipalities to consider adopting the recommendations of the study.

1.7 A PRELIMINARY REVIEW OF THE LITERATURE

In a representative democracy, the power rests with voters. Authority rests with the representatives of the voters; and these representatives comprise the legislative authority. In theory, the way in which authority is transferred by voters to their representatives is by means of elections. During every election, a candidate submits his political manifesto, in which s/he conveys to the voters his/her policy on the supply of governmental services and any related policy matters. Every voter, who agrees with the contents of the manifesto, will vote for the candidate in question; and if the majority of voters support this candidate, he or she would be elected as a representative.
Consequently, the elected candidate by implication receives authority from voters to convert his policy, as submitted in the manifesto, to government policy, and to subsequently execute the policy.

In practice, the relationship of authority is determined by a government’s Constitution and other related constitutional legislation; but, in the last instance, it is the voters who have to approve the Constitution; and who continue to require from the representatives the maintenance of the approved Constitution (Gildenuys, 1991: 18).

The elected representatives must always bear in mind that they have been elected by the voters to represent them in the parliament/council. Here, the fiduciary association among the chosen representative and the community exists. He or she is supposed to perform his/her parliamentary/council duties on their behalf; and to realise their requirements by backing up regulation and keeping control over the executive and the administrative authorities in the process of fulfilling their mandate.

It must also be remembered that once the representative is elected, he or she does not represent those who voted for him or her, or for his or her party; but s/he represents the whole community. The elected representative is, in fact, directly responsible and accountable to his or her entire constituency (Gildenuys, 2000: 146).

This, therefore, means that the voters act as the principal; and the representative act as an agent; and wherever there is a principal-and-agent relationship, there is always a need for accountability. The following paragraph will discuss the issue of accountability in the local government sphere.

According to Fourie (2015), accountability is a symbol of modern-day democratic societies. The accountability depends on the effective public-sector financial
management in the collecting and spending of funds by the public sector. Public sector-financial management is, thus, a key component of political, economic and administrative governance; and it requires transparency of public activities and their financing, as well as the accountability of the persons responsible for them.

Systems of monitoring and reporting are essential to ensure that public officials are held accountable for their actions (or inactions); and to ensure that laws are administered and public services are, accordingly, efficiently delivered. Weak State and public governance allows corruption to divert the public resources from the purpose for which they were allocated (Fouries, 2015).

This therefore means that in government institutions, there is the need for the oversight of accountability and the mechanisms to facilitate accountability. The following paragraph will discuss the AGSA as a mechanism that could be used by oversight bodies to enhance accountability.

Chapter 9 of the Constitution of the Republic of South Africa, 1996, confirms the Auditor-General as one of the State establishments, which ought to assist the legitimate social equality. The Constitution establishes the AGSA’s impartiality by pointing out that the AGSA is subject merely to the Constitution and the law. The Constitution dictates that the AGSA must be objective; and use his/her authority and do his/her tasks freely and without any bias.

The duties of the office of AGSA are defined in section 188 of the Constitution of the Republic of South Africa. These duties are also stipulated in Chapters 2 and 3 of the Public Audit Act.
On an annual basis, the AGSA conducts audits, as stipulated by law on government departments, public entities, municipalities and municipal entities. In addition to these audits, the AGSA performs optional reviews, such as investigation, special reviews and performance reviews.

For every review, a report is compiled; and the reports are publicised and also tabled to the legislatures or the sphere of government, which is affected by that specific audit, such as the municipal council, and/or the provincial legislatures. Over and above the review, reports could be tabled to a provincial or national legislature and/or State organ, provided the AGSA is contemplating this to be in the interests of the public. Further to the review-specific reports, the AGSA publishes two overall reports in which the results of the reviews at national and provincial levels and at municipal level, respectively, are analysed (Auditor-General, 2015: 23).

It is also essential to explain auditing in the perspective of this study. Auditing may be defined as “a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events, in order to ascertain the degree of correspondence between those assertions and the established criteria and to communicate these results to the interested users” (Konrath, 1999: 2).

Assertions, in the context of this study, comprise the depictions of management regarding the objectivity of these financial reports (Konrath, 1999: 4). Fadzil, Haron and Jantan (2005) are quoted in Ngoepe and Ngulube (2013), as being of the opinion that the external-audit function is designed to promote the accountability and to improve the reliability and trustworthiness of such financial reports. External auditing add credibility to the information provided; it strengthens the oversight, accountability and good governance in the public sector; it gives momentum to the transformation of financial
management in the public sector; it provides insight; and it improves the foresight of the decision-makers (Ngoepe & Ngulube, 2013). The Supreme Audit Institutions (SAIs) of many countries act as watchdog agencies that carry out external audits of the expenditure, income and assets of government institutions in general (Norgen, 2010:10).

These SAIs are regarded as prominent bodies that ensure public sector transparency and accountability. Any lack of functional, institutional and financial independence is detrimental to the proper functioning of these institutions. They are granted legal power and the necessary tools, in order to audit all the public funds, resources and activities; they report their audit findings to parliament to reinforce parliamentary oversight over the executive branch and to publish their findings (Kayrak, 2008).

The role that SAIs play in public-finance management and performance by enabling oversight, accountability and good governance has always been regarded as one of the cornerstones of a democratic society. In a democracy, the elected representatives implement the will of the people; and they act on their behalf.

An important point in the structuring of democratic institutions is the misuse of power and resources. This leads to a breach of trust; and it undermines the democratic system. It is, therefore, critical that the citizens of a country should be able to hold their leaders accountable (Norgen, 2010).

1.8 THE LIMITATIONS OF THE STUDY

Limitations are factors that the researcher cannot control. They are the shortcomings, conditions or influences that cannot be controlled by the researcher. They place
restrictions on the research methodology and the conclusions. Any limitations that might influence the results should be mentioned (www.bcps.org, 2017).

Blaikie (1994) admits that an important step in the preparation of a research design is for the researcher to stand back and evaluate it. It is useful for the researcher to state what problems are likely to be encountered; and also to state how they will be handled (Blaikie, 1994).

The study covered a period of more than ten years; the possible limitation is that the individuals who participated in the study may have been only recently employed by their respective municipalities; and their views may not necessarily reflect the actual picture for the whole period. The respondents may have decided to reflect a positive picture of what should be happening – and not what is actually happening; as they may be reluctant to give a bad picture of their municipality.

The collection of the data started in January 2017; and this posed a limitation; since most councillors serving in various committees could not come back to their respective municipalities after the August 2016 municipal elections. It became a challenge to distribute the questionnaires to council committee members, especially at the Amahlathi and Ngqushwa municipalities.

1.9 THE DELIMITATIONS OF THE STUDY

Delimitations are the choices made by the researcher. These should be mentioned in the study. They describe the boundaries that the researcher has set for the study (www.bcps.org, 2017).

The study focused on an investigation of the utilisation of the Auditor-General’s report in improving audit outcome at selected municipalities within the Amathole District
Municipality for the period 01 July 2006 to 30 June 2015. The sampled municipalities consisted of the district municipality itself and three of its local municipalities. These were Amahlathi, Mbhashe and Ngqushwa local municipalities.

Amathole District Municipality consists of seven local municipalities, which are as follows: Amahlathi, Mbhashe, Great Kei, Mnquma, Ngqusha, Nkonkobe and Nxuba municipalities. Amathole District Municipality has a staff complement of 1794; and of these staff members, there are 7 senior managers, 52 middle level managers and 85 low-level managers.

Amahlathi Municipality has a staff complement of 354; and of these staff members, there are 7 senior managers, 21 middle-level managers and 29 low-level managers. Mbhashe Municipality currently employs 245 staff members; and of these staff members, there are 7 senior managers, 21 middle-level managers and 30 low-level managers. Ngqushwa Municipality has a staff complement of 195; and of these staff members, there are 6 senior managers, 22 middle-level managers and 27 low-level managers.

The study investigated the utilisation of the Auditor-General’s report in improving the audit outcomes at selected municipalities within the Amathole District Municipality for the period 01 July 2006 to 30 June 2016 by using the Agency Theory.

1.10 ASSUMPTIONS
In the terminology of Statistics and Methodology, W. Paul Vogt defines assumptions as:

a) “A statement that is presumed to be true, often only temporarily, or for a specific purpose, such as building a theory;”

b) The condition in which statistical techniques yield valid results.”

The assumptions that relate to this study are that the preparation, implementation and monitoring of the credible-action plans that address the root causes of the previous audit
findings may improve audit outcomes. This assumption may be applied to all the South African municipalities.

1.11 RESEARCH DESIGN AND METHODOLOGY

1.11.1 Research Design

Definitions of research design are rather ambiguous (De Vos et al., 2011: 142). The research design is the universal impression, which informs the researcher by what means he will be responding to his investigations’ inquiries. It will comprise perfect objects, resulting from the study’s inquiries; it will specify the basis on which the researcher aims to gather the facts; how the researcher proposes to assemble and evaluate them; and the deliberate moral questions, as well as the limitations the study will encounter, such as access to the data, the time, the location and the financing. The research design, therefore, is concerned with the general strategy for conducting the research (Saunders et al., 2016: 164 -165).

In agreement with Saunders et al. (2016), McMillan & Schumacher (2014) define research as follows: “A research design describes the procedures for conducting the study, including when, from whom, and under what conditions, the data will be obtained. In other words, the research design indicates the general plan for: How the research is set up; what happens to the subjects; and what methods of data collection are [to be] used.”

The purpose of the research design is to specify a plan for generating the empirical evidence that was used to answer the research questions. For the purposes of this study, the research design is defined as a framework for the collection and analysis of the data, in an attempt to answer the research question and meet the research
objectives – providing reasoned justification for the choice of the data sources, the collection methods and the analytical techniques (*De Vos et al., 2011: 726*).

Research can be designed to fulfil an exploratory, descriptive, explanatory, or evaluative purpose, or some combination of these. The way in which the researcher asks the research questions will inevitably involve the researcher in exploratory, descriptive, explanatory, or in evaluative research (*Saunders et al., 2016:174*).

In undertaking this study, the researcher involved himself in a combination of explanatory and evaluative studies. According to Kumar (2005), explanatory studies attempt to clarify why and how there is a relationship between the two aspects of a situation or phenomenon (Kumar, 2005:10; Terre Blanch et al., 2006:44). In agreement with this statement, Saunders et al. (2016) insist that the emphasis in explanatory research is on how to study a situation or a problem, in order to explain the relationships between the variables (*Saunders et al., 2016:176*).

In this study, the researcher has investigated whether there is a relationship in the utilisation of the Auditor-General’s reports and the improvement in the audit outcomes. According to Saunders et al. (2016), the purpose of evaluative research is to find out something (*Saunders et al., 2016:176; Terre Blanch et al., 2006:410*). In this study, the researcher has checked the effectiveness of the audit-action plans prepared by selected municipalities to address the Auditor-General’s findings.

In conducting this study, the researcher has used a mixed-method approach. A mixed method is a method of inquiry involving both quantitative and qualitative data, incorporating the two methods of data interpretation, and utilising separate plans that might include philosophical expectations and academic outlines. The main supposition of this method of review is that, the mixing of qualitative and quantitative methods offers
a better understanding of a research problem than either method alone could do (Creswell, 2014: 4). Johnson, Onwuegbuzie and Turner (2007) are quoted in Creswell, as outlining mixed-method research as follows:

a) “It encompasses the gathering of both qualitative (open-ended) and quantitative (closed-ended) information, in reaction to the exploratory questions, or the hypotheses.

b) It comprises the examination of both methods of information.

c) The measures for both qualitative and quantitative information gathering and examination are essentially to be performed carefully (e.g. adequate sampling, sources of information, data analysis steps).

d) The two methods of information are combined in the design examination through combining, linking, or implementing the information.

e) These measures are integrated into a distinct mixed-method design that also comprises the timing of the information gathering (concurrent or sequential), as well as the emphasis (equal or unequal) for each database.

f) These measures can also be acknowledged by a theoretical worldview, or a theory (Creswell, 2014: 217)”.

In the mixed-method research (MMR), the quantitative and qualitative techniques are combined in a variety of ways that range from simple, concurrent forms, to more complex and sequential forms, as shown in Figure 3.1 below. Creswell and Plano Clark (2011); and Nastasi et al. (2010) are quoted in Saunders et al. (2016), as being of the opinion that the ways in which quantitative and qualitative research may be combined, as well as the extent to which this may occur, have led to the identification of a number of variations of mixed methods (Saunders et al., 2016: 170).
In this study, the researcher planned to adopt a *concurrent mixed-method research approach*, which involves the separate use of quantitative and qualitative methods within a single phase, as shown in Figure 3.2 below. However, due to the unavailability of council-committee members after August 2016, the researcher adopted an *embedded mixed-methods research*, in which some of the questions within a questionnaire require a qualitative response (*Saunders et al., 2016*).
The researcher collected the data from two main groups within the selected municipalities represented by the council committees and the municipal officials. The council committees were represented by councillors and independent individuals, who had served in council committees during the period 2006 to 2015. The municipal officials were represented by municipal officials at various levels of the management hierarchy for the same period.

The researcher intended to conduct focus-group interviews with the Municipal Public Accounts Committee (MPAC), the Audit Committee (AC) and the Performance Audit Committee members (PAC). In so doing, the researcher sought to explore the perceptions, experiences and understanding of the committee members; since they conduct their work as a committee (Kumar, 2005:125; de Vos et al., 2011:360; Terre Blanche et al., 2006:304).

During the discussion, the researcher intended to audiotape the discussion. The participants would have been informed and assured that the discussion would be treated as confidential. However, during the collection of the data, it became impractical to conduct interviews; as most of the councillors had already left the municipalities – after the August 2016 local government elections.

The researcher, instead, issued questionnaires with closed-ended questions; however, in the same questionnaire, a space was created for the respondents to comment at the end of each section.

In regard to the collection of the data from the municipal officials, the researcher distributed questionnaires with closed-ended questions to the various levels of management within the selected municipalities. The researcher quantitatively collected
the data from the municipal officials and qualitatively collected data from municipal committee members of the selected municipalities.

1.11.2 The Research Methods

Research methodology refers to the broad theoretical and philosophical framework, within which the methods operate, and which give them their intellectual authority and legitimacy; whilst the research methods refer to the techniques and procedures used to obtain and analyse the data (Becker & Bryman, 2004:398; Saunders et al., 2016:4).

11. ETHICAL CONSIDERATIONS

It is important for researchers to protect their research participants; and to ensure that trust is built between them and the participants; to stimulate the honesty of the researcher; to guard against transgression and indecency that might reflect on their establishments or organisations; and to survive with new challenges (Isreal and Hay, 2006). The ethical attentions need to be predicted broadly; and they are reflected during the course of the study. These concerns apply to all types of research, whether qualitative, quantitative, and mixed-method research and to all the phases of the study. Researchers need to expect them and vigorously deal with them in their study plans (Creswell, 2014).

To this end, the participants were informed about the overall purpose of the investigation, as well as any possible risks and benefits from participating. The researcher obtained the voluntary participation of the participants; and he also informed them of their right to withdraw from the study at any stage of the investigation (Kvale, 1996). In many studies, anonymity cannot be maintained, especially when the data are collected through interviews (Bless and Higson-Smith, 1995).
The researcher has received an endorsement to conduct the study from the Accounting Officers of the selected municipalities. In order to allay their fears about the secrecy of information they have been informed that the municipal information will be treated as confidential. The researcher also received ethical consent to conduct the study from the University’s Ethics Committee.

1.12. THE CHAPTER OUTLINE

This study will be structured as illustrated below:

Chapter 1

This study gives the introduction of the study. It covers the background information, the statement of the problem, the research objectives and research questions, the significance of the study, the preliminary review of the literature, the limitations of the study, the limitations and delimitation of the study.

Chapter 2

The chapter will give a theoretical basis that pertains to the researcher’s investigation and the analysis of that work. It will be composed of the theoretical framework for the researcher’s study, a detailed context for the researcher’s study. It covers the legislative framework that relates to the Auditor-General of South Africa. The independence of the AGSA is also discussed. The comparison of the AGSA with other African SIAs.
Chapter 3

The analysis of the audit outcome’s performance of the selected municipalities for the period 01 July 2006 to 30 June 2015 has been conducted. This was done with a view of getting a holistic picture of what could be influencing their performance.

Chapter 4

The chapter will cover the research methodology; and it will inform the reader about the research design and methodology adopted by the researcher. It is a map, on which the readers will be relying, when they get to the body of the researcher’s study. The data that the researcher had used and the method of how these were collected, will also be discussed in this chapter.

Chapter 5

The chapter will present the researcher’s findings, the analysis of the findings and the sub-conclusions about the findings. The researcher here will present and analyse the findings that correspond directly with the data mentioned in the previous chapter.

Chapter 6

The chapter will discuss the research findings presented in the previous chapter in details. The deep interpretation of the data have been done in this chapter; such that the readers would also be able to understand the meaning of the data.

Chapter 7

The chapter will provide a summary of the findings, conclusions, as well as a list of the contributors and some suggestions for further research.
2.1 INTRODUCTION

This chapter will discuss the policeman theory, the lending-credibility theory, the agency theory, and the theory of inspired confidence. These theories form the foundation for this study; as they are relevant to the research at hand. The chapter also discusses the legal framework, which relates to the Auditor-General of South Africa (AGSA’s) role, together with the oversight bodies that oversee the implementation of the internal-financial controls, which the AGSA evaluates during his annual audits in the South African municipalities.

The chapter concludes with the discussion on the importance of having an independent and objective Auditor-General; as this institution is the only audit institution for the South African public service; hence, it is called the Supreme-Audit Institution (SAI). The AGSA is further compared with other African SAI.

2.1.1 Origin and Concept of Auditing

It is important to discuss the origin and concept of auditing; as the purpose of auditing is construed in different ways. The decision to purchase or sell securities, to lend money, to extend commercial credit, to enter into employment agreements, and other kinds of economic decisions, depends in large measure on financial information. Financial decision-makers demand reliable information; and accountants and auditors help to satisfy that demand (Robertson, 1996; Woolf, 1997; Millichamp and Taylor, 2012).

Financial decision-makers usually obtain their accounting information from companies that want to obtain loans or sell stock. This source of information creates a conflict of interest, which is a condition that creates society’s demand for auditing services. Users
need more than information; they need *reliable* information. Preparers and issuers might benefit by giving false, misleading, or overly-optimistic information. The potential conflict has become real often enough to create a natural scepticism on the part of users. Thus, they depend on professional auditors to serve as objective intermediaries, who would be able to lend some credibility to financial information (Robertson, 1996; Woolf, 1997).

This “lending of credibility” Robertson (1996:5) is known as *attestation*; and independent auditing of financial statements is described as an *attesting function*. Woolf (1997) in agreement alludes that a series of Company Acts, commencing in 1844, were developed to meet the need for stewards to account for their transactions; and in time, it incorporated the requirements that the stewardship account should be subjected to examination by independent experts – the auditors – who would then report the results of their findings to the shareholders, who appointed them (Woolf, 1997: 4).

In a similar view, Konrath (1999) defines auditing as a form of *attestation*. *Attestation*, in a general sense, refers to an "expect's" communication about the reliability of someone else’s assertion.

The Company’s Act places upon the directors of every company the responsibility of ensuring that the balance sheet gives a *true and fair view* of the state of affairs of the company; and that the profit-and-loss account gives such a view of its profit or loss for the financial year. The words ‘true and fair’ represent the final objective of financial reporting (Woolf, 1997; Millichamp & Taylor, 2012).

While this duty remains exclusively that of the directors, the auditor, in his report to the members, is required to state whether, in his opinion, the accounts meet the above requirements. The auditor’s report is also required to confirm that the accounts have
been properly prepared, in accordance with the Companies’ Act (Millichamp & Taylor, 2012; Konrath, 1999; Woolf, 1997; Robertson, 1996).

As stated above, the auditor’s primary task is to report to the shareholders on the truth and fairness of the financial statements prepared by the directors. At the end of the audit, when the auditors have examined the organisation, its records, and its financial statements, the auditors produce a report addressed to the shareholders, in which they express their opinion on the truth and fairness, or otherwise, of the financial statements (Millichamp & Taylor, 2012; Woolf, 1997).

If an opinion cannot be rendered, the auditor must clearly disclaim an opinion and give reasons for the disclaimer. If an opinion can be rendered, the auditor must decide whether to issue an unqualified, a qualified, an adverse or a disclaimer audit opinion or audit outcome (Konrath, 1999). It is worth giving a definition of the various audit opinions, or outcomes – for the purposes of this study.

a) **Unqualified opinion** – an unqualified audit opinion on financial statements is expressed when, in the auditor’s judgement, they give a true and fair review; and they have been prepared, in accordance with the relevant accounting and other requirements. This judgement entails concluding, firstly, whether the financial statements have been prepared by using the appropriate accounting policies, which have been consistently applied. Secondly, whether the financial statements have been prepared, in accordance with the relevant legislation, regulations or applicable accounting standards. Thirdly, whether there is adequate disclosure of all the information relevant to the proper understanding of the financial statements (Woolf, 1997; Millichamp et al., 2012).

b) **Qualified opinion** – a qualified opinion is issued, when there is a limitation on the scope of the auditor’s examination, or when the auditors disagree with the
treatment or disclosure of a matter in the financial statements (Woolf, 1997; Millichamp et al., 2012).

c) Adverse opinion – an adverse opinion is issued, when the effect on a disagreement is so material or pervasive, that the auditors conclude that the financial statements are seriously misleading. An adverse opinion is expressed by stating that the financial statements do not give a true and fair reflection of the actual state of affairs (Woolf, 1997; Millichamp et al., 2012).

d) Disclaimer of opinion – a disclaimer opinion is expressed, when the possibility of an effect on scope limitation is so material or pervasive that the auditors have not been able to obtain sufficient evidence to support the audit; and accordingly, they are unable to express an opinion on the financial statements (Woolf, 1997; Millichamp et al., 2012).

In the public sector environment in South Africa, the AGSA is the only institution mandated to audit public-sector organisation records. Chapter 9 of the Constitution of the Republic of South Africa, 1996, stipulates the Auditor-General as one of the state establishments, which should be supporting Constitutional democracy. The Constitution entrenches the AGSA’s impartiality by directing that AGSA is subject only to the Constitution and the law.

The Constitution requires AGSA to be objective; and to use his/her authority, and do his/her tasks without fear, favour or prejudice. The functions of the AGSA are defined in section 188 of the Constitution of the Republic of South Africa. These functions are also regulated by Chapters 2 and 3 of the Public Audit Act.
Each year, the AGSA conducts mandatory audits on government departments, public entities, municipalities and municipal entities. The AGSA, furthermore, conducts discretionary audits, such as performance audits, special audits and investigations.

For each audit, a report is prepared, made public and tabled to the legislatures, or a sphere of government, which has a direct interest in that specific audit, such as municipal council, and/or provincial legislatures. In addition, audit reports may be tabled to any provincial or national legislature and/or State organ; if the AGSA is contemplating it to be in the interests of the public. Over and above the audit-specific reports, the AGSA publishes two overall reports, in which the outcomes of the audits at national, provincial and municipal levels, respectively, are analysed (AG Integrated Annual Report, 2015: 23).

2.2 THEORETICAL FRAMEWORK

Whilst there are many theoretical frameworks that could have been selected, but because of the nature, purpose and the subject to which this study relates, the Policeman Theory, the Lending-Credibility Theory, the Agency Theory and the Theory of Inspired Confidence, appear to be the most appropriate theories for this study (Ittonen, 2010:3; Pickett, 2004:10). In this section of the study, these theories are individually discussed; and the pros and cons of each are explained. These theories are illustrated in a diagram below.
2.2.1  The Policeman Theory

In the proceedings of the University of Vaasa, Ittonen (2010) describes the policeman theory as a theory that views the auditor as an individual, who is in charge of probing, determining and avoiding fraud or deception. In the early 20th century, this was the role that was played by auditors. They were responsible for determining the accuracy and checking whether fraud has been committed by the officials in the organisation (Ittonen, 2010).

In agreement with this assertion, Pickett (2002) maintains that over the last two or three decades, the internal audit profession has made a number of strides in improving its
operation. Previously, the internal audit was viewed as a mechanism to verify thousands of financial transactions processed on a weekly basis. In the 1950s and 60s, it comprised the basic verification of accounts – with the aim of identifying any errors and/or deficiencies.

Standardised audit-work programs were prepared, in order to determine the audit steps that had to be followed to verify the main accounting ledger and its subsidiary books (Pickett, 2004: 10). However, more recently, the central emphasis of auditors has been to ensure reasonable assurance and to confirm the fairness and truthfulness of the financial reports, records and information.

The discovery of fraud is, however, still a burning issue in the discussion on the auditor's duties; and usually, when occasions where in the financial report, frauds have been discovered, the pressure is on increasing the duties of auditors in discovering such fraud (Ittonen, 2010:3, Pickett, 2004:10).

This theory brought into focus a number of misconceptions about the role played by auditors, be they internal auditors or external auditors. A number of newly appointed auditors start their job with numerous misconceptions. They think their role is to enforce procedures, in which they will police staff members in their organisation to adhere to the procedures in their respective business units (Pickett, 2004).

However, in the real world, the management of the organisation should design internal controls and procedures; and it should ensure that these are adhered to by the staff within the organisation. Auditors evaluate the effectiveness and adequacy of internal controls and make recommendations to management as to how to improve the effectiveness and adequacy of controls and procedures developed by the management.
Some people are of the opinion that auditors issue instructions on how the procedures should be carried out. As such, certain procedures, such as filing arrangements, security checks, or the document-retention period are not the responsibility of business unit managers; but they are simply basic audit routines. It is rare for the auditors to issue instructions; since the audit role is advisory, but not executive in nature.

Managers and their staff are responsible for setting a clear direction in all matters of accountability and procedure. The auditor is there to facilitate this task; and to ensure that all material weaknesses are brought to light and thoroughly addressed (Pickett, 2004: 7).

Many people view the auditor as somebody who represents executive management; he/she exposes faults, ambiguous performance information, and poor decisions made at operational levels. This misconception is based on the view that audit staff are really informers, looking for bad supervisors and poor performers. The auditor does in fact point the finger; but only at those areas where risk-management arrangements can be improved, but not on the individual people within an organisation. The auditor would be concerned over poor practices and high levels of error; but only so that problems can be resolved through better procedures, more staff training, or a focus on more effective team-working (Pickett, 2004: 8).

2.2.2 The Lending-Credibility Theory

The lending-credibility theory suggests that the main purpose of the audit is to enhance the reliability of the financial reports, the records and the information. It is deemed in this theory that the work that is provided by the auditors lends to the users the integrity of the financial information that has been audited. Audited financial reports are assumed
to have components that raise the financial report users’ reliance on the figures presented by the organisation.

It is assumed that the financial reports given to the users receive an advantage of the increased trustworthiness. This advantage is basically considered to be that of the quality of the decisions taken by management of the organisation, when they are based on trustworthy financial information (Ittonen, 2010: 4 - 5).

In agreement with this view, Marx et al. (2011), have this to say about auditing: “The statutory audit is not the only audit that is performed; however, entities not required by law to have an audit may request an audit, in order to enhance the credibility and reliability of their results” (Marx et al., 2011: 2).

The auditor has a reputation for independence and objectivity. As a result, in the past, various users requested the auditors to provide attestation on the information beyond the traditional historical financial information (Messier, Glover & Prawitt, 2008).

2.2.3 The Agency Theory

The agency theory is a supposition that explains the relationship between the principal and the agents in business. Agency theory is concerned with solving problems that exist in the agency relationship, due to unaligned goals, or to different aversion levels to risk. The most common agency relationship in finance occurs between the shareholder (principal) and the company’s executives (agents) (www.investopedia.com, 2016).

Watts and Zimmerman (1978, 1986a, 1986b) are quoted in Ittonen (2010:5), as being of the view that the agency theory submits that the auditor is hired for the benefit of both the investors and the management employed by the company. The enterprise is
regarded as a web of contracts. Numerous groups (suppliers, bankers, customers, employees etc.) make various contributions to the enterprise for a specified price.

The duty of the management is to organise these groups and the contracts and to attempt to enhance them: low amount for acquired supplies, high rate for sold goods, low interest tariffs for borrowed funds, high share prices and low wage rates for personnel.

In these dealings, management is the representative, which tries to gain contributions from the principals (Ittonen, 2010; Shleifer and Vishny, 1997).

In a similar view, Jackson and Stent (2003), stated that the need for modern-day auditors, both external and internal, came into effect – as a result of a natural growth of owner-managed businesses into organisations that were held by individuals who could not manage them properly.

These individuals provided the funding; and they hired managers to run their businesses. The managers were required to report to the owners on a regular basis – on their custodianship of the owners’ funds. Many of the funders could not get involved in the day-to-day activities of the business; because they neither had inadequate time or insufficient expertise – so, in order to validate what was reported to them they had to appoint independent individuals to evaluate the reports from the managers; and to give them a judgement on their accuracy, truthfulness or impartial presentation.

The requisite for the external auditor was recognised and rooted (Jackson & Stent, 1998; Messier et al., 2008). Michael C. Jensen and William Meckling agreed; and they published their seminal paper, in which they re-articulated Manne’s (1967) ideas in a more conventional neoclassical economic theory framework, suggesting that the
shareholders are the financiers of the firm; and that managers are the shareholders’ agents. Jensen and Meckling’s (1976) argument that managers in what had now become low-valued conglomerates, failed to demonstrate any initiative leading to economic growth. This struck a chord in the pro-business community (Styhre, 2016). Rather than amassing large stocks of capital to protect their own career interests; managers should distribute the so-called residual cash flow to the shareholders, agency theorists now argued (Fama & Jensen, 1983).

The agency theory of the firm is founded on a particular kind of social interaction. Firms are a cascade of sequential principals: agent contracts, in which principals delegate the work to agents, to act on their behalf. Since agents are rational utility-maximizers, principals must bear the costs to mitigate agents’ opportunism. Agency costs turned out to be the core concept of agency theory; and its core aim was to design contractual arrangements that minimise agency problems. In the first agency models, only the vertical, principal-agent relationships were deemed to be of interest (Doherty, 1999; Lopes, 2016). Horizontal interactions among the co-workers were nonetheless soon acknowledged, under the label of side-contracting.

In the eyes of the then-leading agency theorist, side-contracting takes the form of bribes, personal relationships and promises of reciprocation (Holmstrom & Tirole, 1989).

In the case of the public sector, the AGSA is regarded as the external auditor. It could be argued that the general public or the rate payers that reside within the selected municipalities in the Amathole District Municipality (ADM) are the providers of finance within their municipalities; and the public officials run the municipality on their behalf. These officials are required to report to them on an annual basis; and because the rate
payers have no expertise of what they are reported on; this must be done by the officials.

This is a fair presentation of the officials’ stewardship: the AGSA is appointed on an annual basis to provide an opinion on the truthfulness, correctness or fair presentation of the information provided by the public officials. The Agency theory also applies in the selected municipalities within the ADM.

2.2.4 The Theory of Inspired Confidence

Limperg, 1932 is quoted in Ittonen (2010:11) as being of the view that the theory of Inspired Confidence talks about both the demand and the supply of audit services. The demand for audit services is the direct result of the input of parties, who have an interest in the company. These interested parties call for the answerability of management, in return for their investments in the business.

Accountability is recognised through the submission of regular financial information. However, this financial information submitted by the management may be subjective; and third parties have no direct method of monitoring; consequently, an audit is necessary to declare the trustworthiness of the information submitted by the management.

In regard to the supply of audit assurance, Limperg (1932) advocated that the auditor ought to constantly attempt to meet the public’s expectations (Ittonen, 2010: 5).

Jackson and Stent (2003) expressed a similar view – that in ensuring that confidence is maintained of those who finance the business, whether they are members of the broader community or share in the businesses; reassurance is necessary, that the financial records produced by the business may be relied upon; and that they are credible.
They further argue that the achievement of the capital markets in the world revolves around investors’ confidence in the financial information, in order to make investment judgements. The auditors play a rather critical role in simulating the investor’s confidence by expressing their opinion on the fairness of the financial statements being presented.

In regard to this study, the rate payers within the selected municipalities are more confident in the audited financial information than unaudited financial information. To enhance the accountability; the AGSA publicises the audit outcomes of selected municipalities – on an annual basis – through various media platforms.

The theories relating to the study have been discussed; and the next section will discuss the legislative framework that is applicable to the study.

2.3 THE LEGISLATIVE FRAMEWORK

2.3.1 The Constitution

In terms of Chapter 7 of the Constitution of the Republic of South Africa, 1996, “the local sphere of government consists of municipalities, which must be established for the whole of the territory of the Republic. It also states that the executive and legislative authority of a municipality is vested in its Municipal Council. It further states that a municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution.”

This, therefore, means that the Constitution has elevated local government into a sphere of government with its own autonomy. Municipalities now form the lowest formal level
of the democratically elected government. It is the first point of contact between citizens and government (Conje, Alexander & Kan-Berman, 2014: 9).

In terms of section 216 (1) (c) of the Constitution of the Republic of South Africa (Act 108 of 1996), national legislation must establish a national treasury; and it must prescribe measures to ensure both transparency and the expenditure control in each sphere of government – by introducing uniform treasury norms and standards.

Transparency is enforced by the Constitution of the RSA; the local government, as one of the spheres of government is expected to comply with this section of the Constitution. The norms and standards established by the national treasury are used by assurance bodies like the AGSA, Internal Auditors and the Audit Committee, as a criterion for providing assurance to the government institutions.

Further, section 195 (1) and (2) of the Constitution of the Republic of South Africa (Act 108 of 1996), directs that public administration must be governed by the democratic principles that include, amongst others, a high standard of professional ethics, the efficient, economic and effective use of resources, fairness, accountability and transparency.

These principles must apply to the administration in every sphere of government, to organs of State and to public enterprises. Section 215 (1) of the Constitution dictates that national, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector.
2.3.2 The Public Audit Act

The Public Audit Act regulates those audits that the AGSA must perform, in accordance with section 4(1) or (2) of the Public Audit Act and those that AGSA must select to do, in accordance with section 4(3). It provides for the submission of audited financial statements, the auditing standards to be complied with, and the powers of the auditor, the code of conduct to be complied with, as well as the form of audit reports required.

Section 20 of the Public Audit Act requires the audit report to show such views or declarations, as mandated by the applicable legislation to the entity being audited. However, this should not be limited to the conclusion on whether, firstly, the financial reports present in all material respects, the financial situation at a specific year-end; and that the results of its operations are in compliance with the relevant financial framework and legislation.

Secondly, it is important to ensure whether the entity being audited complies with any relevant legislation applicable to financial issues, financial administration and other related issues. Thirdly, it is also important to ascertain whether the reports being tabled relate to the performance of the entity being audited; and that they are monitored against predetermined objectives (Puttick, Van Esch & Kana, 2007).

In short, the AGSA is not doing its work in a haphazard way; but it uses a structured criterion to evaluate the financial affairs of government organisations. The AGSA uses financial legislation and regulations to evaluate each organisation’s financial affairs. It does not concentrate only on the financial aspects of the government organisation; but it also checks the service-delivery aspects; and hence, an evaluation of the performance against the predetermined objectives is called for.
2.3.3 The Municipal Finance-Management Act

Section 126 of the Municipal Finance-Management Act 56 of 2003 requires that the accounting officer of the municipality must prepare the annual financial statements of the municipality; and, this must be done within two months after the end of the financial year, to which those statements relate. The accounting officer must submit the statements to the Auditor-General for auditing.

In the case of the municipality, which has the sole control of a municipal entity; it must, in addition, prepare consolidated annual financial statements within three months after the end of the financial year to which the statements relate; and it must submit the statements to the AGSA for auditing.

On the other hand, section 131 of the Municipal Finance Management Act 56 of 2003 requires that a municipality must address any issues raised by the Auditor-General in the audit report. It also requires that the mayor of the municipality must ensure compliance by the municipality with this provision.

The MEC for the local government in the province must assess all the annual financial statements of the municipalities in the province, the audit reports on such statements, and any responses of municipalities to such audit reports; and the MEC must determine whether the municipalities have adequately addressed any issues raised by the Auditor-General in the audit reports and report to the provincial legislature any omission by a municipality to adequately address those issues within 60 days.

Furthermore, section 165 of the MFMA dictates that each municipality and each municipal entity must have an internal audit unit. The internal audit of a municipality or municipal entity must prepare a risk-based audit plan and an internal audit program for
each financial year. The internal audit units accomplish this by conducting a risk assessment at the beginning of each financial year. The risk assessment may be conducted in three ways: firstly, through a desk-top approach, in which the internal auditor peruses various documents, like strategic-management documents, as well as the vision and mission of the organisation. After the examination of these documents, the internal auditor may be able to figure out the risks that may hinder the organisation from achieving its objectives. Secondly, the internal auditor may do a survey by sampling a few managers that the auditor will interview – and get their perspective of what they perceive as risks that might hinder the organisation’s objectives.

The internal audit of a municipality or municipal entity must advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to the internal audit; internal controls; accounting procedures and practices; risk and risk management; performance management; loss control; and compliance with the legislation.

The internal audit achieves this through the rolling out of its internal audit plan for the financial year by performing its audits.

The internal audit of a municipality or municipal entity must perform such other duties as may be assigned to it by the accounting officers. The internal audit performs all the audit – as listed in the internal audit plan. However, the accounting officer or management of the municipality may assign any audit work, which the accounting officer or management needs to be advised on by the internal audit unit; and such assignments are called ad hoc audits.
Section 165 resulted in section 166 being born; as the internal audit unit could not perform its duties without the audit committee; since the audit committee enhances the independence of the internal audit unit. Sections 166 (1) and (2) oblige that each municipality and each municipal entity must have an audit committee.

The audit committee is described as an independent advisory body, which must advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity.

The section dictates that the committee must advise the municipality or the municipal entity on any matters relating to internal financial control and internal audits; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information, performance management; effective governance; compliance with legislation; performance evaluation; and any other issues referred to it by the municipality or municipal entity.

Furthermore, the committee must review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality. This review assists in evaluating the municipality’s overall level of compliance with legislation. The issues the committee should be advising the municipality on, require special expertise; and therefore, the individuals appointed as committee members should be carefully selected.

According to Millichamp and Taylor (2012), the key objective associated with the setting up of audit committees, from the point of view of corporate governance generally, is to increase public confidence in the credibility and objectivity of the published financial
statements, and to assist the directors in carrying out their responsibilities for financial reporting (Millichamp & Taylor, 2012).

2.3.4 The Municipal Structures Act

Section 79(1), of the Municipal Structures Act (Act 117 of 1998), empowers a municipal council to establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers. It further requires that such committees be appointed among its members; and they can dissolve a committee at any time.

On the other hand, section 80(1) of the Municipal Structures Act states that if a municipal council has an executive committee or an executive mayor, it may appoint, in terms of section 79, a committee of councillors to assist the executive committee or the executive mayor.

In terms of section 151(2) of the Constitution, the executive and the legislative authority of a municipality are vested in its municipal council. Therefore, section 79 committees provide a legislative authority with the oversight of the municipal council; whilst section 80 committees provide the executive function of the municipal council.

In March 2012, SALGA, the National Treasury and the Department of Co-operative Governance issued guidelines for the establishment and the effective functioning of the Municipal Public Accounts Committee (MPAC). In terms of these guidelines, the MPAC must interrogate the following financial aspects addressed in the Municipal Finance Management Act:
a) Unforeseen and unavoidable expenditure (Section 29)

Any unforeseen and unavoidable expenditure incurred must be reported to the MPAC; and during the submission, the municipal officials should provide proof of the necessary appropriation in an adjustment budget. The MPAC must consider the submission and make recommendations to the council. Where the necessary adjustment budget has not been prepared, the MPAC must report this to the council.

b) Unauthorised, irregular or fruitless and wasteful expenditure (Section 32)

Any unauthorised, irregular or fruitless and wasteful expenditure by the council, the executive mayor or the mayor, the executive committee or any political office bearer of the municipality must be reported to the MPAC. The municipal manager must report to the MPAC on all steps taken to either authorise or certify the payment, or to recover or write off the expenditure.

He/she must report on whether any criminal action was instituted in this regard. The MPAC must examine the submission by the municipal manager and report to the council on the appropriateness of any criminal or civil steps taken. The MPAC is also expected to report where no further action was taken, as well as giving the reasons therefor.

c) The quarterly report of the mayor on the implementation of the budget and the state of affairs of the municipality, or SDBIP (section 52 (d))

A copy of the quarterly report of the mayor on the implementation of the budget and the state of affairs of the municipality must be submitted to the MPAC. In cases where the report is not submitted to the MPAC within 30 days after the end of the quarter, the MPAC must report this to the council. After submission, the report must be interrogated and recommendations must be made to the council.
The MPAC must ensure that the mayor attends to the necessary amendments to the SDBIP; and it must submit the necessary report to the council – with proposals for the adjustment budget. If this has been not done by the mayor, the MPAC must report it to the council.

d) Monthly budget statements (Section 71)

The mid-year budget and performance-assessment report submitted to the mayor must be submitted to the MPAC. This must be reviewed by the MPAC; and comments on the report must be submitted to the council.

Mid-year budget and performance assessment of municipal entities (Section 88)

The mid-year budget and the performance-assessment report must be submitted by the municipal entity; and it also needs to be submitted to the MPAC. The MPAC needs to interrogate the report and report matters of concern to the council. In cases where the report has not been received, or not published, this must be reported to the council.

e) Disclosure concerning councillors, directors and officials (Section 124)

As part of its interrogation of the annual financial statements, the MPAC must ensure that the necessary disclosures were made in the financial statements, including salaries, allowances and benefits of political-office bearers, councillors, the municipal manager, the Chief Financial Officer (CFO) and the senior managers of the municipality, including those of the board of directors, the chief executive officer and the senior managers of the municipal entity.

f) The arrears owed by individual councillors to the municipality for more than 90 days must also be disclosed in the annual financial statements of the municipality.
g) Submission and auditing of annual financial statements (Section 126)

Section 126 of the MFMA dictates that the accounting officer must prepare the Annual Financial Statements (AFS) of the municipality; and, within two months after the end of the year to which those statements relates, s/he must submit the statements to the AGSA for auditing. The MPAC should verify whether the contents of this section have been complied with. Copies of the financial statements submitted to the AGSA must be submitted to the MPAC, as well as the financial statements of any municipal entity under the control of the municipality, in addition to proof of submission to the AGSA.

If the MPAC has not been provided with financial statements, or with proof that the financial statements have been submitted to the AGSA; this must be reported to council.

h) Submission of the annual report (Section 127)

The MPAC should ensure that the requirements of section 127 of the MFMA have been complied with. The accounting officer of the municipality must submit the annual report to the MPAC no later than two weeks after the date required for submission to Council for review. Where the annual report is not submitted to the Council as required, the MPAC must be provided with a copy of the written explanation of the mayor, as submitted to the Council. Where neither the annual report, nor the explanation has not been submitted, the MPAC must report this to the Council.

The MPAC must ensure that the annual report has been submitted to the AGSA, as well as to the relevant provincial Government Departments. The MPAC must also see to it that all the entities have complied with the said requirements.
i) **Oversight report on the annual report (Section 129)**

The MPAC must consider the annual report, and prepare a draft-oversight report to be submitted to the council for the purpose of adopting the oversight report. In preparing the draft oversight report, the MPAC must consider all the representations in connection with the annual report received from the local community. The meeting of the MPAC considering the annual report must be open to the public; and members of the local community must be allowed to make representations in connection with the annual report at the meeting.

j) **Issues raised by the Auditor-General in audit reports (Section 131)**

Section 131 of the MFMA requires that a municipality must address the issues raised by the AGSA in the audit report. The MPAC must ensure that the requirements of this section are adhered to by the municipality. Therefore, the committee must be provided with the report; and it must be prepared to address any issues raised for the AGSA. The MPAC should interrogate the report and make recommendations to the Council. If the accounting officer of the municipality has not submitted the report; the MPAC must report this to Council.

k) **Audit Committee (Section 166)**

The MPAC must ensure that the requirements of section 166 of the MFMA are complied with by the municipality. The MPAC must ensure that the municipality, at all times, has an operational audit committee. Where no audit committee has been appointed; or where the audit committee is not operative, the MPAC must report this matter to the Council.

l) **Disciplinary actions instituted in terms of the MFMA**

All disciplinary processes instituted for the contravention of the MFMA must be reported to the MPAC. The MPAC must ensure that all such matters are brought to an acceptable
conclusion. The MPAC must report to council where matters are not dealt with effectively and timeously.

In addition to the above MFMA aspects, the MPAC must interrogate the following aspects addressed in the Municipal Systems Act.

   m) Review of the IDP post elections (Section 25)
Section 25 of the Municipal Systems Act (MSA) dictates that each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality. The MPAC must ensure that the provisions of this section are being complied with. The MPAC committee must, therefore, monitor whether the Executive Mayor, or the Executive, have initiated the review of the IDP post elections. Where the review is not done, the MPAC must report this matter to Council.

   n) Annual review of the IDP (Section 34)
In terms of section 34 of the MSA, a municipality must review its integrated development plan annually, in accordance with an assessment of its performance measures, in terms of section 41 of the MSA. Therefore, the MPAC must ascertain whether the Executive Mayor or the Executive have initiated the annual review of the IDP. Where the review is not yet done, the MPAC must report this matter to Council.

   o) Performance management plan (Section 39)
The MPAC must monitor whether the annual performance plan is being prepared. Where the plan is not prepared, the MPAC must report this issue to the Council.
p) Monitor that the annual budget is informed by the IDP (Regulation 6 of the Local Government: Municipal Planning and Performance Management Regulations)

The MPAC must review the draft-annual budget and ensure that it is informed by the IDP and then adopted by the municipal council. Where the draft-annual budget is not aligned with the IDP, the MPAC must report this to the municipal council.

q) Monitoring that all declaration of interest forms are completed by councillors on an annual basis (Section 54)

The MPAC must ensure that all councillors have completed their declaration of interest forms and updated them annually. Where the declaration of interest forms have not been completed or updated, this matter must be reported to the council.

2.4 THE POWER – AUTHORITY RELATIONSHIP BETWEEN VOTERS AND THE LEGISLATOR

In a representative democracy, the power rests with the voters. Authority rests with the representatives of the voters; and these representatives constitute the Legislative Authority. In theory, the way in which authority is transferred by voters to their representatives is by means of elections. During every election, a candidate submits his political manifesto, in which he or she conveys to the voters his policy on the supply of governmental services and related policy matters. Every voter who agrees with the contents of the manifesto would vote for the candidate in question; and if the majority of the voters support this candidate, he or she is elected as a representative.

Therefore, the elected candidate by implication receives the authority from the voters to convert his policy, as submitted in the manifesto, to government policy; and is expected to execute the policy (Gildenhuys, 1991: 18).

In practice, the relationship of authority is determined by a Government's Constitution and other related Constitutional legislative issues; but, in the final instance, it is the
voters who originally had to approve the Constitution, and who continue to require from the representatives the maintenance of the approved Constitution (Gildenhuys, 1991: 18).

The elected representatives must always bear in mind that they have been elected by the voters to represent them in the legislature. There exists a fiduciary relationship between the elected representative and the public. He or she is supposed to act on their behalf and to fulfil their wishes by supporting legislation and exercising control over the Executive and the administrative authorities in the process of fulfilling their wishes.

It must also be remembered that once the representative is elected, he or she does not represent those who voted for him or her, or his or her party; but he or she represents the whole community. The elected representative is, in fact, directly responsible and accountable to his or her entire constituency (Gildenhuys & Knipe, 2000: 146).

This therefore means that the voters act as a principal; and the representative acts as an agent; and wherever there is a principal-and-agent relationship, there is always a need for accountability (Fama & Jensen, 1983; Ittonen, 2010). The following paragraph will discuss the issue of accountability in the local government sphere.

2.5 THE NEED FOR ACCOUNTABILITY IN THE LOCAL GOVERNMENT

In the true sense of the word, funds in the custody of local governments are not owned by them. They are the property of the municipal ratepayers, from whom these funds have been collected. The local government only has the responsibility to have the custody of these funds. Local government officials should, therefore, spend these funds in a responsible manner; and they must also be able to account for them.
Local government institutions are legal entities. It may then be argued in some circles that these funds are owned by them. However, it must always be remembered that the local government institutions act on behalf of the ratepayers within their municipal areas. This, therefore, requires a high and proficient level of ethics in the administration of local government finances, as prescribed in the Constitution (Gildenhuys & Knipe, 2000).

This, therefore, requires that the local government must account to the taxpayers and inhabitants about how the municipal funds were collected and spent. One of the old foundations of democracy is that each councillor and municipal official is subject to accountability (Gildenhuys & Knipe, 2000). It is argued (Cloete, 1997: 119) that reliable financial records are essential for the enforcement of accountability to the public.

The accountability to the public goes hand-in-hand with typical democracy, with its associated rights of citizens and duties of councillors and municipal administrators. This accountability has the obligation to uncover activities and the consequences thereof, and to explain and rationalise them to the public. Accountability, in this sense, also refers to the manner in which financial administration and other responsibilities in this situation provide the source for the evaluation of the behaviour of councillors and municipal administrators (Gildenhuys & Knipe, 2000; Millichamp & Taylor, 2012).

It is further argued (Gildenhuys & Knipe, 2000) that the councillors, as elected representatives, are individually and jointly, directly answerable to the community; and they can definitely be held accountable for the collection, safeguarding and the actual and efficient expenditure of the public funds. Although the decision-making committee and officials may be held responsible for the mishandling of public moneys, the council,
as public representatives, would finally have to answer to the public for any inappropriate administration.

They may even individually be held responsible by the courts for mismanaging funds (Gildenhuys & Knipe, 2000; Millichamp & Taylor, 2012).

The public service is an engine; and it would remain vital for any regime’s improvement initiatives. Without an answerable, competent and honest public sector, there cannot be good governance in the public sector (Akhidime and Izedonmi, 2012: 183). In the following paragraph governance will be discussed; as it relates to accountability.

2.6 GOVERNANCE AND GOOD GOVERNANCE

Governance refers to the process of decision-making and the processes whereby decisions are implemented (or not implemented). Governance can be used in different contexts, such as corporate governance, international governance and local governance (Masuku & Makwanise, 2012: 188).

2.7 GOVERNANCE AND GOOD GOVERNANCE IN PUBLIC SECTOR

Mazebe and Sebina (2003:3) are quoted in (Masuku & Makwanise, 2012: 188) as conceiving governance as “the process, the function and power of government. It is public leadership achieved though political office.” They continue by stating that “…government governs on behalf of the public that gave it the mandate; and [it] should be transparent, [in order] to enable the public to know how it functions.” According to the Pacific Regional Branch of the International Council on Archives (PARBICA [sa]), governance is “the way in which an organisation arranges its processes and structures; so that it can make decisions, carry out its work and monitor its process.
Governance means making sure the office or agency is organised; and that it does its work in a way that is efficient and accountable; and that it complies with the relevant laws and regulations.”

The purpose of governance is to make sure that an organisation or entity attains its overall purpose, realises its intended results for the inhabitants and users, and functions in an effective, efficient, and ethical manner (The Chartered Institute of Public Finance & Accountancy, 2013: 44). Mazebe and Sebina (2003:5) are quoted in (Masuku & Makwanise, 2012), as indicating that “good governance is based on transparency and accountability.”

Accountability has to do with answerability, which implies that an office-holder has to answer to a supervisor, or to the public in general; if s/he occupies a public post. Being responsive in terms of good governance, points to the fact that authorities take appropriate action, when and where necessary, by not neglecting to act, when action is required.

Good governance in the public service inspires improved decision-making and the better use of resources; and it reinforces accountability for the custodianship of resources. Good and effective governance is symbolised by vigorous scrutiny, which pushes for refining public-service performance and dealing swiftly with corruption. It can lead to better management, resulting in a more-improved way of implementing the chosen intervention, better service delivery, and ultimately, better outcomes. People’s lives are thereby improved (The Chartered Institute of Public Finance & Accountancy, 2013: 6).

It is also important for the public sector organisations to be equitable and inclusive, when resources are distributed. Being equitable and inclusive refers to the fact that there is
an equal distribution of resources by not favouring one region, province or people. In government, it is generally believed that everyone, including those not directly involved in the process, will have different perspectives – as to the best solutions for matters; and it is important that these ideas be heard and integrated for the good of society, as a whole.

Thus, being inclusive means that such ideas should be heard and used. Good governance, therefore, implies inclusivity, as opposed to exclusivity (Masuku & Makwanise, 2012: 190).

The governing bodies and officials in the public sector must act in the interests of the public at all times, in line with the legislation and policies, always avoiding conflicts of interest; and, if necessary, avoiding the perceived organisational interest, in order to achieve effective governance. Acting in the interests of the public means a broader benefit to the general public, which could have better services for the society and other stakeholders of the public sector (The Chartered Institute of Public Finance & Accountancy, 2013: 13).

The requirement for public officials to declare their assets to the State may be viewed as a way of deterring corruption and preventing the abuse of public office by those who have been voted into such public offices. Mazebe and Sebina (2003: 4) are quoted in (Masuku & Makwanise, 2012: 192) as being of the view that government should be accountable to the people, who brought them into power. Transparency has a lot in common with accountability; as it refers to the idea that things should be open to all.

Where there is no transparency, even when things are done properly, people will always tend to think otherwise. Trust in the system can be achieved with the proper keeping of records (Masuku & Makwanise, 2012; Millichamp & Taylor, 2012).
The basic objective of the State organs is to provide services to the communities, thereby enhancing the wellbeing of all the citizens. The main source of income for governments and, indirectly, various other public bodies is normally taxation (The Chartered Institute of Public Finance & Accountancy, 2013: 6).

The public and other stakeholders of the public sector are thus interested in matters, such as: (a) Whether the planned activities have been carried out; and the desired results have been achieved; and (b) whether this has been done in an efficient, economic, effective and equitable manner. They are also concerned about the entity’s financial performance and financial situation at the end of the financial year.

Thus, the state organs and institution are expected to be very transparent, and to deliver better-quality information at all times (The Chartered Institute of Public Finance and Accountancy, 2013: 7). Good governance also denotes effective and efficient management. Being effective implies producing the desired effects, or making an impression, whereas being efficient refers to producing the desired results with little waste of effort. Following the rule-of-law implies that the law applies to everyone; and that no one is above law (Masuku & Makwanise, 2012: 189).

In the local government environment, good governance includes ten principles as requisites of ethical local governance. These principles are:

a) Participation: To encourage all citizens to exercise their right to express their opinion in the process of making decisions concerning the public interest, both directly and indirectly. Most municipalities encourage public participation; through road shows and community imbizos.

b) Rule of law: To realise law enforcement, which is fair and impartial for all, without exception, while honouring basic human rights and observing the values prevalent
in the society. The municipalities have by-laws, which must be adhered to by the inhabitants that reside within those municipalities. They enforce these by-laws through law-enforcement agencies within the municipalities.

c) **Transparency:** To build mutual trust between the government and the public through the provision of information with guaranteed easy access to accurate and adequate information. The road shows are – in their very nature – the transparent processes within the municipalities. During the road shows, the municipalities present their budgets, together with the performance of the municipalities against their target; and they account for why certain targets have not been achieved; and why the budget has not been spent as budgeted.

d) **Equality:** To provide equal opportunities for all members of the society to improve their welfare. The inhabitants within the municipalities need to be treated equally; and in addition, the municipalities have to adhere to the employment-equity laws.

e) **Responsiveness:** To increase the sensitivity of government administrators to the aspirations of the public.

f) **Vision:** To develop the region – based on a clear vision and strategy, with participation of the citizenry in all the processes of development – so that they acquire a sense of ownership and responsibility for the progress of their regions.

g) **Accountability:** To increase the accountability of decision-makers with regard to decisions in all matters involving the public interest.

h) **Oversight:** To increase the efforts of supervision in the operation of government and the implementation of development by involving the private sector and the general public.

i) **Efficiency and Effectiveness:** To guarantee public service delivery by utilising all available resources optimally and responsibly; and
j) *Professionalism:* To enhance the capacity and moral disposition of government administrators; so that they are capable of providing easy, fast, accurate and affordable services (Vyas-Doorgapersad & Ababio, 2010: 413-414).

The office of the Public-Service commission initially issued a Code of Conduct for the public servants, as a Government Notice/Gazette: Regulation Gazette 5947, No. R. 825, on June 10 1997. The code of conduct provides guidelines to both public officials and employers on what type of ethical behaviour is expected of them. The code also gives an indication of the spirit, in which public officials should perform their duties; the actions to take, in order to avoid conflicts of interest; and the terms of public official’s personal conduct and private interest (Cameron & Stone, 1995: 80).

A code of conduct for the public service officials at national, provincial and local government levels includes the following:

**Relationship with the legislature and the executive:** An employee is expected to be faithful, to honour and abide by the Constitution of the Republic in the execution of his/her daily tasks. He/she should put the interests of the public first; be loyal in executing the policies of the government of the day in the performance of his/her duties. He/she should strive to familiarise himself/herself with all the statutory and other instructions applicable to his/her conduct and duties.

An employee should co-operate with public institutions established under legislation and the Constitution in promoting the public interest.

**Relationship with the public:** An employee should promote the unity and well-being of the South African nation in performing her or his official duties. He/she should serve the public in an unbiased and impartial manner, in order to create confidence in the
public service. He/she should be polite, helpful and reasonably accessible in her or his dealings with the public. He/she should at all times be treating members of the public as customers, who are entitled to receive high standards of service.

He should have regard for the circumstances and concerns of the public in performing his or her official duties and in the making of decisions affecting them. An employee should be committed through timely service to the development and uplifting of all South Africans. He/she should not unfairly discriminate against any member of the public on account of race, gender, ethnic or social origin, colour, sexual orientation, age, disability, religion, political persuasion, conscience, belief, culture or language. He/she should not abuse his or her position in the public service to promote or prejudice the interests of any political party or interest group. He/she should respect and protect every person’s dignity and his or her rights, as contained in the Constitution.

An employee should recognise the public’s right to have access to information, excluding information that is specially protected by law.

**Relationships amongst employees:** An employee is expected to co-operate with other employees to advance the public interest. He/she should execute all reasonable instructions by persons officially assigned to give them, provided these are not contrary to the provisions of the Constitution and/or any other law. He/she should refrain from favouring relatives and friends in work-related activities; and they should never abuse her or his authority. He/she is expected to use the appropriate channels to air his or her grievances, or to direct representations. He/she is expected to be committed to the optimal development, motivation and utilisation of her or his staff.
An employee should promote sound labour and interpersonal relations; deal fairly, professionally and equitably with other employees. He/she should refrain from party-political activities in the workplace.

**Performance of duties:** An employee should strive to achieve the objectives of his or her institution cost-effectively and in the public’s interest. He/she should be creative in thought and in the execution of his or her duties. He/she should seek innovative ways to solve problems and to enhance the effectiveness and efficiency within the context of the law. An employee should be punctual in the execution of her or his duties. He/she should execute her or his duties in a professional and competent manner. An employee should not engage in any transaction or action that is in conflict with, or infringes on the execution of his or her official duties. He/she should rescue himself or herself from any official action or decision-making process, which could result in improper personal gain; and this should be properly declared by the employee.

He/she should accept the responsibility to avail himself or herself of ongoing training and self-development – throughout his or her career. An employee should be honest and accountable in dealing with public funds and the use of the public service’s property and other resources effectively, efficiently, and only for authorised official purposes. He/she should promote sound, efficient, effective, transparent and accountable administration in the course of his or her official duties.

He/she should report to the appropriate authorities any fraud, corruption, nepotism, maladministration and any other act, which constitutes an offence, or which is prejudicial to the public interest. He/she should give honest and impartial advice, based on all the available relevant information, to a higher authority, when asked for assistance of this kind.
An employee should honour the confidentiality of matters, documents and discussions, classified or implied, as being confidential or secret.

**Personal conduct and private interest:** An employee should, during his/her official duties, dress and behave in a manner that enhances the reputation of the public service. He/she should act responsibly, as regards the use of alcoholic beverages, or any other substance with an intoxicating effect is concerned. He/she should not use his or her official position to obtain private gifts or benefits for himself or herself during the execution of his or her official duties. An employee should not accept any gifts or benefits, when offered; as these may be construed as bribes. He/she should not use or disclose any official information for personal gain, or for the gain of others. He/she should not, without approval, undertake remunerative work outside his or her official duties, or use office equipment for such work (Public Service Commission, 2016).

### 2.8 CORPORATE GOVERNANCE IN SOUTH AFRICA

Corporate governance has to do with ensuring that there is a balance between commercial and communal objectives and between individual and shared objectives. The intention is to bring into line, as much as possible, the concern of persons, companies and the public (Institute of Directors, 2002: 7). Corporate governance deals with the way in which suppliers of finance to corporations ensure themselves of getting a return on their investment (Shleifer & Vishny, 1997).

The concept of corporate governance, as defined in the above paragraph, was more concerned with the operation of companies in the private sector environment. In the context of this study, the application of corporate governance will be discussed in both the private sector and the public-sector context.
2.8.1 Corporate Governance in the Private-Sector context

Corporate governance values were established, amongst others, for the reason that investors, with the age of the specialised administrator, were anxious about the undue focus of influence in the hands of administration. This defence of greed could inspire the evils of laziness and distress, with an erosion of business and an inspiration of subservience. A certain level of stability is necessary (Institute of Directors, 2002: 9).

Corporate governance is the process of supervision and control intended to ensure that the company’s management acts, in accordance with the interests of the shareholders (Shleifer & Vishny, 1997; Millichamp & Taylor, 2012).

The aim of the King Report 1994 (Institute of Directors, 2002: 7) was – and even now is still – to encourage the maximum values of company governance in South Africa. In contrast with other corporate-governance reports in other states produced at the period; the King Report 1994 went further than the fiscal and regulatory features of corporate governance by encouraging a holistic method for governance on the importance of a widespread variety of interested parties having regard to the major values of good financial, social, ethical and environmental practice.

In implementing a participative corporate-governance structure of companies with veracity, the King Committee in Corporate Governance (1994) effectively formalised the necessity for enterprises to be aware that they no longer act individually from the communities and the environment in which they do business (Institute of Directors, 2002: 7).

The comprehensive method recognises that participants, such as the community in which the company operates, its consumers, its staffs and its merchants want to be recognised, when framing the plan of an enterprise. The understanding between the
enterprise and these participants is also contractual or non-contractual. The comprehensive method necessitates that the tenacity of the corporation be clarified; and the morals by which the corporation will transmit on its everyday activities should be identified and communicated to all the participants.

The participants pertinent to the company’s trade should also be known. These three factors must be combined in developing the necessary strategies to attain the enterprise’s objectives. The connection between the business and interested parties should be equally useful (Institute of Directors, 2002; Millichamp & Taylor, 2012).

2.8.2 The Principles of Corporate Governance in the Public Sector Context

The international Federation of Accountants (IFAC) issued a document in 2000 on corporate governance in the public sector. The following three principles of corporate governance were identified:

   a) **Openness**

   To ensure that all the stakeholders have confidence in the decision-making processes and actions of the public sector entities, in the management of their activities, and in the individuals within them.

   b) **Integrity**

   To ensure honesty and objectivity, high standards of propriety and probity in the stewardship of public funds and resources, and in the management of an entity’s affairs. Integrity is dependent on the effectiveness of the control framework and on personal standards and the professionalism of individuals within the entity.

   c) **Accountability**

   To ensure public-sector entities and individuals within them are responsible for their decisions and actions, including the stewardship of public funds, and all aspects of
performance, and submit themselves to appropriate external scrutiny (Barac, 2010: 30; Millichamp and Taylor, 2012).

Public-sector entities do not operate within a common-legislative framework; and their size and shapes differ. It is not, therefore, possible to develop one set of recommendations to corporate governance that would be applicable to all public-sector entities.

2.8.3 Corporate Governance in the Public Entities

Public entities, as described in the Public Finance-Management Act, No 1 of 1999, have accounting authorities, who are responsible for leadership and strategic direction, defining control mechanisms, monitoring the overall management of the entity’s activities and reporting on the stewardship and performance. This accounting authority resembles a board of directors in the private sector. The method of corporate governance whereby companies in the private sector are directed and controlled is also applicable in public entities (Shleifer and Vishny, 1997; Barac, 2010).

Corporate Governance in public entities requires that effective and appropriate measures are established to ensure statutory accountability and accountability for the public’s money. Communication with stakeholders should be open and transparent; and the roles and responsibilities of the accounting authority, the Chief Financial Officer (CFO) and the non-executive should be clearly defined. Appointments of the accounting authority should be made, according to specific criteria; and adequate and sufficient training programmes should be followed.

Objective, balanced, understandable and timeous reporting is required, and appropriate accounting standards should be applied. The accounting authority should also ensure that a framework of internal controls is established, which actually works in practice. It
should contain effective systems of risk management and carry out an effective internal-audit function. Audit committees should be established, comprising non-executive members – with the responsibility for an independent review of the framework of internal control and the external audit process.

Measures should be in place to ensure that the accounting authority complies with annual budget circulars; and that the prescribed requirements are met, when loans or guarantees are incurred. Standards of behaviour are to be accepted by all employees – to ensure the openness, integrity and accountability of everyone within the public entity (Barac, 2010: 31).

2.8.4 Corporate Governance in Departments, Trading Entities

In Departments, trading entities and constitutional institutions, power must be exercised in a more-hierarchical and less-collegial manner. Nearly all of the aspects relating to corporate governance in the private sector, and for public entities, as discussed above, are included in the Public Finance-Management Act, 1999 and in the treasury regulations for departments and constitutional institutions (Barac, 2010: 31).

The roles and responsibilities of the Accounting Officer, the Chief Executive Officer and the Chief Financial Officer are clearly defined. Objective, balanced, understandable and timeous reporting is also required; and appropriate accounting standards should be applied. The Accounting Officer is responsible for the implementation and maintenance of internal control, together with an effective system of risk management and an effective internal-audit function.

In terms of treasury regulations for the departments and constitutional institutions, audit committees should also be established. Measures should be implemented to ensure that the prescribed requirements are met, with regard to budgeting, the management of
revenue, the monitoring of assets and the liabilities of the departments and constitutional institutions; and when public-private partnerships are entered into.

Standards of behaviour should also be accepted to ensure the openness, integrity and accountability of all the employees, including the Accounting Officer and the Chief Financial Officer (Barac, 2010).

The purpose of the Auditor-General is to assist government institutions to realise answerability and honesty; to advance the processes within the public service; and to inspire confidence among civilian and other interested parties (Akhidime & Izedonmi, 2012: 183). The following section discusses the importance of the AGSA, as the Supreme Audit Institution.

2.9 THE SAI – THE AUDITOR-GENERAL – FROM A SOUTH AFRICAN PERSPECTIVE

The Auditor-General South Africa (AGSA) is the supreme audit institution (SAI) of South Africa. It is the only institution that, by law, has to audit and report how the government is spending the South African taxpayer’s money. This has been the focus of AGSA, as an institution since its inception in 1911. When the Constitution came into effect in 1996, the role and responsibilities of the organisation were expanded even more, to enable the institution to fulfil its constitutional mandate (Cameron and Stone, 1995; Auditor-General South Africa, 2015).

The AGSA is a Chapter 9 institution; this is because its mandate is outlined in Chapter 9 (section 181 and 188) of the Constitution of the Republic of South Africa. The AGSA annually produces audit reports of all government departments, public entities, municipalities and public institutions. Over and above these entity-specific reports, the
audit outcomes are analysed in general reports that cover both the Public Finance-Management Act (PFMA) and the Municipal Finance-Management Act (MFMA) cycles. In addition, reports on discretionary audit, performance audit and other specific audit are produced (Cameron and Stone, 1995; Auditor-General South Africa, 2015).

The Auditor-General of South Africa has a responsibility, in accordance with the country’s Constitution, and as the Supreme Audit Institution (SAI) of South Africa; it is there to support the country’s social equality by being supportive to oversight, answerability, and supremacy in the government institutions through evaluations; thus, building assurance amongst the citizens of the country (Cameron and Stone, 1995; Auditor-General South Africa, 2015).

Generally, in most countries the Audit-General of a country is created as a Supreme Audit Institution (SAI) of that specific country; since the Auditor-Generals of most countries are mandated by their country’s Constitution to audit the public institutions. The following section will compare the Nigerian Auditor-General as SAI of Nigeria with the AGSA as SAI.

2.10 COMPARISON OF THE AGSA WITH OTHER AFRICAN SAI

2.10.1 Comparing AGSA and SAI of Nigeria

In both nations, the Auditor-General model is employed. The terms specified by the Nigerian Constitution in Sections 86 (1), (2) and (3) are that the Auditor-General of the Federation shall be employed by the President on the blessing of the Federal Civil Service Commission subject to ratification by the Senate. Sections 87 (1) and (2) of the Nigerian Constitution stipulate the term of office of the Auditor-General, as well as the terms of the termination of his/her contract of employment.
The Financial Regulations of the Federal Republic of Nigeria (1976) stipulate that the SAI has the following powers:

(i) Unrestricted right to use the accounts and books of all Governments and Extra-Ministerial Departments at realistic times.

(ii) The authority to call for information and clarification required for his/her responsibilities.

(iii) The authority to perform special investigations in any Government Department and in Extra-Ministerial Departments.

(iv) Authority to do ad-hoc examinations in all Government Departments, or Extra-Ministerial departments.

Government’s utmost control organisation over the public coffers is the SAI for the Federation. The office is formally established by statute as a check on the over-all performance of administration; and it is given unrestricted authority to audit in a manner he/she believes appropriate, all financial records relating to public coffers and properties. Furthermore, the Auditor-General of the Federation (AGF) is empowered to report as to whether the financial records have been appropriately recorded; all the public cash collected has been recorded intact; and that public cash has only been spent on the intended purposes.

The AGF is officially recognised by the Constitution of the Federal Republic of Nigeria (1979), as amended in 1989 and 1999; and the Audit-Ordinance of 1956 to review the financial records of all accounting officers and all public officials assigned with the duty of collecting funds, the issuing of receipts, or the making of payments of public cash.

The Auditor-General, at federal and local government levels, offers external-review services to all government departments.
Similarly, Section 188 (1) of the Constitution of the Republic of South Africa, 1996 requires an Auditor-General, who “must audit and report on the accounts, financial statements and financial management of: (a) All national and provincial State departments and administration; (b) all municipalities; and (c) any other institution, or accounting entity required by national and provincial legislation to be audited by the Auditor-General”.

Section 188 (3) of the Constitution of the Republic of South Africa, 1996, requires that the Auditor-General must submit audit reports to any legislature that has a direct interest in the audit, and to any other authority prescribed by national legislation. The AGSA is further empowered to make all these reports public.

2.10.2 Comparing AGSA with SAI of Zimbabwe

According to Zinyama (2013), the Office of the CAG of Zimbabwe traces its origin to the institutions established in the colonial era. The Southern Rhodesia Order in Council of 1898 stated “Provision shall be made for full and sufficient audit once every year of the British South African Company relating to all sums received and all moneys expended” (Government of Southern Rhodesia 1898:IX). The order also stated that the CAG’s audit must cover the following:

- The Consolidated Fund and the National Loans Funds;
- The Appropriation Accounts;
- Accounts of receipts to be paid into the Consolidated Revenue Fund and the accounts of the collecting departments;
- Internal accounts; and
- Operating accounts.
“Section 3 Accounts”**: These are accounts audited under the Audit and Exchequer Act of 1898 section 3. They included the accounts of the government officials maintained outside the Consolidated Fund/Loans Fund system, for example, the Paymaster General’s accounts at the Reserve Bank of Rhodesia (Southern Rhodesia Order in Council 1898; Part III, sections 2-6). The Southern Rhodesia Order in Council of 1898 gave the CAG a statutory right of access to the financial records of departments and to other departments relating to accounts. The scope of the CAG audit included the following:

**Financial and Regulatory Audit**

A financial audit to ensure that systems of accounting and financial control are efficient and operating properly and those financial transactions have been correctly authorized and accounted for. A regulatory audit which verifies that expenditure has been incurred on approved services and in accordance with statutory and other regulations and authorities governing them.

**Value for Money Audit**

An examination of economy and efficiency, to bring to light examples of wasteful, extravagant or unrewarding expenditure, failure to maximize receipts or financial arrangements detrimental to the Exchequer and weakness leading to them (Zinyama, 2013).

**Effectiveness Audit**

An examination to assess whether programmes or projects undertaken to meet established policy goals or objectives have met those aim”” (Command Paper; 7845(1903; 7). The Southern Rhodesia Order in Council of 1915 „providing for the appointment of an Auditor General with independent powers to examine all
administrative revenue and expenditure and with authority to disallow payments made
without proper authority except the Exchequer Account” (http://findarticles.com). The
powers of the CAG include the following:

- To have free access, at reasonable times, to records, books, vouchers, public
  moneys or state property;

- Search and extract information from any book, document or record in custody of
  a government officer;

- Examine, under oath, any person regarding the receipt/expenditure of public
  moneys, receipt/issue of any state property or other matters;

- Lay before the Attorney General a written case as to any questions, which require
  a legal opinion and raise a surcharge against the state employees or former state
  employees.

In 1924, with the granting of self-governing status, the Audit and Exchequer Act provided
an audit function. The Audit and Exchequer Act of 1967, and subsequent amendments,
sets forth the requirements for the current office of the Comptroller and Audit General.

Performance of the CAG

Though the CAG was effective and efficient in discharging its constitutional mandates,
it had no teeth to bite (Kavran Report 1989). It could only identify the irregularities,
misappropriation of public funds and the abuse of public property but it could not take
any action. The Kavran Report (1989; 118) points out that” During the Unilateral
Declaration of Independence (UDI), the CAG was largely toothless”. It further notes
that the financial audits were never carried out between “1971 and 1979” (ibid). The
reasons for this state of affairs were that, the UDI Government was concentrating on
the war. It was also fighting the economic sanctions. The Kavran Report (1989; 119)
states also that during the UDI era the Comptroller and Auditor General never audited
the expenditure of resources used to bust sanctions.

However, the CAG worked closely with the Treasury and the Public Accounts Committee. The Permanent Secretaries were required to inform the Public Accounts Committee of unauthorised or irregular expenditure but literature consulted indicated that this rarely happened during the Unilateral Declaration of Independence. The CAG could note that expenditure exceeded appropriations approved by the Parliament but the Accounting Officers could disclaim responsibility for such actions, blaming ministers. The CAG could not do anything rendering the Office ineffective. During the UDI the "audit coverage was unsatisfactory" (Kavran Report, 1989; 167). From 1980, the CAG has repeatedly complained about unsatisfactorily state of affairs in Government Ministries. The Kavran Report states that most of the difficulties experienced by Accounting Officers in the areas of financial administration result from a lack of competent and effective budgetary control. An inability to monitor and control changes to financial plans result in unauthorised or excess expenditure. The public concerns about financial irregularities and corruption prompted the 1998 Parliamentary Reforms. Financial indiscipline in the country had reached unprecedented levels. Fraud and corruption were literally institutionalised. Both the public and private sectors were involved in shoddy and dirty dealings. In Zimbabwe, the legal framework comprises the Constitution and the Public Finance management Act [Chapter 22:19] and Audit Office Act [Chapter 22:18] that repealed the Audit and Exchequer Act Chapter 22:03. The Constitution of Zimbabwe, Section106 allows the President, after consulting the Public Service Commission (PSC) to appoint the CAG and remove the CAG from office. Effective auditing presumes that the CAG is independent from other agencies. This is not merely a legal issue, the CAG should be independent in terms of resources, staff
appointments, and relationships with the bodies audited, the integrity of the staff and freedom to decide on a work programme. The CAG in Zimbabwe is deprived of these privileges (Kavran Report 1989). The Kavran Report states that the Audit and Exchequer Act Chapter 22:03 was the root of many challenges that the CAG used to face. The Audit and Exchequer Act creates a very “unnecessary bizarre distinction between financial and administrative auditing” (The Financial Gazette, March 18 – 25, 2010). This scenario originated in the formulation of the Audit and Exchequer Act, which only refers specifically to “financial matters”. This limitation is unjustified. Performance auditing is imperative for sound State governance. Performance auditing ensures value for money to achieve the following: i. efficiency – the relationship between input and output (spending well) ii. Effectiveness – how well objectives are achieved iii. Economy – minimizing the cost of activity (spending less) (Brown and Jackson, 1982:117). Performance auditing provides managers and politicians with a “qualitative assessment” (Henly, 2004:118) of the manner in which public funds have been utilized, the final aim of performance auditing is to improve efficiency and effectiveness in the public service. However, Geist (1981:304) argues that issues and problems examined in performance audits are by definition “extremely sensitive” in that audit reviews the quality of the work performed by the senior civil servants and politicians. This underscores the necessity for “very firm political commitment and support” (Henly, 2004:133). If the political commitment waves when findings show inadequacies of government performance or policies (or both), it could not be meaningful to attempt to develop performance auditing. This was explicitly divulged by the CAG”s Audit report soon after the formation of the Inclusive Government. All the civil servants and politicians implicated for serious corruption were not sued. Prior to the formation of the Inclusive Government most Ministers, if not all “embarked on cannibalism and looting of state property such as
Furthermore, The Zimbabwe Independent (September 11 – 17, 2009) Eric Block Column carried an article entitled “Arrest Corruption Epidemic” echoed the same sentiments when he said “prior to the signing of the Global Political Agreement (GPA) asset stripping was institutionalized in Government. The CAG is criticized by the public and the civil society for being inefficient and ineffective when it comes to discharging its duties (e.g Zimbabwe Coalition on debt and Development and Transparency International Zimbabwe as cited by The Financial Gazette, March 18 – 25 2010) and academics (Professor Geoffrey Feltoe, Public Law Department, UZ as stated in the Report of the Parliamentary Reform Committee, 1998). The media, both print and electronic, is saturated with stories of government corruption and failure to follow prescribed procedures. The present audit coverage is unsatisfactory. The performance auditing is at present practiced by the CAG only to a minor extent. The major contributing factor for this undesirable state of affairs is the legislative framework (Zinyama, 2013).

AGSA

The CAG of South Africa (“AGSA”) is an authority established in terms of the Constitution of the republic of South Africa, (Act No. 108 of 1996) (“The Constitution”) who has a constitutional mandate to audit all receipts and expenditures of the Government of South Africa including those bodies and authorities substantially financed by the government. The auditor General is also the external auditor of the government-owned companies. The reports of the Auditor General are taken into consideration by the PAC, which is a special committee in the Parliament of South Africa. The Auditor General is a constitutional officer whose office was “established under Section 181 of the Constitution of South Africa and is one of the Chapter
Institutions intended to support democracy” http://enc.wilipedia.org/wiki/Auditor-General-South Africa). The Auditor-General is appointed by the President on the recommendation of Parliament. This is designed to ensure that the Auditor-General operates independently of government. The Constitutional functions are set out in Section 188 of the Constitution and Section 4 of the Public Audit Act 2004 (Act No. 25 of 2004) (The PAA). The Auditor-General has a constitutional mandate and, as the supreme Audit Institution of South Africa it exists to strengthen the country’s democracy by enabling oversight, accountability and governance in the public sector, thereby building public confidence (Zinyama, 2013).

2.11 THE SAI AND PARLIAMENT

As a common rule, Parliament/or the National Assembly is able to do its oversight roles with maximum success; when it utilises and can depend on the SAI’s review work. The SAI has the maximum effect – once the Legislature affords it a forum for the presentation and dialogue of its appraisal and acts, as a partner in making sure that remedial actions are taken. This partnership is vital in an accountability model where SAIs do not have authority to enforce on public institutions they review; but they are expected to depend on the Legislature to endorse their recommendations. However, the association between SAI and Legislative organisations is usually a fragile relationship in the accountability chain of many developing countries; where the SAIs gets limited benefits in working with the Legislative bodies, or vice versa.

The functional relationship is usually very restricted and merely official. Often, the SAIs do not make any extra effort; but they simply provide their Legislature with annual reports. The Legislatures could utilise these reports as the source for doing their work; but this is not the case; as there is usually little interaction around its substance.
Normally, in fragile performing arrangements, neither side desires to devote its limited funds in functioning with the former (Akhidime & Izedonmi, 2012: 184).

2.12 THE RELATIONSHIP BETWEEN THE AUDIT COMMITTEE AND AGSA

It is important to define accountability before discussing the relationship between the AGSA as a SAI and the Audit Committee. Accountability is defined as the obligation of an individual or organisation to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner. It also includes the responsibility for money, or other entrusted property (Business Dictionary, 2016). Ng and Tan (2003) are quoted in Ittonen; as being of the view that the relationship between the auditor and the board of directors is one factor that affects the monitoring of management.

The auditor and the board of directors usually have a relationship, which is considered to increase the monitoring power of owners. Furthermore, the independent audit committee is considered to be a mechanism that enhances the auditors’ independent position in negotiations; and it increases the effectiveness and quality of the audit engagement.

Recent updates in control-environmental regulations for public companies have imposed higher demands on the independence and expertise of board members. Similarly, the auditors and management are now mandated to issue internal-control reports, which increase and strengthen the monitoring role of the auditor over that of management (Ittonen, 2010: 6).

The MFMA Circular 65 issued by the National Treasury maintains that the Audit Committee operates as a committee of the Council. The committee performs the responsibilities assigned to it by the MFMA; and the corporate governance responsibilities delegated to it under its charter by the Council. It further states that a
The charter is the written terms of reference approved by the Council, which outlines the mandate of the audit committee.

The charter becomes the policy of the audit committee, which then informs the contracts of the audit-committee members.

This circular gives certain responsibilities to the audit committee, with regard to the internal audit, the external audit, risk-management activities, control environment, performance management and information technology (IT) governance. For the purposes of this study, the responsibilities of the audit committee (AC) relating to the internal audit (IA), the external audit (EA) and the annual financial statements (AFS) will only be discussed.

2.12.1 The responsibilities of AC in relation to the IA

(a) To ensure that the IA charter, the independence and the activities of the internal-audit function are clearly understood; and to respond to the objective of the municipality and the legal framework;

(b) To regularly review the functions and administrative reporting lines of the internal auditor, to ensure that the organisational structure is consistent with the principles of independence and accountability;

(c) To review and approve the IA charter, including the IA strategic plan;

(d) To confirm that the annual-audit plan makes provision for critical risk areas in the municipality and its entities;

(e) To advise the municipality on the resources allocated – to give effect to the work outputs of the IA function;

(f) To ensure that there is support for the IA unit and for the external auditors from senior management;
(g) To confirm with management that the internal-audit findings are submitted to the audit committee on a quarterly basis;

(h) To confirm the actions taken by management in relation to the audit plan;

(i) To consider and review the reports relating to any difficulties encountered during the course of the audit engagement, including any scope limitation, or access to information reported to the accounting officer that remain unresolved;

(j) To evaluate the performance of IA activity in terms of the agreed goals and objectives, as stipulated in the audit plan;

(k) To ensure that the head of internal audit has reasonable access to the chairperson of the AC;

(l) To conduct a high-level review of the IA on an annual basis, in order to ascertain whether the IA unit complies with the International Standards for the Professional Practice of Internal Audit (ISPPIA); and

(m) To concur with an appointment and termination of the services of the Chief Audit Executive (CAE).

2.12.2 The Internal-audit unit is accountable to the audit committee as follows:

(a) To maintain open and effective communication with the AC;

(b) To develop a flexible annual-audit plan, using a risk-based methodology, and addressing any weaknesses in the risks or controls identified;

(c) To submit the audit plan to the AC, for its review and approval;

(d) To report on the implementation and the results of the annual-audit plan, including any special tasks requested by management and the AC;

(e) To assist in drafting the agenda and documentation; and to facilitate the distribution thereof to the AC in advance of the meetings;
(f) To meet periodically with the chairperson of the AC – to discuss whether the material and information furnished meet the requirements of the AC;

(g) To obtain advice from the audit committee on whether the frequency and time allocated to the committee is sufficient to attend effectively to all the matters;

(h) To co-operate with the AC; as they conduct their annual reviews of the performance of the IA function;

(i) To submit the IA charter to the AC for review and approval on an annual basis, and as necessary.

### 2.12.3 The responsibilities of the AC in relation to the EA

(a) To take cognisance of the scope of work undertaken by the external auditor and the extent of co-operation with the IA unit;

(b) To review annual external audit plans, audit fees and other compensation;

(c) To review all reports and to monitor management’s implementation of audit recommendations and municipal-council resolutions in the new financial year;

(d) To review the report on the financial statements and matters raised therein for reasonability and accuracy;

(e) To review any interim reports issued, in order to take cognisance of the issues raised in determining the follow-up work of the IA;

(f) To conduct a review of the extent to which previously reported findings by the external auditor have been addressed by the municipal council;

(g) To provide advice to the AO on the actions taken relating to significant matters raised in the external-audit reports;

(h) To liaise with the EAs on any matter that the AC considers appropriate to raise with the external auditor;
(i) To ensure that the EAs have reasonable access to the management and chairperson of the AC;

(j) To address any potential restrictions or limitations with the accounting officer (AO) and Council; and

(k) To address any outstanding matters raised by the EAs, as well as any findings that need to be dealt with conclusively in an expeditious manner.

2.12.4 The responsibilities of AC in relation to the AFS

The AO must prepare the AFS of the municipality and municipal entity within two months after the end of the financial year, to which those statements relate; and to submit the statements to the parent municipality of the entity and to the Auditor-General for auditing.

These financial statements should have been reviewed by the audit committee two weeks before submission to the AGSA. The process and timeline for audit-committee meetings should be changed accordingly. The auditor and the auditee should plan this process carefully, in order to meet the determined timelines.

The AC must review the AFS to provide the municipality, or in a municipal entity, the Council of the parent municipality and the board of directors of the entity with an authoritative and credible review of the financial position of the municipality, or municipal entity by:

(a) Confirming whether the municipal audit file has been prepared in line with applicable standards and guidance contained in MFMA Circular 50, or as updated;
(b) Reviewing the unaudited AFS of the municipality and its entities, in order to ensure that the quality, integrity and content are consistent with the applicable standards and compliant with the legal framework;

(c) Evaluating the AFS of the municipality and its entities for reasonableness, completeness and accuracy, and providing comments thereon, in a timely manner;

(d) Considering the AGSA’s opinion on the quality and appropriateness of the municipality’s accounting policies and that of its entities; and

(e) Reviewing the efficiency and effectiveness of internal controls over AFS preparation and reporting.

Specifically, with regard to the AFS, the AC should, review and challenge, where necessary:

(i) The arithmetic accuracy and consistency;

(ii) The consistency of, and any changes to: the accounting policies, comparing these with those of previous years;

(iii) Methods used to account for significant or unusual transactions, where different approaches are possible;

(iv) Whether the municipality has followed the appropriate accounting standards and made appropriate estimates and judgements, taking into account previous audit outcomes;

(v) The quality of disclosure in the municipality’s financial reports and the context in which all statements are made;

(vi) All material information presented with the financial statements, such as the operating and financial review and the corporate-governance statements (insofar as they relate to the audit and risk management);
(vii) To ensure that all material issues in previous reports by the AGSA have been appropriately accounted for, resulting in fair presentations;

(viii) To conduct an analysis of the trends and other financial ratios calculation, such as year-on-year comparisons and the composition of primary groups, such as salaries as a component of operations, whether operations are undertaken on a sustainable basis, operations at surplus, or deficit, efficiency and solvency ratios, etc. (MFMA Circular, 2012: 10 - 12).

2.14 THE INDEPENDENCE OF THE AUDITOR-GENERAL SOUTH AFRICA (AGSA)

Before explaining independence in relation to the AG, it is important to explain the concept in relation to auditing. Auditors are expected to be impartial and unbiased in the financial reports and other information they review. They are also expected to be open-minded to both the enterprises and managers, who issue financial data, and to the external persons who use such data (Robertson, 1996: 29). In agreement herewith, Arens and Loebbecke (1997:84) argue that the profession and society have been anxious about confirming that: (1) Auditors uphold an impartial assertiveness in the execution of their audit (independence in fact); and that users see auditors as being autonomous (independence in appearance). The impartiality and objectivity of the Auditor-General is embedded in the Constitution of the Republic of South Africa.

It was a requirement for the Constitution in terms of the Constitutional Principle XXIV to make provision for, and the protection, of an independent and impartial Auditor-General in the interests of effective, and coherent public financial and administrative matters – and to maintain an expected level of ethical structure in the public service. The Constitution requires that the AGSA be selected by a committee of the National Parliament comprising members of parliament from all the political parties represented in the National Parliament, and sanctioned by a resolution, supported by 60 per cent of
all the members of parliament in the National Parliament (Puttick, Van Esch & Kana, 2007; Auditor-General South Africa, 2015).

In addition to the above requirements, the Auditor-General’s tenure is not renewable and fixed for a negotiable period of between five to ten years – to ensure that his or her impartiality and objectivity are not tainted; since he or she may be withdrawn from his/her duties, but only for very explicit reasons (misconduct, incapacity or incompetence). Such a dismissal, obliges the National Parliament to get a two-thirds majority – before the President can withdraw the Auditor-General from his/her duties (Auditor-General South Africa, 2015).

It is also embedded in the Constitution that no individual or structure of State may restrict or impede the Auditor-General from performing his functions. This allows the Auditor-General to act impartially and objectively; and also to be able to make his/her reports without any fear or favour (AG Siyanqoba document, 2001: 10; Auditor-General South Africa, 2015).

Khan (2009) is quoted (in Akhidime & Izedonmi, 2012: 185) as being of the view that although there is a common understanding that the SAIs ought to perform an actual role in encouraging transparency, governance and accountability; nonetheless, in a majority of the SAIs in the emerging countries, there is absence of the appropriate impartiality and means to perform this role. SAIs perform the external reviews of government institutions; and they comprise some of the significant links in the official structure of fiscal answerability in the majority of States.

SAI’s operational independence is also critical. The level of change a SAI would be able to achieve through its own efforts is closely related to the level of autonomy it enjoys in managing its resources. The way the public sector is structured may impede a SAI’s
operational independence. It is not uncommon for the Ministry of Finance to manage budget allocation in considerable detail; since the investment planning decisions are often taken at a central level by a Minister of Planning; and staff appointments may be determined by an Establishment Ministry (Akhidime & Izedonmi, 2012: 285).

The AGSA is financially independent; as this office is mandated to charge audit fees from the government institutions that are audited. In the case of Nigeria, the Auditor-General substantially obtains his powers of independence from section 85(6) of the 1999 Constitution of Nigeria, which states that “in the exercise of his functions, under this Constitution, the Auditor-General shall not be subject to the direction or control of any other authority or person”.

However, Tell Magazine 2003 is quoted in (Akhidime & Izedonmi, 2012: 187) writing about the questionable role of the Auditor-General under the Nigerian Constitution scheme vis-a-vis the security of tenure and independence from the Presidency, when on January 10, 2003 the Auditor-General, Mr Azie, submitted to the National Assembly revealing information containing the expenditure pattern, particularly the profligacy of the executive/administration.

This damning report, the first of its kind from the Auditor-General, was believed to have led to the Auditor-General’s abrupt retirement on the controversial premise that he was functioning only in an acting capacity; and he was considered to have failed in his duties.

While the Auditor-General report serves as an effective instrument for the oversight over the executive’s dealing with public finance, there is nothing to show of the parliament’s /legislative’s political will to enact laws to protect the office of Auditor-General in the performance of his Constitutional role. Kasum (2009:15) is quoted (in Akhidime & Izedonmi, 2012: 187) as being of the view that “although there is a general agreement
that the SAI should play an effective role in promoting transparency, governance and accountability; yet, most of the SAIs in the developing world still lack the adequate independence and resources to play this role.”

The responsibility for ensuring watchfulness over the executive emanates from section 55 of the Constitution:

“The National Assembly (NA) must provide for mechanisms to ensure that all executive organs of State in the national sphere of government are accountable to it; and it must maintain oversight of the exercise of national executive authority, including the implementation of all legislation” (Constitution, 1996:34).

Furthermore, the Constitution empowers the NA to provide for structures, institutions and arrangements that would facilitate its function of oversight. Sections 56 and 57 both speak to the role of committees in ensuring such oversight. Section 57(2) specifically states that the NA must provide for the establishment, composition, powers and functions of its committees; the participation of minority parties in the proceedings of the assembly; financial and administrative assistance; and the recognition of the leader of the largest opposition in the assembly (Constitution 1996:34 – 35).

The Constitutional mandate for oversight refers to both plenary and non-plenary, that is, committee activities (Esau, 2008: 98). However, the focus of this section will be on the role of SCOPA, as an oversight mechanism, and how this committee relates to the AGSA.

The standing Committee on Public Accounts (SCOPA) and the provincial public-accounts committee are the mechanisms that the legislature use to control the expenditure of the taxpayer's money. Its function is to subject the accounting and
financial matters raised in the AG reports to rigorous scrutiny, and to hold the relevant accounting officers accountable for spending and stewardship. Finally, the AGSA prepares an annual report on the activities of the AGSA for public scrutiny (Puttick, Van Esch & Kana, 2007).

According to the Rules of the National Assembly, dated June 1999, the SCOPA is empowered, amongst others, to consider the financial statements of all government departments and constitutional institutions submitted to parliament, to examine the reports of the AGSA with regard to the expenditure of public monies; to summon witnesses to appear before it; and to assess whether value for money has been received.

The SCOPA is further empowered to initiate an investigation in its area of expertise, as well as to report on such investigations to parliament (Esau, 2008: 98-99).
2.15 SUMMARY

This chapter started with a discussion of the theoretical framework; as it forms the foundation for the study. The next section discusses the legislative framework applicable to the study. This section has discussed the relevance of the Constitution to the study; and because the study covers the utilisation of the Auditor-General’s reports, Chapter 9 of the Constitution has been briefly discussed. The section of the Constitution relating to the oversight has also been discussed. Those pieces of legislation that are relevant to the study have also been discussed.

The chapter ends with the discussion of the oversight bodies that work with the AGSA; as this office has to table its report to those bodies, which have also played a vital role in enhancing the independence and impartiality of the AGSA. The independence of the AGSA, as a SA institution, has also been compared with those of other SAIs on the continent.
CHAPTER 3: THE CURRENT SITUATION AT SELECTED MUNICIPALITIES

3.1 INTRODUCTION
As mentioned in Chapter 1 (cf. 1.2), Amathole District Municipality has for the past five consecutive years been receiving an unqualified audit opinion from the AGSA. This has been the trend, despite the commitment made by the Executive Mayor in April 2012 to the then Auditor-General, Mr Nombembe, that the leadership of the municipality would deliver a clean audit outcome by 30 June 2013 (ADM SODA 2012:16).

This scenario is replicated in the local municipalities within the district. Two of the district municipalities have for the past three consecutive years been receiving a disclaimer-audit opinion; and this is reflected in their annual reports and the Auditor-General’s reports for the 2010/2011, 2011/2012 and 2013/2014 financial years.

In this chapter, the researcher will be analysing the audit outcomes of the selected municipalities for the period 01 July 2006 to 30 June 2015, using the AGSA reports. The key findings of the AGSA in these reports will also be summarised. Tables and graphs will be used to depict the audit outcomes of the selected municipalities.

The reports for the period 1 July 2006 to 30 June 2009 for Amathole District Municipality and Mbhashe Municipality could not be found from the municipalities concerned and also from the AGSA. However, the audit reports for the period mentioned above for both the Amahlathi and Ngquishwa municipalities were received from the AGSA. The researcher decided that this period should not be analysed for all the selected municipalities, in order to ensure consistency.
3.3 ANALYSIS OF THE FINANCIAL PERIODS 2009/2010

The following table and graph illustrate the audit outcomes of the selected municipalities for the financial period ending 30 June 2010.

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<tr>
<th>Municipality</th>
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Table 3.1 Analysis of audit outcomes of the selected municipalities for the financial period 2009/2010

Figure 3.1

Analysis of the financial period 2009/10

- Ngqushwa Municipality
- Mbhashe Municipality
- Amathole District Municipality
- Amahlathi Municipality
The audit outcomes reveals that not a single municipality of the selected municipalities has been able to receive an unqualified audit outcome – without issues of audit emphasis, the so-called “clean audit outcome”. The analysis shows that one municipality received an unqualified audit outcome, with issues of audit emphasis; two municipalities received qualified audit outcomes; and one municipality received the worst audit outcome: a disclaimer audit opinion.

Amahlathi Municipality attained an unqualified audit outcome, with issues of audit emphasis ranging from incorrect restatement of previous year’s figures – after effecting a change in policy from the IMFO to the GRAP reporting framework. There were also a few issues raised relating to non-compliance with legislation.

Amathole District Municipality and Ngqushwa Municipality received a qualified audit outcome. These municipalities were qualified on issues ranging from incorrect valuation of infrastructure, plant and equipment; inaccurate recording of revenue, leave credits and incorrect restatement of corresponding figures in the financial statements.

Mbhashe Municipality obtained a disclaimer audit outcome; and the basis for disclaimer comprised issues ranging from an overstatement of the accounts receivable balance in the financial statements; records could not be provided to support the employee-related costs; incorrect allocation of capital assets, as operating costs; non-reconciliation of the VAT account; inaccurate recording of commitments; understatement of irregular expenditure; and inaccurate recording of unauthorised expenditure.

3.4 ANALYSIS OF THE FINANCIAL PERIOD 2010/2011

The following table and graph illustrate the audit outcomes of the selected municipalities for the financial period ending in 30 June 2011.
During the financial year 2010/2011, the audit outcomes illustrate that there is not a single municipality of the selected municipalities that has been able to achieve a clean audit outcome. During this financial period, one municipality received an unqualified
audit outcome, with issues of audit emphasis; two municipalities received qualified audit outcome; and one municipality received a disclaimer audit outcome.

Amathole District Municipality’s audit outcome improved from a qualified audit outcome to an unqualified audit outcome, with issues of audit emphasis. The issues of audit emphasis ranged from incorrect restatement of figures, the irregular expenditure, fruitless and wasteful expenditure, material impairments related to receivables, which were not considered as recoverable; and a few issues related to non-compliance with legislation.

Amahlathi Municipality regressed from an unqualified audit outcome to a qualified audit outcome. The municipality was qualified because of an understatement of irregular expenditure, an understatement of receivables, incorrect recognition and classification of revenue figures.

Mbhashe Municipality improved its audit outcome from a disclaimer-audit outcome to a qualified-audit outcome. The municipality was disqualified because of the understatement of irregular expenditure, understatement trade payables, lack of any contract management system and understatement of the leave accrual.

Ngqushwa municipality has regressed from an unqualified audit outcome to a disclaimer-audit outcome. The disclaimer audit outcome was as a result of the misstatement of property, plant and equipment; unexplained differences between the carrying values of property, plant and equipment; and the incorrect recording of additions relating to property, plant and equipment, non-application of the requirements of GRAP 17, when recording infrastructure assets; incorrect classification between expense line items, misclassifications of property, plant and equipment, lack of documentation for operating lease expenses, overstatement of leave accrual, lack of
documentation for disclosed suspense accounts, misstatement of bank overdraft and issues relating to revenue, VAT, operating leases commitments, trade receivables, contingency liabilities and budget.

3.5 ANALYSIS OF THE FINANCIAL PERIOD 2011/2012

The following table illustrates the audit outcomes of the selected municipalities for the financial period ending on 30 June 2012.

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<th>Municipality</th>
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Table 3.3 Analysis of audit outcomes of the selected municipalities for the financial period 2011/2012
During the financial year 2011/2012, the analysis of the audit outcomes for the period illustrates that once again, there is no municipality that was able to receive a clean-audit outcome amongst the selected municipalities. During this financial period, one municipality received an unqualified audit outcome with issues of audit emphasis; two municipalities received qualified audit outcomes; and one municipality received a disclaimer-audit outcome.

Amathole District Municipality managed to retain an unqualified audit outcome, with issues of audit emphasis, which was received in the previous financial year. The AGSA raised material non-compliance matters with key applicable laws and regulations regarding financial matters, financial management and other related matters, as issues of audit emphasis.

As stated above, two of the selected municipalities received qualified audit outcomes. During the current financial year, these two municipalities maintained the same audit outcome as that received in the previous financial year. Amahlathi municipality was qualified as a result of the inaccurate recording of assets in the asset register,
understatement of property, plant and equipment, inclusion of investment property that
did not meet the definition of an asset in terms of GRAP 1 as part of investment
properties, overstatement of investment property, non-disclosure of an irregular
expenditure, resulting in the understatement of irregular expenditure and the
understatement of receivables.

Mbhashe municipality was qualified on a non-application of GRAP 17 and Directive 1,
which resulted in an overstatement of property, plant and equipment (PPE), incorrect
capitalisation of value-added tax (VAT), lack of documentation for some of the assets
recorded in the asset register, lack of information/documentation for an amount
recorded as irregular expenditure, understatement of comments and misstatement of
financial position of the municipality – due to the cumulative effect of individually
irrelevant uncorrected misstatements on payables.

Ngqushwa municipality achieved a disclaimer audit outcome for the second successive
financial period. The disclaimer audit outcome was due to the lack of documentation to
support some receivables disclosed in the financial statements, inaccurate recording of
VAT; some movable assets acquired in the 2012/2013 financial year were incorrectly
recorded in the 2011/2012 financial period; and this resulted in assets and creditors
being overstated by the same amount; infrastructure assets available for use were
incorrectly recorded as capital work-in-progress; and these were not depreciated, as
required by GRAP 17; various infrastructure assets were understated; and capital work-
in-progress was overstated with the same amount.

During the current financial period, the municipality adjusted errors identified during the
previous year audit on PPE; however, the adjustment was not done retrospectively; and
consequently the opening and closing balance of PPE was misstated; investment
properties were not accounted for at a fair value, as required by GRAP 16; liabilities relating to the 2012/2013 financial period were incorrectly recorded in the financial period 2011/2012. There was an understatement of accrued leave pay, a lack of documentation to support salary-suspense account and accrued water and sanitation expenses.

Further, the Housing Development Fund, as disclosed in the statement on financial position, was incorrectly disclosed as a separate reserve under net assets. The municipality did not have an adequate system in place to maintain the records of the revenue earned from the property rates. The municipality did not charge interest on overdue receivables, as required by section 64(2)(g) of the MFMA. Amongst other issues that were used as a basis for the disclaimer; there was an inappropriate recording of government grants and subsidies, an inappropriate recording of repairs and maintenance; and the general expenses were incorrectly recorded in the 2011/2012 financial period; although these were related to the 2010/2011 financial period; the cash-flow statements had not been prepared, in accordance with the requirements of GRAP 2; there were understatements of the irregular expenditure; the non-disclosure of unauthorised expenditure; and furthermore, the municipality did not have a contract-management system in place for the identification and recognition of contracted commitments.

3.6 ANALYSIS OF THE FINANCIAL PERIOD 2012/2013

The following table illustrates the audit outcomes of the selected municipality for the financial period ending on 30 June 2013.
During the financial year 2012/2013, the analysis of the audit outcomes for the period illustrate that for the third consecutive financial period, there is no municipality that was able to receive a clean audit outcome amongst the selected municipalities. One of the

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Table 3.4 Analysis of audit outcomes of the selected municipalities for the financial period 2012/2013

![Figure 3.4 Analysis of the financial period 2012/2013](image)

- Ngqushwa Municipality
- Mbhashe Municipality
- Amathole District Municipality
- Amahlathi Municipality
two municipalities, which had previously received a qualified audit outcome, had improved its audit outcome to an unqualified audit outcome, with matters of audit emphasis.

During the current financial period, two municipalities of the selected municipalities have obtained an unqualified audit outcome, with issues of audit emphasis. Amathole District Municipality has obtained an unqualified audit outcome for the third consecutive financial period. The district has received an unqualified audit outcome with issues of audit emphasis relating to performance against predetermined objectives, compliance with the laws and regulations pertaining to internal control.

The AGSA report reveals that the financial statements that were submitted for auditing were not prepared in all material respects, in accordance with the requirements of section 122 of the MFMA. According to the report, the misstatements of non-current assets, current assets and disclosure items identified by auditors in the submitted financial statements were subsequently corrected; and the supporting records were then provided, resulting in the financial statements receiving an unqualified audit opinion. The municipality had not submitted, within 10 days after the end of each month, its monthly expenditure reports to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No.35399.

The AGSA report also revealed that the managers directly accountable to the municipal manager were appointed, without submitting a disclosure of financial interest prior to their appointment, as required by regulation 4 of GNR 805. Furthermore, the report revealed that reasonable steps were not taken to prevent irregular, fruitless and wasteful expenditure, as required by section 62 (1)(d) or 95 (d) of the MFMA.
Amahlathi Municipality improved from a qualified audit outcome to an unqualified audit outcome with matters of audit emphasis. The issues of emphasis, according to the AGSA report were relating to a restatement of the corresponding figures; material underspending of the conditional grant; material impairment and a report on the legal and regulatory requirements.

The AGSA report revealed that, as disclosed in note 43 and 44 to the financial statements, the corresponding figures had been restated, as a result of the change in accounting policy and errors – only corrected during the period ended 30 June 2013 that existed in the financial statements at end of the year ended 30 June 2012. The report also revealed that the municipality under-spent the municipal infrastructural grant by R7.5 million. This resulted in the municipality not being able to achieve its objectives on the infrastructure of roads.

Debts, which were long outstanding and considered to be irrecoverable, were incorrectly disclosed in the financial statements as impairments.

Section 46 of the Municipal Systems Act 2000 (Act No. 32 of 2000) requires disclosure in the annual performance report of the measures taken to improve performance; where the planned targets were not achieved. The AGSA report reveals that measures to improve – for a total of 33% of the planned targets not achieved – were not reflected in the annual performance report. Section 46 of the MSA requires disclosure in the annual performance report of the measures taken to improve the performance; where planned targets were not achieved.

The report reveals that adequate and reliable corroborating evidence could not be provided for 67% of the measures taken to improve performance, as disclosed in the annual performance report.
The municipality did not have a formal policy in place to govern the performance of and the reporting of predetermined objectives to ensure that all laws and regulations are met; and that the targets set were in accordance with the legislation. This resulted in the setting of unspecified targets.

A total of 64% of the targets relevant to infrastructure and service delivery were not time-bound in specifying a time period or deadline for their delivery.

With regard to compliance with the laws and regulations, the report reveals that the municipality did not determine the frequency of reporting and the lines of accountability for performance, as required by regulation 7(2)(e) of the Municipal Planning and Performance-Management Regulation (MPPMR). The municipality did not provide for the procedures whereby the system is linked to the municipality’s integrated development-planning processes, as required by MPPMR 7(2) (g), amongst others.

With regard to financial statements, the AGSA’s report reveals that the financial statements submitted for auditing were not prepared in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items – identified by the auditors in the submitted financial statements – were subsequently corrected; and the supporting records were only then provided.

The annual performance report for the year under review did not include a comparison of the performance with the set targets and performance in the previous financial year, as required by section 46(1) (b) of MSA. The report further reveals that awards were made to service providers in the service of other state institutions, or whose directors are in the service of other state institutions, which is in contravention of section 112(j) of the MFMA and SCM regulations 44. Similar awards were identified in the previous year;
and no effective steps were taken to prevent or combat the abuse of the SCM process, in accordance with SCM regulation 38 (1).

With regard to human-resource management and compensation, the report reveals that the community service manager was appointed – without having met the prescribed minimum competency levels – and the continued employment in the position was not made subject to meeting such requirements by 1 January 2013, as required by section 56(1)(b) of the MSA and regulation 18(2) of the minimum competency levels. Additionally, job descriptions were not established for all posts, the appointment of which had been made in the current year. Furthermore, in contravention of section 66(1)(b) of MSA, sufficient appropriate audit evidence could not be obtained. This stipulates that a newly appointed manager directly accountable to the municipal manager should submit proof of previous employment prior to appointment, according to the requirements of regulation 4 of general notice of regulation 805. Sufficient appropriate audit evidence could not be obtained that the appointment of a senior manager directly accountable to the municipal manager was approved by municipal council, as required by section 56(1)(a) of the MSA.

Sufficient appropriate audit evidence could not be obtained on whether the municipality had performed checks on the appointment of the municipal manager and senior managers, in order to determine whether they had been dismissed for financial misconduct during the past 10 years. The annual report of the municipality did not reflect the necessary information on compliance with the prescribed minimum competencies, as required by the regulation 14(2)(b) of the minimum competency levels. The senior managers directly accountable to the municipal manager did not sign performance agreements timeously, as required by section 57 (2)(a) of the MSA.
Mbhashe municipality retained its previous year’s audit outcome; as the municipality had once more received a qualified audit outcome. The municipality was qualified on the incomplete asset register. The AG report reveals that a number of rural roads and community halls were not recorded in the asset register. Furthermore, the report reveals that the irregular expenditure for the 2012/2013 financial period was understated.

In addition to the above qualification issues, the AG raised matters of audit emphasis on the restatement of corresponding figures and material underspending on conditional grants. In regard to the restatement of corresponding figures, the report reveals that the corresponding figures for 30 June 2012 had been restated, as the result of an error discovered during the current year in the financial statements of the municipality at, and for, the year ended 30 June 2013.

With regard to the material underspending of the conditional grant, the municipality was found to have underspent the Municipal Infrastructure Grant (MIG) by 30%, as at 30 June 2013.

Ngqushwa municipality has received a disclaimer audit outcome for the third consecutive financial year. The disclaimer was as a result of documentation that could not be produced to the AGSA, in order to justify any adjustments processed in the previous year for property, plant and equipment. Furthermore, the AGSA report revealed that the municipality did not maintain adequate records to disclose non-current assets in the financial statements that meet the definition of a non-current asset held for sale, according to GRAP 100. This resulted in the overstatement of property, plant and equipment, and the understatement of the non-current assets held for sale.

Accounts payable for goods and services were found to have been understated. The report reveals that the municipality did not account for value-added tax (VAT), in
accordance with the South African Standards of Generally Recognised Account Practice (GRAP). It was further disclosed to the AGSA report that the valuation roll and the billing report did not include all the properties under the jurisdiction of the municipality. Consequently, property rates, revenue and receivables from non-exchanged transactions were understated.

In addition to the above issues, the report disclosed anomalies in the general expenses, grants and subsidies paid, commitments, irregular expenditure, contingent liabilities and budget disclosure. With regard to general expenses, it was revealed that a substantial amount of general expenses relating to the previous financial years was incorrectly recorded in the current financial year.

The AGSA report revealed that the municipality did not account for grant-related expenditure, in accordance with GRAP. Consequently, general expenses and employee-related costs were incorrectly classified as grants and subsidies paid; while the expenses incurred were not recorded as the correct amount during the reporting period; and this resulted in an overstatement of the grants and subsidies and an understatement of the general expenses. With regard to commitments, it was revealed that there was no contract management in place for the identification and recognition of capital commitments outstanding at year-end, as required by GRAP 17.

In relation to irregular expenditure, the report disclosed that the municipality did not have adequate systems in place to identify and disclose all the irregular expenditure incurred during the year, as required by section 125(2) (d)(i) of the MFMA. This resulted in the irregular expenditure for the current and previous year being understated, as disclosed in the financial statements. The report disclosed that the municipality did not have adequate controls in place to recognise contingent liabilities. This resulted in the
understatement and overstatement of contingent liabilities, as well as trade and other
amounts payable, respectively, disclosed in the financial statements of the municipality.
It was also revealed that the municipality did not adhere to the budget presentation and
disclosure requirements of GRAP 24.

4.7 ANALYSIS OF THE FINANCIAL PERIOD 2013/2014

The following table illustrates the audit outcomes of the selected municipality for the
financial period ending on 30 June 2014.

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<th>Municipality</th>
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Table 3.5 Analysis of audit outcomes of the selected municipalities for the financial period 2013/2014
During the financial year 2013/2014, the analysis of the audit outcomes for the period illustrate that for the fourth consecutive financial period, there is no municipality that was able to receive a clean audit outcome amongst the selected municipalities. One of the two municipalities, which had previously received an unqualified audit outcome, had regressed from an unqualified audit outcome with matters of audit emphasis, to a qualified audit outcome. This happened after the municipality had in the previous year improved from a qualified audit outcome to an unqualified audit outcome.

During the current financial year, one of the municipalities of the selected municipalities had obtained an unqualified audit outcome, with issues of audit emphasis. Amathole District Municipality had obtained an unqualified audit outcome for the fourth consecutive financial year. The district has received an unqualified audit outcome with issues of audit emphasis, ranging from material losses, material impairment, restatement of corresponding figures and issues relating to non-compliance with the legal and regulatory requirements.
The AGSA report discloses that material losses of R90.5 million were incurred, as a result of water-distribution losses. It was further revealed that the cumulative debt impairment totalling R390.9 (2013: 296.9 million) was disclosed, relating to receivables from exchange transactions.

In relation to the restatement of the corresponding figures, the report disclosed that the corresponding figures for 30 June 2013 had been restated, as the result of an error discovered during the year ended 30 June 2014. The report further revealed that there were issues of non-compliance with legislation. It was found that the municipality had submitted annual financial statements to the AGSA, which were not prepared in all material respects, in accordance with the requirements of section 122 of the MFMA.

This resulted in material misstatements identified by the auditors, which were subsequently corrected.

Amahlathi municipality, as stated above, has regressed from an unqualified audit outcome to a qualified audit outcome. The basis for the qualification opinion is because, the report reveals, the municipality has not maintained a complete investment-property register that must include all the vacant land parcels over which it should exercise control. This has resulted in an understatement of the accumulated surplus.

Mbhashe municipality has, for the current financial period, obtained a qualified audit outcome for the third consecutive financial year. The municipality was qualified on issues ranging from irregular expenditure, PPE, investment property, employee cost and consumer debtors. The report reveals that the municipality incurred an irregular expenditure of R75 million. However, a condonation had not been obtained from the municipal Council. In addition, the auditors found that irregular expenditure had been understated; but owing to the lack of systems, the auditors could not determine the
extent of the understatement. With regard to property, plant and equipment (PPE), the report reveals, amongst others, that land and buildings were not classified in accordance with GRAP 17; and various items of investment property were duplicated in PPE; furthermore, residual values and depreciation methods were not reassessed during the year; depreciation had not been calculated, in accordance with the municipal-accounting policy.

With regard to investment property, the report revealed that the auditors could not confirm the amount of investment property; and because the land and buildings were not separately identifiable on the asset register, the assets could not be physically located during the audit. The assets identified from the floor could not be traced to the asset register; and thus, the right to ownership of the assets could not be ascertained.

With regard to employee costs, the report revealed that the employee costs were not accounted for, in accordance with GRAP 25. It was further revealed that the employee costs disclosed in the financial statements were overstated; whilst the accounts receivable was overstated. With regard to consumer debtors, the report revealed the municipality did not have adequate systems in place for the billing of debtors; since interest was not charged on overdue accounts.

Supportive documentations could not be produced for indigent debtors’ application.

Ngqushwa municipality has, for the third consecutive financial year, received a disclaimer audit outcome. The disclaimer audit outcome was issued, based on the issues ranging from irregular expenditure on material impairment, and a number of issues relating to non-compliance with the applicable legislation. With regard to irregular expenditure, the report revealed that the municipality had incurred irregular expenditure amounting to R13 million (2013: R16 million) during the year ended 30 June 2014.
According to the report, this was as a result of non-compliance with supply-chain management regulations. With regard to material impairment, the report disclosed that material losses of R25 million (2013: R9.8 million) were incurred as a result of the significant impairment of debts, due to poor collection practices.

As regards compliance with legislation, the report revealed that the auditors were not provided with evidence to prove that the local communities were consulted during the formulation of the IDP, as required by section 28 of the Municipal Systems Act, 2000 (MSA) and the municipal planning and performance-management regulation 15(1)(a)(l).

Furthermore, the auditors were not provided with evidence to prove that the local community was afforded an opportunity to comment on the final draft of the IDP before its adoption, as is required by section 42 of the MSA and the municipal planning and performance-management regulations 15(3).

The auditors were not provided with sufficient appropriate evidence to prove that the expenditure was incurred, in accordance with the approved budget; or that it was not incurred in excess of the limits of the amounts provided for in the vote of the approved budget, as required by section 15 of the MFMA. The report also revealed that the financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA.

3.8 ANALYSIS OF THE FINANCIAL PERIOD 2014/2015

The following table illustrates the audit outcomes of the selected municipalities for the financial period ending 30 June 2015.
During the financial year 2014/2015, the analysis of the audit outcomes for the period illustrates that for the fifth consecutive financial period, there has been no municipality that was able to receive a clean audit outcome amongst the selected municipalities. One of the two municipalities, which had previously received an qualified audit outcome,

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Table 3.6 Analysis of audit outcomes of the selected municipalities for the financial period 2014/2015

Figure 3.6
Analysis of the period 2014/2015

During the financial year 2014/2015, the analysis of the audit outcomes for the period illustrates that for the fifth consecutive financial period, there has been no municipality that was able to receive a clean audit outcome amongst the selected municipalities. One of the two municipalities, which had previously received an qualified audit outcome,
had improved from a qualified audit outcome to an unqualified audit outcome with matters of audit emphasis.

During the current financial year, one of the municipalities of the selected municipalities, which had previously obtained a qualified audit outcome has graduated to an unqualified audit outcome with issues of audit emphasis. This resulted in the two municipalities of the selected municipalities having obtained unqualified audit outcomes, with issues of audit emphasis.

The district has, for the fifth consecutive year, received an unqualified audit outcome with issues of audit emphasis. The issues of audit emphasis range from unauthorised, irregular, fruitless and wasteful expenditure, material losses, material impairment, restatement of the corresponding figures and issues relating to non-compliance with legal and regulatory requirements. With regard to the unauthorised, irregular, fruitless, and wasteful expenditure, the AGSA report revealed that the entity incurred unauthorised expenditure of R2,3 million; and the expenditure was in excess of the approved budget on various expenditure items.

It was further disclosed that the municipality and entity incurred fruitless and wasteful expenditure of R3,5 million on interest, penalties, legal fees and on the payment of a salary to the suspended CEO.

With regard to material losses, the report revealed that material losses of R58,3 million were incurred, as a result of water-distribution losses. It was further revealed that a cumulative debt impairment totalling R503,7 million was disclosed in the consolidated financial statements of the municipality relating to receivables from exchange transactions. With regard to the restatement of corresponding figures, the report disclosed that the corresponding figures for 30 June 2014 were restated, as a result of
errors discovered during 30 June 2015 – in the consolidated and separate financial statements of the municipality and its entity – and for the year ended 30 June 2014.

As regards non-compliance with legislation, the report revealed that the financial statements submitted for auditing were not properly prepared, in all material aspects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, general expenses and disclosure notes identified by the auditors in the submitted financial statements were subsequently corrected, and/or the supporting records were provided, resulting in the financial statements receiving an unqualified audit outcome.

The report further revealed that money owed by the municipality was not always paid within 30 days, as is required by section 65(2)(e) of the MFMA. It was further revealed that reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA.

Amahlathi municipality has graduated during the current financial year from a qualified audit outcome, which was obtained in the previous financial year, to an unqualified audit outcome, with issues of audit emphasis, during the current financial period. The issues of audit emphasis for the municipality ranged from unauthorised expenditure, irregular expenditure, material losses, restatement of corresponding figures and a few issues relating to non-compliance with legislation.

The AGSA report revealed that an unauthorised expenditure amounting to R23,9 million was incurred – due to overspending on the budget. The report further disclosed that irregular expenditure, amounting to R40, 3 million, was incurred during the financial year 2014/2015, due to the supply-chain management (SCM) processes not being correctly followed. It was revealed that in both expenditure instances (unauthorised expenditure
and irregular expenditure), no disciplinary action was taken with regard to the expenditure.

It was further revealed that material losses on electricity distribution of R2,1 million were incurred, due to environmental and technical factors. The auditors also found that the corresponding figures for 30 June 2014 had been restated, as a result of errors only corrected during the year ended 30 June 2015 in the financial statements at, and for, the year ended, 30 June 2014.

With regard to non-compliance with legislation, the report disclosed that the performance-management system was not in line with the priorities, objectives, indicators and targets contained in its integrated development plan (IDP). It was further revealed that the municipality, amongst other issues, did not establish mechanisms to monitor and review its performance-management system, as required by section 40 of the MSA. In relation to revenue management, the report disclosed that a credit-control and debt-collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.

Reasonable steps were not taken to prevent unauthorised, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA, the report revealed. The report further disclosed that the financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit outcome.
Mbhashe municipality has, for the fifth consecutive financial period, obtained a qualified audit opinion. The municipal qualification issue is irregular expenditure. The report revealed that the municipality’s processes for the recording and recognition of irregular expenditure were insufficient; as certain amounts were not recorded at all. Consequently, the irregular expenditure was understated by R13,3 million (2014: R10,9 million). It was further disclosed that the supporting documents requested by the auditors could not be submitted for audit purposes.

In addition to the above qualification issues, the auditors raised issues on audit emphasis – ranging from material underspending of conditional grants, material impairments, unauthorised expenditure, restatement of corresponding figures and a few issues of non-compliance with legislation. The report revealed that the municipality materially underspent on Municipal Infrastructure Grants (MIGs). The unspent portion of the conditional grants for the MIG amounted to R16 million, as at 30 June 2015.

The report further disclosed that an impairment of R22,7 million was provided for in respect of consumer debtors. It was further disclosed that unauthorised expenditure of R20,5 million was incurred, due to overspending of the budget. In relation to the restatement of corresponding figures, the report revealed that the corresponding figures for 30 June 2014 had been restated, as a result of errors only corrected during the year ended 30 June 2015 in the financial statements at, and for, the year ended, 30 June 2014.

With regard to non-compliance with legislation, the issues of audit emphasis ranged from procurement and contract management, consequence management, expenditure management, asset management, Annual Financial Statements (AFS) and Annual Report (AR), human-resource management and revenue management. With regard to
procurement and contract management, the report revealed that quotations were accepted from prospective providers, who were not registered on the list of accredited prospective providers; and who did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulation 16(b) and 17(b). It was further revealed that awards were made to providers who were not in the service of the municipality; and whose directors/principal shareholders were in the service of the municipality, in contravention of section 112(j) of the MFMA and SCM regulation 44. Furthermore, it was found that the provider failed to declare that he/she was in the service of the municipality, as required by SCM regulation 13(c). Unauthorised, irregular, fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2) (a)(ii) of the MFMA.

This resulted in the municipality not instituting consequence management. With regard to expenditure management, the report revealed that the money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA. It was further revealed that reasonable steps were not taken to prevent unauthorised, irregular, fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA. The municipality did not establish an investment policy that should be adopted by council, as required by section 13(2) of the MFMA and Municipal Investments Regulation 3(1) (a).

With relation to the financial statements, the report revealed that the financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were subsequently corrected; but the
uncorrected material misstatements and supporting records that could not be provided, resulted in the financial statements receiving a qualified audit outcome.

With regard to human-resource management, the report revealed that the municipality did not develop and adopt appropriate policies and procedures to monitor, measure and evaluate the performance of staff, in contravention of section 67(d) of MSA. In addition, it was revealed that the municipality did not submit a report on compliance with the prescribed competency levels to the National Treasury and the relevant provincial treasury, as required by the Municipal Regulations on Minimum Competency Levels 14(2)(a).

The competencies of the Chief Financial Officer (CFO), the financial and SCM officials were not assessed in a timely manner, in order to identify and address any gaps in their competency levels, as required by the Municipal Regulations on Minimum Competency Levels 13.

With regard to revenue management, the report reveals that a credit control and debt-collection policy were not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA. It was further revealed that an adequate management, accounting and information system, which should account for revenue, debtors and receipt of revenue, was not in place, as required by section 64(2)(e) of the MFMA. Interest was not charged on all the accounts that were in arrears, as required by section 64(2) (g) of the MFMA.

Ngqushwa municipality has graduated from a disclaimer audit outcome to a qualified audit outcome. The municipality was qualified on, amongst others, payables from exchange transactions, VAT received, government-grants revenue, repairs and maintenance, irregular expenditure, unauthorised expenditure and non-compliance with
legislation. With regard to the payables from exchange transactions, the report revealed that the municipality did not have adequate systems to maintain records of accounts payable for goods and services not yet paid for, which resulted in trade payables and general expenses being understated by an amount of at least R4 million (2014: R11.6 million). The auditors were not provided with evidence to support the trade payables disclosed in the municipal financial statements.

With regard to VAT receivable, the report revealed that the municipality did not have an adequate system to maintain records of the VAT received; neither was sufficient appropriate audit evidence available to identify, reconcile and disclose all VAT transactions relating to the VAT received amounting to R8.5 million (2014: R4.1 million), as disclosed in the financial statements of the municipality.

Furthermore, the report disclosed that the municipality did not record VAT, in accordance with GRAP 1. With regard to the government grants revenue, the report revealed that the auditors could not be provided with audit evidence to support the amount disclosed as MIG revenue, which is normally included in the government grant revenue.

With regard to repairs and maintenance, the report revealed that the municipality did not account for repairs and maintenance, in accordance with GRAP 1. Furthermore, the auditors could not be provided with appropriate audit evidence to support the amount disclosed as repairs and maintenance in the financial statements of the municipality. The municipality did not have adequate systems to identify and disclose all irregular expenditure incurred during the year, as is required by section 125(2) (d)(i) of the MFMA. This resulted in the irregular expenditure for the current and the previous year being understated, the report disclosed.
In relation to the unauthorised expenditure, the report disclosed that the auditors were not provided with sufficient appropriate evidence to support any unauthorised expenditure disclosed in the financial statements of the municipality for the current and previous financial periods.

With regard to non-compliance with legislation, the report revealed that measurable performance targets for the financial year with regard to each of the development priorities and the key performance indicators were not set out in the IDP, as required by section 41(1)(b) of the MSA and the municipal planning and performance management relations 12(1) and 12(2)(e). Further, it was disclosed that revisions to the SDBIP were not approved by the council after the approval of the adjustment budget, as is required by section 54(1) (c) of the MFMA.

The annual performance report for 2014/2015 financial period did not include a comparison with the previous financial year and the measures taken to improve performance. This is in contrast with section 46(1) (b) and (c) of MSA. It was also found that the financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statement were not adequately corrected; and the supporting records could not subsequently be provided, which resulted in the financial statements receiving a qualified audit outcome.

In addition, the report revealed that the audit committee did not advise the council and accounting officer on matters relating to compliance with the legislation, such as DoRA, as required by section 166(2) (a)(vii) of the MFMA. The audit committee did not review and make recommendations to the council on the performance-management system,
as required by municipal planning and performance management regulation 14(4) (a)(ii).

The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance-management system to the council, as required by municipal planning and performance management regulation 14(4) (a)(iii). The report further revealed that the internal audit did not advise the Accounting Officer (AO) and report to the audit committee on matters relating to compliance with DoRA, as required by section 165(2)(b)(vii) of the MFMA.

The internal audit unit did not function, as required by section 165(2) of the MFMA, in that the unit did not advise the AO and report to the AC on matters relating to accounting procedures and practices, as well as loss control.

With regard to procurement and contract management, the report revealed that sufficient appropriate audit evidence could not be provided to auditors to prove that all contracts and quotations that had been awarded, were in accordance with legislative requirements, and a procurement process that is fair, equitable, transparent and competitive; since the municipality did not have a proper record-keeping system. The report further revealed that goods and services with transaction values below R200 000 were procured – without obtaining the required price quotations, contrary to SCM regulation 17(a) and (c).

Quotations were awarded to bidders who failed to submit a declaration of whether they were employed by the State; or whether they were connected to any person employed by the State, contrary to SCM regulation 13(c). Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded only to bidders who
had submitted a declaration on whether they were employed by the State, or connected
to any person employed by the State, as required by SCM regulation 13(c).

It was also found that contracts were awarded to bidders, based on preference points
that had not been allocated and calculated, in accordance with the requirements of the
PPPFA and its regulations. Contract projects were not always registered with the
Construction Industry Development Board (CIDB), as required by section 22 of the CIDB

The performance of contractors or providers was not monitored on a monthly basis, as
required by section 116 (2) (b) of the MFMA. The contract performance and monitoring
measures and methods were insufficient to ensure effective contract management, as
required by section 116 (2) (c) of the MFMA, the report revealed.

With regard to the human-resource management and compensation, the report
revealed that the acting municipal manager had been appointed for more than six
months; while the acting chief financial officer (CFO) had been appointed for more for
than three months – without any approval by the members of the executive council. This
is in contravention of section 54A(2A) and 56(1)(c) of MSA.

Furthermore, the report revealed that the competencies of the CFO, head of the SCM
unit and SCM officials were not assessed in a timely manner, in order to identify and
address any gaps in the competency levels, as required by municipal regulation on
minimum competency levels 13. It was also found that the municipality did not submit a
report on compliance with the prescribed competency levels to the National Treasury
and the relevant provincial treasury, as required by municipal regulations on minimum
competency levels 14(2)(a).
The annual report of the municipality did not reflect any information on compliance with the prescribed minimum competencies; as required by the municipal regulation on minimum competency levels 14(2)(b).

With regard to expenditure management, the report revealed that money owing by the municipality was not always paid within 30 days, or within an agreed period, as required by section 65(2)(e) of the MFMA. It was further disclosed that an effective system of expenditure control was not in place, as required by section 65(2)(a) of the MFMA. An adequate management, accounting and information system was not in place to recognise expenditure, when it was incurred, and to account for creditors, as required by section 65(2)(b) of the MFMA.

The report revealed that reasonable steps were not taken to prevent unauthorised, irregular, as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

With regard to revenue management, the report revealed that a credit control and debt-collection policy had not been implemented, as required by section 96(b) of MSA and section 62(1)(f)(iii) of the MFMA. Furthermore, it was found that an effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA. With regard to liability management, the report revealed that management, accounting and the information system were not in place to account for any liabilities, as is required by section 63(2)(a) of the MFMA.

Furthermore, the report revealed that an effective internal control for liabilities was not in place, as required by section 63(2)(c) of the MFMA.
3.9 SUMMARY

The analysis of the six-year period that has been reviewed found that there was not a single municipality within the selected municipalities, which had been able to receive a clean audit outcome, or an unqualified audit report – without issues of audit emphasis.

Amathole District Municipality received a qualified audit outcome during the financial year 2009/2010. During the following financial year, the district municipality graduated to an unqualified audit outcome, with issues of audit emphasis. The municipality received an unqualified audit outcome with issues of audit emphasis for five consecutive financial years covering the financial period 2010/2011 to 2014/2015.

During the financial year 2009/2010, the Mbhashe municipality received a disclaimer audit outcome. However, the municipality improved during the following financial year; and it received a qualified audit opinion. The municipality has received a qualified audit outcome for five consecutive financial years, covering the period 201/2011 to 2014/2015.

Amahlathi municipality obtained an unqualified audit outcome during the financial year 2009/2010. Thereafter, the municipality regressed from an unqualified audit outcome to a qualified audit opinion for two consecutive financial years, covering the period 2010/2011 to 2011/2012. During the financial year 2012/2013, the municipality improved from a qualified audit outcome to an unqualified audit outcome. However, the municipality regressed for a second time from an unqualified audit outcome to a qualified audit outcome for the financial period 2013/2014. Thereafter, the municipality has improved from a qualified audit outcome to an unqualified audit outcome, with issues of audit emphasis.
During the financial period 2009/2010, Ngqushwa municipality received a qualified audit outcome. However, during the financial year 2010/2011, the municipality regressed from a qualified audit outcome to a disclaimer audit, which is the worst audit outcome that any municipality can receive. Since then, the municipality has received a disclaimer audit outcome for five consecutive financial years, covering the period 2010/2011 to 2014/2015.
CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

This chapter will discuss the research design and methodology. It reveals the types of research the researcher has followed and the priorities to which he had adhered. It will also refer to research methods, together with the techniques used to collect the data (Ghauri & Gronhaug, 2005).

Research is a process of finding a solution to a problem after a thorough study and analyses of the situational factors. Research involves a series of well-thought-out and carefully executed activities that enable the researcher to know how the problem can be resolved (Sekaran & Bougie, 2013: 2). In the context of this study, research is defined as a process in which scientific methods are used to expand the knowledge in a particular field of study.

It involves the application of various methods and techniques, in order to create scientifically acquired knowledge by using objective methods and procedures (Welman & Kruger, 2001: 2). Any research procedure is based on some underlying philosophical assumptions on what constitutes valid research, and which research method is appropriate for the development of knowledge in a given study. The term research philosophy refers to a system of beliefs and assumptions on the development of knowledge (Saunders, Lewis & Thornhill, 2016).

4.2 THE PHILOSOPHICAL FOUNDATIONS

4.2.1 Research Paradigm

A paradigm is a cluster of beliefs and dictates which for scientists in a particular discipline indicate what should be studied, how research should be done, and how the results should be interpreted (Bryman 1988a:4). According to Terre Blanche, Durreheim and Painter (2006), a research paradigm is an all-encompassing system of interrelated
practice and thinking that defines for researchers the nature of the inquiry along three dimensions: i.e. the ontology; the epistemology; and the methodology. Bryman (1988 a: 4) is quoted in Bryman and Bell (2011) as describing a research paradigm as a cluster of beliefs that dictate what should be studied; how the research should be done; and how the results should be interpreted (Bryman & Bell, 2011: 24).

In a similar view, Creswell (1998: 74) states that all qualitative researchers approach, their studies with a certain paradigm or world view, a basic set of beliefs, or assumptions that guide their inquiries.

According to Saunders et al. (2011), ontology refers to an assumption on the nature of reality (Saunders et al., 2011:127; Terre Blanche et al., 2006:6). The researcher’s ontological assumption shapes the way in which the researcher sees and studies the research objects (Saunders et al., 2016: 127). In business and management, these objects include organisations, management, individuals’ working lives and organisational events and artefacts.

The researcher’s ontology, therefore, determines how the researcher sees the world of business and management; and therefore, the researcher’s choice of what to research for his/her research project (Saunders et al., 2016).

Bryman and Bell (2011) are of the opinion that the questions of social ontology are concerned with the nature of social entities. The central point of orientation is the question of whether social entities can and should be considered objective entities that have a reality external to the social actors, or whether they can and should be considered social constructions built up from the perceptions and actions of social actors.
These positions are referred to respectively as objectivism and constructionism. Their differences can be illustrated by reference to two of the most common and central terms in social science – organisation and culture.

Burrell and Morgan (1979) are quoted in Saunders et al. (2016), as being of the opinion that epistemology concerns assumptions about knowledge; what constitutes acceptable, valid and legitimate knowledge; and how we can communicate knowledge to others. Terre Blanch et al. (2006) define this concept as follows, “Epistemology specifies the nature of the relationship between the researcher and what can be known” (Terre Blanch et al., 2006: 6).

According to Kumar (2005), there are two main paradigms that form the basis of research in social science. The paradigm that is rooted in the physical science is called the systematic, scientific or positivist approach. The opposite paradigm has come to be known as the qualitative, ethnographic, ecological or naturalistic approach (Kumar, 2005: 13).

According to Saunders et al. (2016), there are five major philosophies in business and management studies: positivism; critical realism; interpretivism; post-modernism; and pragmatism (Saunders et al., 2016: 135).

4.2.2 Positivism

Positivism relates to the philosophical stance of the natural sciences; and it entails working with an observable social reality to produce legalistic generalisations. It promises unambiguous and accurate knowledge; and it originates in the work of Frances Bacon, Auguste Comte and the early twentieth-century group of philosophers and scientists known as the Vienna Circle.
The label positivism refers to the importance of what is posited. The emphasis of the positivist focus is on the strictly scientific empiricist method – designed to yield pure data and facts uninfluenced by any human interpretation or bias (Saunders et al., 2016: 135 - 136). According to Bryman and Bell (2011) positivism is an epistemological position that advocates the application of the methods of the natural science to the study of social reality and beyond.

However, the term stretches beyond this principle; although the constituent elements vary between different authors (Bryman & Bell, 2011:15; Strydom, Fouche & Delport: 5-6). Positivism is also taken to entail the following principles:

1. Only phenomena – and hence knowledge confirmed by the senses – can be genuinely warranted as knowledge (the principle of phenomenalism).

2. The purpose of theory is to generate hypotheses that can be tested; and that will thereby allow explanations of laws to be assessed (the principle of deductivism).

3. Knowledge is arrived at through the gathering of facts that provide the basis for laws (the principle of inductivism).

4. Science must be conducted in a way that is value-free (that is to say, objective).

5. There is a clear distinction between scientific statements and normative statements – and a conviction that the former are the true domain of the scientist (Bryman & Bell, 2011: 15).

What is positivism supposed to comprise? Bryman (1988:14) is quoted in Strydom et al., (2011) as answering this question as follows:

Firstly, positivism entails a belief that the methods and procedures of the natural sciences are appropriate to the social sciences. This view involves a conviction that...
the objects of the social sciences – people – are not an obstacle to the implementation of the scientific method.

Secondly, positivism entails a belief that only those phenomena that are observable, in the sense of being accessible to the senses, can validly be warranted as knowledge. This means that there is no place for phenomena that cannot be observable – either directly through experience and observation – or indirectly with the aid of instruments.

Thirdly, many accounts of positivism suggest that scientific knowledge is arrived at through the accumulation of verified facts. These facts feed into the theoretical edifice pertaining to a particular domain of knowledge. Thus, all authentic theory expresses and reflects the accumulated findings of empirical research (Strydom et al., 2002: 6).

4.2.3 Critical realism
According to Saunders et al. (2016), the philosophy of critical realism focuses on explaining what the researchers see and experience, in terms of the underlying structure of reality that shapes the observable events. Critical realism claims that there are two steps to understanding the world. Firstly, there are the sensations and events we experience. Secondly, there is the mental processing that goes on after the experience (Saunders et al., 2016: 138 – 139; Bryman & Bell, 2011: 16).

4.2.4 Interpretivism
Interpretivism emphasises that humans are different from physical phenomena because they can create meanings. The purpose of interpretivist research is to create new, richer understandings and interpretations of social world and their contexts. For business and management researchers, this means looking at organisations from the perspectives of different groups of people (Saunders et al., 2016).
According to Bryman and Bell (2011), interpretivism is predicated upon the view that a strategy is required that respects the difference between people and the objects of the natural science; and it, therefore, requires the social scientists to grasp the subjective meaning of social action (Bryman & Bell, 2011: 17).

4.2.5 Postmodernism
Postmodernism emphases the role of langue and of power relations, seeking to question the accepted ways of thinking and giving voice to alternative marginalised views. Postmodernism goes even further than the interpretivists in their critique of positivism and objectivism, attributing even more importance to the role of the language (Saunders et al., 2016: 141).

According to Terre Blanch et al., (2006) a common line of criticism against postmodernism is that it is not an ethical or politically responsible intellectual paradigm, but that – as Fredric Jameson’s famous position (1997) has it – postmodernism is a cultural symptom of late capitalism; and it is, therefore, ideologically complicit and by implication non-critical. In his view, we have moved from an era of highly industrialised capitalism, corresponding to modernism, in the arts, to the era of ‘late capitalism’, a term he used to distinguish his understanding from those who see our historical era as being a ‘post-capitalist’ one (Terre Blanch et al, 2006: 524).

4.2.6 Pragmatism
Kelemen and Rumens (2008) are quoted in Saunders et al., (2016) as being of the opinion that pragmatism asserts that concepts are only relevant where they support actions. It strives to reconcile both objectivism and subjectivism, facts and values, accurate and rigorous knowledge, as well as contextualised experiences. It does so by considering theories, concepts, ideas, hypotheses and research findings, not in the
abstract form, but in terms of the roles they play as instruments of thought and action, and in terms of their practical consequences in specific contexts (Saunders et al., 2016: 143).

Terre Blanche et al. (2006) refer to pragmatism as pragmatic proof that alludes to truth; and this is whatever assists the researcher to take the necessary actions that produce the desired results. He further maintains that if researchers are deliberately looking to achieve an end; and if they are looking via their research to find ways to do this, the extent to which the actions indicated by the research bring about the desired results is a measure of the truth value of the research (Terre Blanch et al., 2006: 381).

4.2.7 Theories adopted in this study
The researcher conducted this study on the ontological assumption that the non-implementation of the audit action plans by municipalities results in municipalities receiving poor audit outcomes. The study seeks to prove, or to disprove this assumption. Consequently, the study focused on how this phenomenon could be eliminated by looking at the root cause of the non-implementation of the audit-action plans.

If the municipalities do implement their audit-action plans and still receive poor audit outcomes, the researcher had to check what other factors that could have led to municipalities receiving poor audit outcomes.

It is critical to mention that this study is defined as being an ontological objectivist study. Objectivism incorporates the assumptions of the natural sciences, arguing that the social reality that the researcher researches is external to them and others (Saunders et al., 2016: 128). The researcher has conducted this study in selected municipalities in the Amathole District Municipality; and the researcher is not an employee of the local municipalities that have been selected as a sample. Although
Amathole District Municipality is also selected to form part of this study, the researcher is independent of the managers, who prepare and implement the audit-action plans within the municipality.

The researcher has adopted a positivistic approach. According to Saunders et al., (2016), positivism relates to the philosophical stance of the natural scientist; and it entails working with the observable social reality to produce legalistic generations. It promises an unambiguous and an accurate knowledge (Saunders et al., 2016: 135 - 136). The researcher was neutral and detached from the research and the data, in order to avoid influencing the findings (Crotty, 1998).

The audit reports, together with the minutes of the meetings of the relevant Council structures that was analysed, comprised the historical data, which could not be manipulated or changed. The predetermined questions in the questionnaire were used to collect the data from the respondents.

4.3 THE RESEARCH DESIGN
Definitions of research design are rather ambiguous (De Vos et al., 2011: 142). The research design is the universal impression, which informs the researcher by what means he will be responding to his investigations’ inquiries. It will comprise perfect objects resulting from the study’s inquiries; it will specify the basis on which the researcher aims to gather the facts; how the researcher proposes to assemble and evaluate them; and the deliberate moral questions, as well as the limitations the study will encounter, such as access to the data, the time, location and financing. The research design, therefore, is concerned with the general strategy for conducting the research (Saunders et al., 2016: 164 -165).
In agreement with Saunders et al. (2016), McMillan and Schumacher (2014) define research as follows: “A research design describes the procedures for conducting the study, including when, from whom, and under what conditions, the data will be obtained. In other words, the research design indicates the general plan: How the research is set up; what happens to the subjects; and what methods of data collection are [to be] used.” The purpose of research design is to specify a plan for generating the empirical evidence that will be used to answer the research questions. For the purposes of this study, research design is defined as a framework for the collection and analysis of data to answer the research question and meet the research objectives – providing reasoned justification for the choice of data sources, the collection methods and the analytical techniques (De Vos et al., 2011: 726).

Research can be designed to fulfil either an exploratory, descriptive, explanatory, or evaluative purpose, or some combination of these. The way in which the researcher asks the research questions will inevitably involve the researcher in exploratory, descriptive, explanatory, or in evaluative research (Saunders et al., 2016:174).

In undertaking this study the researcher involved himself in a combination of explanatory and evaluative studies. According to Kumar (2005), explanatory study attempts to clarify why and how there is a relationship between the two aspects of a situation or phenomenon (Kumar, 2005:10; Terre Blanch et al., 2006:44). In agreement with this statement, Saunders et al.(2016) insist that the emphasis in explanatory research is to study a situation or a problem, in order to explain the relationship between the variables (Saunders et al.,2016:176).

In this study, the researcher has investigated whether there is a relationship in the utilisation of the Auditor-General’s reports and the improvement in the audit outcomes.
According to Saunders et al. (2016), the purpose of evaluative research is to find out something (Saunders et al., 2016:176; Terre Blanch et al., 2006:410). In this study, the researcher checked the effectiveness of the audit-action plans prepared by selected municipalities to address the Auditor-General's findings.

In conducting this study, the researcher has used a mixed-method approach. Mixed method is a method of inquiry gathering both quantitative and qualitative data, incorporating the two methods of data interpretation and utilising separate plans that might include philosophical expectations and academic outlines. The main supposition of this method of review is that, the mixing of qualitative and quantitative methods offers a better understanding of a research problem than either method alone (Creswell, 2014: 4).

Johnson, Onwuegbuzie and Turner (2007) are quoted in Creswell, as outlining mixed-method research as follows:

- “It encompasses the gathering of both qualitative (open-ended) and quantitative (close-ended) information, in reaction to exploratory questions, or hypotheses.
- It comprises the examination of both methods of information.
- The measures for both qualitative and quantitative information gathering and examination are essentially to be performed carefully (e.g. adequate sampling, sources of information, data analysis steps).
- The two methods of information are combined in the design examination through combining, linking, or implementing the information.
- These measures are integrated into a distinct mixed-method design that also comprises the timing of the information gathering (concurrent or sequential), as well as the emphasis (equal or unequal) for each database.
• These measures can also be acknowledged by a theoretical worldview or a theory (Creswell, 2014: 217)

In the mixed-method research (MMR), quantitative and qualitative techniques are combined in a variety of ways that range from simple, concurrent forms, to more complex and sequential forms, as shown in Figure 3.1 below. Creswell and Plano Clark (2011); and Nastasi et al. (2010) are quoted in Saunders et al. (2016), as being of the opinion that the ways in which quantitative and qualitative research may be combined, as well as the extent to which this may occur, have led to the identification of a number of variations of mixed methods (Saunders et al., 2016: 170).

Figure 4.1 Methodological choices – adapted from Saunders et al. (2016:167)

In this study, the researcher planned to adopt a concurrent mixed-method research approach, which involves the separate use of quantitative and qualitative methods within a single phase, as shown in Figure 3.2 below. However, due to the unavailability
of council committee members after August 2016, the researcher adopted an *embedded mixed-methods research*, in which some of the questions within a questionnaire require a qualitative response (Saunders et al., 2016).

The researcher collected the data from two main groups within the selected municipalities represented by the council committees and the municipal officials. The council committees were represented by councillors and independent individuals, who had served in council committees during the period 2006 to 2015. Municipal officials were represented by municipal officials at various levels of the management hierarchy for the same period.

The researcher intended to conduct focus-group interviews with the Municipal Public Accounts Committee (MPAC), the Audit Committee (AC) and the Performance Audit Committee members (PAC). In so doing, the researcher wanted to explore the
perceptions, experiences and understanding of the committee members; as they conduct their work as a committee (Kumar, 2005:125; de Vos et al., 2011:360; Terre Blanche et al., 2006:304). During the discussion, the researcher intended to audiotape the discussion. The participants would have been informed and assured that the discussion would be treated as confidential. However, during the collection of the data, it became impractical to conduct interviews; as most councillors had already left the municipalities – after the August 2016 local government elections. The researcher, instead, issued questionnaires with closed-ended question; however, in the same questionnaire, a space was created for the respondents to comment at the end of each section.

In regard to the collection of the data from the municipal officials, the researcher distributed questionnaires with closed-ended question to the various levels of management within the selected municipalities. The researcher quantitatively collected the data from the municipal officials of the selected municipalities.

4.4 THE RESEARCH METHODOLOGY

Research methodology refers to the broad theoretical and philosophical framework within which methods operate and which give them their intellectual authority and legitimacy; whilst the research methods refer to the techniques and procedures used to obtain and analyse the data (Becker & Bryman, 2004:398; Saunders et al., 2016:4). This section will cover the target population, the sample and tools, as well as the techniques and procedures used to collect the data.

4.4.1 Target population and sample size

Terre Blanche et al. (2006) define population, as a pool from which the researcher’s sampling elements are drawn; and one from which the researchers want to generalise
their findings. The population encompasses all the elements that make up the research unit of analysis (Terre Blanche et al., 2006:133).

The researcher may redefine the population as something more manageable. This is often a subset of the population called the target population (Saunders et al., 2016:275). The target population for this study were the senior officials, the political office bearers/members of the Mayoral Committee, the Audit Committee, the Performance-Audit Committee, and the Municipal Public Accounts Committee comprising the members of the selected municipalities.

The sample included the lower-level management municipal officials, who frequently interact with the AGSA during the audit from the Corporate Services, Engineering or Technical Services, Strategic Management, Planning and Budget, as well as the Treasury departments of the selected municipalities. The following section will define the sampling method to be used in this study and the rationale behind the application of the sampling method.

The target population and the sample size in selected municipalities are depicted in Table 3.1 below.
<table>
<thead>
<tr>
<th>Municipality</th>
<th>Population</th>
<th>Target group</th>
<th>Population size</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amahlathi</td>
<td>Councillors</td>
<td>Executive council members</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MPAC members</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Audit Committee/PAC members</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Officials</td>
<td>Senior managers</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Middle managers</td>
<td>21</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low-level managers</td>
<td>29</td>
<td>14</td>
</tr>
<tr>
<td>Amathole</td>
<td>Councillors</td>
<td>Executive council members</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MPAC members</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Audit Committee/PAC members</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Officials</td>
<td>Senior managers</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Middle managers</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low-level managers</td>
<td>85</td>
<td>42</td>
</tr>
<tr>
<td>Mbhashe</td>
<td>Councillors</td>
<td>Executive council members</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MPAC members</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Audit Committee/PAC members</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Officials</td>
<td>Senior managers</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Middle managers</td>
<td>22</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low-level managers</td>
<td>30</td>
<td>22</td>
</tr>
<tr>
<td>Ngqushwa</td>
<td>Councillors</td>
<td>Executive council members</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MPAC members</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Audit Committee/PAC members</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Officials</td>
<td>Senior managers</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Middle managers</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low-level managers</td>
<td>27</td>
<td>19</td>
</tr>
</tbody>
</table>

Table 4.1 Target population and sample size in selected municipalities
4.4.2 Sampling method
The researcher utilised purposive sampling in this study. Kumar (2005) describes purposive sampling as a sampling method where the researcher goes only to those people who in his/her opinion are likely to have the required information; and who would be willing to share it. He emphasises the fact that purposive sampling is dependent on the judgement of the researcher, as to who can provide the best information to achieve the objectives of the study (Kumar, 2005: 179).

This is corroborated by Saunders et al. (2016) who confirm that with purposive sampling, the researcher need to use his/her judgement, in order to select cases that would best enable the researcher to answer his/her research questions; and those which can meet the objectives (Saunders et al., 2016:301; de Vos et al., 2011:232).

In this study, the researcher has decided to use the Executive Committee, MPAC, AC and PAC members; as these committees, within their respective municipalities, deal with the AGSA report on a yearly basis. These committees are also utilised as mechanisms for monitoring the implementation of the audit-action plans within their municipalities. Amongst the officials, only those officials that prepare and implement the audit-action plans have been selected.

4.4.3 Data-collection methods
The researcher used a mixed-method research (MMR) approach in conducting the study. The data-collection methods varied, depending on whether the researcher was quantitatively or qualitatively collecting the information. Below, the quantitative and the qualitative collection methods are explained. The data-collection methods and techniques that were used for both the qualitative and the quantitative designs are tabulated in Table 4.2.
<table>
<thead>
<tr>
<th>Research Design</th>
<th>Data-Collection Method</th>
<th>Technique</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualitative</td>
<td>Documents</td>
<td>The researcher reviewed the previous year’s audit report, the audit action plans, the minutes of the meetings of Executive Management Committee, the Mayoral Committee, Audit Committee, Performance Audit Committee, Municipal Public Accounts Committees and Council of the selected municipalities</td>
</tr>
<tr>
<td>Quantitative</td>
<td>Questionnaire</td>
<td>Questionnaires were distributed to officials of selected municipalities. The researcher formulated a written set of questions, to which respondents recorded their answers. The questionnaire consisted of statements or closed questions that were followed by a rating scale, where the respondents had to indicate the degree to which they agreed or disagreed with the statement or question.</td>
</tr>
<tr>
<td>Qualitative</td>
<td>Questionnaire</td>
<td>Questionnaires were distributed to council committee members of selected municipalities. The researcher formulated a written set of questions, to which the respondents recorded their answers. The questionnaire consisted of statements or closed questions that were followed by a rating scale, where the respondents had to indicate the degree to which they agreed or disagreed with the statement or question. In the same questionnaire, a space was created for the respondents to make their comments at the end of each section. This section of the questionnaire accommodated the qualitative part of the research design.</td>
</tr>
</tbody>
</table>

Table 4.2 Data-collection methods and techniques used in selected municipalities

4.4.3.1 Quantitative design – questionnaires

The researcher had quantitatively collected the data through a questionnaire from the municipal officials represented by the senior managers, middle-level managers, low-level management staff, who interact with the AGSA during the audit process on a yearly basis. The questions were be drawn up in such a way that the respondents were forced to select one from a fixed list of answers provided. The questionnaire consisted of statements or closed questions that were followed by a rating scale, where the respondents had to indicate the degree to which they agreed or disagreed with the statement or question \(\text{(Terre Blanche et al., 2006:487-488)}\).

The researcher was aware of the possibility that the questions could be misinterpreted. De Vos et al. (2011) agree with this view; and they state: “No matter how effective the sampling or analysis of the results, ambiguous questions lead to non-comparative
responses, leading questions lead to biased responses; and vague questions lead to vague answers” (De Vos et al., 2011: 195).

Therefore, the questions were prepared in such a way that they were clear, short and relevant to the research objectives. The researcher prepared his own questionnaire; and when the questionnaires were ready for distribution, the researcher decided to test the validity of the questions by pilot-testing them. The questionnaires were distributed to a group of low-level managers in one of the selected municipalities. These were individuals from the internal audit unit of one of the selected municipalities; and these individuals had similar skills to those of the sampled group.

The purpose of the pilot test was to refine the questionnaires; so that the respondents would have no problems in answering the questions; and there would be no problems in recording the data. In addition, this enabled the researcher to obtain some assessment of the questions’ validity, as well as the probable reliability of the data that would be collected – both for individual questions – and, where appropriate, the scales comprising a number of questions (Saunders et al., 2016:473; de Vos et al., 2011:195).

After the pilot test had been conducted, adjustments were made to the questions; and the questionnaires were distributed to the sampled group.
4.4.3.2 Qualitative design – embedded questionnaires

Researchers may use quantitative research and qualitative research equally, or unequally (Creswell & Plano, 2011). In this way, the priority or weight given to either quantitative or qualitative research may vary; so that one methodology has a dominant role; while the other plays a supporting role, depending on the purpose of the research project (Saunders et al., 2016). Embedded mixed-method research is the term given to a situation, in which one methodology supports the other (Creswell & Plano, 2011). One methodology may be embedded within the other during the single means to collect the data (Saunders et al., 2016).

The researcher qualitatively and quantitatively collected the data from the council committee members of the selected municipality through the questionnaires. The questionnaire was designed in such a manner, that some of the questions within the questionnaire required a qualitative response. The council committees were represented by Executive-Committee/Mayoral Committee members, Municipal Public-Accounts Committee (MPAC) members, Audit Committee (AC) members and Performance-Audit Committee (PAC) members.

Some of the committee members who were given the questionnaires returned them without responding to the qualitative questions. It is not known whether the non-response was due to members not understanding the questions, or to the responses that would have been given were the same as the answers of the quantitative questions.
4.4.3.3 Qualitative design – documentation

The researcher reviewed the previous year’s audit report produced by the AGSA, the audit-action plans, the minutes of the meetings of the Executive Management Committee, the Mayoral Committee, the Audit Committee, the Performance-Audit Committee, the Municipal Public-Accounts Committees and the Council of the selected municipalities. This was done with the view of getting an insight into whether the selected municipality had submitted the audit-action plan to the relevant structure of the respective municipalities.

This review assisted the researcher to check whether the responses to the quantitative questions were a true reflection of what was happening regarding the preparation and implementation of the audit-action plans.

4.5 DATA ANALYSIS

4.5.1 Quantitative-data analysis

Saunders et al. (2016) contend that the quantitative data in a raw form convey very little message to most people. These data, therefore, need to be processed to make them useful – in other words, to change them into information. Quantitative techniques, like tables, graphs and statistics assisted the researcher to explore, present, describe and examine any relationships and trends within the data (Saunders et al., 2016:496).

Saunders et al. (2016) describe quantitative data as data that refer to primary and secondary data. These can range from simple counts, such as the frequency of occurrences to more complex data, such as test scores, prices or rental costs (Saunders et al., 2016:296).
In this study the quantitative data collected was analysed using SPSS version 24 analysis software and all tests were carried out at 5% level of significance. The researcher used descriptive statistics such as graphical tables, pie charts and bar charts to aid the analysis of data and make the results clearer. The results of the study, in relation to the research objectives, will also be presented. A one-sample T-test was used to test for equality of means for the theoretical constructs on respective municipalities. A One-way ANOVA (Analysis of Variance) with post-hoc Tukey HSD (Honestly Significant Difference) test was opted for comparing mean differences of the municipalities on the theoretical constructs.

4.5.2 Qualitative-data analysis

Babbie (2007) defines qualitative analysis as the “… non-numerical examination and interpretation of observations, for the purpose of discovering underlying meaning and patterns of relationships” (Babbie, 2007: 378).

During the qualitative data analytical stage, the researcher presented a transformation. He started with the collection of the qualitative data; and he then processed these data, through analytical procedures, into a clear, understandable, insightful, trustworthy and original analysis (Gibbs, 2007: 1).

In this study the qualitative data was analysed with the use of thematic analysis. Thematic Analysis is a technique used to analyse qualitative data that involves the search for themes, or patterns, occurring across a data set (Saunders et al., 2016:729). Braun and Clarke (2006:78) are quoted in Saunders et al., (2016) as referring to Thematic Analysis as a foundational method for qualitative analysis. It involves a researcher coding his or her qualitative data to identify themes or patterns for further analysis, related to his or her research question (Saunders et al., 2016:579). Thematic Analysis
offers a systematic yet flexible and accessible approach to analyse qualitative data (Braun and Clarke, 2006). It is systematic as it provides an orderly and logical way to analyse qualitative data. In this way, Thematic Analysis can be used to analyse large qualitative data set, as well as smaller ones, leading to rich descriptions, explanations and theorising. Thematic Analysis can be used to help the research to:

- (a) comprehend often large and disparate amount of qualitative data;
- (b) integrate related data drawn from different transcripts and notes;
- (c) identify key themes or patterns from a data set for further exploration;
- (d) produce a thematic description of these data; and/or
- (e) develop and test explanations and theories based on apparent thematic patterns or relationships;
- (f) draw and verify conclusions Saunders et al., (2016).

The systematic review is an important technology for the evidence-informed policy and practice movement which aims to bring research closer to decision-making (Chalmers, 2003; Oakley, 2002). This type of review uses rigorous and explicit methods to bring together the results of primary research in order to provide reliable answers to particular questions (Cooper and Hedges, 1994; EPPI-Centre, 2006; Higgins and Green, 2006; Petticrew and Roberts, 2006). The picture that is presented aims to be neither distorted by biases in the review process nor by biases in the primary research the review contains (Chalmers et al., 2002; Juni et al., 2001; Mulrow, 1994; White, 1994). Systematic review methods are well developed for certain types of research such as randomised controlled trials (RCTs). Methods for reviewing qualitative research in a systematic way are still emerging, and there is much ongoing development and debate (e.g. Campbell et al., 2003; Dixon-Woods et al., 2006a; Sandelowski and Barroso, 2007; Thorne et al., 2004).
In this study during the data collection stage, the researcher issued a questionnaire to council committees and these questionnaires had closed ended questions and open-ended questions. The closed ended questions represented a quantitative data which was analysed using SPSS version 24 analysis computer software. The open-ended question represented qualitative data which was analysed with Thematic Analysis.

Bogdan and Biklen (1998:106) are quoted in de Vos et al. (2011), as providing the following important views on qualitative data:

The term data refers to the rough materials researchers collect from the world they are studying; they are the particulars that form the basis of the analysis. The data include materials the people doing the study actively record, such as interview transcripts and participant observation field notes. The data include what others have created; and those the researcher finds, such as diaries, photographs, official documents, and newspaper articles. The data are both the evidence and the clues. Gathered carefully, they serve as the stubborn facts that save any writing that the researcher would need to do from unfounded speculations.

The data found the researcher in the empirical world; and, systematically and rigorously collected, they link qualitative research to other forms of science. The data involve the particulars the researcher needs to think soundly and deeply about; they comprise the aspects of life the researcher would need to explore (de Vos et al., 2011: 399).

Kreuger and Neuman (2006) offer a useful outline of the differences and similarities between qualitative and quantitative analysis. According to these authors, qualitative and quantitative analyses are similar in four ways. Both forms of data involve:
Inference – the use of reasoning to reach conclusions, based on the evidence;
A public method or process – revealing their study design in some way;
Comparison as a central process – identification of patterns or aspects that are similar and different;
An attempt to avoid errors, false conclusions and misleading inferences (Kreuger & Neuman, 2006: 434).

The core differences between qualitative and quantitative analysis are as follows:

- The quantitative researcher chooses from a specialised, standardised set of data-analysis techniques; while the qualitative data analysis is less standardised – with a wide variety of approaches to qualitative research, matched by the many approaches of data analysis.
- The results of qualitative data analysis guide subsequent data collection; and the analysis is thus less distinct in the final stage of the research process than is quantitative analysis, where the data analysis does not begin until all the data have been collected and condensed into numbers.
- Qualitative researchers create new concepts and theory by blending together empirical evidence and abstract concepts; while quantitative researchers manipulate numbers, in order to test a hypothesis with variable constructs.
- Quantitative researchers use the language of statistical relationships in analysis; but the qualitative data are in the form of words, which are relatively imprecise, diffuse and context-based (de Vos et al., 2011: 400).
4.6 ASSESSING THE QUALITY OF THE STUDY

4.6.1 Validation

According to Saunders et al. (2016), validation is the process of verifying the research data, in addition to the analysis and interpretation, in order to establish the validity/credibility/authenticity (Saunders et al., 2016:206). In agreement, Kumar (2005) describes validity as the ability of an instrument to measure what it is designed to measure (Kumar, 2005: 153). Smith (1991:106) is quoted (in Kumar, 2005) as defining validity as the degree to which the researcher has measured what he has set out to measure (Kumar, 2005:153; Terre Blanche, 2006:147).

Babbie writes, “Validity refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration” (Babbie, 1990: 133).

The researcher has used two techniques of verifying: analysis and interpretation of the research data in this study; and these techniques are triangulation and participant, or member validation. According to Saunders et al. (2016), triangulation involves more than one source of data and the method of collection to confirm the validity/credibility/authenticity of the research data, analysis and interpretation. The purpose is to use two or more independent sources of data and methods of collection within one study, in order to ensure that the data are telling the researcher what s/he thinks they should be telling him/her (Saunders et al., 2016:207).

The researcher used a mixed-method design, which entailed quantitative and qualitative data-collection methods. The researcher also analysed the minutes of the various structures of council in selected municipalities.

In the quantitative data-collection method, questionnaires were used to collect the data from the senior managers, middle-level managers, low-level managers, and from the
staff. This has enabled the researcher to corroborate the information and get views from the various levels of staff from the selected municipalities within Amathole District Municipality.

The information was collected from four different municipalities, in order to get the perspective of each municipality, and also to compare the perspectives of four different municipalities.

In the qualitative data-collection method, the questionnaire that was distributed to council-committee members had a provision for open-ended questions with a space for committee members to answer the questions. These questionnaires were distributed to Mayoral Committee, MPAC, PAC and AC members. These committees are composed of those councillors, who are the members of the committee. However, the AC and PAC are composed of independent members, who are not councillors; and these are individuals who have certain expertise; as their role is to advise the council on those issues that need special skills.

4.7 ETHICAL CONSIDERATIONS

It is important for researchers to protect their research participants; ensure that trust is built between them and participants; stimulate the honesty of researcher; guard against transgression and indecency that might mirror on their establishments or organisations; and survive with new challenges (Isreal and Hay, 2006). The ethical attentions need to be predicted broad, and they are mirrored during the course of the study. These concerns apply to all types of research whether it is qualitative, quantitative, and mixed methods research and to all phases of the study. Researchers need to expect them and vigorously deal with them in their study plans (Creswell, 2014).
To this end, the participants were informed about the overall purpose the investigation as well as possible risks and benefits from participating. The researcher obtained *voluntary participation* of the participants and also informed them of their right to withdraw from the study at any stage of the investigation (Kvale, 1996). In many studies anonymity cannot be maintained especially when data is collected through interviews (Bless and Higson-Smith, 1995).

The researcher have received *endorsement* to conduct the study from the Accounting Officers of the selected municipalities. In order to allay their fears about the secrecy of information they were informed that the municipal information will be treated as confidential. The researcher also received ethical consent to conduct the study from the *University’s Ethics Committee*.

### 4.8 LIMITATIONS

Limitations are influences that the researcher cannot control. They are the shortcoming, conditions or influences that cannot be controlled by the researcher that place restrictions on the researcher methodology and conclusions. Any limitations that might influence the results should be mentioned (www.bcps.org, 2017).

Blaikie (1994) admits that an important step in preparation of a research design is for the researcher to stand back and evaluate it. It is useful for the researcher to state what problems are likely to be encountered and state how they will be handled (Blaikie, 1994).

The study covers a period of more than ten years; the possible limitation is that the individuals who participated in the study may have been only recently employed by their respective municipalities; and their views may not necessarily reflect the actual picture for the whole period. The respondents may have decided to reflect a positive picture of
what should be happening – and not what is actually happening; as they may be reluctant to give a bad picture of their municipality.

The collection of data started in January 2017 and this posed a limitation as most councillors serving in various committees could not come back to their respective municipalities after August 2016 municipal elections. It became a challenge to distribute questionnaires to council committee members, especially at Amahlathi and Ngqushwa municipalities.

4.9 SUMMARY
This chapter has discussed the research design and methodology. It started by giving a brief explanation of the meaning of research. Thereafter, the philosophical foundation of the study was discussed. The research design adopted in this study was a mixed-method design, in which quantitative and qualitative data-collection methods have been used and briefly discussed. The possible limitations of the study have also been briefly discussed. The chapter concludes with the description and discussion of the validation techniques used in this study.
CHAPTER 5: THE RESEARCH FINDINGS

5.1 INTRODUCTION

The previous chapter entailed the research methods that were employed by the researcher to collect the relevant data. This chapter explains and presents the overall findings of this study. The researcher collected primary data through questionnaires employing mixed-method research, where quantitative and qualitative techniques were combined. The questionnaire distributed to municipal officials was designed to collect only the quantitative results; whilst the questionnaire distributed to the members of municipal council committees was designed to collect both quantitative, as well as the qualitative data.

In analysing the quantitative data, the researcher used descriptive statistics, such as graphical tables, pie charts and bar charts to assist in the analysis of the data and to clarify the results. The qualitative data were analysed with the use of the Thematic Analytical approach.

The Thematic Analysis approach in the context of this research is described as a technique used to analyse the qualitative data. This involves the search for themes, or patterns, occurring across a dataset (Saunders et al., 2016).

This chapter will begin with the presentation of the demographic and occupational distribution, linking that information with the research question. The following sections will examine the analysis and interpretation of the data obtained from the respondents through the questionnaire.
5.2 The Response Rate
In this study, as mentioned above, the data-gathering instrument used was a questionnaire, which was self-administered. In total, 384 completed questionnaires were distributed and 224 completed questionnaires were received. This figure represents a response rate of 58.3%.

5.3 Demographics
The basic distributions, according to age, gender, position at work, tenure, experience and department will be presented before the presentation of a detailed analysis of the data. A graphical presentation of the biographical variables is presented below.

5.3.1 Municipality

Figure 5.1 Distribution of respondents by their municipalities

![Bar chart showing municipality distribution]

The distribution of responses per municipality within the selected municipalities is depicted in Figure 5.1 above. The majority of the responses were received from the Amathole District Municipality (ADM) 42.8%. This was followed by Mbhashe Municipality at 24.5%, Ngqushwa at 18%, and Amahlathi Municipality at 14.7%.
5.3.2 Department

The distribution of respondents per department in all the selected municipalities is shown in Figure 5.2 below. The highest number of respondents were from the Budget and Treasury Office department (BTO) with 15.6% (n=35), followed by Engineering Services department 15.1% (n=34), Municipal Managers Office 14.7% (n=33), Corporate Services department 12.9% (n=29), Strategic Management and Planning department 9.4% (n=21).

The Local Economic Development department 4.9% (n=11) and Legislative and Executive Support Services (L&ESS) department 0.4% (1). It is worth mentioning that the L&ESS department does not exist in other municipalities within selected municipalities, except at ADM.
Figure 5.2 Distribution of respondents by their departments

5.3.3 Level within the municipality

Figure 5.3 Distribution of respondents by their level within the municipalities
As can be seen figure 5.3 above shows the distribution of respondents in relation to their level within the municipality. Of the 223 respondents, 101 (45.2%) were low-level managers; 81 (36.3%) were middle-level managers, 14 (6.3%) comprised the top management; 13 (5.8%) were mayoral committee members; while 8 (3.6%) were audit-committee members; but only 5 of the respondents (2.2%) were members of MPAC.

5.3.4 Experience in the municipality

Figure 5.4 Distribution of the respondents by experience in the municipalities

As can be seen figure 5.4 above shows that the majority of the respondents, 43% (n=95) have been in the municipality for 6 to 10 years; while those who have been in the municipality for 10 to 15 years constituted 39% (n=86) of the total sample size. The second-last group shows that 17% (n=38) of the respondents had worked in the municipality for more than 15 years; whilst 1% (n=2) of the respondents only had less than five years’ experience.
5.3.5 Age

The distribution of respondents in relation to their age is depicted in Figure 5.5. The majority of the respondents 39.1% (n=77) were in the age group of 25-35 years; while 34.5% (n=68) were in the age group 36-45 years; and 23.9% (n=47) fell into the age category of more than 45 years; and a further 2.5% (n=5) of the respondents were in the age group of less than 25-years-old.

Figure 5.5 Distribution of respondents by age

5.3.6 Gender

The gender of the respondents is shown in figure 5.6 below. The majority of the respondents 57% (n=125) were male respondents; while female respondents comprised 43% (n=96) of the respondents.
5.4 Presentation of Quantitative Results

Utilisation of the Auditor-General's reports by the municipalities

Non-parametric tests using the asymptotic chi-square tests were done to ascertain the respondents' views on whether the utilisation of the auditor-general's reports by the municipalities is done when using self-constructed constructs, which they responded to in the questionnaire. The 4-point Likert scale (Strongly Agree (SA), Agree (A), Disagree (D) and Strongly Disagree (SD)) was used. A chi-square test for equal proportions was then opted to compare the responses to each question. The given p-values are for these comparisons.

5.4.1 Timing

The table below shows the summary of the findings on whether the action plan is prepared and being implemented within the correct legislative timeframe. There was a strong indication from the data gathered in the study that in each financial year, the audit-action plans are prepared within 60 days after the AG's reports have been issued,

Figure 5.6 Distribution of respondents by gender
the audit report to the municipality, \( p = <0.0001 \) and also that in each financial year, the issues raised in the AG’s report are addressed on a weekly, monthly and quarterly basis \( p = <0.0001 \).

Table 5.1: Understanding of Respondents regarding Timing of the Audit-Action plans

<table>
<thead>
<tr>
<th>Do you agree with the following statement?</th>
<th>SD</th>
<th>D</th>
<th>A</th>
<th>SA</th>
<th>p-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>In each financial year, the audit-action plans are prepared within 60 days after the AG’s report has been issued to the municipality.</td>
<td>0%</td>
<td>7.4%</td>
<td>58.5%</td>
<td>34.1%</td>
<td>&lt;0.0001*</td>
</tr>
<tr>
<td>In each financial year, the issues raised in the AG’s report are addressed on a weekly, monthly and quarterly basis.</td>
<td>12.2%</td>
<td>22.6%</td>
<td>47.5%</td>
<td>17.6%</td>
<td>&lt;0.0001*</td>
</tr>
</tbody>
</table>

N=224, statistically significant differences (* p < .05).

Below are the graphical presentations on the findings relating to the timing within which the audit-action plans were addressed.
Among the respondents that agreed with the statement that audit-action plans are prepared with 60 days after the AG has issued the audit report to the municipality, there were 58.5% (n=127); and those that strongly agreed with the statements comprised 34% (n=74) of the respondents, as reflected in Figure 4.7 above. It is also worth noting that 7.4% (n=16) disagreed with this statement; but there were none that strongly disagreed. It is clear that the audit action plans are prepared within 60 days after the AG’s report has been issued to the municipality.
As can be seen figure 5.8 above clearly shows that most of the respondents either agreed 47.5% (n=105) with the statement that in each financial year, the issues raised in the AG’s report are addressed on a weekly, monthly and quarterly basis; while 17.6% (n=39) strongly agreed with the statement. It is also worth noting that the second largest group of respondents 22.6% disagreed with this statement; and 12.2% (n=27) strongly disagreed. It is evident that although most of the respondents agreed, almost 34.8% disagreed that in each financial year the issues raised in the AG’s report are addressed on a weekly, monthly and quarterly basis.

5.4.2 Credibility

It is evident that most respondents significantly agreed that the audit-action plans prepared by the municipalities are credible. The results are depicted in Table 5.2 below (all the p-Values < 0.05).

Table 5.2: Understanding of the respondents regarding the credibility of the Audit-Action plans
<table>
<thead>
<tr>
<th>Do you agree with the following statements</th>
<th>SD</th>
<th>D</th>
<th>A</th>
<th>SA</th>
<th>p-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>After preparation, the audit-action plans</td>
<td>0.9%</td>
<td>17.0%</td>
<td>57.8%</td>
<td>24.2%</td>
<td>&lt;0.0001*</td>
</tr>
<tr>
<td>are presented to the departmental management committee for review.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>When the department is satisfied with the quality of the audit-action plans, the audit-action plans are presented to the Executive Management Committee (MM and HoDs) for review.</td>
<td>0.5%</td>
<td>13.5%</td>
<td>56.8%</td>
<td>29.3%</td>
<td>&lt;0.0001*</td>
</tr>
<tr>
<td>In each financial year, the Mayoral Committee/Executive Committee reviews the audit-action plans before they are tabled to Council for approval.</td>
<td>0.9%</td>
<td>5.9%</td>
<td>63.1%</td>
<td>30.2%</td>
<td>&lt;0.0001*</td>
</tr>
<tr>
<td>In each financial year, the Audit-Committee reviews the audit-action plans for quality and credibility before they are tabled to Council for approval.</td>
<td>0.5%</td>
<td>5.4%</td>
<td>56.6%</td>
<td>37.6%</td>
<td>&lt;0.0001*</td>
</tr>
<tr>
<td>In each financial year, the audit action plans are prepared to address the root cause of previous years’ audit findings.</td>
<td>1.4%</td>
<td>13.2%</td>
<td>54.5%</td>
<td>30.9%</td>
<td>&lt;0.0001*</td>
</tr>
</tbody>
</table>

N=224, statistically significant differences (* p < .05).

The results of respondents on whether, in their opinion, the audit-action plans prepared by the municipality are credible are graphically presented below.
As regards the departmental management reviewing the audit-action plans before implementation, the results are depicted in figure 5.9 above. They clearly show that most of the respondents agreed, with a majority of 57.8% and 24.2% (n=129) strongly agreed that after preparation, the audit-action plans are presented to the Departmental Management Committee for review. On the other hand, 17% (n=38) disagreed; and 0.9% (n=2) strongly disagreed. It is evident from these results that after preparation, the audit-action plans are presented to the Departmental Management Committee for review.

5.10 Presentation of audit-action plans to the Executive Management Committee for review

The majority of the respondents, as reflected in Figure 5.10, agreed that before implementation, the audit action plans are presented to the Executive Management of the municipality. In terms of numbers, 56.8% (n=126) agreed with the statement and 29.35% (n=65) strongly agreed with the statement. On the other hand, 17% (n=38)
disagreed and 0.9% (n=2) strongly disagreed. Although most of the respondents agreed with the statement, some of the respondents disagreed. Those that disagreed represent 13.5% (n=30) of the respondents; and those that strongly disagreed comprised 0.5% of the respondents.

Figure 5.10 Presenting audit-action plans to the Executive Management Committee for review

When the department is satisfied with the quality of the audit action plans, the audit action plans are presented to the Executive Management Committee for review.
As reflected in Figure 5.11 above, it is clear that most of the respondents agreed with the statement that in each financial year the mayoral committee reviews the audit-action plans before they are tabled to Council for approval. Those respondents that agreed with the statement comprised 63.1% (n=140); and those that strongly agreed with the statement constituted 30.2% (n=67). On the other hand, 5.9% (n=13) disagreed; and 0.9% (n=2) strongly disagreed. It is evident that in each financial year, the mayoral committee reviews the audit-action plans before they are tabled to Council for approval.
The respondents’ views on the review of the audit-action plan by the audit committee are required to ensure they are of good quality and that they are credible. The majority of the respondents, as reflected in Figure 5.12 above, agreed with the statement. The majority of those who agreed with the statement represent 56.6% (n=125); and those who strongly agreed represent 37.6% (n=83). It is also worth noting that 5.4% (n=12) disagreed with this statement; and 0.5% (n=1) strongly disagreed. It is evident that in each financial year, the audit committee reviews the audit-action plan for quality and credibility before they are tabled to Council for approval.

Below is figure 5.13, which clearly shows that most of the respondents either agreed (54.5%, n=120) or strongly agreed (30.9%, n=68) that in each financial year the audit-action plans are prepared to address the root cause of the previous years’ audit findings. A further 13.2% (n=29) disagreed; and 1.4% (n=3) strongly disagreed with the
statement. It is evident that in each financial year, the audit-action plans are prepared to address the root cause of the previous years’ audit findings.

Figure 5.13 Audit-action plans prepared to address the root cause of the previous year’s findings

5.4.3 Implementation
The table below shows the summary of the how the respondents viewed the implementation of the audit-action plans in their respective municipalities. The results are further presented and discussed in the graphs that follow.
Table 5.3: Understanding of the respondents regarding the implementation of the audit-action plans

<table>
<thead>
<tr>
<th>Do you agree with the following statements?</th>
<th>SD</th>
<th>D</th>
<th>A</th>
<th>SA</th>
<th>p-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>The implementation of the audit-action plans to address previous years’ audit findings have improved the audit outcomes in each financial year.</td>
<td>0.5%</td>
<td>13.1%</td>
<td>55.0%</td>
<td>31.5%</td>
<td>&lt;0.0001*</td>
</tr>
<tr>
<td>Although the municipality has implemented the audit-action plans to address the previous years’ findings, there is no improvement in the audit outcomes.</td>
<td>26.9%</td>
<td>30.0%</td>
<td>35.9%</td>
<td>7.2%</td>
<td>&lt;0.0001*</td>
</tr>
<tr>
<td>In the three previous financial years the audit outcomes of the municipality have not improved.</td>
<td>27.4%</td>
<td>25.6%</td>
<td>33.6%</td>
<td>13.5%</td>
<td>&lt;0.0001*</td>
</tr>
</tbody>
</table>

N=224, statistically significant differences (* p < .05).

The majority of the respondents agreed with the statement that the implementation of the audit-action plans to address the previous year’s audit findings have improved the audit outcomes in each financial year, as reflected in Figure 5.14 below. Those who are in agreement with the statement were 55% (n=122); and those who strongly agreed with the statement comprised 31.5% (n=70).

A further 13.1% (n=29) disagreed and 0.5% (n=1) strongly disagreed with the statement. It is evident that the implementing the audit-actions plans addressing previous years’ audit findings have improved the audit outcomes in each financial year.
The majority of the respondents disagreed with the statement that although the municipality had implemented audit-action plans to address the previous year’s findings, there is no improvement in the audit outcomes. As reflected in Figure 5.15 below, those respondents who disagreed with the statement totalled 30% (n=67); and 27% (n=60) represented those who strongly disagreed with the statement. It is important to note that 36% (n=80) agreed and 7% (n=16) strongly agreed with the statement. It is evident that although municipalities have implemented the audit-action plans to address previous years’ findings have improved their audit outcomes; nevertheless, their audit-action plans have not significantly improved.
Although the municipality has implemented the audit action plans to address prior years' findings there is no improvement in the audit outcomes.

In the three previous financial years the audit outcomes of the municipality have not improved.
As can be seen figure 5.16 clearly shows that Most of the respondents strongly disagreed with the statement that in the past three previous financial years, the audit outcomes of the municipality have not improved. Those who strongly disagreed represented 27% (n=61); while 26% (n=57) represented those who disagreed with the statement. It is important to note that 34% (n=75) agreed and 13% (n=30) strongly agreed with the statement. It is evident that in the three previous financial years the audit outcomes of the municipality have improved.

**5.4.4 Monitoring**

The table below shows a summary of the findings on the monitoring of the audit-action plans. There was a strong indication from the data gathered in the study that there is proper monitoring of the audit-action plans (all \( p = 0.0001 \)).
Table 5.4: Understanding of Respondents regarding Monitoring of the Audit-Action plans

<table>
<thead>
<tr>
<th>Do you agree with the following statement?</th>
<th>SD</th>
<th>D</th>
<th>A</th>
<th>SA</th>
<th>p-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress in the implementation of the audit-action plans is monitored by the departmental management committee on a monthly basis.</td>
<td>10.9%</td>
<td>26.2%</td>
<td>53.4%</td>
<td>9.5%</td>
<td>&lt;0.0001 *</td>
</tr>
<tr>
<td>Progress in the implementation of the audit action plans is monitored by the Executive Management Committee on a quarterly basis.</td>
<td>0.5%</td>
<td>9.5%</td>
<td>66.8%</td>
<td>23.2%</td>
<td>&lt;0.0001 *</td>
</tr>
<tr>
<td>Progress in the implementation of the audit-action plans is monitored by the Mayoral Committee/Executive Committee on a quarterly basis.</td>
<td>1.4%</td>
<td>12.4%</td>
<td>60.6%</td>
<td>25.7%</td>
<td>&lt;0.0001 *</td>
</tr>
<tr>
<td>Progress in the implementation of the audit-action plans is monitored by the Audit Committee on a quarterly basis.</td>
<td>0%</td>
<td>8.6%</td>
<td>67.7%</td>
<td>23.6%</td>
<td>&lt;0.0001 *</td>
</tr>
<tr>
<td>Progress in the implementation of the audit-action plans is monitored by the Municipal Public Accounts Committee on a quarterly basis.</td>
<td>9.6%</td>
<td>35.3%</td>
<td>41.3%</td>
<td>13.8%</td>
<td>&lt;0.0001 *</td>
</tr>
<tr>
<td>Progress in the implementation of the audit-action plans is monitored by the Council on a quarterly basis.</td>
<td>0.9%</td>
<td>16.9%</td>
<td>56.6%</td>
<td>25.6%</td>
<td>&lt;0.0001 *</td>
</tr>
</tbody>
</table>

N=224, statistically significant differences (* p < .05).
As can be seen figure 5.17 below clearly shows that most of the respondents either agreed 53% (n=122) or strongly agreed 11% (n=21) that progress in the implementation of the audit-action plans is monitored by the Departmental Management Committee on a monthly basis. It is worth noting that 26% (n=58) disagreed and 11% (n=24) strongly disagreed with the statement. It is evident that progress in the implementation of the audit-action plans is monitored by the Departmental Management Committee on a monthly basis; although almost 37% of the respondents disagreed.

As can be seen figure 5.18 clearly shows that most of the respondents either agreed 66.8% (n=147) or strongly agreed 23.2% (n=51) that progress in the implementation of the audit-action plans is monitored by the Executive Management Committee on a quarterly basis. A further 9.5% (n=21) disagreed and 0.5% (n=1) strongly disagreed with the statement. It is evident that progress in the implementation of the audit-action plans is monitored by the Executive Management Committee on a quarterly basis.
Figure 5.18 Executive Management Committee monitoring progress on implementing audit-action plans

Progress on implementation of the audit action plans is monitored by the Executive Management Committee on quarterly basis.

[Bar chart showing percentages of responses: Strongly Disagree 0.5%, Disagree 9.5%, Agree 66.8%, Strongly Agree 23.2%]
As can be seen figure 5.19 above clearly shows that most of the respondents either agreed 60.6% (n=132) or strongly agreed 25.7% (n=56) that progress in the implementation of the audit-action plans is monitored by the Mayoral/Executive Management Committee on a quarterly basis. A further 12.4% (n=27) disagreed and 1.4% (n=3) strongly disagree with the statement. It is evident that progress in the implementation of the audit-action plans is monitored by the Mayoral/Executive Management Committee on a quarterly basis.
As can be seen figure 5.20 clearly shows that most of the respondents either agreed 67.7% (n=149) or strongly agreed 23.6% (n=52) that progress in the implementation of the audit-action plans is monitored by the Audit Committee on a quarterly basis. A further 8.6% (n=19) disagreed; and none strongly disagreed with the statement. It is evident that progress in the implementation of the audit-action plans is monitored by the Audit Committee on a quarterly basis.

As reflected in figure 5.21 below it is clearly depicted that most of the respondents either agreed 41% (n=90) or strongly agreed 10% (n=21) that progress in the implementation of the audit-action plans is monitored by the Municipal Public Accounts Committee on a quarterly basis. It is worth noting that 35% (n=77) disagreed and 14% (n=21) strongly disagreed with the statement. It is evident that progress in the implementation of the audit-action plans is monitored by the Municipal Public Accounts Committee on a quarterly basis; although almost 49% of the respondents disagreed, which is almost half of the respondents.
Figure 5.21 Municipal Public Accounts Committee monitoring progress in implementing audit-action plans

Progress on implementation of the audit action plans is monitored by the Municipal Public Accounts Committee on a quarterly basis.
As can be seen figure 5.22 clearly shows that most of the respondents either agreed 56.6% (n=124) or strongly agreed 25.6% (n=56) that progress in implementation of the audit-action plans is monitored by the Council on a quarterly basis. A further 16.9% (n=37) disagreed and 0.9% (n=2) strongly disagreed with the statement. It is evident that progress in the implementation of the audit-action plans is monitored by the Council on a quarterly basis.
5.4.5 Other Factors

Factor 1: Council instability and audit outcomes

Figure 4.23 Council instability and audit outcomes

As can be seen figure 5.23 clearly shows that most of the respondents either agreed 32.6% (n=71) or strongly agreed 19.3% (n=42) that the instability in the Council has affected the municipal-audit outcomes in a negative way. It is worth noting that the second highest group of respondents, 29.8% (n=65) disagreed and 18.3% (n=40) strongly disagreed with the statement. It is evident that the instability in the Council has affected the municipal-audit outcomes in a negative way; although almost 48.1% of the respondents disagree, which is almost half of the respondents.

Factor 2: Changing of municipal managers and audit outcomes

As can be seen figure 5.24 clearly shows that most of the respondents either disagreed 32% (n=71) or strongly disagreed 19% (n=43) that the changing of municipal managers has somewhat affected the municipal audit outcomes in a negative way. It is worth
noting that the second highest group of respondents, 29% (n=63) agreed and 20% (n=42) strongly disagreed with the statement. It is evident that the changing of municipal managers has not affected the municipal-audit outcomes in a negative way; although almost 49% of the respondents agreed, which is almost half of the respondents.

Figure 5.24 Changing of municipal managers and audit outcomes

![Pie chart showing the distribution of responses to the statement about the changing of municipal managers and its effect on audit outcomes.](image)
Factor 3: Appointment of Section 56 managers and audit outcomes

As can be seen figure 5.25 shows that most of the respondents either disagreed 40% (n=88) or strongly disagreed 25% (n=55) that the appointment of Section 56 managers on contract has somewhat resulted in instability in municipal management, which could affect the municipal audit outcomes in a negative way. It is worth noting that 24% (n=54) agreed and 10.5% (n=23) strongly disagree with the statement. It is evident that the appointment of Section 56 managers on contract has not resulted in instability in municipal management, which could affect the municipal-audit outcomes in a negative way.
5.4.5.1 Descriptive Analysis on Main Variables

It is reflected in table 5.5 below that the mean levels of the theoretical/main variables (i.e. Timing (mean = 2.9861; SD=0.56428); Credibility (mean = 3.1724; SD=0.49886); Implementation (mean = 2.8619; SD=0.66813) and Monitoring (mean = 2.9408; SD=0.46148) were all moderately high for the study sample.

Table 5.5: Descriptive Statistics of Study Variables

<table>
<thead>
<tr>
<th>Study Variable</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timing</td>
<td>216</td>
<td>1.50</td>
<td>4.00</td>
<td>2.9861</td>
<td>0.56428</td>
</tr>
<tr>
<td>Credibility</td>
<td>217</td>
<td>2.00</td>
<td>4.00</td>
<td>3.1724</td>
<td>0.49886</td>
</tr>
<tr>
<td>Implementation</td>
<td>222</td>
<td>1.33</td>
<td>4.00</td>
<td>2.8619</td>
<td>0.66813</td>
</tr>
<tr>
<td>Monitoring</td>
<td>214</td>
<td>1.67</td>
<td>4.00</td>
<td>2.9408</td>
<td>0.46148</td>
</tr>
</tbody>
</table>

N=224 for all samples and Statements were rated on a 4-point scale from 1 (disagree strongly) to 5 (agree strongly).

5.4.5.2 Inferential Analysis on Main Variables

It is imperative to conduct some comparisons of the mean scores of the main variables across the various municipalities. The table below (Table 5.6) shows the results of a One-way ANOVA with a post-hoc Tukey HSD test for comparing mean differences of the main variables (i.e. timing, credibility, implementation and monitoring) across the selected municipalities. From the results, it may be seen that there are statistically significant differences in, timing (F=10.022; p=0.000); implementation (F=16.197; p=0.000) and monitoring (F=3.875; p=0.010). In all these cases, the Tukey post hoc test reveals that Mbhashe and Amathole had significantly higher mean ratings on timing, implementation and monitoring of their audit-action plans than did Ngquihwa and
Amahlathi. There were no significant differences on how the respondents rated the credibility of their municipality’s audit-action plans \( (F=2.640; p=0.056) \).

**Table 5.6:** ANOVA, Turkey’s-D Post-Hoc Tests for the Mean Differences of Mean Responses of Theoretical Variables across the various Municipalities

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Multiple-Mean Comparisons</th>
<th>Mean\text{Tukey}</th>
<th>Df</th>
<th>Anova-F (Sig)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timing:</strong></td>
<td></td>
<td></td>
<td>3</td>
<td>10.022</td>
<td>0.000**</td>
</tr>
<tr>
<td>Ngqushwa</td>
<td>38</td>
<td></td>
<td>2.7121\text{1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amahlathi</td>
<td>33</td>
<td></td>
<td>2.7368\text{1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amathole</td>
<td>93</td>
<td></td>
<td>3.0376\text{2}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mbhashe</td>
<td>51</td>
<td></td>
<td>3.2451\text{2}</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Credibility:</strong></td>
<td></td>
<td></td>
<td>3</td>
<td>2.640</td>
<td>0.056</td>
</tr>
<tr>
<td>Ngqushwa</td>
<td>38</td>
<td></td>
<td>3.0737\text{1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amahlathi</td>
<td>32</td>
<td></td>
<td>3.0750\text{1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amathole</td>
<td>92</td>
<td></td>
<td>3.1522\text{1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mbhashe</td>
<td>54</td>
<td></td>
<td>3.3222\text{1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Implementation:</strong></td>
<td></td>
<td></td>
<td>3</td>
<td>16.197</td>
<td>0.000**</td>
</tr>
<tr>
<td>Ngqushwa</td>
<td>38</td>
<td></td>
<td>2.3684\text{1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amahlathi</td>
<td>33</td>
<td></td>
<td>2.5455\text{1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amathole</td>
<td>96</td>
<td></td>
<td>3.0417\text{2}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mbhashe</td>
<td>54</td>
<td></td>
<td>3.0617\text{2}</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Monitoring:</strong></td>
<td></td>
<td></td>
<td>3</td>
<td>3.875</td>
<td>0.010**</td>
</tr>
<tr>
<td>Ngqushwa</td>
<td>35</td>
<td></td>
<td>2.7952\text{1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amahlathi</td>
<td>33</td>
<td></td>
<td>2.8030\text{1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amathole</td>
<td>91</td>
<td></td>
<td>2.9670\text{1,2}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mbhashe</td>
<td>54</td>
<td></td>
<td>3.0741\text{2}</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\text{Mean}^{\text{HSD}} \text{ implies the mean and a Tukey post hoc test for the ordinal categorical variables on the respective theoretical constructs, showing the grouping of the variables, where (1) and (2) represent statistically different groups. Anova-F(Sig) implies ANOVA analysis and shows whether there is a statistically significant difference between the groups’ means.}
Lastly, a One-Samples T-Test was carried out to test for significant differences of the main variables to a mean level of 3. A mean level of three is the minimum threshold established from the 4-point scale to separate those who generally “agree” (i.e. strongly agree and agree) as compared with those who disagreed (i.e. strongly disagree and disagree.). The Results are presented per municipality; and an overall analysis is also presented. A graphical presentation is also used to supplement the findings.

**Ngqushwa Municipality**

The one-sample test revealed that, timing (mean=2.7368, SD=0.39825, t=-4.073, p=0.000), implementation (mean=2.3684, SD=0.0.46363, t=-8.397, p=0.000) and monitoring (mean=2.7952, SD=0.26224, t=-4.619, p=0.000) were significantly lower than 3, thereby suggesting that in the Ngqushwa municipality, there is a need to improve on timing, implementation and monitoring of the audit-action plans. The results are presented in the table and figure below.

**Table 5.7:** One Sample T-Tests for the Mean Responses of Theoretical Variables in the Ngqushwa Municipality

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean(SD)</th>
<th>df</th>
<th>t-value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ngqushwa:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timing</td>
<td>38</td>
<td>2.7368(0.39825)</td>
<td>37</td>
<td>-4.073</td>
<td>0.000*</td>
</tr>
<tr>
<td>Credibility:</td>
<td>38</td>
<td>3.0737(0.47288)</td>
<td>37</td>
<td>0.961</td>
<td>0.343</td>
</tr>
<tr>
<td>Implementation</td>
<td>38</td>
<td>2.3684(0.46363)</td>
<td>37</td>
<td>-8.397</td>
<td>0.000*</td>
</tr>
<tr>
<td>Monitoring:</td>
<td>35</td>
<td>2.7952(0.26224)</td>
<td>34</td>
<td>-4.619</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

(*) Represents a statistically lower mean (i.e. Lower than 3)
(**) Represents a statistically higher mean (i.e. Higher than 3)

**Figure 5.26 Mean Responses of Theoretical Variables in Ngqushwa Municipality**
The one-sample test revealed that, timing (mean=2.7121, SD=0.46821, t=-3.532, p=0.001), implementation (mean=2.5455, SD=0.62260, t=-4.194, p=0.000) and monitoring (mean=2.8030, SD=0.32664, t=-3.464, p=0.002) were significantly lower than 3, thus suggesting that in the Amahlathi municipality, there is a need to improve on the timing, implementation and monitoring of the audit-action plans. These findings are similar to those of Ngqushwa. The results are presented in the table 5.8 and figure 5.27 below.
Table 5.8: One Sample T-Tests for the Mean Responses of Theoretical Variables in the Amahlathi Municipality

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean(SD)</th>
<th>df</th>
<th>t-value</th>
<th>(Sig)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amahlathi:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timing</td>
<td>33</td>
<td>2.7121(0.46821)</td>
<td>32</td>
<td>-3.532</td>
<td>0.001*</td>
</tr>
<tr>
<td>Credibility</td>
<td>32</td>
<td>3.0750(0.42729)</td>
<td>31</td>
<td>0.993</td>
<td>0.328</td>
</tr>
<tr>
<td>Implementation</td>
<td>33</td>
<td>2.5455(0.62260)</td>
<td>32</td>
<td>-4.194</td>
<td>0.000*</td>
</tr>
<tr>
<td>Monitoring</td>
<td>33</td>
<td>2.8030(0.32664)</td>
<td>32</td>
<td>-3.464</td>
<td>0.002*</td>
</tr>
</tbody>
</table>

(*) Represents a statistically lower mean (i.e. Lower than 3)
(**) Represents a statistically higher mean (i.e., Higher than 3)

Figure 5.27 Mean Responses of Theoretical Variables in the Amahlathi Municipality

![Graph showing mean responses of theoretical variables in Amahlathi Municipality]
Amathole Municipality

The one-sample test revealed that, timing (mean=3.0376, SD=0.59998, t=0.605, p=0.547), credibility (mean=3.1522, SD=0.48027, t=3.039, p=0.003), implementation (mean=3.0417, SD=0.65113, t=0.627, p=0.532) and monitoring (mean=2.9670, SD=0.45489, t=-0.691, p=0.491) are not significantly lower than 3, thus suggesting that in the Amathole municipality, the respondents agreed that the timing, credibility, implementation and monitoring of the audit-action plans is being done. The results are presented in the table and figure below.

Table 5.9: One Sample T-Tests for the Mean Responses of Theoretical Variables in the Amathole Municipality

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>One Sample T Test Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean(SD)</td>
<td>df</td>
</tr>
<tr>
<td>Amathole:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timing</td>
<td>93</td>
<td>3.0376(0.59998)</td>
</tr>
<tr>
<td>Credibility:</td>
<td>92</td>
<td>3.1522(0.48027)</td>
</tr>
<tr>
<td>Implementation</td>
<td>96</td>
<td>3.0417(0.65113)</td>
</tr>
<tr>
<td>Monitoring:</td>
<td>91</td>
<td>2.9670(0.45489)</td>
</tr>
</tbody>
</table>

(*) Represents statistically lower mean (i.e. Lower than 3)
(**) Represents a statistically higher mean (i.e. Higher than 3)
The one-sample test revealed that, timing (mean=3.2451, SD=0.52319, t=3.346, p=0.002), credibility (mean=3.3222, SD=0.55819, t=4.242, p=0.000), implementation (mean=3.0617, SD=0.59725, t=0.759, p=0.451) and monitoring (mean=3.0741, SD=0.59229, t=0.919, p=0.362) are not significantly lower than 3, thus suggesting that in the Mbhashe municipality, the respondents agreed that the timing, credibility, implementation and monitoring of the audit-action plans is being done. The results are presented in the table and figure below.

### Mbhashe Municipality

<table>
<thead>
<tr>
<th></th>
<th>Timing</th>
<th>Credibility</th>
<th>Implementation</th>
<th>Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amathole</strong></td>
<td>3.0376</td>
<td>3.1522</td>
<td>3.0417</td>
<td>2.9670</td>
</tr>
</tbody>
</table>
Table 5.10: One Sample T-Tests for the Mean Responses of Theoretical Variables in the Mbhashe Municipality

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>One Sample T Test Statistics</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean(SD)</td>
<td>df</td>
<td>t-value</td>
<td>(Sig)</td>
</tr>
<tr>
<td>Mbhashe:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timing</td>
<td>51</td>
<td>3.2451(0.52319)</td>
<td>50</td>
<td>3.346</td>
<td>0.002**</td>
</tr>
<tr>
<td>Credibility:</td>
<td>54</td>
<td>3.3222(0.55819)</td>
<td>53</td>
<td>4.242</td>
<td>0.000**</td>
</tr>
<tr>
<td>Implementation:</td>
<td>54</td>
<td>3.0617(0.59725)</td>
<td>53</td>
<td>0.759</td>
<td>0.451</td>
</tr>
<tr>
<td>Monitoring:</td>
<td>54</td>
<td>3.0741(0.59229)</td>
<td>53</td>
<td>0.919</td>
<td>0.362</td>
</tr>
</tbody>
</table>

(*) Represents statistically lower mean (i.e. Lower than 3)
(**) Represents statistically higher mean (i.e. Higher than 3)
Across all the Municipalities

The one-sample test revealed that only implementation (mean=2.8619, SD=0.66813, t=-3.081, p=0.002) had a mean level that is significantly lower than 3, thus suggesting that overlay of the respondents in all the municipalities disagreed that the implementation of the audit-action plans is being done. The results are presented in the table and figure below.

Table 5.11: One Sample T-Tests for the Mean Responses of the Theoretical Variables across all the Municipalities

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean(SD)</th>
<th>df</th>
<th>t-value</th>
<th>(Sig)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timing</td>
<td>216</td>
<td>2.9861(0.56428)</td>
<td>215</td>
<td>-0.362</td>
<td>0.718</td>
</tr>
<tr>
<td>Credibility:</td>
<td>217</td>
<td>3.1724(0.49886)</td>
<td>216</td>
<td>5.089</td>
<td>0.000**</td>
</tr>
<tr>
<td>Implementation:</td>
<td>222</td>
<td>2.8619(0.66813)</td>
<td>221</td>
<td>-3.081</td>
<td>0.002*</td>
</tr>
<tr>
<td>Monitoring:</td>
<td>214</td>
<td>2.9408(0.46148)</td>
<td>213</td>
<td>-1.876</td>
<td>0.062</td>
</tr>
</tbody>
</table>

(*) Represents a statistically lower mean (i.e. Lower than 3)
(**) Represents a statistically higher mean (i.e. Higher than 3)
5.5 Qualitative Results

The following were qualitative responses received from the participants across the selected municipalities. The responses of participants to the questions will be discussed in terms of timing, credibility, implementation, monitoring and other factors. The responses are tabulated in table 5.1, 5.2, 5.3, 5.4, and 5.5 for responses on timing, credibility, implementation, monitoring and other factors respectively. The analysis of responses are discussed in paragraph 5.5.1 below and the numeric presentation of responses is tabulated in table 5.6 below.
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Questions</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>When does the municipality prepare and implement audit action plans to address prior year finds? Comment about your experiences</td>
<td>All the quarterly reports are done in each department as it required in MSA and followed to the latter.</td>
</tr>
<tr>
<td>2</td>
<td>Dedicated officials regarding matters of municipal support</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>All departments implement the action plan and report to council on a quarterly basis. By implementation this means addressing the findings of the AG is an integral part department work daily.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The AC is assisting municipality to address findings of AG</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>There are action plans reported on to ARC meetings.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Municipality is and has been doing well, with reports of action and audit, management does implement recommendations</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>There are often repeat findings which is indication to lack of emphasis in this area.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>No report submitted to MPAC to prove that audit report findings are addressed.</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Issues are addressed every quarter at the municipality.</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Fair</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>The AG's report issues are addressed continuously. The audit action plan had been adopted by the council. As a means of correcting what had been discovered by AG.</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Fair</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>In some instance management did not 100% comply with AG findings.</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>The action plan would be drafted after the AG’s report and MPAC would take it to council for adoption.</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Fair</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Sometimes they do not take the issues raised by the AG seriously.</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Although the municipality prepared the action plans, they were not necessarily properly prepared as there were gaps. Again there was no evidence that these were discussed departmentally</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Quarterly monitoring from AC</td>
<td></td>
</tr>
</tbody>
</table>

Table 5.12 Responses on timing
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Questions</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Does the municipality prepare credible audit action plans that address the AG’s audit findings? Comment about the credibility of the audit action plans</td>
<td>The implementation of audit plans as it is stipulated assist in the monitoring and implementation thereof has resulted in ADM being awarded Vuna Awards.</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>In my serving years in this municipality all necessary procedures are followed without doubt.</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>The ADM audit action plan credibility cannot be doubted in that it is subjected to scrutiny by various council structures that includes working groups and EMCs</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>I agree with audit plans there are in place.</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Unsure</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Management does oversight and do work on the action plan.</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>Root cause analysis to the AG’s findings remains an issue in ADM. If this could be done and the action plans is informed by this the opinion would not have matters of emphasis. Oversight by council is unheard of in ADM on this matter</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>There were repeat audit findings.</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>Management does oversight and implement recommendations.</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Action plans do not always address root causes.</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>Fair</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>The audit action plans prior 2013 – 2016 financial years had not been implemented as outlined hence the municipality received successive qualified opinions until 2015/2016 financial year whereby the municipality received unqualified audit opinion.</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>Fair</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>In some instance management did not 100% comply with AG findings.</td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>It is credible as it addresses all the findings of the AG.</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>Fair</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>The action plans were not addressing the root cause of prior years</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>Implementation of the AAP is a challenge</td>
</tr>
</tbody>
</table>

Table 5.13 Responses on credibility
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Questions</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Are the prepared audit action plans implemented on regular intervals?</td>
<td>There has been improvement in ADM audit outcomes. In the past 5 years ADM had unqualified audit reports and there is always room for improvement.</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>The municipal audit outcomes improve for the better every year.</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Some departments make it a priority to implement the audit action plans whilst some seem not to be taking the matter seriously.</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Yes, there is improvement of audit outcomes except for matters of emphasis.</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>It is difficult to say whether real improvement has been made or the increase in the AG material level.</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>There has been a continuous improvement.</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>For more than three years the audit outcome has been unqualified with matters of audit emphasis. An improvement would be clean administration (no matter). This has not been achieved.</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>The municipality received the same unqualified outcome for three or more consecutive years.</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>Municipality is doing fairly well.</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>na</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>Fair</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>The audit action plans of the previous financial years were implemented. The municipality moved from adverse to qualified for two successive financial years until 2015/2016 in which an unqualified opinion was obtained.</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>Fair</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>Our audit outcomes have improved big time.</td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>The municipality has made a big improvement year to year after working as per action plan.</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>Fair</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>The municipality must take the audit action plan serious not for compliance.</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>Overall the plan is implemented but not fully as some of the findings overlap to other financial years. This is sometimes due to ignoring audit action plans once AG announces their visit.</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>Implementing AAP is challenge though.</td>
</tr>
</tbody>
</table>

Table 5.14 Responses on implementation
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Questions</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Is there proper monitoring of the implementation of audit action plans? In your view, was monitoring exercised adequately?</td>
<td>Monitoring of audit action plans is done continuously and actions are taken in response to any comments done by Auditor – General.</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Some council structures are not prioritising the monitoring of the implementation of these plans. Audit Committee (AC) is doing a sterling job.</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Yes monitoring exercise was adequately looking at the audit opinion.</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Unsure if this is done.</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>No, this would obviously translate into the desirable audit outcome.</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>No report submitted to MPAC to prove that audit findings are addressed.</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Council monitors the action plans through work of the Audit Committee.</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>Fair</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>The audit action plan is monitored continuously. The management holds meetings every week to check the progress and there are champions assigned to monitor each aspect.</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>Na</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>Report was not always part of the council agenda</td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>Fair</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>The monitoring was being done by all affected groups although the quality was no up to scratch. Another issue I observed was that once AG start with planning for the next project the focus changes to look at the current project.</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>None</td>
</tr>
</tbody>
</table>

Table 5.15 Responses on monitoring
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Questions</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Were there any other factors that negatively affected the municipal audit outcomes?</td>
<td>The change of managers is good for the municipality to give room for new ideas that are innovative for the benefit of the municipality.</td>
</tr>
<tr>
<td>2</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>3</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>4</td>
<td>None</td>
<td>Non submission of payment vouchers rested by the AG.</td>
</tr>
<tr>
<td>5</td>
<td>None</td>
<td>Sometimes it does seem that when contract is coming to an end the same effort is not given by the Head of Departments (HoDs).</td>
</tr>
<tr>
<td>6</td>
<td>None</td>
<td>None, save for cash flow.</td>
</tr>
<tr>
<td>7</td>
<td>None</td>
<td>Weak leadership at HoD level in crafting, implementing and monitoring effective intervention and also lack of consequence management and accountability for poor performance in this regard.</td>
</tr>
<tr>
<td>8</td>
<td>None</td>
<td>The council of ADM have been stable during my tenure.</td>
</tr>
<tr>
<td>9</td>
<td>None</td>
<td>With new section 56 managers obviously they took over challenges left by their predecessors which one of them is irregular expenditure that they having and affect audit outcomes.</td>
</tr>
<tr>
<td>10</td>
<td>Na</td>
<td>The municipality had been adversely affected by instability both in council and administration. Nevertheless the situation has changed for the better as there is stability and many vacancies had been filled hence unqualified opinion.</td>
</tr>
<tr>
<td>11</td>
<td>Fair</td>
<td>The municipality is stable and none of the above affect the stability of the municipality.</td>
</tr>
<tr>
<td>12</td>
<td>None</td>
<td>Shortage of staff in the previous years affected our municipal audit outcomes.</td>
</tr>
<tr>
<td>13</td>
<td>None</td>
<td>The instability in council will always affect the functioning of the municipality as all or almost all council committees function are affected including AC. The changing of MMs does impact the functioning of the audit outcomes as the administration leader in the institution because such official is entrusted with the responsibility of setting up the tone at the top. This is evident at Ngqushwa Municipality where during 5 or more year’s tenure having been there as an AC member there has been 5 MMs which resulted in bad audit outcomes. Supporting the appointment of section 56 managers on contract.</td>
</tr>
<tr>
<td>14</td>
<td>None</td>
<td>Some MMs do not have a financial background hence the CFO is the one that drives implementation, however, CFO who are not well supported by MM will also fail.</td>
</tr>
</tbody>
</table>

Table 5.16 Responses on other factors
5.5.1 Presentation of research findings

The researcher has analysed the comments of respondents and marked these responses according to whether in his view, the comments agree or disagree with the statements. Those that are viewed to agree were marked in a green colour, those that disagree were marked with a red colour, those that were not sure with a yellow colour and those that have not responded were marked with a blue colour.

The qualitative research findings are tabulated on table 5.17 below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Disagree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Not responded</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timing</td>
<td>5</td>
<td>13</td>
<td>0</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Credibility</td>
<td>6</td>
<td>11</td>
<td>1</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Implementation</td>
<td>7</td>
<td>10</td>
<td>1</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Monitoring</td>
<td>4</td>
<td>9</td>
<td>1</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>Other factors</td>
<td>8</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>19</td>
</tr>
</tbody>
</table>

Table 5.17: The qualitative research findings

**Implementation**

As reflected in figure 5.1 below, the results clearly show that 72% (n=13) of the respondents agree that the audit action plan is prepared and implemented within 60 days after the AG’s report has been issued to the municipality. On the other hand, 28% (n=5) disagree that the municipality prepare and implement the audit action plan within 60 days after the AG’s report has been issued to the municipality. It is therefore evident that the audit action plans are prepared and implemented within the legislated timeframe as evidenced by the majority of the respondents.
Credibility

As can been in figure 5.2 below, 61% (n=11) agree that the audit action plans prepared by the selected municipalities are credible whilst 33% (n=6) of the respondents do not agree that the audit action plans prepared by the selected municipalities are credible. It can also be seen that 6% (n=1) of the respondents are not sure as to whether that is the case. The results clearly indicate that the audit action plans prepared by the selected municipalities are credible.
With regards to implementation, it can be seen that in figure 5.3 above that 56% (n=10) of the respondents agree that the prepared audit action plans are implemented on regular basis. However, 39% (n=7) of the respondents disagree with the fact that the prepared audit action plans are implemented on regular basis whilst 5% (n=1) is not sure whether that is the case. Although 39% is a substantial figure of the respondents that do not agree, it is clear from the results as reflected in figure 5.3 above that most respondents are of the view that the audit action plans are implemented by the selected municipalities.

**Monitoring**

As can be seen in figure 5.4 below, 64% (n=9) of the respondent agree that there is proper monitoring of the implementation of the audit action plans in the selected municipalities. However, 29% (n=4) of the responded disagree with this assertion whilst 7% (n=1) is not sure whether to agree disagree with the above assertion. It is therefore clear from these results that there is proper monitoring of the implementation of the audit actions plans at selected municipalities.
As can be seen in figure 5.5 above, 44% (n= 8) of the respondents disagree to the assertion that there could be other factors like instability in the Municipal Council, the changing of Municipal Managers (MMs) and the appointment of section 56 managers on contract that could somewhat affect the municipal audit outcomes in a negative way. However, 37% (n=6) of the respondents agree with the above assertion whilst 19%
(n=2) of the respondents is not sure whether to agree or to disagree with the above assertion. Although 37% of the respondents agree that there could be other factors that affect the municipal audit outcomes in a negative way, it is clear that the majority of respondents, 44% disagree with the assertion mention above. It may therefore be concluded that the factors suggested above do not affect the municipal audit outcomes in a negative way.

5.6 Summary
This chapter covered the presentation of the research findings. In presenting the findings, descriptive statistics such as graphical tables, pie charts and bar charts have been used to make the research finding much clear. The first section of this chapter started with started with the biographic information and thereafter the actual results were presented. It became clear from the results that the selected municipalities do prepare the audit action plans which are credible. The next chapter will discuss the findings reflected in this chapter.
CHAPTER 6: DISCUSSION OF THE FINDINGS

6.1 INTRODUCTION

The previous chapter dealt with the presentation and analysis of the research findings. This chapter will discuss the research findings, as presented in Chapter 5; and the research findings will be linked to the literature review.

6.2 DISCUSSION OF THE QUANTITATIVE RESEARCH FINDINGS

The quantitative research findings relate to the following five sections:

- Timing;
- Credibility;
- Implementation;
- Monitoring; and
- Other factors.

6.2.1 Discussion of the findings relating to timing

In this section, the researcher wanted the respondents to reflect their views on whether their municipalities prepare and implement their audit-action plans to address the previous years’ findings within the legislated timeframe. In soliciting responses from the respondents, the main question that was to be addressed was as follows:

“When does the municipality prepare and implement its audit-action plans to address the previous year’s findings?”

In responding to the above question, the respondents were given two statements in the questionnaires with which they had to strongly disagree, disagree, agree or strongly agree. These statements are outlined in part b section 1 of the questionnaire. The results are outlined in Chapter 5, (cf. 5.4.1). The results revealed that the majority of the respondents were of the view that their municipalities prepared and implemented their
audit-action plans within the legislated timeframes. It is clear from the results of the study that the audit-action plans are prepared by the selected municipalities within the required legislated timeframe. Although the selected municipalities did not improve their audit outcome for three consecutive years, as discussed in Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8), this issue cannot be attributed to the non-improvement of the audit outcomes.

6.2.2 Discussion of findings relating to credibility

In this section, the researcher wanted the respondents to reflect their views on whether their municipalities prepare credible audit-action plans that address the AG’s audit findings. In soliciting responses from the respondents, the main question that was to be addressed was as follows:

“Does the municipality prepare credible audit-action plans that address the AG’s audit findings?”

In responding to the above question, the respondents were given five statements in the questionnaires with which they had to strongly disagree, disagree, agree or strongly agree. These statements are outlined in part b section 2 of the questionnaire. The results are outlined in Chapter 5 (cf. 5.4.2). The results revealed that overall the majority of the respondents agreed that the selected municipalities prepare credible audit-action plans that address the AG’s audit findings; as these plans are subjected to scrutiny by various council structures, including the AC; and that these plans address the root cause of the previous year’s findings. It therefore means that although the selected municipalities did not improve their audit outcome for three consecutive years, as discussed in Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8); the
credibility of the audit-action plans has not contributed to the non-improvement of the municipal audit outcomes. In other words, it has not improved them either.

6.2.3 Discussion of the findings relating to implementation

In this section, the researcher wanted the respondents to reflect their views on whether their municipalities implement the prepared audit-action plans on a regular basis. In soliciting responses from the respondents, the main question that was to be addressed was as follows:

“Are the prepared audit-action plans implemented in regular intervals?”

In responding to the above question, the respondents were given three statements in the questionnaires with which they had to strongly disagree, disagree, agree or strongly agree. These statements are outlined in part b section 3 of the questionnaire. The results are outlined in Chapter 5, (cf. 5.4.3). The results revealed that overall the majority of the respondents agreed that the selected municipalities implemented the prepared audit-action plans on a regular basis. This therefore means that although the selected municipalities did not improve their audit outcome for three consecutive years, as discussed in Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8); implementation of the audit action plan has not contributed to the non-improvement of the municipal audit outcomes; but neither has it contributed to their improvement.

6.2.4 Discussion of the findings relating to monitoring

In this section, the researcher wanted the respondents to reflect on whether, in their view, their municipalities have proper monitoring mechanisms in place to monitor the implementation of the prepared audit-action plan. In soliciting responses from the respondents, the main question that was to be addressed was as follows:
“Is there proper monitoring of the implementation of the audit-action plans?”

In responding to the above question, the respondents were given six statements in the questionnaires with which they had to strongly disagree, disagree, agree or strongly agree. These statements are outlined in part b section 4 of the questionnaire. The results are outlined in Chapter 5, (cf. 5.4.4). The results revealed that overall the majority of the respondents agreed that the selected municipalities do properly monitor the implementation of the audit-action plans through council structures, including the AC, MPAC and Council.

This, therefore, means that although the selected municipalities did not improve their audit outcome for three consecutive years, as discussed in Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8); nevertheless, monitoring of the implementation of the audit-action plan has not contributed to the improvement of the municipal-audit outcomes.

6.2.5 Discussion of the findings relating to other factors that could be influencing the non-improvement of the audit outcomes

In this section, the researcher wanted the respondents to reflect on whether, in their view, there are any other factors (e.g. instability in the Council of the municipality, the changing of MMs by council, or the appointment of section 56 managers on contract) that are impeding the improvement of the municipal audit outcomes. In soliciting responses from the respondents, the main question to be addressed was as follows:

“Are there any other factors that are impeding the improvement of the municipal-audit outcomes?”

In responding to the above question, the respondents were given three statements in the questionnaires with which they had to strongly disagree, disagree, agree or strongly
agree with. These statements are outlined in part b section 5 of the questionnaire. The results are outlined in Chapter 5, (cf. 5.4.5). The results revealed that overall the majority of the respondents agreed that in the selected municipalities, the instability in the Council of the municipality has affected the audit outcomes in a negative way.

This therefore means that the selected municipalities did not improve their audit outcome for three consecutive years, as discussed in Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8); and the instability in Council of the selected municipalities has affected the municipal-audit outcomes in a negative way.

However, overall, the majority of the respondents disagreed with the two statements, firstly that the changing of Municipal Managers by Council has somewhat affected the municipal-audit outcomes in a negative way; and secondly, that the appointment of Section 56 managers on contract has somewhat resulted in instability in municipal management, which could have affected the municipal-audit outcomes in a negative way.

This, therefore, means that although the selected municipalities did not improve their audit outcome for three consecutive years, as discussed in Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8); nevertheless, the changing of MMs by Council in the selected municipalities and the appointment of Section 56 on contract by the selected municipalities, has not influenced the lack of improvement of the municipal-audit outcomes.

6.3 DISCUSSION OF THE FINDINGS PER MUNICIPALITY

A further analysis of the results was done in chapter 5 (cf. 5.4.5.2) using comparisons of the mean scores of the main variables across the various municipalities. The results of a One-way ANOVA with a post-hoc Tukey HSD test for comparing the mean
differences of the main variables (i.e. timing, credibility, implementation and monitoring) across the selected municipalities, are shown in chapter 5 (cf. 5.4.5.2). It may be seen, from the results, that there are statistically significant differences in timing (F=10.022; p=0.000); implementation (F=16.197; p=0.000) and monitoring (F=3.875; p=0.010).

In all these cases, the Tukey post hoc test reveals that Mbhashe and Amathole had significantly higher mean ratings on timing, implementation and monitoring of their audit-action plans than did Ngqushwa and Amahlathi. However, there were no significant differences on how the respondents rated the credibility of their municipality’s audit-action plans (F=2.640; p=0.056). The following paragraph will discuss the results at Ngqushwa Municipality.

6.3.1 Discussion of the findings at Ngqushwa Municipality
The mean scores across the various municipalities have been calculated at 3.0; and any score significantly lower than 3.0 is assumed to be in the low rating. The one-sample test revealed that, timing (mean=2.7368, SD=0.39825, t=-4.073, p=0.000), implementation (mean=2.3684, SD=0.0.46363, t=-8.397, p=0.000) and monitoring (mean=2.7952, SD=0.26224, t=-4.619, p=0.000) were significantly lower than 3.0 at Ngqushwa Municipality. These results suggest there is a need for Ngqushwa Municipality to ensure that the audit-action plans are prepared and implemented within the legislated timeframe. The municipality should also ensure that the prepared audit-action plans are implemented on a regular basis. Lastly, the municipality should also ensure that there is proper monitoring of the implementation of the audit-action plans.

The results at Ngqushwa municipality suggest that the non-improvement of the Ngqushwa Municipality’s audit outcomes for three consecutive years, as discussed in Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8) has been affected
by the non-adherence to timing, implementation and monitoring with regard to the audit-action plans.

The results of the study are confirmed by the AGSA in their report, which analyses the audit results of the municipalities of the Eastern Cape for the 2012/2013 financial year. The AGSA believes that the stagnation of the municipality on a disclaimer audit opinion for the past three years was due to the slow response to the AGSA message, the senior leadership not taking ownership of instilling basic discipline and control, and inadequate skills and competencies (including the vacant position of CFO).

The report further alleges that the action plan set up to address the previous findings was not adequately implemented and monitored (Auditor-General, 2012/2013).

6.3.2 Discussion of the findings at Amahlathi Municipality

The one-sample test revealed that, timing (mean=2.7121, SD=0.46821, t=-3.532, p=0.001), implementation (mean=2.5455, SD=0.62260, t=-4.194, p=0.000) and monitoring (mean=2.8030, SD=0.32664, t=-3.464, p=0.002) were significantly lower than 3.0 at Amahlathi Municipality. These results suggest there is a need for Amahlathi Municipality to ensure that the audit-action plans are prepared and implemented within the legislated timeframe. The municipality should also ensure that the prepared audit-action plans are implemented on a regular basis. Lastly, the municipality should also ensure that there is proper monitoring of the implementation of the audit-action plans.

The results at Amahlathi Municipality suggest that the non-improvement of the Amahlathi Municipality’s audit outcomes for three consecutive years, as discussed in Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8) has been affected by the non-adherence to timing, implementation and monitoring with regard to the audit-action plans.
These findings are confirmed by the AG in his general report on the audit outcomes of local government, MFMA 2012/2013, where the AG reports that the audit outcomes of Amahlathi Municipality improved from that of a qualified audit opinion to an unqualified audit opinion, with findings on non-compliance and performance reporting. This is due, the report alleges, to the municipality addressing the previous year’s qualification on PPE, as well as to irregular expenditure. However, due to the slow response by leadership to the AG message on monthly performance and compliance reporting, there was no improvement in compliance with legislation and in performance reporting.

6.3.3 Discussion of the findings at Amathole District Municipality
The one-sample test revealed that timing (mean=3.0376, SD=0.59998, t=0.605, p=0.547), credibility (mean=3.1522, SD=0.48027, t=3.039, p=0.003), implementation (mean=3.0417, SD=0.65113, t=0.627, p=0.532) and monitoring (mean=2.9670, SD=0.45489, t=-0.691, p=0.491) are either more, or equal to 3.0 at ADM. These results suggest that although at the district there has been no improvement in the audit outcomes of the district, as discussed in Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8); this has not been affected by the non-adherence to timing, credibility, implementation, or monitoring with regard to the audit-action plans.

However, the results of the study seem to be contradictory to those of the AG general report on the audit outcomes of local government, MFMA 2012/2013, where it is reported that the ADM has for the past three years retained its status of a financially unqualified opinion with findings on non-compliance.

The remaining non-compliance matters were largely due to significant financial errors being identified and corrected during the audit process. The report further, alleges that, the lack of movement towards sustainable clean administration and good governance,
can be attributed to management not actively monitoring the progress of the audit-action plan, as well as a culture of daily, weekly and monthly disciplines not being institutionalised within the municipal activities.

This has resulted, the report alleges, in over-reliance on the audit process to produce credible financial statements (Auditor-General, 2012/2013).

6.3.4 Discussion of the findings at Mbhashe Municipality

The one-sample test revealed that, timing (mean=3.2451, SD=0.52319, \( t=3.346 \), \( p=0.002 \)), credibility (mean=3.3222, SD=0.55819, \( t=4.242 \), \( p=0.000 \)), implementation (mean=3.0617, SD=0.59725, \( t=0.759 \), \( p=0.451 \)) and monitoring (mean=3.0741, SD=0.59229, \( t=0.919 \), \( p=0.362 \)) were either more or equal to 3.0 at Mbhashe. These results suggest that; although at the municipality, there has been no improvement in the audit outcomes of the municipality, as discussed in Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8); this has not been affected by the non-adherence to timing, credibility, implementation, or monitoring with regard to the audit-action plans.

The study results are in line with those of the AG general report on the audit outcome on local government, MFMA 2012/2013, which states that the audit opinion of the Mbhashe Municipality remained unchanged; but there were fewer qualifications. The unchanged outcome was largely due to a lack of skills within the municipality; since the top and middle-management positions were vacant for a lengthy period (Auditor-General, 2012/2013).

As can be seen in the above AG assertion, there is no mention of the non-implementation of the audit-action plan. The stagnation in the municipal audit outcomes is attributed to other factors.
6.3.5 Discussion of the findings across all the municipalities

The one-sample test revealed that only implementation (mean=2.8619, SD=0.66813, 
$t=-3.081, p=0.002$) had a mean level that is significantly lower than 3.0; thus 
suggesting that the respondents in all the municipalities disagreed that the 
implementation of the audit-action plans is being properly done.

The results across all the municipalities suggest that the non-improvement of the audit 
outcomes at selected municipalities for three consecutive years, as discussed in 
Chapter 1 (cf. 1.2) and Chapter 3 (cf. 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8) have been affected 
by the inadequate implementation of the prepared audit-action plan by the selected 
municipalities.

This, therefore, means that all the selected municipalities need to improve in the area 
of implementation.

The non-implementation of the audit-action plan by the municipalities appears to be the 
general norm in the Eastern Cape municipalities, including the municipalities within 
ADM. In the AG general report on the audit outcomes of local government – MFMA 
2012/2013 – the AGSA suggests that a slow response by the political leadership to the 
AGSA message was recorded by 69% of the municipalities within the Eastern Cape 
Province.

The AGSA further charges that the outcomes and repetitive nature of the findings 
illustrates that the political leadership at a large number of municipalities has not 
delivered on their previous year's commitments to deliver a clean audit outcome by 
2014. The report further reveals that the mayors of these municipalities did not comply 
with section 131 of the MFMA, which requires municipalities to address the issues raised 
by the AG in an audit report (Auditor-General, 2013/2014).
Shirley Tewary, Head of Local Government at EY, South Africa in her article entitled “Making sense of Annual FS and clean audits”, notes that the Auditor General (AG) has stated that the results of audited financial statements 2011/2012 show a regression in audit outcomes overall and in most of the provinces.

Unfortunately, it has been “business as usual” for many of the past years, resulting in the customary scramble at the end of the year to ensure that a set of financial statements is prepared and submitted to the AG. It is relevant to note that the AG has highlighted the fact that “qualified opinions have been avoided by correcting material misstatements that have been identified during the audit process”.

If the misstatements were not corrected and the audit opinions were given on the original statements submitted, the percentage of unqualified financial statements would have been 14% instead of 48%.

Frequently, achieving an “unqualified” audit opinion has been seen as the pinnacle of financial management. What is not recognised by the financial managers in municipalities and the stakeholders generally, is the value that can be derived by presenting statements that comply with the various GRAP standards of their leadership (Tewary, 2012).

The view stated above is confirmed by the AG in the general report on local government-audit outcomes of the Eastern Cape Province, MFMA 2013/2014. This report states that the province did not achieve 100% of unqualified audits by 2014, which was the target that government had set itself through “operation clean audit”. The report notes that in the Eastern Cape Province, only the Sara Baartman district and Senqu had achieved their elevated definition of clean audit opinion.
The report also notes that there is a decline in adverse/disclaimer audit opinions; and that there is an upward trend in the number of unqualified audit opinions. In comparing the 2013/2014 outcomes to those of 2007/2008, 58% of the municipalities had improved their audit outcomes; while 16% had regressed.

The report further claims that an analysis of the movement in audit outcomes over the seven years clearly indicates that the majority of the municipalities did not address their audit findings at the root level, leaving the sustainability of improvements in doubt. Where there are improvements, these are isolated to certain operational areas; and they tended to be overshadowed by significant control failures – especially in SCM and human-resource management.

This, the report charges, has underpinned the ever-present trend of improvements, which are being negated by regressions.

The report observes that nine municipalities within the Eastern Cape Province have maintained an unqualified opinion, with only limited findings on compliance and performance reporting for a number of consecutive years. These municipalities became complacent on having attained an unqualified audit opinion; and, despite the real danger of regressions, continually fail to respond to the AG audit findings. The risk is that a municipality might account correctly; but be comfortable with flouting SCM regulations. This could, in turn, lead to goods and services not being procured economically, effectively and efficiently.

The report further insinuates that eleven municipalities stagnated on qualified opinions. Of particular concern within this group are two metropoles, which administer a combined budget of R15 billion. This represents 44% of the total provincial municipal budget. Despite having substantial financial resources and being better positioned to attract a
skilled and competent work force, they continue to produce financial reports that are neither credible nor reliable.

The report further insinuates that the lack of decisive and progressive leadership and the disregard for good governance principles governing public administration has entrenched the stagnation of seven unchanged adverse or disclaimer opinions. These municipalities have failed to provide supporting documentation for a significant number of transactions and balances in their financial statements. This has created an environment that did not support accountability and was susceptible to loss through fraudulent transactions (Auditor-General, 2012/2013).

6.4 DISCUSSION OF THE QUALITATIVE RESEARCH FINDINGS

The discussion of the qualitative findings will only focus on a discussion of the findings for all the selected municipalities. The data were collected through a questionnaire, which requested the respondents to respond to closed-ended questions; and within the questionnaire, the participants were also requested to respond to open-ended question. There were 19 participants across the selected municipalities, who have responded to the open-ended questions. However, some of the participants have not responded to all the questions. The following section discusses the qualitative research finds:

6.4.1 Discussion of qualitative research findings relating to timing

In this section, the respondents had to respond to both a closed-ended question, and also to an open-ended question. The question are reflected in part b section 1 of the questionnaire and the main question to which they had to respond is quoted below.

“When does the municipality prepare and implement its audit-action plans to address the previous year’s findings?” “Comment on your experiences in your municipality.”
As presented, in chapter 5 (cf. 5.5.1.1), the results clearly show that 72% (n=13) of the respondents agree that the audit-action plan is prepared and implemented within 60 days after the AG’s report has been issued to the municipality. On the other hand, 28% (n=5) disagree that the municipality had prepared and implemented the audit-action plan within 60 days after the AG’s report has been issued to the municipality. It is, therefore, evident from the study that the audit-action plans are prepared and implemented within the legislated timeframe, as evidenced by the majority of the respondents.

6.4.2 Discussion of the qualitative research findings relating to credibility

In this section, the respondents had to respond to both a closed-ended question and also to an open-ended question. The questions are reflected in part b section 2 of the questionnaire; and the main question to which they had to respond is quoted below.

“Does the municipality prepare credible audit-action plans to address the AG’s audit findings?” Comment on the credibility of the audit-action plans.

There answers provided by the respondents were analysed, as discussed in Chapter 5 (cf. 5.5.1.2); and the results show that 61% (n=11) agreed that the audit-action plans prepared by the selected municipalities are credible; whilst 33% (n=6) of the respondents did not agree that the audit-action plans prepared by the selected municipalities are credible. It can also be seen that 6% (n=1) of the respondents are not sure whether that is the case. The results clearly indicate that the audit-action plans prepared by the selected municipalities are credible.

However, the fact that 33% of the respondents believed that the audit-action plans are not credible; and also that 6% of the respondents that are undecided, is a worrying factor.
6.4.3 Discussion of the qualitative research findings relating to implementation

In this section, the respondents had to respond to both a closed-ended question and also to an open-ended question. The question are reflected in part b section 3 of the questionnaire and the main question to which they had to respond is quoted below.

“Are the prepared audit-action plans implemented at regular intervals?”

Additional comment

As presented in Chapter 5 (cf.5.5.1.3); the results clearly show that 56% (n=10) of the respondents agreed that the prepared audit-action plans are implemented on a regular basis. However, 39% (n=7) of the respondents disagreed with the fact that the prepared audit-action plans are implemented on a regular basis; whilst 5% (n=1) were not sure whether that is the case. Although 39% is a substantial percentage of the respondents that do not agree, it is clear that most of the respondents are of the view that the audit-action plans are implemented by the selected municipalities.

However, 39% of the respondents disagreed that the audit-action plans are implemented. This percentage could be interpreted in line with the results in Chapter 5 (5.4.5.2); where it is shown that across the municipalities, the one-sample test revealed that only implementation (mean=2.8619, SD=0.66813, t=-3.081, p=0.002) had a mean level that is significantly lower than 3.0, thus suggesting that the respondents in all the municipalities disagreed that the implementation of the audit-action plans is being properly and timeously done.

6.4.4 Discussion of the qualitative research findings relating to monitoring

In this section, the respondents had to respond to both a closed-ended question and also to an open-ended question. The question are reflected in part b section 4 of the questionnaire; and the main question to which they had to respond is quoted below.
“Is there proper monitoring of the implementation of the audit-action plans?” In your view, was monitoring adequately implemented?

The answers provided by the respondents were analysed, as discussed in Chapter 5 (cf. 5.5.1.4); and the results show that 64% (n=9) of the respondents agreed that there is proper monitoring of the implementation of the audit-action plans in the selected municipalities. However, 29% (n=4) of the respondents disagreed with this assertion; whilst 7% (n=1) were not sure whether to agree or disagree with the above assertion. It is, therefore, clear from these results that there is proper monitoring of the implementation of the audit-actions plans at selected municipalities.

There seem to be a collation between the results of the quantitative research design and those of the qualitative research design; since both of these results show that the implementation of the audit-action plans is taking place at selected municipalities only.

6.4.4 Discussion of qualitative research findings relating to other factors that could influence the non-improvement of audit outcomes

In this section, the respondents had to respond to both a closed-ended question and also to an open-ended question. The question are reflected in part b section 5 of the questionnaire; and the main question to which they had to respond is quoted below.

“Are there any other factors that are affecting the non-improvement of the municipal audit outcome?” Were there any other factors that negatively affected the municipal audit outcomes?

As presented in Chapter 5 (cf.5.5.1.5), the results clearly show that 44% (n= 8) of the respondents disagreed with the assertion that there could be other factors like instability in the Municipal Council, the changing of Municipal Managers (MMs) and the appointment of section 56 managers on contract that could somewhat have affected the
municipal-audit outcomes in a negative way. However, 37% (n=6) of the respondents agreed with the above assertion; whilst 19% (n=2) of the respondents were not sure whether to agree or to disagree with the above assertion.

Based on the results of this study, it may therefore be concluded that the factors suggested above do not affect the municipal audit outcomes in any negative way.

It could be seen from the results that there is no absolute majority that disagrees with the assertion that there could be other factors that could be influencing the audit outcomes negatively. In the results, 44% disagreed with the above assertion; while 37% agreed.

Notwithstanding the above results, it is worth noting that, the AG general report on the audit outcomes of local government, MFMA 2012/2013, confirms that other factors, like the lack of skills within the municipality, vacant positions at top and middle management and instability within the municipality do affect the audit outcomes in a negative way. In this report, the AG pronounces that the audit opinion of Mbhashe Municipality for the 2012/2013 financial year remained unchanged; but there were fewer qualification issues.

The unchanged outcomes, the report pronounces, were due to a lack of skills within the municipality as top and middle-management positions were vacant for lengthy periods of time. In addition, the report alleges, there was extended political instability, which influenced the oversight ability of various structures within the municipality. This had a negative impact on the performance of the municipality and its ability to prepare financial statements and an annual performance report that was free from material misstatements (Auditor-General, 2012/2013).
The instability in the municipal councils seem to be a universal factor in a number of municipalities within the Eastern Cape Province. Instability is largely caused by political infighting within the council. The infighting could be between the ruling majority party and the opposition parties; or it could be between two factions within the ruling majority party. In September 2009, the then President of the Republic of South Africa (RSA), Thabo Mbeki, resigned as the president of the country following an instruction from his own party, the African National Congress (ANC). This led to dissatisfaction amongst most South Africans, and ultimately to the formation of a new political party called the Congress of the People (COPE). This resulted in a number of individuals, who were disgruntled, resigning from the ANC, in order to join COPE. The ANC at the time controlled the majority of municipalities; and the formation of COPE resulted in municipal council members accusing each other of having a dual membership of ANC and COPE.

Accusations amongst the council members caused a lot of political instability in a number of municipalities; since some councillors, who had served as ANC councillors were accused of being members of the newly formed political party, COPE.

Ngqushwa Municipality was amongst the municipalities that was hardest hit by political instability. This has made the municipality to be known in numerous media platforms, for the wrong reasons, including mass media. In an article published by the Daily Dispatch on 01 April 2010, it was reported that a showdown was looming in Peddie; where two mayors were allegedly claiming control of Ngqushwa Municipality. The article added the former mayor of the municipality, Nomvuyo Nxawe and three other councillors were expelled from the ANC in January 2009 for their alleged links with the breakaway COPE (Fengu, 2010).
It was reported that the former mayor and one of the councillors had challenged their dismissal in court; and in February 2010, the Grahamstown High Court ordered that the ANC provide a full transcript of the disciplinary hearings of the two councillors within five days; however, the ANC failed to adhere to the court order; and the court ordered that the expulsion of the two councillors be reversed. This led to clashes between the mayor that was deployed by the ANC, Bongani Ntontela and Nomvuyo Nxawe. The court also ordered that the salaries of the two councillors be paid. This then meant that the municipality would be paying two mayors at the same time (Fengu, 2010).

The Daily Dispatch, in an article published on 04 Ocober 2010, reported that the municipality had refused to pay the salaries of the two councillors, as ordered by the court. This resulted in the sheriff of the court attaching four vehicles belonging to the municipality to recoup nearly R300 000 owed to the councillors (Maqhina, 2010).

The above was not the only instance where Ngqushwa Municipality was hit by political instability. In a Daily Dispatch article published on 17 October 2011, it was reported that the Ngqushwa municipal council passed a vote of no confidence in the mayor and the speaker; and the MEC for local government had to intervene to resolve the chaos, which he believed was unlawful.

It was reported that council unseated the mayor and the speaker, as well as almost the entire executive at a special council meeting held on 07 October 2011. It was reported that the meeting was attended by 13 of the 25 councillors of the municipality. It was further reported that at the time, the mayor and the speaker, who had both been unseated were absent at the meeting; as they believed that proper procedures were not being followed in convening the meeting (de Kock, 2011).
In an article of the Daily Dispatch published on 22 October 2011, it was reported that the special council decision to unseat the mayor, the speaker and two other councillors was challenged by the affected parties in a court of law. Bhisho High Court acting Judge, Templeton Mageza, ruled that the mayor, the speaker and the two other councillors be reinstated in their positions; since the meeting that had voted them out was irregular and unlawful (Nini, 2011).

Mbhashe Municipality was one of the municipalities that was hit by political instability; however, this time the infighting within the municipal council was between the ruling party, the ANC, and one of the opposition parties COPE. In a Daily Dispatch article published on 28 January 2015, it was reported that COPE in Mbhashe Municipality had threatened legal action against councillor speaker, Mkhululi Mcotsho, if the meeting scheduled to take place on that day went ahead. This threat was made in a letter that was delivered to the speaker on 27 January 2015. COPE wanted the meeting to be postponed; as the party alleged that the agenda had not been delivered to the councillors seven days before the meeting (Macanda, 2015).

The meeting that COPE wanted postponed was to discuss an audit report and the financial statements. The municipality argued that the meeting could not be postponed; as the postponement would result in non-compliance with legislation, which requires the annual report be tabled in council on or before 31 January 2015 of each year (Macanda, 2015).

The political instability in the municipal council affected the service delivery of the affected municipalities in a negative way. This was confirmed by the former mayor of Ngqushwa, Bongani Ntontele, in his interview with the Daily Dispatch on 06 April 2010.
The failure in delivering services to the people affected the audit outcomes of the municipalities concerned; since the AGSA also audits service deliveries (Fengu, 2010).

In an article published by the Daily Dispatch on 13 July 2012, it was reported that the Ngqushwa Municipality mayor and speaker had said the municipal council was still riddled with political infighting, which was slowing service delivery. While these two councillors both said there had been improvements in the municipality’s administration, as a result of local government department’s intervention in the municipality, they raised concerns about political instability. It was further reported that the mayor had said that the political instability affects service delivery; because the councillors struggle to focus on projects that are meant to improve the lives of the people (Nini, 2012).

The instability in the municipal administration, or the frequent changing of municipal managers appears to be affecting the audit outcomes of the affected municipalities in a negative way. Ngqushwa municipality had at some point changed three municipal managers in one council term. In a Daily Dispatch article published on 16 September 2012, it was reported that municipal manager, Unathi Malinzi, had quit her post in exactly two months – after taking over as the municipal manager at Ngqushwa Municipality.

It was further reported that she tendered her resignation at the beginning of September 2012 citing political interference in her job as the reason for her resignation. After noting some administrative and political challenges in the embattled council, Local Government and Traditional Affairs Department invoked a section 154 intervention in the municipality (Nini, 2012).

In the previous year, the Daily Dispatch published an article on 21 September 2011, where it was reported that the Local Government department offered support to the
municipality. It was reported that an unbearable workload shouldered by Ngqushwa Municipality’s acting municipal manager and questionable transgressions by the previous council had prompted Local Government and Traditional Affairs MEC to intervene in the embattled municipality’s affairs. It was reported that the MEC was to assign a team from his department, including a new acting municipal manager to help with the day-to-day running of the council (Nini, 2011).

The other issue with which most municipalities are battling is political interference by municipal councillors in the administrative matters, which in most cases, should be implemented in compliance with the existing legislation. A former municipal manager resigned from Ngqushwa Municipality barely two months after her appointment and she cited political interference as the main reason for her resignation from the municipality (Nini, 2012).

In a report presented by the Department of Local Government and Traditional Affairs, Eastern Cape councillors were accused of meddling in awarding tenders and appointing personnel, causing a strain on the administration and compromising service delivery. This was pointed out by the department’s superintendent-general, Stanley Kanyile, to the local government portfolio committee on 14 November 2012. The superintendent-general told the committee members that service delivery and administrative operations were frequently compromised by the political interference seen in various municipalities. He pleaded with MPLs to help his department deal with political obstacles, which he said shifted the focus from their core business of service delivery.

The department reminded the MPLs that the MFMA is clear that councillors should not be involved in the tendering processes at all; as this is the responsibility of officials. In his presentation, the superintendent-general mentioned that this problem, is prevalent
in five Eastern Cape municipalities, which he did not mention by name (Nini & Zuzile, 2012).

In a Daily Dispatch article published on 21 May 2013, it was reported that the provincial government had sanctioned an investigation into the corrupt activities at Ngqushwa Municipality; and this investigation had resulted in the suspension of the CFO and that of the corporate service manager being put on precautionary suspension for allegedly committing financial misconduct.

It was further reported that an ANC councillor who was allegedly interfering with the SCM processes was also in trouble; and council was dealing with his case (Nini, 2013).

6.5 SUMMARY
This chapter has discussed in detail the research findings that were presented in Chapter 5. The implications of the research findings have also been discussed and linked to the literature. In this chapter, some issues relating to other factors that could have had a negative impact on the audit outcomes in municipalities were discussed. Their impact has been properly discussed and analysed.
CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

This chapter gives an overview of the study and this is done by giving a summary of all the six previous chapters. The researcher will thereafter outline a summary of the main findings, conclusions and recommendations. The researcher will also explain the contribution of this study to the body of academic knowledge and give some suggestion to municipalities of the RSA the procedures that they should follow to improve their audit outcomes on a year to year basis.

7.2 OVERVIEW OF THE STUDY

This study seeks to investigate the utilisation of the Auditor-General’s reports in improving audit outcomes at selected municipalities within the Amathole District Municipality for the period 01 July 2006 to 30 June 2015. Chapter 1 covers the background information, the statement of the problem, the research objectives and research questions, the significance of the study, the preliminary review of the literature, the limitations of the study, the limitations and delimitation of the study.

The background starts by giving a context under which the study is being undertaken. It highlights the importance of decisions made by public officers as they impact on the day to day living of ordinary citizens of the country. It is also heightened that the standing and accomplishments of any state depends on the conduct of its public officials. These officials should act without any prejudice, and be fair to every person they attend. A preliminary review discussed, amongst others, the difference between power and authority in a representative democracy. It is explained that power rests with voters and authority rests with the representative, and these representatives comprise the legislative authority. In theory, the way in which authority is transferred by voters to their representatives is by means of elections. In this scenario the voters act as the principal;
and the representative act as an agent; and wherever there is a principal-and-agent relationship, there is always a need for accountability. Accountability is explained and discussed in details. The accountability depends on the effective public-sector financial management in the collecting and spending of funds by the public sector. Public sector-financial management is, thus, a key component of political, economic and administrative governance; and it requires transparency of public activities and their financing, as well as the accountability of the persons responsible for them. The AGSA is one of the mechanisms that should be used by oversight bodies to enhance accountability.

Chapter 2 will give a theoretical basis that pertains to the researcher’s investigation and the analysis of that work. It will be composed of the theoretical framework for the researcher’s study, a detailed context for the researcher’s study. It covers the origin and concept of auditing, theoretical framework of the study, the legislative framework, the need for accountability, governance and good governance, the comparison of Southern African Auditor-General with other African Supreme Audit Institutions, the independence of the AGSA,

Chapter 3 seeks to get an understanding of the performance of the selected municipalities for the period 01 July 2006 to 30 June 2015. The analysis of the audit outcome’s performance of the selected municipalities for the said has been conducted through the analysis of the AGSA’s reports issued to the municipalities for the period 01 July 2006 to 30 June 2015.

Chapter 4 discusses the research design and methodology. It deals with the philosophical foundation of the study and the theories adopted to the study which forms foundation of the study, the research design and the methods adopted for the study. It
is mention that the mixed methods research will be used for the study. The target population and the sample size is discussed.

Chapter 5 presents the researcher’s findings, the analysis of the findings and the sub-conclusions about the findings. The researcher here presents and analyses the findings that correspond directly with the data mentioned in the previous chapter.

Chapter 6 discusses in detail the research findings presented in the previous chapter in details. The deep interpretation of the data has been done in such a way that the readers is also be able to understand the meaning of the data.

Chapter 7, which is the final chapter for this study, provides a summary of the findings, conclusions, as well as a summary of contributions and suggestions for further research.

7.3 SUMMARY OF FINDINGS

7.3.1 Introduction

The one-way ANOVA with a post-hoc Tukey HSD test for comparing the mean difference of the main variables (i.e. timing, credibility, implementation and monitoring) across selected municipalities was used to further analysis of the results. The mean score across the selected municipalities have been calculated at 3.0 and any score significantly lower than 3.0 is assumed to be low in rating.

The following three main findings will be discussed below:

7.3.2 Findings across all the selected municipalities

The one-sample test revealed that only implementation that had a mean level that is significantly lower than 3.0, thus suggesting that the implementation of the audit action plans across all the selected municipalities is not done. The municipalities across the selected municipalities were found not to be implementing the audit action plans.
7.3.3 Findings per municipality

Ngqushwa Municipality

The one-sample test revealed that timing (mean = 2.7368), implementation (mean = 2.3684) and monitoring (mean = 2.7952) were significantly lower than 3.0 at Ngqushwa Municipality. This municipality was found not to preparing the audit action plans within the legislated timeframe of sixty days after the municipality have received the audit report from the AGSA. Secondly, it was found that the municipality does not implement the prepared audit action plans. Lastly, it was found that the monitoring of the implementation of the audit action plans is done at Ngqushwa Municipality.

Amahlathi Municipality

The one-sample test revealed that timing (mean = 2.7121), implementation (mean = 2.5455) and monitoring (mean = 2.8030) were significantly lower than 3.0 at Amahlathi Municipality. This municipality was found not to preparing the audit action plans within the legislated timeframe of sixty days after the municipality have received the audit report from the AGSA. Secondly, it was found that the municipality does not implement the prepared audit action plans. Lastly, it was found that the monitoring of the implementation of the audit action plans is done at Amahlathi Municipality.

7.3.4 Findings across all the selected municipalities on other factors

It was revealed from the study that the instability in Council of the selected municipalities was somewhat affecting the audit outcomes in a negative way.

7.4 CONCLUSIONS

Before discussing the conclusion it would be worthwhile to mention the statement of the problem as discussed in chapter (cf. 1.2). The statement of the problem is as follows:
7.4.1 Revising the STATEMENT OF THE PROBLEM

Amathole District Municipality has for the past five consecutive years been receiving an unqualified audit opinion from the AGSA. This has been confirmed in the Annual Reports of the municipality for the financial years 2010/2011, 2011/2012, 2012/2013, 2013/2014, and 2014/2015. This has been the trend, despite the commitment made by the Executive Mayor in April 2012 to the then Auditor-General, Mr Nombembe, that the leadership of the municipality would deliver a clean audit outcome by 30 June 2013 (ADM SODA 2012:16).

This scenario is replicated in the local municipalities within the district. Two of the district municipalities have for the past three consecutive years been receiving a disclaimer audit opinion; and this is reflected in their annual reports and the Auditor-General’s reports for the 2010/2011, 2011/2012, 2012/2013, and 2013/2014 financial years.

In one of the municipalities, this trend changed; and this municipality received an unqualified audit opinion for two consecutive years; while in the third year, it received a qualified audit opinion. This is reflected in the municipality’s annual reports and in the Auditor-General’s reports for the 2010/2011, 2011/2012, and 2012/2013 financial years.

The stagnation and regression in the audit outcomes of these municipalities may be as a result of either the non-implementation of audit-action plans to address the previous year’s audit findings; or there could be other factors resulting in the above scenario. The non-implementation of the action plans to address the previous year’s audit findings in these municipalities, has been confirmed by the Auditor-General in its 2013/2014 general report.
The study is conducted to address the problem by attaining the following research objectives:

THE RESEARCH OBJECTIVES

5) To investigate whether the public officials at selected municipalities within Amathole District Municipality have been implementing the audit-action plans, in order to improve the audit outcomes.

6) To examine whether there are other factors that contribute to the non-improvement of the audit outcome at selected municipalities within the Amathole District Municipality.

7) To make policy recommendations based on the research findings.

After conducting the study the researcher concludes as follows:

1. The stagnation and regression in the audit outcomes of the municipalities within Amathole District Municipality is as a result of the non-implementation of the audit action plans. The municipalities do prepare credible action plans but fail to implement these plans. The preparation of the plans may be influenced by a desire to comply with legislation rather than a desire towards clean administration. In addition the council structure are not exercising adequate oversight to ensure that the prepared audit action plans are implemented.

2. Instability in municipal council play a major role in municipalities receiving bad audit outcome.

7.5 SUGGESTIONS FOR APPLICATION OF RESEARCH

It is clear from the research findings that there are numerous policy matters that are not being adhere to by the municipalities. The matter of addressing the issues raised by the Auditor-General is a requirement in terms of the MFMA, however, the act, as expected,
is not detailed as to what steps need to be followed when addressing the issues raised by the AG. In accordance with the act these issues need to be addressed within 60 days after the audit report have been received from the AG. Most municipalities do adhere to the 60 days’ timeframe by ensuring that the audit-action plan is in place, as well as ensuring that the plan is approved by the municipal Council before it is implemented. This could be done even 10 days after the AG has issue the audit report. This is possible if the following suggestion could be applied by the municipalities.

During the audit process the AG communicates with various structures of the Council to update them about the progress of the audit. This is a very vital structure that is designed to deal solely with audit matters, called the Audit Steering Committee. This structure is composed of the management team of all functional areas within the municipality, whereby the issues that are being raised by the AG are discussed. Though the discussion in this structure some of the issues that were originally in the audit report fall out. The management of the municipality and other council structure become aware of matters that will be in the audit report while the audit is progress, as the Audit Steering Committee reports are building blocks of the final report.

It is suggested that the members of the Audit Steering Committee when they become aware of the matters raised by the AG to prepare the audit-action plan designed to address the issues raised the AG in their progress reports. The auditors could also be engaged to air their views about the suggested action. There could be separate session of management team of the municipality as problems from one department have an impact of other department operations. Once the draft report, which normally does not differ to the final report, is issued a consolidated audit-action plan for the municipality could also be ready to be discussed in the senior/executive management meeting. When the AG issue a final report to the Mayoral Committee, MPAC, Audit Committee
and Council, management could in the same meeting be issuing the consolidated audit action plan which if appropriate could also be approved.

In the current situation municipalities start implementing the audit action plan three to four months after the AG has issued the audit report. This leave the municipality with a shorter period to implement the action plans fully as, in most cases, whilst they are busy with the implementation, the AG knocks the doors for the next financial years’ audit.

Municipalities need to consider to have the Audit Steering Committee as a permanent structure within the municipality and this structure must advise the municipality on handling the issues raised by the AG. All the reports and the audit-action prepared by various departments within the municipality should be scrutinised by the members of this committee before presented to the senior/executive management of the municipality, these reports should, especially the audit action plan, be presented on a quarterly basis. The audit action plan should be a standing agenda item in all the Mayoral Committee, MPAC, Audit Committee and Council meetings as this will ensure proper monitoring by council structure.

**7.6 SUMMARY OF CONTRIBUTIONS**

A very critical and important issues that the researcher need to take into cognisant when conducting a study is to ensure that his/her study exhibit its efficacy to the space in which it is conducted. To this end, this study will raised a constructive debate in the manner in which the municipal administration should work toward a clean administration.

The researcher should also ensure that his/her study contribute to the field in which the research is conducted. The awareness about the link between the audit as a discipline and accountability. The study will highlight to those entrusted with oversight that their
oversight function will be more useful and meaningful if there is partnership between auditors and those who are entrusted to perform oversight. There will also enlighten those who perform oversight that if the audit outcome are bad, this could be pointing inadequate oversight.

7.7 SUGGESTION FOR FURTHER RESEARCH

It suggested that a research be undertaken on the relation between oversight, accountability and assurance bodies like SAI, Internal Auditors and Audit Committee. It would appear that those entrusted with oversight fail to understand that the reports of assurance bodies could assist them with tools to make the public office bears account for their actions and decision making.
Bibliography


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Appendix A

University of Fort Hare
Together in Excellence

ETHICAL CLEARANCE CERTIFICATE
REC-270710-028-RA Level 01

Certificate Reference Number: IJE211SKWA01

Project title: An investigation into the utilization of the Auditor-General’s reports in improving the audit outcome at selected municipalities within Amathole District Municipality (2006-2015).

Nature of Project: PhD in Public Administration

Principal Researcher: Makhosandile Hercules Kwaza

Supervisor: Prof E.O.C Ijeoma
Co-supervisor: N/A

On behalf of the University of Fort Hare’s Research Ethics Committee (UREC) I hereby give ethical approval in respect of the undertakings contained in the above-mentioned project and research instrument(s). Should any other instruments be used, these require separate authorization. The Researcher may therefore commence with the research as from the date of this certificate, using the reference number indicated above.

Please note that the UREC must be informed immediately of

- Any material change in the conditions or undertakings mentioned in the document
- Any material breaches of ethical undertakings or events that impact upon the ethical conduct of the research
The Principal Researcher must report to the UREC in the prescribed format, where applicable, annually, and at the end of the project, in respect of ethical compliance.

Special conditions: Research that includes children as per the official regulations of the act must take the following into account:

Note: The UREC is aware of the provisions of s71 of the National Health Act 61 of 2003 and that matters pertaining to obtaining the Minister’s consent are under discussion and remain unresolved. Nonetheless, as was decided at a meeting between the National Health Research Ethics Committee and stakeholders on 6 June 2013, university ethics committees may continue to grant ethical clearance for research involving children without the Minister’s consent, provided that the prescripts of the previous rules have been met. This certificate is granted in terms of this agreement.

The UREC retains the right to

- Withdraw or amend this Ethical Clearance Certificate if
  - Any unethical principal or practices are revealed or suspected
  - Relevant information has been withheld or misrepresented
  - Regulatory changes of whatsoever nature so require
  - The conditions contained in the Certificate have not been adhered to

- Request access to any information or data at any time during the course or after completion of the project.

- In addition to the need to comply with the highest level of ethical conduct principle investigators must report back annually as an evaluation and monitoring mechanism on the progress being made by the research. Such a report must be sent to the Dean of Research’s office

The Ethics Committee wished you well in your research.

Yours sincerely

[Signature]

Professor Wilson Akpan
Acting Dean of Research

20 April 2017
7 February 2017

TO WHOM IT MAY CONCERN

RE: REQUEST FOR CONDUCTING AN ACADEMIC RESEARCH

PROGRAMME : DOCTOR OF ADMINISTRATION (PHD)
NAME : Mr Makhosandile Kwaza

The above named is a registered student of the University of Fort Hare. As part of the requirements for completing his PHD degree, the student is expected to conduct a research and submit its findings accordingly.

We hereby request you to allow the student conduct a research in your institution and to interact with relevant selected office-bearers and officials. We have instructed the student to observe professionalism and ethical considerations by maintaining anonymity of the participants concerned. The student has also been advised to maintain strict confidentiality in his interaction with respondents.

Once the research is completed, it may be availed to your institution on request. We hope that the findings of the research will benefit your institution in particular and South Africa in general.

Please extend every assistance he stands in need.

Regards

EOC Ijeoma

www.ufh.ac.za
Appendix C

The Municipal Manager  
Amahlathi Municipality  
Sutterheim

Dear Sir

PERMISSION TO CONDUCT A RESEARCH AT AMAHLATHI MUNICIPALITY

1. I am currently employed as a General Manager: Internal Audit at Amathole District Municipality.

2. In an endeavour to enhance my knowledge I am registered for a Doctoral Degree in Public Administration at the University of Fort Hare. This degree is purely research based and my topic is “An Investigation into the utilisation of the Auditor-General’s reports in improving the audit outcomes at selected municipalities within Amathole District Municipality (2006 – 2015)”.

3. As a researcher I have amongst other municipalities selected your municipality.

4. Permission is hereby requested to conduct the above quoted research in your municipality.

5. I hope that my request will receive your best consideration.

Yours Faithfully

Makhosandile Kwaza

Approved/ not approved

Mr Socikwa  
Municipal Manager  
Amahlathi Municipality
The Municipal Manager  
Amathole District Municipality  
East London  
5200 

Dear Sir,

PERMISSION TO CONDUCT A RESEARCH AT AMATHOLE DISTRICT MUNICIPALITY

1. I am currently employed as a General Manager: Internal Audit at Amathole District Municipality.

2. In an endeavour to enhance my knowledge I am registered for a Doctoral Degree in Public Administration at the University of Fort Hare. This degree is purely research based and my topic is “An Investigation into the utilisation of the Auditor-General’s reports to improve governance at selected municipalities within Amathole District Municipality (2006 – 2014)”.

3. As a researcher I have amongst other municipalities selected Amathole District Municipality with two of its local municipalities i.e. Amahlathi and Ngqushwa municipalities.

4. Permission is hereby requested to conduct the above quoted research in your municipality.

5. I hope that my request will receive your best consideration.

Yours Faithfully

Makhosandile Kwaza

[Signature]

Approved / not approved

[Signature]

Mr. Chris Magwangqana 
Municipal Manager  
Amathole District Municipality
The Municipal Manager
Mbhaskhe Municipality
Dutywa

Dear Sir,

PERMISSION TO CONDUCT A RESEARCH AT MBHASKE MUNICIPALITY

1. I am currently employed as a General Manager: Internal Audit at Amathole District Municipality.

2. In an endeavour to enhance my knowledge I am registered for a Doctoral Degree in Public Administration at the University of Fort Hare. This degree is purely research based and my topic is "An Investigation into the utilisation of the Auditor-General’s reports in improving the audit outcomes at selected municipalities within Amathole District Municipality (2006 – 2013)".

3. As a researcher I have amongst other municipalities selected your municipality.

4. Permission is hereby requested to conduct the above quoted research in your municipality.

5. I hope that my request will receive your best consideration.

Yours Faithfully,

[Signature]

Makhosendele Kweza

Approved / not approved

[Signature]

Mr SV Poswa
Municipal Manager
MBHASHE MUNICIPALITY

P O Box 4921
King William’s Town
5600
30 January 2017

244
The Municipal Manager  
Ngqushwa Municipality  
Peddie  

Dear Sir

PERMISSION TO CONDUCT A RESEARCH AT NGQUSHWA MUNICIPALITY

1. I am currently employed as a General Manager: Internal Audit at Amathole District Municipality.

2. In an endeavour to enhance my knowledge I am registered for a Doctoral Degree in Public Administration at the University of Fort Hare. This degree is purely research based and my topic is "An Investigation into the utilisation of the Auditor-General’s reports in improving the audit outcomes at selected municipalities within Amathole District Municipality (2006 – 2015)".

3. As a researcher I have amongst other municipalities selected your municipality.

4. Permission is hereby requested to conduct the above quoted research in your municipality.

5. I hope that my request will receive your best consideration.

Yours Faithfully

Makhosandile Kwaza

Approved / not approved.

Mr T Mnyimba  
Municipal Manager  
Ngqushwa Municipality

APPROVED

NOT DONE

MUST BE DONE UNDER THE SUPERVISION OF AN INSTRUCTOR

P O Box 4121  
King William's Town  
5600  
25 January 2016
Appendix G

The University of Fort Hare
Bhisho Campus
P O Box 1153
Bhisho
5605

04 January 2017

Dear Sir/Madam

REQUEST FOR PARTICIPATION IN THE RESEARCH PROJECT CONDUCTED BY MR MH KWAZA

I am Makhosandile Kwaza, a Doctoral Degree student at the University of Fort Hare. This correspondence seeks to urge you to participate in my Doctoral Research Project by completing the attached questionnaire. The study seeks to investigate the utilisation of the Auditor-General’s reports in improving audit outcomes at selected municipalities within Amathole District Municipality for the period 01 July 2006 to 30 June 2015.

Permission has been granted by the selected municipalities and your municipality is one of the selected municipalities. Your responses are important in enabling me to obtain a full understanding of this topical issue and the findings will serve as an input on how municipalities could improve and maintain their audit outcomes.

The questionnaire should take you about 10 minutes to complete. The information you provide will be treated in the strictest confidence. You will notice that you are not asked to include your name anywhere on the questionnaire. The answers from your questionnaire and others will be used as the main data set for my research project.
Thank you for taking the time to complete this questionnaire. If you have any queries please do not hesitate to contact me on 082 537 8305 or email me on makhosandilek@amathole.gov.za.

Thank you for your assistance

Makhosandile Kwaza

General Manager: Internal Audit

Amathole District Municipality

Doctoral Candidate at the University of Fort Hare
**UTILISATION OF THE AUDITOR-GENERAL’S REPORTS IN IMPROVING AUDIT OUTCOMES QUESTIONNAIRE**

Instructions for completing this questionnaire

**Part A: Biographical information**

Please read the following biographical information requested below and place an X mark opposite the category that best describe your situation in your municipality.

*The following section is only applicable to municipal officials*

| Municipality          | Amahlathi |  |  |
|-----------------------|-----------|  |  |
|                       | Amathole  |  |  |
|                       | Mbhashe   |  |  |
|                       | Ngqushwa  |  |  |

<table>
<thead>
<tr>
<th>Department</th>
<th>Make your mark here</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Manager’s Office</td>
<td></td>
</tr>
<tr>
<td>Community Services</td>
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<td>Corporate Services</td>
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<td>Strategic Management and Planning Services</td>
<td></td>
</tr>
<tr>
<td>Local Economic Development</td>
<td></td>
</tr>
<tr>
<td>Legislative and Executive Support Services (L&amp;ESS)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level within the Municipality</th>
<th>Make your mark here</th>
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<tr>
<td>Top Management (Municipal Manager and Heads of Departments)</td>
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<tr>
<td>Middle level Managers</td>
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<tr>
<td>Low level Management</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Experience in the Municipality</th>
<th>Make your mark here</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td></td>
</tr>
<tr>
<td>1 – 5 years</td>
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<tr>
<td>6 – 10 years</td>
<td></td>
</tr>
<tr>
<td>More than 10 years</td>
<td></td>
</tr>
<tr>
<td>Overall experience</td>
<td>Less than 1 year</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Age group</td>
<td>Younger than 25 years</td>
</tr>
<tr>
<td>Gender</td>
<td>Male</td>
</tr>
</tbody>
</table>

The following section is only applicable to Councillors and members of Council Committees

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Amahlathi</th>
<th>Amathole</th>
<th>Mbhashe</th>
<th>Ngqushwa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio</td>
<td>Councillor</td>
<td>Executive Mayor/Mayor</td>
<td>Council Speaker</td>
<td>Member of MPAC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mayoral/Executive Committee Member</td>
<td>Audit Committee Member</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period within the municipality</th>
<th>Less than 5 years</th>
<th>1 – 5 years</th>
<th>6 – 10 years</th>
<th>10 – 15 years</th>
<th>More than 15 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>Female</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
Part B: Utilisation of the Auditor-General’s reports by the municipality

Read the following statements regarding the utilisation of the Auditor-General’s reports in your municipality. Make a cross against the response that matches your view most closely. The more honest you are in your responses, the more useful your feedback will be. Your response choices are as follows:

1. Strongly disagree
2. Disagree
3. Agree
4. Strongly agree

Preparation and implementation of the audit action plans

<table>
<thead>
<tr>
<th>1. Timing</th>
<th>[When does the municipality prepare and implement its audit action plans to address prior years’ findings]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>In each financial year, the audit action plans is prepared within 60 days after the AG’s reports has been issued to the municipality.</td>
</tr>
<tr>
<td>1.2</td>
<td>In each financial year, the issues raised in the AG’s report are addressed on a weekly, monthly and quarterly basis.</td>
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</tbody>
</table>

Comment about your experiences in your municipality

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........................................................................................................................................................................
## 2. Credibility

[Does the municipality prepare credible audit action plans that address the AG’s audit findings]

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>After preparation, the audit action plans are presented to the Departmental Management Committee for review.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>When the department is satisfied with the quality of the audit action plans, the audit action plans are presented to the Executive Management Committee (MM and HoDs) for review.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>In each financial year, the Mayoral Committee/Executive Committee reviews the audit action plans before they are tabled to Council for approval.</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2.4</td>
<td>In each financial year, the Audit Committee reviews the audit action plans for quality and credibility before they are tabled to Council for approval.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>In each financial year, the audit action plans are prepared to address the root cause of prior years' audit findings.</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Comment about the credibility of the audit action plans

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<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Implementation [Are the prepared audit action plans implemented on regular intervals]</td>
<td>3.1</td>
<td>The implementation of the audit action plans to address prior years’ audit findings have improved the audit outcomes in each financial year.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.2</td>
<td>Although the municipality has implemented the audit action plans to address prior years’ findings there is no improvement in the audit outcomes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.3</td>
<td>In the three previous financial years the audit outcomes of the municipality have not improved.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional comments

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........................................................................................................................................
4. Monitoring [Is there proper monitoring of the implementation of the audit action plans?]

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Progress on implementation of the audit action plans is monitored by the Departmental Management Committee on a monthly basis.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Progress on implementation of the audit action plans is monitored by the Executive Management Committee on a quarterly basis.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>Progress on implementation of the audit action plans is monitored by the Mayoral Committee/Executive Committee on a quarterly basis.</td>
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<tr>
<td>4.4</td>
<td>Progress on implementation of the audit action plans is monitored by the Audit Committee on a quarterly basis.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>4.5</td>
<td>Progress on implementation of the audit action plans is monitored by the Municipal Public Accounts Committee on a quarterly basis.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4.6</td>
<td>Progress on implementation of the audit action plans is monitored by the Council on a quarterly basis.</td>
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</table>

In your view, was monitoring exercised adequately?

............................................................................................................................................
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............................................................................................................................................
5. Other factors that could be influencing the non-improvement of audit outcomes [Are there any other factors that are affecting the non-improvement of the municipal audit outcomes?]

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>The instability in Council of the municipality has affected the municipal audit outcomes in a negative way.</td>
<td></td>
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<td>5.2</td>
<td>The changing of Municipal Managers by Council has somewhat affected the municipal audit outcomes in a negative way.</td>
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<tr>
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<td>The appointment of Section 56 managers on contract has somewhat resulted in instability in municipal management which could affect the municipal audit outcomes in a negative way.</td>
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Were there any other factors that negatively affected the municipal audit outcomes?

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- 
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Appendix H

The University of Fort Hare
Bhisho Campus
P O Box 1153
Bhisho
5605

04 January 2017

Dear Sir/Madam

REQUEST FOR PARTICIPATION IN THE RESEARCH PROJECT CONDUCTED BY MR MH KWAZA

I am Makhosandile Kwaza, a Doctoral Degree student at the University of Fort Hare. This correspondence seeks to urge you to participate in my Doctoral Research Project by completing the attached questionnaire. The study seeks to investigate the utilisation of the Auditor-General’s reports in improving audit outcomes at selected municipalities within Amathole District Municipality for the period 01 July 2006 to 30 June 2015.

Permission has been granted by the selected municipalities and your municipality is one of the selected municipalities. Your responses are important in enabling me to obtain a full understanding of this topical issue and the findings will serve as an input on how municipalities could improve and maintain their audit outcomes.

The questionnaire should take you about 10 minutes to complete. The information you provide will be treated in the strictest confidence. You will notice that you are not asked to include your name anywhere on the questionnaire. The answers from your questionnaire and others will be used as the main data set for my research project.
Thank you for taking the time to complete this questionnaire. If you have any queries please do not hesitate to contact me on 082 537 8305 or email me on makhosandilek@amathole.gov.za.

Thank you for your assistance

Makhosandile Kwaza

General Manager: Internal Audit

Amathole District Municipality

Doctoral Candidate at the University of Fort Hare
UTILISATION OF THE AUDITOR-GENERAL’S REPORTS IN IMPROVING AUDIT OUTCOMES QUESTIONNAIRE

Instructions for completing this questionnaire

Part A: Biographical information

Please read the following biographical information requested below and place an X mark opposite the category that best describe your situation in your municipality.

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<th>Experience in the Municipality</th>
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Age group

<table>
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<tr>
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</tr>
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<tbody>
<tr>
<td>25 – 35 years</td>
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</tr>
<tr>
<td>36 – 45 years</td>
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<tr>
<td>Older than 45 years</td>
<td></td>
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</tbody>
</table>

Gender

<table>
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<th></th>
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**Part B: Utilisation of the Auditor-General's reports by the municipality**

Read the following statements regarding the utilisation of the Auditor-General's reports in your municipality. Make a cross against the response that matches your view most closely. The more honest you are in your responses, the more useful your feedback will be. Your response choices are as follows:

1. Strongly disagree
2. Disagree
3. Agree
4. Strongly agree

**Preparation and implementation of the audit action plans**

**1. Timing** [When does the municipality prepare and implement its audit action plans to address prior years' findings]

<table>
<thead>
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### 2. Credibility

**Does the municipality prepare credible audit action plans that address the AG’s audit findings**

| 2.1 | After preparation, the audit action plans are presented to the departmental management committee for review. |
| 2.2 | When the department is satisfied with the quality of the audit action plans, the audit action plans are presented to the Executive Management Committee (MM and HoDs) for review. |
| 2.3 | In each financial year the, Mayoral Committee/Executive Committee reviews the audit action plans before they are tabled to Council for approval. |
| 2.4 | In each financial year, the Audit Committee reviews the audit action plans for quality and credibility before they are tabled to Council for approval. |
| 2.5 | In each financial year, the audit action plans are prepared to address the root cause of prior years’ audit findings. |

### 3. Implementation

**Are the prepared audit action plans implemented on regular intervals**

| 3.1 | The implementation of the audit action plans to address prior years’ audit findings have improved the audit outcomes in each financial year. |
| 3.2 | Although the municipality has implemented the audit action plans to address prior years’ findings there is no improvement in the audit outcomes. |
| 3.3 | In the three previous financial years the audit outcomes of the municipality have not improved. |
4. Monitoring [Is there proper monitoring of the implementation of the audit action plans?]

<table>
<thead>
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5. Other factors that could be influencing the non-improvement of audit outcomes [Are there any other factors that are affecting the non-improvement of the municipal audit outcomes?]

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