THE ROLE OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
IN THE FINANCIAL MANAGEMENT OF INTSIKA YETHU LOCAL MUNICIPALITY

BY

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Abstract

In an attempt to address the challenges of audit queries in a sustainable way and improve service delivery. Municipality should deal with causes of disclaimer and adverse opinion which are reflected on their audit report. This study focuses on the role of the Municipal Public Accounts Committee in the financial management of the Intsika Yethu Local Municipality.

Challenges facing the Municipal Public Accounts Committee include lack of capacity, lack of co-operation from municipal departments and lack of knowledge and skill in municipal management.

This study investigated the role of the Municipal Public Accounts Committee in the financial management of the Intsika Yethu Local Municipality. Particular attention was paid to the various roles played by the Municipal Public Accounts Committee making a contribution towards improving municipal financial management.
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CHAPTER 1
INTRODUCTION AND ORIENTATION OF STUDY

1.1 Introduction
This chapter introduces the study on the role of Municipal Public Accounts Committee in the financial management of Intsika Yethu Local Municipality. It gives a background to the study, problem statement, and objectives of the study, research questions, research methodology, ethical considerations, and the outline of chapters.

1.2 Background to the study
Intsika Yethu is a Local Municipality situated within the Chris Hani District Municipality in the Province of the Eastern Cape. The Municipality was established in terms of the Local Government: Municipal Structures Act (Act no. 117 of 1998), consisting of two main towns namely Cofimvaba and Tsomo. The rural component of the Municipality is composed of 221 villages with 21 wards.

South African Local Government Association (2011: 8) clearly stated that the main purpose of the Municipal Public Accounts Committee is to exercise oversight role over the executive functions of council and to ensure good governance in the Municipality. The South African Local Government Association report (2011: 3) points out that the Municipal Public Accounts Committee was established for ensuring that the executive implements programmes and plans in a way consistent with policy, legislation and the dictates of the Constitution. The oversight committee which is currently called Municipal Public Accounts Committee was established in the Intsika Yethu Local Municipality in order to comply with the requirements and improve the financial management system. Local Government Turn Around Strategy (2009: 54) points out that audit reports are uniformly poor for over half of the Municipalities, the origins of which start with their inability to manage their Annual Financial Statements and the systems and processes described in the Municipal Finance Management Act (Act 56 of 2003).

In his 2009 State of the Nation Address, President Jacob Zuma, pointed out that the financial environment is challenged by the poor skills base, weak support from Provinces and poor controls that leave the system open to abuse and fraudulent activity. Also, the demands of implementing the Property Rates Act (Act 6 of 2004) were underestimated as well as the
uneven application of systems, software and processes. The Municipal Public Accounts Committee was further established for monitoring the service delivery and the levels of performance of the municipality. It should also assess effectiveness, efficiency, service quality and municipal productivity and provide reports on service delivery and budget implementation plan. Such implementation should assess whether promised service delivery targets have been delivered. Auditor-General’s report (2010/2011) has identified lack of controls, mismanagement and lack of governance principle as the key reasons for the state of despair in Municipalities. The Department of Co-operative Governance and Traditional Affairs has launched an Operation Clean Audit 2014 campaign on 12 August 2009. State of Local Government in South Africa (2009: 56) points out that the aim is to address audit queries in a sustainable way to improve service delivery and ensure that by 2011, all Municipalities and Provincial departments have dealt with the causes of disclaimers and adverse opinions.

South African Local Government Association (2011: 88) points out that fiscal oversight refers to the act of overseeing the activities of the municipal administration relating to raising revenue and spending of the revenue on Council determined priorities. The roles of the Council with respect to fiscal oversight, the finance and Municipal Public Accounts Committee members play a crucial role. Finance committee members will therefore focus largely on the budget and budget aggregates of the Municipality when presented for approval before the beginning of the financial year to assess affordability and sustainability. Public Accounts Committee plays an important role in scrutinizing the spending of the municipal budget at the end of the financial year, which mirrors the work done by the finance committee before the beginning of the financial year. According to the National Treasury (2006: 105) regular in-year financial and performance reports, annual financial statements, the audit report and the annual report are all useful oversight documents that will assist councillors in performing their oversight role. Councillors will be required to use, understand and review in-year reports, annual financial statements, audit reports and annual reports in discharging their oversight over Municipalities and municipal entities. The new approach to municipal financial management places increased importance on oversight and accountability for the executive committee and all non-executive councillors. It is emphasized that the oversight committee of a Municipality cannot be a once off event which is confined to scrutinizing the financial statements, but must be on-going and aim at continuous
improvement in the manner in which the Municipality performs its functions and delivers its services to the community.

For this reason it is important that the Council of Intsika Yethu Local Municipality establishes a Committee that will perform the oversight function and report to Council on a quarterly basis. Report from Province of the Eastern Cape: Local Government and Traditional Affairs (05 October 2011) clearly states that the primary functions of the Municipal Public Accounts Committees shall be:-

- To review the municipal and any municipal entity’s quarterly, mid-year and annual reports and develop the oversight report on the annual report for consideration by Council.
- To assist Council to maintain oversight over the implementation of Supply Chain Management Policy.
- To examine the financial statements and audit reports of the Municipality and municipal entities, and in doing so, the committee must consider improvements from previous statements and reports.
- To evaluate the extent to which the Audit Committee’s and the Auditor General’s recommendations have been implemented.
- To promote good governance, transparency and accountability on the use of the municipal resources.
- To examine the Mid Year Review documents in line with Integrated Development Plans.
- To recommend or undertake any investigation in its area of competence on matters currently serving or has served before the committee.
- To seek any information and have access to it from any councillor/employee.
- To report to Council on the activities of the committee.
- To perform any other function assigned to the committee through a resolution of Council.
Local Government: Municipal Structures Act (Act 117 of 1998) provides that a municipality, taking into account the extent of its functions and powers, the need for delegation and the resources available, may establish committees. The oversight committee should be made up of only non-executive Councillors and representatives of the community and can be formed each year to deal with the annual report. Municipal officials cannot be members of an oversight committee as this would pose a conflict of interest. Assistance from the Municipality’s Audit Committee in the review process is also recommended as a major source of independent specialist advice.

The envisaged committee would on a continuous basis assess the implementation of programs in the Integrated Development Plan in terms of the Service Delivery and Budget Implementation Plan; as well as oversee the financial performance of the Municipality as reflected in the Annual Report and the Audit report.

The report from Province of the Eastern Cape: Local Government and Traditional Affairs (05 October 2011) points out that the oversight committee shall have the following roles and responsibilities:-

- Acting on behalf of Council to exercise oversight to ensure accountability, efficiency and effectiveness of both the executive arm of the council and the administration.
- Ensure that the Intsika Yethu Municipality complies will all the legislation governing local government
- Monitor the implementation of projects in terms of the Service Delivery Budget and Implementation Plan and report quarterly to the council on progress
- Notify council of any impending roll-overs on project spending and recommend corrective measures.
- Receive the Annual Report, prepare an oversight report on the annual report and present it to council in terms of section 129(1) of the Municipal Finance Management Act, (Act 56 of 2003).
- On a quarterly basis, exercise oversight on financial statements of the institution.

The committee shall be constituted as follows:-
• Council will appoint a chairperson as required by section 79(2) (c) of the Local Government: Municipal Structures Act (Act 117 of 1998) and other members of the council to be deployed to the committee.

• Six of council members to proportionally represent their political parties in the committee in terms of Schedule 1, item 2 of the Local Government: Municipal Structures Act (Act 117 of 1998) and their deployment should be in consideration of gender sensitivity;

• Council, in terms of section 79(2)(d) of the Municipal Structures Act (Act 117 of 1998), to authorize the committee to co-opt, when necessary not more than five, advisory members who are not members of the council.

The Municipal Manager’s office will drive the process and manage its implementation. Section 129 of the Municipal Finance Management Act (Act 56 of 2003) requires a municipality to prepare an oversight report over the annual report and to publicise it.

1.3 Problem Statement
The introduction of Municipal Public Accounts Committee in municipalities is a relatively new phenomenon. This also applies to the Intsika Yethu Municipality. In the audit report of 2010/2011 financial year the Auditor General find it difficult to give his opinion about the state of finance management of the Intsika Yethu Municipality. The report of the Municipal Oversight Committee of Intsika Yethu Municipality which could have shared more light in this regard could not be found by the researcher, in spite of the fact that such a document should be publicised. Hence the researcher has decided to investigate the role of Municipal Oversight Committee of Intsika Yethu Municipality in public finance management.

1.4 Objectives of the Study

The objectives of this study are:

• To assess the capacity of the members of the Intsika Yethu Municipal Public Accounts Committee in conducting the oversight function

• To investigate whether there is a need for training the members of the Municipal Public Accounts Committee in the Intsika Yethu Local Municipality.
To assess the role of the Municipal Public Accounts Committee in Municipal Finance Management

To investigate the challenges facing the Municipal Public Accounts Committee in the Intsika Yethu Local Municipality.

1.5 Literature Review

South African Local Government Association (2011: 180) defines oversight as the management of an organisation or institution or set of institutions and the individuals, structures and organs that constitute them – by overseeing, supervising, or more colloquially, checking on the performance or operation of a person or group within the institution. Oversight is also a system for addressing questions of potential risk in the implementation and administration of projects or programmes through establishing guidelines and regulations, or other structures and processes and involves reviewing and monitoring the activities and work of those responsible for implementing and administering the programmes. Oversight is not a subtle thing; it is about extracting a commitment from those who are responsible for doing certain things that they will be done in the context of the laws, and policies that prescribe how they would be done, and done in the public interest. Those responsible for doing them have the responsibility to report on what is being done and if not, why not. Oversight is both a condition and a process, in which information needs to be made available regarding structures, administration, implementation, processes, compliance and how these translate into the carrying out of the mandates that councillors decide are the priorities of the Municipality and who would implement them.

South African Local Government Association define the concept of oversight is related to the idea of accountability. Accountability is the extent to which decision-making is responsive to the needs of the people in a Municipality, is transparent, consultative and has systems in place to detect and punish wrong-doing or work not being done. Accountability is also both a condition and a process. As such citizens can ask serious questions and assess the degree to which Municipalities and their professional staff and officials as well elected councillors are accountable. Oversight has more than one meaning. These are:

- Oversight as direction-setting
- Oversight as supervision
Oversight as a part of monitoring the locality, identifying problems, devising appropriate solutions through by laws, policies, regulations or funding. This will include evaluating any interventions a Municipality may make and the performance of those officials responsible for implementing them.

Cott (2000: 226) defines municipal oversight committee as the most important new mechanism designed to increase government accountability. Oversight committees have yet to become an effective check on municipal governments or a space for dialogue between society and state. He points out that the most important reasons for this are the domination of the committees by political parties and the insufficient resources and technical support provided to civil society organizations. When local pressure fails, oversight committee may appeal to the central government.

Craythorne (2006: 290-294) points out that financial reporting involves reporting on a range of financial matters affecting public finances and making those reports publicly available. Financial reporting is also an essential requisite in a democracy because only when information about public finances is made available to the public may citizens hold their elected representatives accountable. He further defines audit as examination or investigation, in accordance with any applicable audit standards of those aspects to be reported on. He further points out that auditing is another tool which is used in a democracy to check on the prudence, or lack of it, of politicians and officials and to detect and punish fraud, theft and corruption.

Auditor-General (2012: 18) points out that Municipal Public Accounts Committee performs an oversight function on behalf of council and is not a duplication of and should not be confused with the roles and responsibilities of the audit committee or the finance portfolio committee. He defines audit committee as an independent advisory body that advises council and the executive on financial and risk matters and can report to the Municipal Public Accounts Committee who will be responsible for interrogating matters prior to consideration by council of final reports. The finance portfolio committee deals with financial management issues such as budgetary, revenue and expenditure management and supply chain management.

Auditor-General (2012: 19) listed the primary functions of the Municipal Public Accounts Committee as follows:-
• To consider any Audit Committee recommendation referred to council in respect of finance matters and to render an opinion on the acceptable recommendation;

• To report to council on the activities of the committee

• To review the municipal and any municipal entity’s annual report and develop the oversight report on the annual report;

• To review the municipal and any municipal entity’s annual report and develop the oversight report on the annual report;

• To examine the financial statements and audit reports of the municipality and municipal entities, and in doing so, the committee must consider improvements from previous statements and reports and must evaluate the extent to which the Audit Committee’s and the Auditor General’s recommendations have been implemented

• To review any proposal for improving efficiency, effectiveness and economy in the financial sphere of the organization

• To promote transparency and public accountability;

• To examine the Quarterly/Mid Year Review document;

• To recommend any investigation in its areas of competency to the executive committee or council.

1.6 Research Questions

What is the role of Municipal Public Accounts Committee of the Intsika Yethu Local Municipality?

What are the training needs of the Municipal Public Accounts Committee of Intsika Yethu Local Municipality?

What are the challenges facing the Municipal Public Accounts Committee of Intsika Yethu Local Municipality?
1.7 **Significance of the Study**

The study is important since it makes an analysis of obstacles faced by the Local Government in the course of execution of legislations and constitutional mandate. Recommendations could assist the municipality in addressing the shortfalls so that it can receive a clean and unqualified audit report.

The study could also be used for reference purposes by students undertaking studies in Public Administration. Furthermore, the study could assist in conscientising municipal authorities about the importance of monitoring performance of staff with a view to making an impact in municipal audit report.

1.8 **Research Design and Methodology**

Weinberg (2002: 1) believes that the study of research methods is simply the study of what we are really doing, or should be doing, when we discover. He further believed that if we accept that discovery entails learning something we did not already know, it becomes clear that acts of discovery inevitably occur against horizons composed of the already known. Whereas Lee (1999: 61) defines research methods as being the actual techniques and strategies employed to acquire knowledge and manipulate data. He further believed that qualitative research asks different kinds of questions from those posed within reductionist traditions, seeks systematically to describe and interpret issues and phenomena, and to generate new concepts and theories. Qualitative methods are appropriate when the research question pertains to understanding or describing a phenomenon about which little is known, when seeking to understand the inside point of view of the study participants and when context is integral to the question.

Silverman (2004: 1) believes that qualitative methods smooth out those contradictions and are in themselves a mysterious combination of strategies for collecting images of reality. The process of doing qualitative research presents a challenge because procedures for organizing images are ill-defined and rely on processes of inference, insight, logic, and luck, and eventually, with creativity and hard work, the results emerge as a coherent whole. Kumar (2008: 4-5) argues that research is, thus, an original contribution to the existing stock of knowledge making for its advancement. It is the pursuit of truth with the help of study, observation, comparison and experiment. In short, the search for knowledge through
objective and systematic methods of finding solution to a problem in research. He further believes that research methods may be understood as all those methods, techniques that are used for conducting of research. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically.

The research method used in this study is qualitative method in which semi-structured interviews have been conducted with the identified respondents. Two sets of interview schedules have been used. The interviews were administered directly by the researcher. This has helped the researcher to find out areas that the respondents find difficulty in understanding and clarifying them.

Cohen (2003: 93) argues that in qualitative style of research, researchers may use small sample sizes due to constraints of time and cost. The minimum size obtained will accurately represent the targeted population. Whereas Kumar (2005: 165) argues that in qualitative research the issue of sampling has little significances as the main aim of most qualitative inquiries is either to explore or describe the diversity in a situation, phenomenon or issue. Qualitative research does not make an attempt to either quantify or determine the extent of this diversity.

For the purposes of this study, purposive sampling was used to select ten members of Municipal Public Accounts Committee, Municipal Manager, Chief Financial Officer, and Mayor, Speaker and Budget and Treasury portfolio head, in total fifteen respondents in order to find out their views. Lyon (2012: 88) points out that purposive sampling will have a risk of bias, as certain groups may be excluded from the research either through being unknown to the researcher, through being hidden by the gatekeepers, or through potential participants hiding themselves away due to suspicion and mistrust. There will always be an element of self-selection in qualitative research sampling as some people are more likely to put themselves forward to agree to participate than others.

The researcher interviewed the Municipal Manager, ten members of Municipal Public Accounts Committee and also three councillors out of forty two, that is the Speaker of the council since the Municipal Public Accounts Committee directly report, the Mayor as the head of the institution and portfolio head budget and treasury who is responsible for the financial matters of the institution
1.9 Ethical Consideration
Kanyane (2008: 12) wrote that ethics deals with personal conduct and moral duty. It also deals with what is good and bad, with moral duty and obligation. The following ethical guidelines and practices were considered in this study:-

1. Anonymity:- participant’s names will not be disclosed

2. Confidentiality:- Hanekom (1997: 4) emphasizes that even if a researcher stumbles upon data of a confidential nature, publication which could be harmful to the persons or groups involved, the researcher should remember that the interests of the participants always prevails and that no confidential data should be published.

1.10 Chapter Layout

In Chapter 1 of this study, the research topic is introduced and its relevance is explained in the context of the Municipal Public Accounts Committee as an effective non-executive financial oversight mechanism. The research problem is developed and linked to the Municipal Public Accounts Committee and the research design and methodology are also explained.

Chapter 2 deals with the literature review. Key concepts are defined, especially concepts relating to accountability and oversight. It also provides an overview and an analysis of the legislative and regulatory framework within which municipalities function.

Chapter 3 documents the research design and methodology followed in undertaking this study. Use of the qualitative method is motivated and the research instrument is discussed.

Chapter 4 focuses on data analysis and interpretation.

Chapter 5 concludes the research by summarising and discussing the significant findings and conclusions. It also provides recommendations of the study.
CHAPTER 2

Literature Review

2.1 Introduction
A literature review is a systematic examination of knowledge available on a topic. In the case of an academic literature review, it involves the use of appropriate peer-reviewed articles (Dawidowicz 2012: 2). Local Government is mandated by the legislative framework to establish committees that will play an oversight role in the council. It is due to this legislation that Intsika Yethu Local Municipality elected ten members of the council, to perform an oversight role on the municipal matters as Municipal Public Accounts Committee. Amongst the primary functions of this committee is to promote good governance, transparency and accountability in the use of municipal resources. Municipal Public Accounts Committee will assist the council to hold the executive and municipal entities to account. Municipal Public Accounts Committee will also help to increase council and public awareness of the financial and performance issues of the municipality and its entities. It is also believed that Municipal Public Accounts Committee can request the support of both the internal and external auditors when necessary.

2.2 Oversight
Verwey, Lefko-Everett, Mohamed and Zamisa (2009: 52) points out that oversight should be seen as a constructive, critical process that enhances the alignment of the budget with human rights priorities and fosters targeted service delivery in favour of poor communities. Furthermore he wrote that an important precondition for effective oversight is a common understanding of political, as opposed to managerial, accountability. Oleszek (2012: 4) states that oversight denotes some form of legislative supervision or watchfulness of delegated authority to executive branch entities and officials. Furthermore he states that the fundamental objective of oversight is to hold executive officials accountable for the implementation of delegated authority. This objective is especially important given the huge expansion of executive influence in the modern era.

South African Local Government (2011: page) defines oversight as a concept that refers to the crucial role of legislatures in reviewing and monitoring the action of the executive organs of government. Oversight and monitoring contribute towards ensuring that the executive
implements programmes and plans in a way consistent with policy, legislation and the dictates of the constitution. Shah (2004: 30) points out that monitoring and oversight of local governments is an area of concern in both federal and unitary countries alike. For example, Section 139(1) (b) of the Constitution of the Republic of South Africa (1996) provides for the disbandment of local government in the event of failure to:

(i) Maintain national standards or meet minimum standards of service,

(ii) prevent actions prejudicial to the interests of another municipality or the nation as a whole,

(iii) Maintain economic unity.

National treasury (2006: 105) points out that councillors will be required to use, understand and review financial and performance reports, annual financial statements, the audit report and the annual report in discharging their oversight over municipalities and municipal entities. Executive committee, non-executive councillors and other political office bearers and officials will be held accountable for municipal service delivery. With this new level of accountability, elected political office bearers, residents, taxpayers and users of municipal services will be able to monitor whether public services are being delivered effectively and efficiently.

National Treasury (2006: 11) points out that the role-players responsible for exercising oversight include the council, which has overall responsibility for financial oversight. Other role-players support the council and these include the council committees of oversight and audit. The external auditors review the executive and administrative matters and reports to council.

Municipal oversight is critically important to make sure that public funds are spent in an efficient and effective manner. According to Honadle, Cigler and Costa (2004: 134) methods of oversight include: on-site inspection, both announced and unannounced, measuring goods and services against specifications, accounting and auditing procedures, performance measures, penalties, complaints monitoring, citizen satisfaction surveys, field observations and council hearings. Legislators from the ruling party should accept that oversight is not an exercise against their party, but a mandate intended to improve service delivery.
2.3 Accountability

Gottschalk (2009: 331) points out that accountability refer to situations in which someone is required or expected to justify actions or decisions. It also refers to situations where an officer bears the responsibility to someone or for some activity. He further points out that accountability has been called the mother of caution, and as such it has a prophylactic and deterrent effect. Accountability is a feature of systems, social institutions as well as individuals. It means that mechanisms are in place to determine who took responsible action and who is responsible. Van Dijk (2006: 46) points out that accountability means rendering account of the way public money is spent: for which purposes has it been spent and did this have the expected results? Local government is accountable to the municipal council and citizens. A utility is accountable to a variety of actors and groups, including the owner, the regulator, financing institutions and Non-governmental organizations or special interest groups.

According to Honadle, Cigler and Costa (2004: 134) municipal governments remain accountable for effective service delivery and the appropriate performance of functions. Public accountability does not evaporate simply because a service is outsourced. Contract monitoring and evaluation is an area where some local governments failed to do their jobs. The evaluation should assess what the organization is currently doing, how much it is doing, and how well it is doing it.

2.4 Municipal Public Accounts Committee

In its Municipal Public Accounts Committee report of 2011, the South African Local Government Association focuses on internal oversight as well as the establishment and effective functioning of Municipal Public Accounts Committee. According to Previs (2000: 59) internal oversight of the municipal administration is done by the Internal Audit Division and the Audit Committee.

In his speech on Municipal Public Accounts Committee, Khumalo (2011: 2-4) states that Municipal Public Accounts Committee becomes an equivalent municipal structure to deal with financial and related management aspects of municipalities. He further states that the intention of Municipal Public Accounts Committee is to provide guidance or committee that which will assist to enhance executive accountability and councillor oversight responsibilities at a local government level as recommended by section 129 of the Municipal Finance
Management Act, (Act No. 53 of 2003), the Constitution of the Republic of South Africa, (1996), the Municipal Systems Act, (Act 32 of 2000) and sections 33 and 79 of the Municipal Structures Act, (Act No. 117 of 1998). He also stated that the government of South Africa has set up a goal to have all municipalities strive towards the Operation Clean Audit by 2014.

According to the National Treasury (2011: 5) the Municipal Public Accounts Committee was established in terms of section 79 of the Municipal Structures Act, (Act 117 of 1998) and performs an oversight function on behalf of council and is not a duplicate of other committees of council, such as the Finance Committee or that of the Audit Committee. National Treasury further points out that Municipal Public Accounts Committee will undertake and manage similar functions and responsibilities for municipalities, as undertaken by the Standing Committee on Public Accounts in the national and provincial legislature, except for certain powers regarding subpoena of individuals. In the case of any irregular expenditure or any fruitless and wasteful expenditure incurred by the municipalities or municipal entities, the Municipal Public Accounts Committee will have the right to call upon the accounting officer of the municipality or the chairperson of the municipal entity’s board of directors to appear before it to provide information or clarity.

National treasury further believes that the Municipal Public Accounts Committee may engage directly with the public and consider public comments when received and will be entitled to request for documents or evidence from the Accounting Officer of a municipality or municipal entity. They can request the support of both the internal and external auditors when necessary. It should be noted that the standard rules for the council apply to Municipal Public Accounts Committee.

South African Local Government Association report (2011) points out that Municipal Public Accounts Committee will focus on internal oversight of the municipality. Internal oversight of the municipal administration is done by the Internal Audit Division and Audit Committee.

Auditor-General (2012: 18) states it clearly that Municipal Public Accounts Committee performs an oversight function on behalf of the council and is not duplication of and should not be confused with the roles and responsibilities of audit committee or the finance portfolio committee. Public accounts committee needs a clear division of labour and close coordination to ensure that plans and budgets are aligned and that implementation is subject to effective oversight.
Functions of Municipal Public Accounts Committee

Auditor-General report (2012: 19-20) points out the following functions of Municipal Public Accounts Committee:-

- Shall be to consider and audit committee recommendation referred to the council in respect of financial matters and to render an opinion on the recommendation;
- To report to the council on the activities of the committee
- To review the municipal and any municipal entity’s annual report and develop the oversight report on the annual report;
- To examine the financial statements and audit reports of the municipality and municipal entities, and in doing so, the committee must consider improvements from previous statements and reports and must evaluate the extent to which the audit committee’s and the Auditor-General’s recommendations have been implemented;
- To review any proposal for improving efficiency, effectiveness and economy in the financial sphere of the organization;
- To examine the Quarterly or Mid Year Review Document;
- To recommend any investigation in its area of competence to the executive committee meeting and the council

2.5 Internal Audit Unit

Cascarino and van Esch (2006: 5) and Institute of Internal Auditors defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

According to Cascarino and van Esch (2006: 8) Internal auditing responsibilities include:-

- Reviewing the reliability and integrity of financial and operating information
- Reviewing operational systems to ensure compliance with policies, plans, procedures, law and regulations;
• Reviewing the means of safeguarding assets and verifying their existence;

• Appraising the economy and efficiency of the use of resources

• Reviewing operational effectiveness

Internal audit can demonstrate its professionalism by adhering to the International Institute of Auditor’s Standards for the Professional Practice of Internal Auditing. Adherence can also assure the head of internal audit that internal audit is complying with company and departmental policies and procedures. The board of directors gains assurance that the internal audit function complies with internationally accepted norms, while the independent external auditors will be satisfied that the work of internal audit can be used as audit evidence for particular aspects of their work (Cascarino 2006: 8).

According to Kagermann, Kinney, Kuting and Weber (2008: 4) internal audit is an independent, objective assurance and consulting activity designed to assess the effectiveness of the control environment, add value, and improve an organization’s operations. The internal audit function is part of the internal monitoring system of the organization and therefore should be positioned within the organization such that the independence of internal auditors can be guaranteed. The internal audit should report functionality to the audit committee of the Board of Directors and administratively to the Chief Executive Officer of the organization. It should allow management to delegate its oversight function to the internal audit department. Pickett (2006: 8) writes that it is independence that makes the audit input invaluable to the board and its audit committee by providing an objective perspective on the way risk is being managed within the organization. Furthermore before audit plans can be properly formulated within a changing governance context, it needs to be made clear that audit has to step back from aspects of the business projects that it was previously immersed in.

According to Naidoo (2002: 144) the internal auditing function is an integral part of the corporate governance regime of most public companies and a number of larger private companies. The primary goal of internal auditing is to evaluate the company’s risk management, internal control and corporate governance processes and ensure that they are adequate and are functioning correctly. The internal audit function should be sufficiently independent of the activities audited to ensure that the fact that internal auditors may be
employees of the company does not hamper their independence and their ability to be objective. Internal audit should report at a level within the company that allows it to accomplish its responsibilities without undue interference, preferably the chairman.

At Intsika Yethu Municipality, the internal audit unit reports directly to the accounting officer that is the municipal manager.

According to Agard (2010: 419) internal controls are designed to provide reasonable assurance that the following organizational objectives are achieved:

a) Effectiveness and efficiency of operations,

b) Reliability of financial reporting, and

c) Compliance with applicable laws and regulations.

Furthermore internal auditing involves testing compliance with the organization’s policies and procedures. Internal auditor is an employee of the organization but may report directly to the audit committee.

Craythorne (2006: 297) writes that each municipality and each municipal entity must have an internal audit unit. The internal audit unit must:

- Prepare a risk-based audit plan and an internal audit programme for each financial year

- Advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to: Internal audit; internal controls; accounting procedures and practices; risk and risk management; performance management; loss control; for example theft and fraud; and compliance with the Act, the annual Division of Revenue Act and any other applicable legislation and

- Perform such other duties as may be assigned to it by the accounting officer.

Furthermore the internal audit function may be outsourced if the municipality or municipal entity requires assistance to develop its internal capacity and the council of the municipality or the board of directors of the entity has determined that this is feasible or cost-effective.
2.6 Risk-Based Internal Audit
Risk involves issues over the whole spectrum of conducting business and enterprise. A risk-based approach is more effective as it allows internal audit to determine whether controls are effective in managing the risks which arise from the strategic direction that a company, through its board, has decided to adopt. Internal audit should be risk-based and every year the internal auditors should furnish an assessment to the board generally on the system of internal controls and to the audit committee specifically on the effectiveness of internal financial controls (King III, 2009: 2).

Pickett (2006: 2) points out that risk-based audit planning has come to the rescue as a way of targeting high-risk areas helping the auditors achieve maximum value for their efforts. Griffiths (2005: 6-7) defines risk-based audit as a process, an approach, a methodology and an attitude of mind rolled into one. He further believes that the essence of risk-based audit is therefore customer-focused, starting with the objectives of the activity being audited, then moving on to the threats to achievements of those goals and then to the procedures and processes to mitigate the risks. Risk-based audit is therefore an evolution rather than a revolution, although attitudinal changes and the broader changes and the broader range of skills required together with the tools and techniques necessary to adopt the process and to become a world-class internal audit function. He further believes that the risk-based approach is to focus the audit effort primarily towards the most significant risks faced by the business. It is recognised, however, that the capability of internal audit to audit some activities, notably those of a technical or highly complex nature, is a key factor.

2.7 Financial Management
Financial management is increasingly seen as an issue of strategic management, the primary site of contestation and choice over development priorities, rather than purely a matter of implementation. Effective management of revenue, expenditure and debt is increasingly critical to the ability of municipalities to deliver on their developmental mandates.

Auditing plays a crucial role in financial management. It provides mechanisms to review and evaluate what has been done in past to determine whether public agencies keep accurate records, have adequate internal control, meet legal requirements and carry out administrative expectations.
Shim and Siegal (2008: 1) define financial management as the process of planning decisions in order to maximize the owners’ wealth. Financial managers have a major role in cash management, in the acquisition of funds and in all aspects of raising and allocating financial capital, taking into account the trade-off between risk and return.

2.8 Audit Committee
Harrel (2006: 26.17) points out that audit committee is defined as a formal audit committee, or committee that has been formally designated to have oversight over the financial reporting process, such as a finance or budget committee. He believes that many local governments do not have a formal audit committee or a committee that has been formally designated to act as an oversight body. In most situations, the entire governing body will participate in selecting the auditors and in receiving the audit report at a public meeting. Shah (2008: 307) further believes that accountability structures are evolving in local governments around the world, predominantly in representative forms of local governance with regular electoral control. However, the political and electoral systems that are used at the local levels show significant institutional variation. Although most local governments do have some form of separation of powers between councils and mayors, the distribution of authority and the level of oversight, as well as the electoral systems used to constitute governments, differ widely.

According to Spira (2002: 5) an audit committee is a committee of directors who are charge not with the running of the business but with overseeing how the business is controlled, reported on and conducted. The committee generally acts as liaison between auditor and the board of directors and its activities may include the review of the nomination of the auditors, overall scope of the audit, results of the audit, internal financial controls and financial information for publication. Audit committee is a board sub-committee of non-executive directors concerned with audit, internal controls and reporting matters. Whereas Miettienen (2008: 23) defines audit committee as a subcommittee of the board of directors which is particularly designated to oversee the company’s financial reporting process. Audit committee is expected to have a significant effect on audit committee composition and activities. Audit committees must pre-approve all audit services and permitted non-audit services provided by external auditors. In order to perform these duties effectively the regulations state that audit committees should meet relatively frequently.
Auditor-General report (2012: 15) states that audit committee is an independent advisory body that advises council and the executive on financial and risk matters and can report to the Municipal Public Accounts Committee who will be responsible for interrogation matters prior to consideration by council of final reports.

King III report (2009: 29) points out that audit committee is vital to ensure the integrity of integrated reporting and internal controls and identify and manage financial risks. Audit committee should be suitably skilled and qualified to deal with their responsibilities of overseeing integrated reporting and co-ordinating the activities of the various assurance providers. King III requires that the audit committee ensure the integrity of integrated report, on the effectiveness of internal financial controls. Audit committee should have oversight of financial reporting risks.

Braiotta, Gazzaway, Colson, and Ramamoorti (2010: 3) points out that audit committee’s role is to stand objectively between management, external auditors and capital provider – creditors, investors, owners, or donors – to ensure that they receive complete, timely and accurate financial information that has been subjected to the appropriate, but not excessive level of scrutiny, both internally and by external auditors. Pickett (2010: 132) points out that audit committee has a specialist role to consider audit and accountability and more recently corporate governance in whatever organizations it is established. He believes that even where there is a non-executive trust board or oversight committee or monitoring body, there is nonetheless a growing trend towards establishing formal audit committee in all parts of government and wider public bodies. He further believes that audit committee has a major responsibility in assuring that the mechanisms for achieving accountability and for reducing the risk of management override are in place and functioning.

Pickett K and Pickett J.M. (2010: 132) defines the purpose of audit committee as to give to the accounting officer on the adequacy of audit arrangements and on the implications of assurances provided in respect of risk and control in the organization. They are strongly encouraged as best practice in all central government bodies and should be a sub-committee of a board. Audit committee should have between five and ten members and is appointed to give advice to the accounting officer.

Turner (2005: 43) points out the following principles for Audit Committee: - recognize that the dynamics of each organization and audit oversight group are unique. The entire must
ensure the audit committee comprise the right individuals to provide independent and objective oversight. Elected officials and audit committees must continually assert that, and assess whether, the tone at the top embodies insistence on integrity and accuracy in financial reporting. The audit committee must demand and continually reinforce the ultimate accountability of the external auditor to the audit committee as representatives of stakeholders. Audit committees must implement a process that supports their understanding and monitoring of the specific role of the audit committee in relation to the specific roles of other participants in the financial reporting process; critical financial reporting risks; effectiveness of financial reporting, budgetary and compliance controls; independence, accountability and effectiveness of the external auditor; and transparency of financial reporting.

Turner (2005: 4-5) points out that internal audit can help audit committees by continuous providing an objective assessment of the state of the necessary accounting skills. Audit committee may find value in listing complex and high-risk financial reporting areas such as revenue recognition, cost capitalisation, structured transactions like derivatives and other financial instruments measured at fair value and accounts based on significant judgements like reserves and asset retirement obligations. Audit committees can get a good idea of different auditors’ capabilities through interviews and interactions with auditors during the proposal process. The audit committee should be confident about the auditors’ commitment to tell them the truth, the whole truth, and nothing but the truth. This confidence should extend the individuals on the audit engagement to the reputation and support systems internal to the audit firm.

Braiotta, Gazzaway, Colson, and Ramamoorti (2010: 7) points out that to meet its oversight responsibilities, the audit committee needs adequate resources, which typically come from the knowledge, skills and time of individual audit committee members, internal audit personnel, external auditors and other experts engaged independently by management. Audit committee members may also need to observe certain operations or accounting systems, especially those related to areas of high financial reporting risks. Audit committee also can follow up on areas of concern raised by the external auditors.
Cascarino and Esch (2006: 190) point out that audit committee play an important role in ensuring the independence of the internal audit function. The audit committee should carry the responsibility for monitoring and reviewing the internal audit process as follows:

- The audit committee should monitor and review the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board and the reasons for the absence of such a function should be explained in the relevant section of the annual report.
- The audit committee should review and approve the internal audit function’s remit, having regard to the complementary roles of the internal and external audit functions.
- The audit committee should approve the appointment or termination of appointment of the head of internal audit.
- In its review of the work of the internal audit function, audit committee should, inter alia:
  - Ensure that internal auditor had direct access to the board chairman and to the audit committee and is accountable to the audit committee.
  - Review and assess the annual internal audit work plan.
  - Receive a report on the results of internal auditors’ work on a periodic basis.
  - Review and monitor management’s responsiveness to the internal auditors’ findings and recommendations.
  - Meet with the head of internal audit at least once a year without the presence of management.
  - Monitor and assess the roles and effectiveness of the internal audit function in the overall context of the company’s risk management system.

Cascarino and Esch (2006: 190) clearly stated that the requirement for the appointment of an audit committee for South African companies is presently contained in the Johannesburg Stock Exchange listing requirements and thus applies to listed companies only. The Public Finance Management Act requires all public entities regulated by the Act to appoint an audit committee and legislation regulating the various types of financial institutions similarly requires the appointment of the audit committee.
Pickett (2011: 45) points out that the Institute of Internal Auditors suggests that the audit committee responsibilities include:

- Ensuring that financial statements are understandable, transparent, and reliable.
- Ensuring the risk management process is comprehensive and ongoing, rather than partial and periodic.
- Helping achieve an organization-wide commitment to strong and effective controls, emanating from the tone at the top.
- Reviewing corporate policies relating to compliance with laws and regulations, ethics, conflicts of interest and the investigation of misconduct and fraud.
- Reviewing current and pending corporate governance-related litigation or regulatory proceedings to which the organization is party.
- Continually communicating with senior management regarding status, progress, and new developments, as well as problematic areas.
- Ensuring the internal auditors have access to the audit committee and encouraging communication beyond scheduled committee meetings.
- Reviewing internal audit plans, reports, and significant findings
- Establishing a direct reporting relationship with the external auditors
- Balancing their role as advisor and counsellor to management with their fiduciary duty to monitor and oversee management is challenging for most audit committees.

Pickett (2010: 116) points out that audit committee assists the Board to review and assess the adequacy of internal accounting controls and financial reporting controls. It meets at least twice a year with the Management and auditors to determine the scope of the external and internal audit and to review the findings of its appointed auditors. Agard (2010: 419) points out that audit committee provides independent oversight over the accounting and financial reporting of the organization. All members of the committee should be financially literate and at least one should have enough expertise to understand and analyze the financial statements and evaluate the performance of the audit firm.
Audit committee must report fully to the board on its conclusions arising from internal audit assessment. This will give substance to the endorsement by directors of the effectiveness of internal controls in a company in the integrated report.

House of Common’s report (2011: 228-229) points out that Audit Commission was set up in 1993 as a self-funding, independent body to secure the audit of local authorities, promote and undertake value for money studies and to increase both the expertise of government auditors and the impact of external audit. It was also set up to improve the quality of local audit of other organisation, such as local health bodies, and an increasing amount of inspection activity across the local government sector. Following its establishment, the Audit Commission increased the professionalism and quality of local government audit and its in-house audit practice continues to be well-respected. The Audit Commission’s role developed under successive governments until, at the time of the last General Election, it encompassed:
- Assessment and inspection of the performance of councils, fire and rescue services and housing association.

Burke, Guy, and Tatum, (2008: 193) point out that the audit committee should perform the self-assessment in a formal meeting using a predetermined questionnaire. Each member of the committee should complete the questionnaire in advance of the meeting. Someone other than the chairperson or a member of the committee should receive the completed questionnaires and summarize the individual responses. The summary should be distributed to the entire audit committee prior to the meeting. The chairperson of the committee, prior to the meeting, should obtain input from senior management, internal auditor and external auditors about the committee’s effectiveness and efficiency. After review and discussions of the summarized responses and the inputs obtained from management and the internal and external auditors, the committee, with the concurrence of the board of directors, when needed, should make appropriate changes and improvements to committee processes and procedures.

2.9 Non-executive directors
Non-executive directors should bring an independent judgement to bear on issues of strategy, performance, resources, key appointments, and standards of conduct. Non-executive directors comprise the following categories: those who are not independent of management and do not have any benefits from the organisation other than their fee. This is not intended to exclude
persons being appointed a non-executive director who have a contractual nexus with the organization for reward or to prevent a non-executive director from acquiring shares in the organization by means of independent from the organisation (Mbuya: 2009).

2.10 Legislative Framework

2.10.1 Local Government: Municipal Structures Act, Act no. 117 of 1998

Municipal Structures Act deals with criteria for establishment of committees of the council. Section 33 states that a municipality may establish a committee provided for in this Act if – the municipality is of a type that is empowered in terms of this Act to establish a committee of the desired kind; the need for the delegation of those functions and powers in order to ensure efficiency and effectiveness in their performance and the financial and administrative resources of the municipality available to support the proposed committee.

Section 70 requires that a municipal council may 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. A municipal council may further appoint the members of such a committee from among its members and may dissolve a committee at any time. Subsection (2) states that the municipal council must determine the functions of a committee; may also delegate duties and powers. The municipal council may appoint the chairperson and may authorise a committee to co-opt advisory members who are not members of the council within the limits determined by the council.

Section 80 committees are provided to assist executive committee or executive mayor. Subsection (1-4) points out that if a municipal council has an executive committee or executive mayor, it may appoint in terms of section 79, committees of councillors to assist the executive committee or executive mayor. Such committees may not in number exceed the number of members of the executive committee or mayoral committee. The executive committee or executive mayor appoints a chairperson for each committee from the executive committee or mayoral committee. The executive committee may delegate any powers and duties of the executive committee or executive mayor to the committees. Such a committee must report to the executive committee or executive mayor in accordance with the directions of the executive committee or executive mayor.

Section 129 deals with oversight reports on annual reports requires that the council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council’s comments on the annual report, which must include a statement whether the council has approved the annual report with or without reservations; has rejected the annual or has referred the annual report back for revision of those components that can be revised.

In terms of section 129 (2), the accounting officer attend council and council committee meetings at which the annual report is discussed, for the purpose of responding to questions concerning the report. The accounting officer must submit copies of the minutes to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province. Subsection (3), requires the accounting officer to make public an oversight report within seven days of its adoption.

In terms of Section 129 (4)(a, b), National Treasury may issue guidelines on the manner in which municipal councils should consider annual reports and conduct public hearings, and the functioning and composition of any public accounts or oversight committees established by the council to assist it to consider an annual report.

Section 130 requires that the council meetings must be open to public and certain officials. In terms of subsection (1), the meetings of a municipal council at which an annual report is to be discussed, or at which decisions concerning an annual report are to be taken, must be open to the public.

Section 131 deals with issues raised by Auditor-General in audit report. In terms of subsection (1), a municipality must address any issues raised by the Auditor-General in an audit report. The mayor of a municipality must ensure compliance by the municipality with the obligation to address matters pointed out by the Auditor-General.

Section 165 that deals with internal audit unit clearly states that each municipality and each municipal entity must have an internal audit unit. The internal audit unit of a municipality or municipal entity must prepare a risk-based audit plan and an internal audit program for each
financial year. This unit must advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to internal audit, internal control; accounting procedures and practices; risk and risk management; performance management; loss control and compliance with the Act, the annual Division of Revenue Act and any other applicable legislation. This unit must also perform such duties as may be assigned to it by the accounting officer. The internal audit function referred to in subsection (2) may be outsourced if the municipality or municipal entity requires assistance to develop its internal capacity and the council of the municipality or the board of directors of the entity has determined that this is feasible or cost-effective.

Section 166 which is dealing with audit committee states that each municipality and each municipal entity must have an audit committee. An audit committee is an independent advisory body with 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, on matters relating to internal financial control and internal audits; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information and compliance with the Act, the annual Division of Revenue Act and any other applicable legislation.

Audit committee must respond to the council on any issues raised by the Auditor-General in the audit report and carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may request and perform such other functions as may be prescribed.

In performing its function, the audit committee has access to the financial records and other relevant information of the municipality or municipal entity and must liaise with the internal audit unit of the municipality and the person designated by the Auditor-General to audit the financial statements of the municipality or municipal entity.

2.10.3 Constitution of the Republic of South Africa, Act 108 of 1996

Section 195 of the Constitution of Republic of South Africa sets out the basic values and principles governing public administration, including requiring that a high standard of professional ethics must be promoted and maintained, efficient, economic and effective use of resources must be promoted and public administration must be accountable.
Local Government Municipal Systems Act, Act No. 32 of 2000, section 11(3) (j) lists the functions of council as the monitoring of the impact and effectiveness of any services, policies, programmes or plans.

2.10.5 National Treasury

2.10.5.1 National Treasury, Circular 11
National Treasury, Circular 11, has been developed to provide guidance on the preparation of the annual report and is issued after consultation with the Department of Provincial and Local Government. This circular aims to encourage continuous improvement in the standard of reporting by municipalities and to promote accountability to stakeholders. It also aims to consolidate reporting requirements by incorporating a range of information required by various stakeholders into the annual report reducing duplication and improving communication. This circular emphasises that every municipality and municipal entity must prepare an annual report for each financial year in accordance with the Municipal Finance Management Act. It is clearly stated in this circular that the purpose of annual report is to provide a record of the activities of the municipality or entity; to provide a report on performance in service delivery and budget implementation and to promote accountability to the local community. All municipalities and entities are required to carefully follow this circular to ensure compliance with the Municipal Finance Management Act and other relevant legislation. It is encouraged that annual reports must be aligned with the planning documents and municipal budget for the year reported on. This means that the Integrated Development Plan, in-year reports and annual report should have similar and consistent structures to facilitate understanding and to enable the linkage between plans and actual performance.

2.10.5.2 National Treasury, Circular No. 18
National Treasury, Circular No. 18 deals with matters of reporting, specifically in terms of the new accounting standards, the annual financial statements, disclosures and the approach to implementation. The introduction of new accounting standards, recommended by the Accounting Standards Board, and approved by the Minister of Finance, will mark a significant step in municipal financial reforms and will bring local government closer to international standards in financial reporting. These reforms included the introduction of Generally Accepted Municipal Accounting Practice, providing interim accounting standards
for local government while the national standards were developed. A number of national standards, known as Generally Recognised Accounting Practice have been released and are to be implemented over the medium term progressively replacing Generally Accepted Municipal Accounting Practice.

2.10.5.3 National Treasury, Circular No. 36
Auditing of Local Government in terms of the Municipal Finance Management Act, Act No. 56 of 2003 deals with audit opinion. It states that the objective of an audit of financial statements is to enable the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an identified reporting framework.

2.10.5.4 National Treasury, Circular No. 32 on Oversight Committee
This circular was issued in March 2006 and aims to provide councillors with practical guidance in financial governance and to assist in maintaining oversight within the broader governance context. This circular focuses on the oversight processes that councils must follow when considering the annual report and how to deal with the oversight report by encouraging continuous improvement and promoting accounting to stakeholders. In terms of Section 129 of Municipal Finance Management Act, Act No. 32 of 2003, an oversight report is required from all municipalities by the end of March every year. In this report the council has to state whether it –

- Approves the annual report
- Rejects the annual report and
- Refers the annual report back for revision

This circular defines oversight report as the final major step in the annual reporting process of a municipality. The oversight report is a report of municipal council and follows consideration and consultation on the annual report by the council itself.

2.11 Conclusion
In order for the Municipal Public Accounts Committee to be effective in executing its functions, the council must ensure that the Municipal Public Accounts Committee is supported by officials to coordinate and undertake research activities as required by the
committee work programme. The Municipal Public Accounts Committee will report to the council on the activities of the committee and include a report detailing its activities of the preceding and current financial years, the number of meetings held, the membership of the committee and key resolutions taken in the annual report. It should report to full council at least quarterly and may bring its items before council as and when necessary.

The full council should deliberate on the recommendations from the Municipal Public Accounts Committee at a meeting open to the public and must reach finality in the shortest possible time. The council must evaluate the performance of Municipal Public Accounts Committee on an annual basis.
CHAPTER 3

Research Design and Methodology

3.1 Introduction

This chapter documents the design and methodology followed during fieldwork. Use of the qualitative method is motivated and the research instrument is discussed. It also sets out the rational for electing to study the Intsika Yethu Municipal Public Accounts Committee as well as the research methodology and approach. By the time of this study, the intsika Yethu Municipal Public Accounts Committee had been in existence for more than three years. The research questions were aimed at establishing the role of the Intsika Yethu Municipal Public Accounts Committee on financial management.

3.2 Research Design and Methodology

Kumar (2008: 4-5) argues that research is, thus, an original contribution to the existing stock of knowledge making for its advancement. It is the pursuit of truth with the help of study, observation, comparison and experiment. Kumar (2008: 94) defines research design as a plan, structure and strategy of investigation so conceived as to obtain answers to research questions and problems. Furthermore, he points out that research design is a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. Kothari (2006: 8) defines research methodology as a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically.

3.3 Qualitative Research Method

The research method that was followed in conducting this study is of a qualitative nature because of the ability of this approach to interpret human and organisational behaviour. Weinberg (2002: 1) stated that the study of research methods is simply the study of what we are really doing, or should be doing, when we discover. Furthermore, if it is to be accepted that discovery entails learning something not already known, it becomes clear that acts of discovery inevitably occur against horizons composed of the already known. Whereas Lee
(1999: 61) defines research methods as being the actual techniques and strategies employed to acquire knowledge and manipulate data.

According to Hesse-Biber (2006: 3) the qualitative approach to research is a unique grounding- the position from which to conduct the research- that fosters particular way of asking questions and particular way of thinking through problems. According to Hakim qualitative research is concerned with individuals’ own accounts of their attitudes, motivations and behaviour. Furthermore, qualitative research is a system of inquiry which seeks to build a holistic, largely narrative, description to inform the researcher’s understanding of a social or cultural phenomenon. It takes place in natural settings employing a combination of observations, interviews and document reviews.

Lapan, Quartaroli and Riemer (2012: 85) point out that research methods are tools qualitative researchers use to investigate their research topic and construct their argument and decisions they make as to how to use those tools and with whom. Qualitative research methods are generally used in face-to-face situations in which the researcher is relating to the respondent. McMillan and Schumacher (1993: 479) define qualitative research as primarily an inductive process of organizing data into categories and identifying patterns among categories.

Kothari (2006: 4) mentioned that qualitative research asks different kinds of questions from those posed within reductionist traditions, seeks systematically to describe and interpret issues and phenomena, and to generate new concepts and theories. Qualitative methods are appropriate when the research question pertains to understanding or describing a phenomenon about which little is known, when seeking to understand the inside point of view of the study participants and when context is integral to the question.

The introduction of Municipal Public Accounts Committee is a relatively new phenomenon, hence the researcher decided to investigate the role of Municipal Public Accounts Committee of Intsika Yethu Municipality in the municipal finance management.

Research methods may be understood as all those methods, techniques that are used for conducting of research. Kothari, (2006: 2-5) points out that qualitative research is concerned with qualitative phenomenon relating to involvement of quality. Furthermore, qualitative
approach to research is concerned with subjective assessment of attitudes, behaviour and opinions.

Silverman (2004: 1) points out that qualitative method smooth out those contradictions and are in themselves a mysterious combination of strategies for collecting images of reality. The process of doing qualitative research presents a challenge because procedures for organizing images are ill-defined and rely on processes of inference, insight, logic, and luck, and eventually, with creativity and hard work, the results emerge as a coherent whole. Gillham (2000: 10) points out that research methods focus primarily on the kind of evidence that will enable you to understand the meaning of what is going on. Their great strength is that they can illuminate issues and turn up possible explanations: essentially a search for a meaning. Scientific researchers before they run their experiments, will often engage in qualitative-style investigations which lead to hunches about what modifications could be made to existing theory or how different results from those in the existing literature could be obtained. For case study researcher all evidence is of some value and this value has to be carefully appraised.

Sherman (2001: 175) points out that qualitative research is concerned with meanings as they appear to, or are achieved by, persons in lived social situations. Research of this kind cannot be carried out by people who see themselves as detached, neutral observers concerned with kind of observation, measurement, and prediction that are presumed to be unbiased, unaffected by the inquirer’s vantage point or in the world.

Lapan, Quartaroli and Riemer (2012: 17) mentioned that qualitative research is an approach that enables researchers to explore in detail social and organizational characteristics and individual behaviours and their meanings. Furthermore, qualitative research is always theoretically guided. The degree to which theory specifies or initiates and guides the process of data collection varies depending on which scientific paradigm the researcher prefers.

Methodology refers to blueprint or set of decisions and procedures that governs a study and renders it understandable to others and is subject to inquiry, critique and replication or adaptation to other settings. Furthermore, researchers should consider the following, i) which guiding research paradigm they follow, ii) what their research questions and sub-questions are in the initial stages of research, iii) what type of formative conceptual model they can develop with the information they have, iv) where, when and with whom they will conduct
the study, and v) what their sampling plans are. They also should consider what methods and tools they will use to collect their data.

Gerring (2007: 216) points out that the number of observations in qualitative research is limited compared to quantitative research, and concern the analysis of words rather than numbers. Furthermore he points out that the qualitative method is often associated with case studies.

3.4 Population and Sampling

For a clear understanding of the respondents to be used in a study, a distinction should be made between two concepts namely population and sample. Brynard and Hanekom (1997:43) point out that the population refers to objects, subjects, phenomena, cases, events and activities, which the researcher would like to study to identify data. Polit and Hungler (1993: 442) point out that population as the entire set of individuals (or objects) having some common characteristics. A specific relationship thus exists between the population and a sample. The population is thus the entire set from which the individuals or units of the study are chosen. In this study the targeted population was the members of Intsika Yethu Municipal Public Accounts Committee, the municipal councillors and officials.

Newman (2006:224) points out that a target population is required and that a target group is a specific pool of cases that are to be studied. It can be deduced that small sample sizes from the population should be used.

The size of the population then determines whether it would be appropriate to include all members of the population or not. Other issues to be given consideration when the population is chosen are time and cost effectiveness. The minimum size obtained accurately represents the targeted population. Babie and Mouton (2001: 100) point out that population is a group of participants from whom conclusions are to be drawn. Welman and Kruger (2001: 46) point out that population is the study object which may be individuals, groups, organizations, human products and events or conditions which they are exposed. The respondents were selected in a purposive manner by targeting key informants who on account of their positions or experience have more information. The objective was therefore to obtain the most information from the respondents.
By sampling is meant any portion of a target population as representative of that population. Moore (2012: 202) points out that a sample is a part of population from which we actually collect information. A sample is used to draw conclusions about the entire population. Gerrish and Lacey (2010: 142) point out that sampling is a necessary aspect of all social research as by definition it is not possible, except in exceptional and limited circumstances, to carry out a consensus that collects data from the total population. Sampling reduces the cost of research projects and also reduces the cost of research project and also reduces the time required to gather data.

Qualitative researchers are not so concerned with identifying the total population. They seek to identify key individuals that provide a rich source of data. Cohen (2003: 93) argues that in qualitative style of research, researchers may use small sample sizes due to constraints of time and cost. Whereas Kumar (2005: 165) argues that in qualitative research the issue of sampling has little significance as the main aim of most qualitative inquiries is either to explore or describe the diversity in a situation, phenomenon or issue. Qualitative research does not make an attempt to either quantify or determine the extent of this diversity.

For the purposes of this study, purposive sampling was used to select ten members of Municipal Public Accounts Committee and the Municipal Manager, Chief Financial Officer, Speaker, Mayor and Portfolio head budget and treasury department, in total the researcher selected 15 respondents in order to find out their views. Huysamen (1994: 44) points out that purposive sampling is the most important type of non-probability sampling. Judgement or purposive sampling gives the researcher a chance of selecting cases with a specific purpose. A purposive sample is one where people from a pre-specified group are purposely sought out and sampled. It is used to justify the inclusion of rich source of data that can be used to generate or test out the explanatory framework. Lyon (2012: 88) points out that purposive sampling will have a risk of bias, as certain groups may be excluded from the research either through being unknown to the researcher, through being hidden by the gatekeepers, or through potential participants hiding themselves away due to suspicion and mistrust. There will always be an element of self-selection in qualitative research sampling as some people are more likely to put themselves forward to agree to participate than others.
3.5 Case Study Approach

A case study was chosen in order to gain the in-depth knowledge of an individual and representative example of Intsika Yethu Municipal Public Accounts Committee. The Municipal Public Accounts Committee was established for monitoring the service delivery and the levels of performance of the municipality. It should also assess effectiveness, efficiency, service quality and municipal productivity and provides reports on service delivery and budget implementation plan. Such implementation should assess whether promised service delivery targets have been met.

Yin (2012: 4) points outs that a case study is an empirical inquiry about a contemporary phenomenon, set within its real-world context. Case study research assumes that examining the context and other complex conditions, related to the case being studied are integral to understanding the case. Gillham (2000: 1) points out that a case study is one which investigates the above to answer specific research questions and which seeks a range of different kinds of evidence, evidence which is there in the case setting and which has to be abstracted and collated to get the best possible answers to the research question.

Creswell (1994: 12) points out that in a case study, a single person, program, event, process, institution, organisation, social group or phenomenon is investigated within a specified time frame, using a combination of appropriate data collection devices. Gall (1996: 549) points out that case study are constructed to richly describe, explain, or assess and evaluate a phenomenon. The case is studied onsite within its natural context. The data gathering process is often interactive as the researcher associate with persons involved in the under study.

Lapan, Quartaroli and Riemer (2012: 34) point out that to obtain this information, qualitative researchers depend on primary and face-to-face data collection through observations and in-depth interviews. It can be carried out through case studies, interviews with people who have experiences, and observations in the place where study participants live, work, shop, and engage in leisure time activities. A case study approach was chosen in order to gain in-depth knowledge of an individual and representative example of a municipal public accounts committee. Case study is constructed to describe, explain, or assess and evaluate a phenomenon. The case is studies onsite within its natural context. Gagnon (2010: 1) points out that a case study makes it possible to observe and analyze phenomena as a single, integrated whole. Furthermore, the case method is said to be appropriate for describing,
explaining, predicting or controlling processes associated with a variety of phenomena at the individual, group and organizational levels.

Norman, Denzin and Yvonna (2007: 443) point out that case study is a common way to do qualitative inquiry. Merriam (2009: 40) points out that a case study is an in-depth description and analysis of a bounded system. Furthermore he believes that a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. Mustafa (2008: 4) points out that a case study is often termed a method, a technique, an approach to social reality and a mode of organising data in terms of chosen units. Case study is a technique which considers all pertinent aspects of a situation employing as the unit of study. It tries to understand the interplay of various complex and considers the extension of similar logic to the total phenomenon. Furthermore, case study is a way of organising social data so as to preserve the unitary character of the social object being studied. It is also the form of qualitative analysis involving the very careful and complete observation of a person, a situation or an institution.

3.6 Research Instrument

The research instrument used was the interview guide for semi-structured in-depth interviews. The interviews were administered by the researcher and that helped the researcher in finding out areas that the respondents find difficulty in understanding and clarify them. Semi-structured interviews contain specific research questions, employed by the researcher to guide the interview, but the use of these questions in any given interview is often at the discretion of the researcher, who may or may not decide to ask these questions.

The interviewees remarked that they were in need of more clarity and that they were awaiting training from appropriate subject expert to provide such clarity. In semi-structured interviews the researcher has a list of questions or fairly specific topics to be covered, often referred to as interview guide, but the interviewee has a great deal of leeway in how to reply. Questions may not follow on exactly in the way outlined on the schedule.

Merriam (90) points out that interviewing in qualitative investigations is more open-ended and less structured. Less structured formats assume that individual respondents define the world in a unique ways. A semi-structured interview is in the middle between structured and unstructured. In this type of interviews either all of the questions are more flexibly worded or
the interview is a mix of more and less structured questions. But largest part of the interview 
is guided by a list of questions or issues to be explored and neither the exact wording nor 
order of the questions is determined ahead of time. This format allows the researcher to 
respond to the situation at hand, to the emerging worldwide of the respondent and to new 
ideas on the topic.

Semi-structured interview approach was chosen in order to obtain a detailed and informed 
perspective of the case of the Intsika Yethu Municipal Public Accounts Committee because 
face-to-face interviews are usually more accurate that other data collection methods. Colwel 
(2006: 295) points out that interviews are conducted not as surveys of how people feel but 
primarily to obtain observations that the researcher is unable to make directly, secondarily to 
capture multiple realities or perceptions of any given situation and finally to assist in 
interpreting what is happening. When standardised information is needed from large numbers 
of people, the written survey is more efficient but most qualitative researchers want to probe 
more deeply than is possible with questionnaires. Furthermore, he believes that semi-
structured interviews, with topics or questions predetermined, allow latitude for probing and 
following the interviewee’s sense of what is important. Unfortunately, they are costly to 
administer and time-consuming in analysis.

Morse and Field (2002: 75-76) points out that semi-structured interview is used when the 
researcher knows most of the questions to ask but cannot predict the answers. It is useful 
because this technique ensures that the researcher will obtain all information required, while 
at the same time permitting the participant freedom of responses and description to illustrate 
concepts. Semi-structured interviews use open-ended questions. Furthermore, because semi-
structured questionnaire provides participants with the freedom to explain a situation in their 
own words, the researcher must try to establish a conversational tone during interview. Try to 
get the participant talking, telling stories describing the incidents and ask for examples and 
stories.

According to Hesse-Biber (2010: 98-99) an in-depth interview is a commonly used method 
of data collection employed by qualitative researchers. It uses individuals as point of 
departure for the research process and assumes that individuals have unique and important 
knowledge about the social world that is ascertainable and that can be shared through verbal 
communication. He further points out that in-depth interview are a particular kind of
conversation between the researcher and the interviewee that requires active asking and listening. The process is a meaning-making endeavour embarked on as a partnership between the interviewer and his or her respondents. They are less time-consuming.

Data collection by the researcher started on the 1 July 2012. The researcher made an appointment with ten members of Intsika Yethu Municipal Public Accounts Committee and the appointment was scheduled for the 10 July 2012. She held interviews with ten members, Chief Financial Officer, Municipal Manager, Speaker of the council, Mayor and Portfolio head budget and treasury department. The researcher managed to interview fifteen respondents she targeted.

The researcher interviewed the Municipal Manager, Chief Financial Officer, ten members of Municipal Public Accounts Committee and also three councillors. That helps the researcher to find out areas that the respondents collect data required for the study. The researcher was privileged to attend meeting for observation purposes where Intsika Yethu Municipal Public Accounts Committee presented their report.

The questions in the interview schedules were based on financial role played by Intsika Yethu Municipal Public Accounts Committee. Attendances of meetings by the members of Intsika Yethu Municipal Public Accounts Committee are high. At the meeting observed by the researcher, all members were in attendance. Vague, double-barrelled and threatening questions were avoided. The notes made by the researcher during the observation of committee meetings were typed.

The sources for primary data were easily accessible and helpfulness of the support staff and willingness of chairperson of Municipal Public Accounts Committee. The researcher was privileged to have attended two meetings where the Municipal Public Accounts Committee presented their report.

3.7 Conclusion

This chapter explains the research method and research instrument that the researcher used. The indepth-interviews with members of Intsika Yethu Municipal Public Accounts
Committee, Municipal Manager, Chief Financial Officer, and Mayor, Speaker and Budget and Treasury portfolio head provided high quality data that assisted the researcher to reach the conclusion set out in the next chapter. The researcher considered the research questions and sampling plans. Sample was used to draw conclusion about the entire population. The researcher also considered what method and tools were used to collect the data. The minimum size obtained accurately represents the targeted population.
CHAPTER 4
DATA COLLECTION AND INTERPRETATION

4.1 INTRODUCTION

This chapter deals with data collection and interpretation. It builds over the research methodology which was presented in chapter three. The main focus of this chapter is data collection and interpretation. The data gathered from the members of Municipal Public Accounts Committee, Municipal Manager and Chief Financial Officer, and Mayor, Speaker and Budget and Treasury portfolio head is presented and analyzed.

4.2 Analysis of Responses from the Intsika Yethu Municipal Public Accounts Committee

4.2.1 Membership of the Intsika Yethu Municipal Public Accounts Committee

When participants were asked the duration of their membership of the Intsika Yethu Municipal Public Accounts Committee, the following data was obtained.

Table 1

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Frequency</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2011</td>
<td>5</td>
<td>50%</td>
<td>10</td>
<td>100%</td>
</tr>
<tr>
<td>2012</td>
<td>5</td>
<td>50%</td>
<td>2</td>
<td>20%</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

✓ 5 said they were members of Municipal Public Accounts Committee as from 2009 to 2011.
✓ 5 said they were members of Municipal Public Accounts Committee as from 2012.
It can be deduced from the responses that some respondents have been members of the Municipal Public Accounts Committee for 5 years and therefore they should be familiar with the functioning of the committee as well as the challenges facing it. They are ten non-executive committee members.

4.2.2 The establishment of Intsika Yethu Municipal Public Accounts Committee

When participants were asked how long they have been aware of the establishment of the Municipal Public Accounts Committee, the following data was obtained.

Table 1

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Frequency</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than two years</td>
<td>5</td>
<td>50%</td>
<td>5</td>
<td>20%</td>
</tr>
<tr>
<td>More than two years</td>
<td>5</td>
<td>50%</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5 said the Municipal Public Accounts Committee was established for more than two years.

5 said the Municipal Public Accounts Committee was established for less than two years.

It can be deduced from the responses that since they are members of Intsika Yethu Municipal Public Accounts Committee, they are aware that the committee was established for performing an oversight function on behalf of the council.

4.2.3 Role and function of the Municipal Public Accounts Committee in Intsika Yethu Local Municipality

When they were asked what is the role and function of Municipal Public Accounts Committee, the following data was obtained.
Table 2

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Frequency</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good governance</td>
<td>3</td>
<td>30%</td>
<td>3</td>
<td>30%</td>
</tr>
<tr>
<td>Oversight role</td>
<td>7</td>
<td>70%</td>
<td>8</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>100%</strong></td>
<td><strong>8</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

FIGURE 2

- 3 said the Municipal Public Accounts Committee ensures good governance
- 7 said the Municipal Public Accounts plays an oversight role
From the responses the majority of members know their role and function as Municipal Public Accounts Committee. It can be deduced that all members are aware about the role and function they are playing. The members of the Municipal Public Accounts Committee play an oversight role on how the municipality spend public funds by examining the financial statements and audit report. They also promote good governance, transparency and accountability on the use of municipal resources. Furthermore, they should review the municipal and any municipal entity’s annual report and develop the oversight report on the annual report. They should ensure the transparency in the implementation of programs and further consider and evaluate the content of the annual report and make recommendations to the council.

### 4.2.4 Access of information on duties of the Intsika Yethu Municipal Public Accounts Committee

When they were asked about how do they get information about their duties they responded by saying that they interrogate reports from all municipal departments. They also get support from internal audit unit and external auditors and by making use of annual report, checking annual financial statements, audit report and interrogating auditors’ management letters and checking action plan.

<table>
<thead>
<tr>
<th>Table 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Response</strong></td>
</tr>
<tr>
<td>Interrogation of reports</td>
</tr>
<tr>
<td>Workshop/training</td>
</tr>
<tr>
<td>Annual reports</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>
6 said the Municipal Public Accounts Committee get information through interrogation of auditors’ management letter and annual reports

4 said the Municipal Public Accounts Committee get information through workshop.

From the responses it can be deduced that Intsika Yethu Municipal Public Accounts Committee interrogates the Auditor Generals’ management letter and annual reports. They are also supported by the Internal Audit Unit. They recommend any investigation in its area of competence to council.

4.2.5 Financial Management role of Intsika Yethu Municipal Public Accounts Committee

When they were asked whether the Intsika Yethu Municipal Public Accounts Committee plays the financial management role, they responded by saying that as members of Intsika Yethu Municipal Public Accounts Committee they should consider any Audit Committee recommendations referred to council in respect of finance matters and should render an opinion on the acceptable recommendations. They should also examine the financial statements and audit reports of the municipality and municipal entities, and in doing so, the
committee must consider improvements from previous financial statements and reports. They must evaluate the extent to which the Audit Committee’s and the Auditor General’s recommendations have been implemented. They should also review any proposal for improving efficiency, effectiveness and economy in the financial sphere of the organization. They are aware that they should examine the quarterly or midyear review documents.

From the responses it can be deduced that the Intsika Yethu Municipal Public Accounts Committee examine the financial statements and audit reports of the municipality.

### 4.2.6 Challenges facing Municipal Public Accounts Committee

When they were asked about the challenges facing Municipal Public Accounts Committee, all members responded by saying that it is the incapacity and noncompliance. Lack of follow-up as far as the implementation of recommendations is concerned.

TABLE 4

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative frequency</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incapacity</td>
<td>8</td>
<td>80%</td>
<td>8</td>
<td>100%</td>
</tr>
<tr>
<td>Non-compliance</td>
<td>2</td>
<td>20%</td>
<td>2</td>
<td>20%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From the responses it can be deduced that all members must be trained on roles and responsibility of Municipal Public Accounts Committee and all members needed to be capacitated on production of the oversight report on behalf of the council. There is lack of follow-up on implementation of recommendations.

4.3 Analysis of responses from the Municipal Manager and the Chief Financial Officer of Intsika Yethu Local Municipality

4.3.1 Functioning of the Intsika Yethu Municipal Public Accounts Committee

When they were asked about functioning of the Intsika Yethu Municipal Public Accounts Committee, they responded by saying that this committee is newly established and requires training so that it is able to meet its minimum standards. They further said that Municipal Public Accounts Committee verifies municipal projects and the implementation of Service Delivery and Budget Implementation Plan.

From the responses it can be deduced that the members of Municipal Public Accounts Committee need training and internal support is also needed since it was noted that the support given is minimal.
4.3.2 Support to the Intsika Yethu Municipal Public Accounts Committee
When asked whether the members of the Municipal Public Accounts Committee need support, they responded by saying that support from all internal departments in terms of responding to their request on time is needed. The committee still needs resources so as to do its functions. The committee must also be assisted on report writing and the way to ask information.

From the responses it can be deduced that the members of Municipal Public Accounts Committee need internal support. The Municipal Manager and Chief Financial Officer should ensure that the frequency of meetings and agendas of council, committees and portfolios, facilitate timely and effective oversight. The success lies in the segmenting of oversight into daily, monthly and annual activities of the municipality. Furthermore, it is critical that the Municipal Manager must facilitate the flow of information to those charged with oversight to ensure that their oversight is timely, credible, based on relevant and accurate information and in a format that is understandable and transparent.

4.3.3 Capacitating of Intsika Yethu Municipal Public Accounts Committee
When they were asked about the training of Intsika Yethu Municipal Public Accounts Committee, they responded by saying that Local Government has trained the committee members. All members of the committee attended training organised by Department of Local Government and Traditional Affairs.

From the responses it can be deduced that the members of Intsika Yethu Municipal Public Accounts Committee were trained but the training was minimal. There are numerous tools available to assist in the oversight activities within the municipal sphere. However, at the forefront of these tools are the bodies that can provide assurance to council on matters of financial management.

4.3.4 Challenges facing Intsika Yethu Municipal Public Accounts Committee
When they were asked about challenges facing the Municipal Public Accounts Committee they responded by saying that incapacity is a challenge. The committee and the municipality are not well vest about the functioning of the committee.

From the responses it can be deduced that Intsika Yethu Municipal Public Accounts Committee does not have capacity to perform their roles and functions.
4.3.5 How to address the challenges of Intsika Yethu Municipal Public Accounts Committee?

When they were asked what should be done to address the challenges of Municipal Public Accounts Committee, they responded by saying that when the council appoints the Municipal Public Accounts Committee the criteria and qualification on education level should be set. Furthermore, they said that continuous training to committee members so as to be able to perform their duties is needed.

It can be deduced that continuous training for members is needed and the municipality must be capacitated on the roles and responsibility of the Municipal Public Accounts Committee.

4.4 Analysis of responses from the Mayor and the Speaker of the Intsika Yethu Local Municipality

When they were asked about functioning of the Intsika Yethu Municipal Public Accounts Committee, they responded by saying that this committee aligned its programme to that of the council for better accountability. They further said that the committee also works in close co-operation with audit committee. When asked if members of Municipal Public Accounts Committee do need support and they responded by saying that the committee is fairly new considering the term since 18 May 2011 and the members of the committee had joined council for the first time. It can be deduced that Municipal Public Accounts Committee works in close co-operation with the audit committee and the council of Intsika Yethu Local Municipality.

When asked about support provided to the Intsika Yethu Municipal Public Accounts Committee, they responded by saying that the Corporate Services Manager has been given a responsibility to coach the committee. Also secretariat support is provided so that it could provide credible reports to council. It can be deduced that there is support provided to the committee although it is minimal.

When asked about the training of members of Intsika Yethu Municipal Public Accounts Committee, they responded by saying that the members attended training programmes organised by the Department of Local Government and Traditional Affairs of the Province of the Eastern Cape. The form of training presents itself in the form of five days workshop. It can be deduced that members need more training. When asked about challenges facing the Municipal Public Accounts Committee they responded by saying that as members they face
duality of roles that is, ward councillors or composite committee membership versus their oversight functions. The other challenges faced by the committee members are legislative understanding and culture of reading and also objectivity versus representing their political constituencies. When they were asked what should be done to address the challenges of Municipal Public Accounts Committee, they responded by saying that members should focus on Municipal Public Accounts Committee only and not play dual roles in council. They should also be trained in in-depth understanding of relevant legislations. Training should also include capacitating members of Municipal Public Accounts Committee on how to perform oversight whilst representing interests of their respective political parties. It can be deduced that continuous training for members is needed and that the members of Intsika Yethu Municipal Public Accounts Committee should be trained on performing the dual role expected from them.

4.5 Summary

Members of the Municipal Public Accounts Committee play an oversight role on how the municipality spends public funds by examining the financial statements and audit report. Municipal Public Accounts Committee members are aware about the existence and establishment of the committee. They also promote good governance, transparency and accountability on the use of municipal resources by making sure that municipal service delivery is done on a transparent manner. They also contribute towards ensuring that there is transparency in the implementation of programs and further consider and evaluate the content of the annual report and make recommendations to the council. The challenge of incapacity and non-compliance was raised and therefore it should be addressed.
CHAPTER 5

SUMMARY, FINDINGS AND RECOMMENDATIONS

5.1 INTRODUCTION
This chapter gives a summary of the study as well the findings and recommendations. It also presents the findings of the study.

5.2 SUMMARY
The study was about the role of the Municipal Public Accounts Committee in the financial management of Intsika Yethu Local Municipality. A background to the study was given. The council of the Intsika Yethu Municipality established the Municipal Public Accounts Committee which performs the oversight function and report to council on a quarterly basis. The problem statement pertaining to the role of the Municipal Public Accounts Committee of the Intsika Yethu Local Municipality in public finance management was explained. The objectives of the study which deals with assessing the capacity and the role of Municipal Public Accounts Committee and the investigation of the challenges facing the committee were discussed. Literature review and research questions were also discussed. Significance of the study, research design, methodology and ethical considerations were explained.

In the second chapter, literature review that explains the roles and functions of Municipal Public Accounts Committee, internal and external auditors was given. Risk based internal audit and legislative framework were also explained.

In Chapter three, the research design and methodology were discussed. It was learnt that the research design is the basic plan which guides the data collection and analysis phases of the research project. The permission to conduct research was requested at the Intsika Yethu Local Municipality and all targeted respondents interviewed.

The qualitative research method was adopted and used in the study. Qualitative research method was utilised because it was deemed appropriate for this study. It was highlighted that
qualitative research focuses more on words based research rather than on numbers based research.

The case study was used as a research strategy because it typically observed that characteristics of an individual unity rather than manipulating variables to determine usual significance concerned with instances of representative sample.

Data collection instrument used in this study was interviews because the researcher was interested in other people’s stories and it was found that interviews are the form of interaction between two or more people which results in a gain of knowledge based on experience of the participants.

The target population of this study consists of the members of Intsika Yethu Municipal Public Accounts Committee, the Municipal Manager, Chief Financial Officer, Mayor, Speaker and Budget and Treasury portfolio head. The sample was drawn from the targeted population. Then the data collection procedure was clearly defined and stipulated and response rate was explained.

Empirical study that deals with data collection and interpretation was discussed. Data which was collected from the members of Intsika Yethu Municipal Public Accounts Committee, Municipal Manager, Chief Financial Officer, Speaker and the Mayor was interpreted.

The last chapter deals with findings of the study and recommendations. It was clear that during the time of research the committee lacks skill and resources. The chairperson of the Intsika Yethu Municipal Public Accounts Committee is a part-time councillor as a result he does not have enough time to perform his Committee duties.

**5.3 FINDINGS OF THE STUDY**

**5.3.1 Lack of Capacity**

One of the issues raised by respondents was lack of capacity in the members of the Municipal Public Accounts Committee. This committee is supposed to, among others, promote good governance, transparency and accountability on the use of municipal resources by making sure that municipal service delivery is done on a transparent manner. Furthermore, it this Committee is supposed to evaluate the content of the annual report and make recommendations to the council. In order to fulfil these functions in an efficient and effective
manner, there is a need for certain skills among the members among those members of the Committee. The study has found that there is lack of skills to the members of the Municipal Public Accounts Committee in this regard.

5.3.2 Lack of co-operation from municipal departments

The interviewee reported that the Intsika Yethu Municipal Public Accounts Committee struggled to obtain information from municipal departments. When they experienced those difficulties they do not report to the Municipal Manager instead they present a report to the council that they are struggling to receive information to municipal departments.

The Intsika Yethu Municipal Public Accounts Committee should consider an arrangement with the Municipal Manager in terms of which complete and speedy information is provided to the committee upon first request. The Municipal Manager as an Accounting Officer should be present at all meetings of the committee to ensure that all necessary information pertaining to the matters before the Intsika Yethu Municipal Public Accounts Committee is provided.

5.3.3 Lack of adequate training

Members of the Municipal Public Accounts Committee attended training programmes organised by Department of Local Government and Traditional Affairs Eastern Cape. The form of training presents itself in the form of five days workshop. However, it was made abundantly clear by the respondents that that training was not enough. Furthermore the shortage of skills mentioned in section 5.3.1 makes it clear that there is a need for training the members of the Municipal Public Accounts Committee.

5.3.4 Lack of knowledge and skill in municipal finance management

Members of Intsika Yethu Municipal Public Accounts Committee are approaching the budget and treasury department to account on the expenditure of public funds. They also play an oversight on how the audit plan addresses issues raised by Auditor General. This committee reports directly to the council on matters concerning the management of public funds. As members of Intsika Yethu Municipal Public Accounts Committee, they should consider any Audit Committee recommendations referred to council in respect of finance matters and should render an opinion on the acceptable recommendations. They should also examine the financial statements and audit reports of the municipality and municipal entities, and in doing so, the committee must consider improvements from previous financial statements and
reports. They must evaluate the extent to which the Audit Committee’s and the Auditor General’s recommendations have been implemented. They should also review any proposal for improving efficiency, effectiveness and economy in the financial sphere of the organization. They are aware that they should examine the quarterly or midyear review documents. However, some members of the Municipal Public Accounts Committee lack basic knowledge and skills of interpreting information and statements pertaining to financial management, hence the effectiveness of the Committee relating to the performance of the above mentioned functions is lacking.

5.3.5 Multiple roles are challenging for some members of the Municipal Public Accounts Committee

Members of Municipal Public Accounts Committee are not fulltime but are dealing with a huge task for proper governance in the municipality. As members they face duality of roles that is, ward councillors or composite committee membership versus performing their oversight function.

5.3.6 Lack of understanding the relevant legislation

The other challenges faced by the committee members are legislative understanding and culture of reading and also objectivity versus representing their political constituencies. The committee and the municipality are not well vested about the functioning of the committee. There is lack of follow-up on implementation of recommendations and its incapacity and non compliance.

5.3.7 Lack of follow up on the recommendations of the Auditor-General

The Intsika Yethu Municipal Public Accounts Committee said that they are considering any audit committee recommendations referred to council in respect of finance matters. But the researcher noted that whilst the committee examines the financial statements and audit reports of the municipality there is a lack of skills and support on doing this work because for the past three years the audit opinion was a disclaimer with same issues raised by the Auditor General not attended to. The committee does not make any follow up on implementation of recommendation raised by the Auditor General.
5.3.8 Lack of administrative and professional support

The researcher observed that there is lack of administrative and professional support, for instance all reports that were presented to the council was deferred back to the Municipal Public Accounts Committee for re-fine tuning. The researcher also observed that there is minimal technical support provided by audit committee and internal audit unit as a result there is no formal requirement for discussion on the report of the Intsika Yethu Municipal Public Accounts Committee by the council. There is no senior official appointed to assist this committee. The chairperson of the Municipal Public Accounts Committee pointed out that all members of this committee are part-time members and did not have the capacity to carry out their duties because majority of members are ward councillors. The committee does not monitor the implementation of its recommendations as they were deferred back by the council for fine-tuning. This committee has been operating as a financial oversight committee but it needs training.

Although the minimum resource requirements for the Intsika Yethu Municipal Public Accounts Committee are not documented, it was clear during the time of research that the committee lacks skill and resources. The Municipal Manager and Chief Financial Officer said that the committee needed to be equipped with resources and administrative support. Incapacity was identified as a challenge and the committee and the municipality are not well vest about the functioning of committee.

5.4 RECOMMENDATIONS

Member training based should be provided and attendance should be compulsory to all members. Administrative, professional and technical support provided by audit committee and internal audit unit to the Municipal Public Accounts Committee should be strengthened. A senior official should be appointed to assist the Intsika Yethu Municipal Public Accounts Committee. Members of this committee should be capacitated in order to carry out their duties efficiently and effectively. Secretary of this committee should be effectively trained on report writing and minute. Intsika Yethu Municipal Public Accounts Committee should pay attention and follow up on implementation of recommendation raised by the Auditor General. They should also be trained in in-depth understanding of relevant legislations. They should also be trained on how to conduct oversight while also representing interests of their respective political parties.
LIST OF REFERENCES


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Councillor R. Khumalo. 23 August 2011. On Municipal Public Accounts Committee


APPENDIX 1

Questionnaire to the Municipal Public Accounts Committee

1. Do you know what the Intsika Yethu Municipal Public Accounts Committee was established to do?
   
   YES   NO

   If YES, what do you know to be the functions of the municipality’s Public Accounts Committee?
   
   List them:
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2. What are the challenges facing the Municipal Public Accounts Committee of Intsika Yethu Local Municipality since you have been involved?
   
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3. How have these challenges been addressed?

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4. Is it important to seek outside expert in order to bring some expertise to the committee

YES    NO

If YES,

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5. What do you think is the future of Intsika Yethu Municipal Public Accounts Committee?

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Appendix 2

Questionnaire to the Municipal Manager and the Chief Financial Officer

1. Is there any external support for the committee

   Yes    No

   If yes, explain how.

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2. What is the management’s view of the committee?

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   ________________________________________________________________

   ________________________________________________________________

3. Are the Municipal Public Accounts Committee members trained/capacitated?

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   ________________________________________________________________

   ________________________________________________________________

4. Is there still support for the existence of the committee?

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Appendix 3
Dear Sir

REQUEST FOR PERMISSION TO UNDERTAKE RESEARCH

I am currently registered for the degree in Master of Public Administration at Nelson Mandela Metropolitan University. My studies include treatise with the following research topic: The role of the Municipal Public Accounts Committee in the financial management of Intsika Yethu Local Municipality.

I would like to request the members of Municipal Public Accounts Committee and Municipal Manager to participate in this research by completing a questionnaire. Participation is voluntary with the option of withdrawing at any stage of the process and there will be no negative consequences linked to non-participation.

Their responses will be used for the purpose of the study and I undertake to ensure that the information will be used in such a way that they cannot be identified. Participants are not obliged to answer all questions. If they feel uncomfortable to answer any question, they may not answer.

The research findings will be disseminated to the Intsika Yethu Municipal Public Accounts Committee.

Yours truly

NG XEGO

Appendix 4
Dear Sir

AN INVITATION TO PARTICIPATE IN A RESEARCH

I am currently registered for the degree in Master of Public Administration at Nelson Mandela Metropolitan University. My studies include treatise with the following research topic: The role of the Municipal Public Accounts Committee in the financial management of Intsika Yethu Local Municipality.

I would like to request you to participate in this research by completing a questionnaire. Participation is voluntary with the option of withdrawing at any stage of the process and there will be no negative consequences linked to non-participation.

Your responses will be used for the purpose of the study and I undertake to ensure that the information will be used in such a way that they cannot be identified. You are not obliged to answer all questions. If you feel uncomfortable to answer any question, you may not answer.

The research findings will be disseminated to the Intsika Yethu Municipal Public Accounts Committee.

Yours truly,

NG XEGO

MPHIL STUDENT

Nelson Mandela Metropolitan University