Assessing the impact of the Municipal Financial Minimum Competency Programme on expenditure management

by

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DEDICATION

To God be the glory and honor. I dedicate this research to my mother, Ms Linah Tjitja Mahloko, a single mother who raised me on a domestic workers wage. A humble woman planted in prayer, her landmine prayers continue to explode to this day. Her life is a daily reminder that: “it is not how you start that matters , its how you finish”. Thank you for dedicating your life to ensuring that I finish well.

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ABSTRACT

Municipal expenditure management is critical for leveraging the overall effective performance of the Department of Local Government. This research assessed the impact of the municipal financial minimum competency programme on expenditure managementin five local municipalities in the Bojanala Platinum District Municipality (Bojanala Platinum). These five local municipalities are: Moretele, Madibeng, Moses Kotane, Kgetlengrivier and Rustenburg. The study, which was based on the quantitative research approach, was conducted by using the prescribed financial ratios of the National Treasury (2014) to assess the impact of the municipal financial minimum competency programme on expenditure management in the five local municipalities in Bojanala Platinum. The research findings demonstrated some of the local municipalities striving to bring the ratios for their capital expenditure to total expenditure within the prescribed National Treasury's (2014:1) norm of 10%–20%. Such quests were found to be accompanied by initiatives to control the ratios on the capital expenditure budget implementation indicator, as well as the operating expenditure budget implementation indicator within the National Treasury's (2014:1) norm of 95%–100%. Findings further indicated significant efforts being made by some of the local municipalities to manage their current ratios. However, despite these improvements, it became evident that, even after the implementation of the municipal minimum competency programmes, most of the local municipalities are still grappling with the challenge of managing irregular, fruitless, wasteful and unauthorised expenditures. Higher rates of irregular, fruitless, wasteful and unauthorised expenditures were found to be exacerbated by poor budget implementation, resulting in either overspending or underspending. This view was echoed by signs of improvement in local municipalities, such as the Rustenburg Local Municipality, not being easily discernible – even after the implementation of the municipal minimum competency programmes. Incidents of over or underspending were still fully prevalent. Combined with the increasing difficulties of managing and maintaining the appropriate liquidity position, these situations affected the efficiency of municipal expenditure management and budget implementation. The analysis of the Auditor-General's reports of the financial years 2007/2008, 2013/2014, 2014/2015 and 2015/2016 for all the local municipalities in Bojanala Platinum District attributed to some of the causes of the challenges in deficient

internal control systems, inaccuracy of budgeting, poor governance, lack of leadership, oversight, poor working capital management and poor records management. These internal conditions have obviously affected the extent to which the implementation of the municipal minimum competency requirements in the Bojanala Platinum District Municipality has impacted on the improvement of the municipal expenditure management. To discern new strategies through which the implementation of the municipal minimum competency requirements in the Bojanala Platinum District Municipality can be improved, it is argued that the North West Provincial Treasury should consider developing effective internal control systems, as well as a centralised Bojanala Platinum District Municipality procurement system. These systems should be accompanied by the enforcement of the principles of good governance, so as to curtail corruption and unethical practices. Furthermore, the North West Provincial Treasury should emphasise the need for the municipal officials' working capital management skills and competencies for upholding financial ethics, training and development. These skills sets should be accompanied by the development of the skills and competencies critical for edifying effective budget development and implementation. Future research can opt to explore the constraints involved in the implementation of the municipal minimum competency programmes.

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LIST OF ACRONYMS

AGR: Auditor-General Report

AGSA: Auditor-General of South Africa

AR: Annual Report

CMPD: Certificate Programme in Management Development

COGTA: Cooperative Governance and Traditional Affairs

IDP - Integrated Development Plan

MFMA: Municipal Finance Management Act, 2003 (Act 56 of 2003)

MFMP: Municipal Finance Management Programme

MSA: Municipal Systems Act, 2002 (Act 40 of 2002)

NT: National Treasury

SDBIP: Service Delivery Budget Implementation Plan

CHAPTER ONE: GENERAL OVERVIEW AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION

In the South African context, *the Constitution of the Republic of South Africa Act* of 1996 (Republic of South Africa, 1996) provides the framework for the establishment of municipalities in the 7th Chapter. *The Constitution* further provides for cooperative governance in section 154 and gives a directive to the other two spheres of government—provincial and national—in order to help and reinforce the capacity of locals to deal with their own issues, and, also, to practise their legislative powers as well as their legislative functions. The National Treasury (hereafter referred to as NT), as a response to their constitutional directive, introduced the regulations on minimum competency requirements for municipalities in an effort to build capacity for local government. With the reform, the primary objective of NT was to enhance municipal performance through effective financial management, which would thereby improve service delivery. Local government is required to be financially viable, so they must deal with their budgetary and financial matters in a capable, accountable, and responsible manner by gradually lessening their dependence on NT grants.

In 2007, the NT gazetted the minimum competency levels into regulations with a consistence due date of January 2013. The National Treasury satisfied its duty by giving budgetary assistance to local government toward the acquisition of the competencies. The consistence dates were deferred twice—that is, after the original due date—and changed to January 2015. The research examines five local municipalities that executed the NT guidelines regarding Municipal Regulations on Minimum Competency levels (hereafter referred to as MRMCL), and, additionally, how powerful the program has been in helping local government enhance their financial management—specifically, with emphasis on the management of month to month expenditure.

Most of the present literature on the MRMCL extensively focuses on the guidelines—that is, what they mean, what they hope to attain, and what advantages are required. Regardless, there is a lack of literature providing evidence of an enhanced financial management in local government after the introduction of the reforms. Insufficient capacity and a lack of financial skills continue to be a challenge in local government. There is a general problem of service delivery protests in local government, as well as negative audit opinions that could point to poor service delivery. The study is necessary to assist the National Treasury and the Provincial Treasury in not only their understanding of the matter, but also their determining of the extent to which the usage of the MRMCL has succeeded in improving the financial and budgetary management. Of course, this shall be accomplished with explicit reference to the management of expenditure in local government. The primary objective of the Municipal Finance Management Act, 2003 (Act 56 of 2003) (hereafter referred to as the MFMA), is to develop financial management capacity for local government or municipalities in order to convey basic essential services to the communities they govern.

1.2 RATIONALE AND MOTIVATION OF THE STUDY

The introduction of the municipal financial minimum competency programmes is critical for leveraging the effective performance of the municipalities (Jordaan 2013:40). It spawns the effectiveness of expenditure management. It also bolsters the improvement of the skillfulness of the municipal staff. Improved skilfulness of the municipal staff is critical for municipalities to perform more effectively (Jordaan 2013:40). Yet, municipal financial minimum competency programmes not only agitate for the improvement of the general skillfulness of the municipal staff, but also specifically the improvement of the municipal financial management competencies (National Treasury, 2007). Improved municipal financial management competencies are critical for enhancing the level of financial resource optimisation. It enhances waste minimisation as well as the significant reduction of the rate of irregular, unauthorised, fruitless and wasteful expenditures. All these influence improvement of the optimisation of the municipal financial resources. Unfortunately, it seems such values are not being realised from the implementation of the municipal financial minimum competency programmes. This is attributable to the fact that since the introduction of the municipal financial minimum competency programmes in 2007, the Auditor General's reports of 2015/2016, 2016/2017 and

2017/2018 have still continued to indicate that the cases of irregular, unauthorised, fruitless and wasteful expenditure are increasing rather than reducing. All these suggest that the introduction of the municipal financial minimum competency programmes has not had much positive effects on the improvement of municipal expenditure management. Poor expenditure management affects the capabilities of the municipalities to meet the service delivery needs of the population. Yet, even in the midst of such challenges, only a few studies have evaluated the impacts of the implementation of the municipal financial minimum competency programmes with the objective of assessing the improvement initiatives that can be undertaken(Fourie 2009:120; Jordaan 2013:40). It is therefore against that backdrop that an assessment of the impact of the municipal financial minimum competency programmes on expenditure management is undertaken in this study so as to assess whether or not there is improvement of municipal expenditure management. Such analysis is critical for informing policy considerations on the improvement measures that must be adopted. The study is also critical for responding to theoretical gap arising from limited research on the impact of the implementation of the municipal financial minimum competency programmes on expenditure management.

1.3 PROBLEM STATEMENT

The presentation of the Municipal Finance Management, 2003 (Act 56 of 2003), introduced major reforms in local government financial management. TheNT introduced major changes to the budgeting process, a new system of grant management, financial management systems, and further reforms of compliance reporting. From there, the NT assisted municipalities with the implementation of the reforms by communicating through circulars 9, 17, 24, and 60. These circulars—which were sent out from 2004 to 2012—offered guidance around the phasing in and training process for the implementation of the MRMCL.

The total grant spent by the NT in support of the attainment of the MRMCL between 2001 and 2009 is in the region of R1.2 billion, which was dispensed through the Financial Management Grant (hereafter referred to as the FMG) (National Treasury 2010:11). Essentially, the FMG was designed to build capacity and sponsor—to some extent or in full—the obtaining of the required Minimum Competency Level unit standards.

The AGSA communicated disappointment in the 2015/16 Municipal Finance Management Act review report by expressing that local government had kept on gathering UIFW expenditure (Auditor-General of South Africa 2016:19). This might be viewed as a sign that local government still does not have the correct financial management skills for managing the affairs of the citizens they serve. Disappointingly, as pointed out by the Auditor-General reports (Auditor-General of South Africa 2016:14), the FMG funding that was invested has not been converted into improved budgetary administration over some undefined time frame. What is more, the increase in the unauthorised, irregular, fruitless, and wasteful expenditure deflates public confidence in local government financial management. Any expenditure incurred that is contrary to the Municipal Finance Management Act prescripts can, more or less, be negatively construed as a wastage or a re-direction of service delivery funds to activities that are not of benefit to the community. As a result, this could further lead to mistrust and possible service delivery protests.

1.4 RESEARCH QUESTION

The study attempts to respond to the accompanying inquiry:

What is the impact of the implementation of the municipal financial minimum competency programme on expenditure management?

1.5 RESEARCH OBJECTIVES

The primary objective was to assess the impact of the implementation of municipal financial minimum competency programme on expenditure management. This was carried out by investigating the post audit financials for a three-year timeframe, which started in 2013/14 and ended 2015/16.

Based on the main affirmed due date and the two outer years, the three-year time frame was chosen in order to decide clear trends and patterns.

The study had the following sub-objectives:

- To measure the extent to which the application of the MRMCL programme has enhanced skills—specifically, the management of expenditure under finance.
- To assess if local government is in an improved financial position to honour its obligations in the short and long term.
- To assess any exponential rise or decline in “U” unauthorised, “I” irregular, “F” fruitless, and “W” wasteful expenditure.
- To make recommendations to the Department of Finance and/or the Bojanala District regarding the need to develop a centralised procurement system at district level.

1.6 SIGNIFICANCE OF THE STUDY

Stringent fiscal controls are necessary for a developmental state such as South Africa. Due to the ever-changing global economic conditions, expenditure management is at the top of the financial agenda. The results of the study will enable the three spheres of government to either improve the existing systems of procurement or implement various methods of procurement within the prescribed framework—or both. In essence, the aim is to enhance expenditure management.

1.7 RESEARCH METHODOLOGY

The following section specifies the procedure or techniques used in the data collection, sampling, variable determination, and the information analysis process.

1.7.1 Research approach and design

While addressing the research question, the empirical research, in terms of its design, employed the quasi experiment outcomes evaluation. In essence, “[a] quasi-experiment does not randomly select participant[s]” while, by contrast, a “true experiment randomly selects its participants” (Kumar 2014:124). One of the advantages of using quasi-experimental research is the fact that, more often than not, it is more attainable due to it not having constraints regarding logistics and time, which is not the case with a true experiment (Creswell 2013:45). Moreover, quasi-research methodologies may decrease the resources and time required because of a lack of broad randomisation and pre-screening not being required (Campbell & Stanley 2015:139).

The practise of quasi-experimental research is also exceptionally valuable in distinguishing general patterns from the outcomes (Campbell & Stanley 2015:131). Yet another advantage is its ability to diminish, rather greatly, the effort and ethical dilemma that may encompass the random selection and pre-selection (Punch 2013:14). According to Bernard and Bernard (2012:112), identical procedures might be used to help make a practical control group, which would, thus, allow for generalisation. Lastly, the outcomes produced may, regularly, be employed to strengthen the findings of case studies by leading research that could advance to statistical analysis (Kumar 2014: 130).

There are, however, some disadvantages associated with the quasi-experiment. Notably, it is the absence of random assignments into target groups that may prompt non-identical test groups, which can constrain the generalisability of the outcomes to a broader population (Campbell & Stanley 2015:140). As a result, the conclusions may be less definitive about the causality (Punch 2013:31). Finally, statistical analysis impact may not be significant because of the absence of randomisation (Bernard & Bernard 2012:109).

As such, from the district of Bojanala, five local municipalities—also known as category B municipalities—were nominated, which, therefore, had the effect of reducing the time limitations. The choice of design was further impacted by the fact that, being MRMCL, the study was assessing the outcome of the start of the intervention. The researcher focused on, as an intervention, the financial state of expenditure management during the pre-introduction period of the MRMCL and, afterward, evaluated the effect post-intervention. The outcomes of the research may be used for generalisation. That said, the researcher was confident that the use of the quasi-experimental approach, alongside the selected research methodology, would result in consistent findings:being able to check the pursued methodology and give satisfactory confirmation, for there is, after all, rationality of structure and method.

As per Bernard and Bernard (2012:120), the quantitative strategy is most appropriate to investigate the connection between at least two factors or variables. In doing so, the aim is to numerically present the relationship whilst making use of the factual statistical examination.

Subsequently, the research method was quantitative in nature because the study proposes to pursue an organised and structured configuration of data, and the assembled data is in a quantitative structure (sets of audited financial statements). Hence, the data were numerically dissected and the findings were logically imparted.

The particular data required were completed in a predesigned structure, which, ultimately, aided the extraction of the required information, taking into consideration the consistency and that exact correlations. The information outcomes are presented in a format that enables easy interpretation by readers. Lastly, numeric quantitative data bears more credibility and may be relied upon by those in authority.

1.7.2 Data collection instruments and methods

By law, municipalities are required to submit monthly, quarterly, and annual reports to the NT repository. Data collection, therefore, took the form of secondary data collection. This information is pre-existing, so it was accessed for inclusion in the study from the NT's official database website site (www.treasury.gov.za). For examination and analysis, the researcher employed the audited and reviewed financials. The information is quantifiable, numeric, and exhibits contrasts and similitudes in numbers. The NT is the custodian of finance management in South Africa, so, as custodians of financial information, their standards—in terms of the quality of information—is predetermined and maintained at a high level, which is a verification of accuracy and validity of such data.

1.7.3 Target population

Following the 2016 re-demarcation of municipal boundaries, the total number of municipalities in South Africa currently stands at 257. In terms of *the Constitution*, there are three categories of municipalities, and two of those form part of the study (category B and C). Purposefully, the five locales falling under the Bojanala Platinum District formed part of the target population.

As a category C municipality, the Bojanala Platinum District is geographically surrounded by five municipalities that vary in size and, also, are classified as category B municipalities. The five local municipalities are namely Rustenburg, Madibeng Local Municipality, Moretele, Moses Kotane, and Kgetlengrivier. The five selected municipalities make up 17% of North West land size. Made up of 24 wards, Moretele Local has an estimated populace of 187,906. Rustenburg Local Municipality has a populace of 399,540, and is made up of 36 wards. Madibeng Local Municipality is made up of 31 wards, and has an estimated populace of 348,265. Moses Kotane Local Municipality, which is made up of 30 wards, has a populace of 246,844. Lastly, Kgetlengrivier Local Municipality is made up of five wards and has a populace of 37,477 (Statistics SA community Survey 2016). As indicated by Statistics SA, the five combined municipalities have a 38% joblessness rate. The geographic accessibility of the locales to the researcher was a factor in the reasoning for their consideration and selection. At a glance, the sample of municipalities is—in nature and make up—a mix between urban, semi-urban, and rural. Kumar (2014:189) proposes that purposive testing and sampling—gathering individuals whom one realises will give the required data—is the most ideal approach to acquire data from an organisation. Further to that, in a quantitative research, it is critical to foreordain the quantity of organisations or gatherings of individuals—otherwise called "data rich" respondents (Punch 2013:49)—who will provide this data. Another conceivable and preferred position for the example chosen is that the chosen locals are comparable—that is, comparative in the sense that two are semi-urban, two are deeply rural, and one is urban. As such, the likenesses guarantee a decent pattern for pre-testing objectives. The researcher neither predicted nor anticipated any damage or harm that might be caused to the selected local municipalities because, as these are public organisations and the data required is administrative, it is thus for public use and scrutiny.

1.7.4 Variables

The research contained three main variables, which were, namely, the independent variable, the extraneous variable, and the dependent variable. Expenditure management was chosen as the dependent variable due to the fact that it may change after the introduction of the MRMCL (Kumar 2014:189). Financial ratio obtained from the annual financial statements was used to measure expenditure management, as shown in *Table 1*. These variables are measured and defined in terms of the generally accepted accounting standard (GRAP) as well as the NT guidelines, so an appendix of the ratio formulas are attached as “A”.

The minimum competency level unit standards became the independent variable, which was due to the fact that it was the intervention introduced in order to enhance expenditure management and cut grant dependency by local municipalities (Campbell & Stanley 2015:167). Therefore, the correlation between the dependent and independent variables is that the introduction of the minimum competency levels was intended to, amongst other things, improve expenditure management in local government. The budget was identified as the extraneous variable, which, as depicted in *Table 1.1*, was measured through financial ratios obtained from the annual financial statements.

Table 1.1: Uniform ratio, formulae, and data

RATIO	FORMULA	DATA SOURCE	NORM
Expenditure management			
Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP, and AR.	10%–20%
Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP, and AR.	1.5–2:1
Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports, and AR.	30 Days

	(Operating and Capital) × 365		
Irregular, Fruitless, and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	Irregular, Fruitless, and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x 100	Statement Financial Performance, Notes to Annual Financial Statements, and AR.	0%
Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) /Total Operating Expenditure x 100	Statement of Financial Performance, Budget, IDP, In-Year reports, and AR.	25%–40%
Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x 100	Statement of Financial Performance, Budget, IDP, In-Year reports, and AR.	2%–5%
Budget Implementation			

Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, In-Year reports, and AR.	95%–100%
Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports, and AR.	95%–100%

Source: National Treasury (2014:1–5)

1.7.5 Data Analysis

In breaking down the auxiliary information, as a starting point, the researcher employed Microsoft Excel in order to enter into the required ratios and formulas—for further investigation—the crude information from the three years of financials. As suggested by Kumar (2014:368), the outputs from the data pertaining to the ratios was analysed by means of the regression technique. Howard and Shagun (2014:3) propose making use of pre-testing information, shaping the benchmark, and executing a post-testing procedure (otherwise called the “end line”). Next, a comparison of specific time periods was conducted in order to see the difference whilst basing the results on the pre-intervention data. This method of analysis enabled the researcher to develop a statistical comparison.

1.7.6 LIMITATIONS OF THE STUDY

The challenge with the selected methods was the comparative years of data, which posed difficulties when it came to finding the same data type. This is due to the fact that, in the selected data period, there was no municipal standard chart of accounts, so, as a result, there might have been a lack of uniformity in the classification of data. The common financial concepts—as required by the Generally Recognised Accounting Practice—were used to club components together in line with the financial ratios' analysis, which was done in order to circumvent the challenge.

1.7.7 DELIMITATIONS OF THE STUDY

The study only considered three financial years, which started from the 2013/14 financial year and continued to the 2015/16 financial year. The year 2013 was placed as the first deadline for municipalities to comply with the regulations, and the two outer years are, thus, selected on the principle of comparative figures when reporting financial matters**.** The researcher also collected data for the three prior years—those being 2007/08 financial year—in order to enable pre-intervention testing. As a result of existing data being available, less effort was required when performing the procedures, so the selected method allowed for generalisation. Geographically, the study covered local municipalities in the Bojanala Platinum district, which were, namely, Moretele, Madibeng, Moses Kotane, Rustenburg, and Kgetlengrivier.

1.7.8 ETHICAL CONSIDERATIONS

The researcher acknowledged the existence of ethical issues in research. The ethical factors considered in this research are, in particular, the breaching of confidential information as well as incorrect reporting or bias. The researcher was committed to ensuring that only audited financial statements were used. The audited financial statements are made public in terms of the Municipal Systems Act 40 of 2002, which thereby makes them public information. Regarding incorrect reporting and bias, the researcher proposed to make use of the financial ratio analysis, which is formula-imbedded numeric data that greatly reduces the ethical dilemma of improper data manipulation. In addition to such considerations, the researcher also obtained an ethical clearance from the Ethics committee.

1.8 CHAPTERS OUTLINE

The research was componentised into the following outline:

- Chapter 1: General overview and background of the study

In this chapter, the background of the research—together with the introduction—is provided. The researcher considered the problem statement and formulated the research question as well as the research objectives. This was followed by a detailed explanation, in terms of the selected research method, regarding how the research would be undertaken—that is, the research design, population target and size, the limitations of the study, and ethical considerations.

- Chapter 2: Literature review

In this chapter, the study was located within the Public Administration discipline and linked with related literature. The literature review enabled the researcher to locate gaps in the existing literature, which, therefore, created the relevant framework for the study.

- Chapter 3: Legislative framework

This chapter provided the legal framework—emanating from *the Constitution*—that the Municipal Finance Management Act trailed by the NT guidelines on the professionalisation of local government. In essence, it thereby reviewed the regulatory framework associated with the study.

- Chapter 4: Case study: The implementation of the Minimum Competency

This chapter looks at the findings of each municipality per critical financial ratio. In doing so, the researcher makes use of the recommended ratios in order to determine if a municipality is meeting the proposed norms and standards of the NT, and then aligns such reasons to the findings of the Auditor-General. Therefore, detailed findings are explained in this chapter.

- Chapter 5: Discussion of findings

This final chapter, based on the research outcomes, discusses the recommendations whilst seeking to address each research objective. At last, solutions pertaining to the research problem are proposed.

1.9 CHAPTER SUMMARY

The introduction of the municipal financial minimum competency programmes is critical for leveraging the effective performance of the municipalities (Jordaan 2013:40). It spawns the effectiveness of expenditure management. It also bolsters the improvement of the skilfulness of the municipal staff. Improved skilfulness of the municipal staff is critical for municipalities to perform more effectively (Jordaan 2013:40). Yet, municipal financial minimum competency programmes not only agitate for the improvement of the general skilfulness of the municipal staff, but also specifically the improvement of the municipal financial management competencies (National Treasury, 2007). Improved municipal financial management competencies are critical for enhancing the level of financial resource optimisation. It enhances waste minimisation as well as the significant reduction of the rate of irregular, unauthorised, fruitless and wasteful expenditures. All these influence improvement of the optimisation of the municipal financial resources. Unfortunately, it seems such values are not being realised from the implementation of the municipal financial minimum competency programmes. This is attributable to the fact that since the introduction of the municipal financial minimum competency programmes in 2007, the Auditor General's reports of 2015/2016, 2016/2017 and 2017/2018 have still continued to indicate that the cases of irregular, unauthorised, fruitless and wasteful expenditure are increasing rather than reducing. All these suggest that the introduction of the municipal financial minimum competency programmes has not had much positive effects on the improvement of municipal expenditure management. Poor expenditure management affects the capabilities of the municipalities to meet the service delivery needs of the population. Yet, even in the midst of such challenges, only a few studies have evaluated the impacts of the implementation of the municipal financial minimum competency programmes with the objective of assessing the improvement initiatives that can be undertaken(Fourie 2009:120; Jordaan 2013:40). It is therefore against that backdrop that an assessment of the impact of the municipal financial minimum competency programmes on expenditure management is undertaken in this study so as to assess whether or not there is improvement of municipal expenditure management. Such analysis is critical for informing policy considerations on the improvement measures that must be adopted. The study is also critical for responding to theoretical gap arising from limited research on the impact of the implementation of the municipal financial minimum competency programmes on expenditure management.

CHAPTER TWO: LITERATURE AND THEORIES ON EXPENDITURE MANAGEMENT

2.1 INTRODUCTION

To enhance the conceptualisation of the topic within the discipline of public administration, the discussion in this chapter commences with the evaluation of the theories on public expenditure management. This is followed by the analysis of the literature on paradigm-shift in public administration to illustrate how the increasing emphasis of the need for more efficient public administration is influencing the need for effective and efficient public expenditure management. To accomplish this, theories point out that, even though competency development for public finance management officials is a critical prerequisite, the multidimensional nature of public expenditure management still implies that such competency development must be accompanied by the development and entrenchment of good ethical practise, governance, accountability, and financial risk management. The details of the discussions are as follows.

2.2 THEORETICAL FOUNDATION

The study is founded on effective and efficient use of public resources. Rabotapi (2013:19) stresses the fact that government functions with limited resources. What is more, the limited resources should be overextended in order to meet the service delivery needs of the community (Ambe&Badenhorst-Weiss 2012:251). Therefore, effective budgeting and utilisation of the budget will ensure control over the limited resources (Fourie 2007:734).

Public administration must endorse accountability regarding the effective use of resources. Municipalities are required by law to report on both their financial management performance and non-financial reporting (Koma 2010:117). In essence, reporting improves accountability. Accountability is not only a pillar for democracy, but, when it is undertaken correctly, it improves national and global perspectives about the manner in which resourcing is utilised in a developmental state (Hela 2015:173).

The study is not only underpinned by the defining administration theories, but it also finds its premise in *the Constitution*. Chapter 10 of *the Constitution* outlines the basic values and principles of public administration. In laying out the foundation of the study, the principles will be mainly derived from *the Constitution* of the Republic of South Africa, and then substantiated with evidence from the P(p)ublic A(a)dministration's body of knowledge.

2.2.1 FUNCTIONS OF PUBLIC ADMINISTRATION

Defining public administration alone cannot suffice because other definitions are better understood through functions**.** The definition offered by Coetzee (1988:20) brings to light the functions of public administration. Moreover, the functions of public administration were correctly captured by Cloete (1998:36) as policy making, organising, personnel administration, financing, formulating work methods and procedures, and control. The progressive method for characterising public administration is through connecting its functions, which incorporates approach plan, staffing, controlling, arranging, advancement of methodology and techniques, and financing (Jordaan 2013:36).

The work strategies and methods are not enactment, but, rather, are rules starting from agreed establishments of power that direct overseers and administrators in the completion of their obligations and duties. Work strategies and methodologies are sorted through internal policies and standard operating procedures in order to manage basic leadership. Jordaan (2013:41) states that the standard working procedures and approaches must be assessed at ordinary interims to permit further upgrade and improvement of controls.

At national government level, the department of Finance—through the NT and the Office of the Accountant General—assumes a noteworthy job in planning work strategies and methodology systems. The contest may emerge on implementation at municipal level, which is where local government is urged to alter the prescribed techniques to their surroundings and, also, where local authorities parachute systems from different authorities without thinking about their distinguished separated needs.

The activities of public administration are carried out within a policy framework. Vrba and Brevis (2014:4) argue that policy and strategy in public-sector administration involve the tasks to be completed, the internal systems, the human capital, and the financial and budgetary resources in execution. Intently inspecting the fundamental elements of public administration, barring financing, one can bridge a connection between the classic approach to deal with the executives and public administration.

Organising or sorting is characterised by structured tasks,records of people inside the different segments of an administrative office, and the foundation of correspondences system to complete such tasks (Fourie 2007:734). Essentially, public servants and administrators work inside an arrangement of determined strategies and work methods. Controlling includes the checking and assessment of set principles of execution. Therefore, it can be deduced that any attempt to perform public administration without set structures could lead to poor performance.

Public administration, with its differing components—such as HR, managerial law, leadership, public finance, and management—are the fundamental structural segments in public administration (Siswana 2007:45). The fundamental elements of public administration must be comprehensively considered and never fragmented because it is hard to oversee arrangement plan without giving due thought to issues such as administration, human capital, financing, and regulatory law (Jordaan 2013:40). It very well may be resolved that the referenced exercises are those that structure the government administration operational cycle in which strategies are defined, staff is sorted out, and techniques as well as operational strategies are then furnished with budgetary resources in order to complete the order of the state while these procedures are managed and controlled.

Siswana (2007:49) believes that public-sector finance joins the monetary and fiscal arrangement plan, setting up the spending limit through budget, execution of the budget, organisation of budgetary activity, budgetary bookkeeping, budgetary inspecting, and post review assessment. It is contended that, without financing the public-sector, it is unfit to ideally work and, in this way, reasonable budgetary administration is vital. The administration of constrained resources, so as to accomplish the targets detailed in public policy, characterises the basic functions of public administration.

2.2.2 THE PUBLIC ADMINISTRATION ENVIRONMENT

Considering the structure of local government, how local government relates with the provincial sphere of government, and the national sphere of government, it is clear that the different spheres of government operate within a complex environment. This is further firmed up by the prescripts of *the Constitution of the Republic of South Africa* (South Africa, 1996), which is where it acknowledges the interrelatedness and interdependence of the three spheres of government.

Cheema (2004:45) states that public administration generally operates in a global setup, and that is where it is affected by the political, economic, social, technological, environmental, and legislative activities. Schoeman and van Rooyen (2006:287) argue that, in order for public administration to thrive, it needs a solid bedrock of political stability. Both local and international politics can affect the running of public service. The various global political formations, such as the Group of Eight and the African Union, are an indication for the need to ensure stability at an international scale—that is, cascading to the various countries. Such organisations set the tone for the political direction of the various members states because they are headed by the political heads of state.

Maluleke (2011:69) acknowledges that politics will always have an influence on administration. For instance, the political ambitions of the state are often reflected in the administration's policies. Furthermore, it can be deduced that politics cannot be divorced from administration, but administration must have systems to ensure compliance of administration with legislative requirements.

Cheema (2004:49) identifies a link between economics and good governance. The state needs to provide the legal structure to enable economic activities to flourish. Maluleke (2011:99) mentions that economic policies must address and redress the needs of the citizens, which is done whilst ensuring the global view of the country remains in a positive light. However, Siswana (2007:63) argues that, in an attempt to market the country in such a positive light, the government should not neglect the imbalances of the pre-1994 dispensation. While making sure that the objectives of the state are achieved, governments must also ensure that they, the government, are free of corruption, which is above reproach (Schoeman & van Rooyen 2006:288). The policy makers must find a balance between addressing the prevailing conditions of the economic conditions and meeting global perceptions in an authentic manner. Therefore, public service official should be able to provide informed and effective advice to policy makers.

For public service officials to correctly advise politicians, such advice must be benchmarked against international trends and good practises.

The threat of HIV/AIDS remains high on the African political agenda. What is more, the impact of HIV/AIDS on society is massive and requires government to respond to such challenges. Equally so, the public service officials are not immune to the impact of HIV/AIDS and associated illnesses. Cheema (2004:19) imparts that social problems have a direct impact on the programmes and policies of government. Added to that, responding to such challenges requires funding. By promoting social interactions, the private sector as well and the public-sector have a role to play in alleviating the social challenge. Whereas previously national issues were contained within the borders of the affected nation, the effects of globalisation dictate that national issues can no longer be locally contained.

2.2.3 PARADIGMS-SHIFT IN PUBLIC ADMINISTRATION

Based on prior discussion, it is clear that there is a management aspect to public administration. All the interrelated activities do not automatically unfold, so these are processes managed by people.

The academic world agrees that public administration has advanced and continues to develop from its conventional way in order to deal with the purported "new public administration". For instance, Siswana (2007:100) argues that a move from public administration to management is extremely creditable as South Africa is prone to the effects and the impacts of globalisation—specifically, with regard to public service, which is akin to all other countries. Siswana (2007:100) further states that the management model gives off an impression of being a technique to address the difficulties of globalisation and, also, to advance accountability, professionalism, and a transparent public service that is service-orientated.

Public management is defined as the use of private sector related administration strategies in the government sector—that is, with the purpose of providing citizens with the best, productive, and economic way of service delivery (Bovaird & Loffler 2009:6). Maluleke (2011:58) argues that public management is no different from general management, with the only difference being that, in carrying out public management, one would use public administration principles. Based on this definition, it is deduced that public management is an integral component of public administration. The deduction can be further reasoned by stating that public service is not profit driven, but rather service driven, so the application of pure management principles cannot be replicated entirely within the public-sector.

Hughes (2018:14) argues that the focus of public administration was on carrying out administrative functions by following orders, which was done while public management focussed on the public manager taking responsibility. In an effort to reconcile the provided definitions and refocus public management, one is compelled to consider the concept of new public administration as well as its impact on public administration.

Mainly emerging from the movements of the 1960s and 1970s, O'Flynn (2007:353) reveals that the concept of new public administration agitated for improved public participation, decentralisation, and use of representative bureaucracy as mechanisms for leveraging the effectiveness of public administration. Public participation was also noted as critical for bolstering citizens' involvement in public administration. It construed to aid the understanding of the needs of the population as well as the capabilities of public administration—that is, in order to respond to such needs and demands (Rosta 2011:5).

Decentralisation is noted, however, to be of essence in bringing services closer to the population. Representative bureaucracy was considered of significant importance for developing a client-centred administration (Ryan & Walsh 2010:89). Although altering its mindset to think in relation to the concept of new public administration repositioned public administration—that is, to effectively respond to the needs and demands of the population—later criticisms as well as changes in circumstances motivated the development of the post-modern approach to public administration. This thinking is also dubbed as post-modernism or new public management (Mpofu &Hlatywayo 2015:37). In essence, it agitates for the development of more efficient and more effective public administration. This is attributable to the fact that given the increasing population, the capabilities of the government to respond to their array of needs and demands requires a significant level of resource optimisation (Botes 1988:11). This would unlock extra resources that can be used for the implementation of other programmes. In effect, the application of the post-modernism concept has been characterised by downsizing of public administration and the use of lean approach in public administration (Mamogale 2014:77).

The post-modern concept has also encompassed privatisation, outsourcing, the emphasis of an entrepreneurial government, as well as the use of private–public partnership. Such a view is also echoed in Doorgapersad's (2011:235) research on the paradigm shift from the new public administration to the new public management in Africa. In that study, Doorgapersad (2011:235) argues that the common features of new public management constitute decentralisation, outsourcing, performance contracting, and corporatisation.

Decentralisation, which is regarded as the major strand of the integration of managerialism in public administration, is interpreted in order to refer to the process of disaggregating and downsizing public administration as well as the process of service delivery. Decentralisation is construed by Katsamunska (2012:42) as entailing de-concentration, delegation, devolution and, privatisation. De-concentration is the process of cascading the authorities as well as the responsibilities of the administration for different critical government functions to the lower level structures. Delegation refers to the process of transferring some responsibilities and some authorities to the lower level structures, so they can make certain critical decisions (Pollitt, van Thiel, & Homburg 2007:10). Devolution is the process of transferring governance responsibilities and authorities to the lower level structures.

As for privatisation, that connotes the process of transferring the powers and authorities to the private companies or businesses, which allows them to conceptualise and deliver critical socio-economic services of the state. The effectiveness of privatisation is edified by the application of the notion of outsourcing. Outsourcing refers to the process of contracting and subcontracting private businesses in order to deliver the required critical socio-economic services that could have been delivered by the government (Omoyefa 2008:15). More or less, it enables the government to gain from the unique competencies and capabilities—that is, those that it does not possess—from the private sector. This improves the quality and standards of the delivered services.

Performance contracting, however, is construed by Doorgapersad (2011:235) to refer to the process of developing and establishing performance agreements with key managers, employees, and ministers. This is done to demonstrate the commitment to deliver the required socio-economic services that accord with the prescribed standards and objectives. Corporatisation is the process of adopting the management philosophy that renders it possible for government departments to be managed and administered like a business entity (Terry 1998:194). This not only leverages the efficiency of the government departments, but also the innovative approaches of managing government departments to create new sources of revenues and, also, bolster the overall level of financial sustainability of a government department (Fatile&Adejuwon 2010:145).

The adoption of the concept of corporatisation also influences the development and application of innovative management practises that render it possible for a government department to effectively and efficiently deliver the required socio-economic services. However, while citing the OECD (Organisation of Economic Cooperation and Development, 1995) as well as Mathiasen (1999), Kempe (2001:10) argues that because the concept of new public management is result-oriented, it seeks to not only bolster the efficiency of governmental operations, but also its productivity whilst delivering upon the required critical socio-economic outcomes. In this initiative, the application of the concept of new public management has been more driven by the quest to unlock management flexibility and rethinking the current state of affairsin order to devise the best ways through which the population can be serviced (Burke & Hartley 2005:27). In effect, the application of new public management has entailed the selection of best practises from both the private sector and the old public administration approach in order to discern how an efficient public administration can be created for delivering upon the desired socio-economic services (Androniceanu 2007:154). This is attributable to the fact that the post-modern approach to public administration requires the stronger use of private sector management principles as a strategy for unlocking the desired level of the effectiveness and efficiency within public administration (Nasrullah 2005:197).

Post-modernism emphasises the need for the achievement of desired results. It also requires discerning the best ways for managing public expenditure in order to minimise wastes and, also, to improve the overall level of resource optimisation (Rauta 2014:57). To accomplish that, it not only requires the integration of technologies in governmental operations, but also the adoption of best management approaches. The best management approaches can be properly understood by delving into the critical components of public finance management.

2.3 CRITICAL COMPONENTS OF PUBLIC FINANCE

Public finance is very broad, hence the importance of clarifying the various components of public finance in order to locate the study correctly within, in particular, public administration and financial management. Pauw et al. (2009:302) provide a simple acronym to define the components of finance in the public-sector: REAL. This is the most appropriate acronym provided because pubic financing is about dealing with public finance in the most transparent, equitable, and fair manner. Essentially, Pauw et al. (2009:302) reduce public finance to four critical components, which are revenue “R”, expenditure “E”, assets “A”, and liabilities “L”.

2.3.1 Revenue

In its financial management dictionary, the Office of the Accountant General South Africa (2010:1) defines revenue management as the technique applied in the planning, collecting, safeguarding, and banking of all income. Public income includes revenue raised from tax collections, property rates, service charges, levies, and duties. The challenge with public finance is that a greater portion of its revenue is raised from taxes. Therefore, a viable economy is necessary to ensure a continued tax collection base in order to fund the activities of government. Siswana (2007:209) makes specific reference to debt management, defining it as “the process of establishing and implementing strategy for prudently managing the government debt in order to meet the governments financing needs.” This definitions seeks to distinguish revenue from income, whereas the MFMA and PFMA recognise both as income.

Looking at the definition provided by Siswana (2007:208), it would be narrow in its scope if it were to be linked to revenue management because revenue management also includes an aspect of debt management. Hence, credit control in local government is housed under revenue management.

2.3.2 Expenditure

The Municipal Finance Management Act, 2003 (Act 56 of 2003), states that expenditure must be incurred within an approved municipal budget and limited to the amount allocated in a vote. However, the process of expending cannot take place without an approved budget, so budgeting is a critical factor in expenditure management. Furthermore, expenditure management is about the timely capturing and processing of payments and invoices within 30 days. Finance in public administration incorporates the endorsement of the spending limit through budgeting by the authoritative specialist, oversight by different panels, projects and ventures financing through an aggregate basic leadership process executed by the official who is prompted by authorities, and, lastly, the administration of the financial limit through inward controls, stringent frameworks with clear obligations, and responsibility (Siswana 2007:56; World Bank 1999:38). Therefore, expenditure management as a procedure for spending is firmly connected to the endorsement of a tenable spending plan. Without a financial spending limit, there is no use to oversee patterns against the affirmed estimated spending plan.

According to Pauw et al. (2009:228), the acquisition of goods and services via the budget is referred to as procurement, which is administered through supply chain management processes. The system of supply chain in the South African public-sector finds its premise in section 217 of *the Constitution* (1996) as well as in Chapter 11 of the MFMA (Act 56 of 2003). It reads that the supply chain management processes should be “fair, equitable, transparent, competitive and cost-effective” in order to adhere to this requirement. The NT issued the Supply Chain Management regulations, training frameworks, and practise notes in order to ensure that the Supply Chain Management processes are adhered to and not abused. Effective Supply Chain Management processes underpin effective expenditure management.

2.3.3 Assets

Visser and Erasmus (2002:366) define asset management as the administration of public assets by ensuring the correct replacement cost, impairment, depreciation, establishment of a maintenance plan, and optimisation of the assets. Pauw et al. (2012:326) propagate that asset management should distinguish between current and non-current assets. This is an important factor in determining the liquidity of the municipality. Section 63 (1) of the MFMA charges the Accounting Officer with the responsibility to ensure effective management of assets by safeguarding and maintaining the assets, and, also, ensuring proper liability management. The 2013/14 North West audit report of the Auditor-General indicates that asset management remains a huge challenge in local government.

2.3.4 Liabilities

Pauw et al. (2009:330) define liability as municipal debt, or rather money owed by the municipality to external parties. Sections 45 and 46 of the MFMA make provisions for short term and long-term debt, respectively. Short-term debt refers to debt that can be repaid within a period of 12 months, and long-term debt is that which is repayable in a period ofover12 months. The MFMA further states the procedure and circumstance for the acquisition of such a debt. That is, long-term debt is limited to the acquisition of capital assets and never for operational use. Allocation of long-term debt for funding operation needs is a contravention of the MFMA and is highly discouraged.

Budgeting and financial planning in the government sector involves the money-related arranging, bookkeeping, and recording of transactional exchanges (Siswana 2007:74). Management of public finance frameworks should incorporate bookkeeping frameworks, model accumulation bookkeeping, account characterisations, spending control, consumption control, financial arranging, budgetary detailing, payroll control, finance control, budgetary control, and a system of supply chain management (Siswana 2007:127; World Bank 1999:108). Such exercises are specialised and specific, so they require an all-encompassing type of preparation, training, and specific expertise.

There are various sub-components to each of the core components of public finance that mentioned above. It is critical to note that all the components have a legislative background, which means there is a required framework for its existence. In the case of local government, the General Recognised Accounting Practice ensures the fair presentation of such components in the Annual Financial Statements. The second element to note is how the various components require planning for effective execution, and, added to this, is the fact that none of the components can operate in isolation.

Every discipline is guided by certain principles that may, at times, cut across and integrate with other disciplines. Public administration practises should be undertaken in order to extend the standards of economy, proficiency, and adequacy in the usage of public resources, which is similar to the private sector. Value for money as well as return on investment will be spin-offs for such attempts (Jordaan 2013:38). The World Bank (1999:70) states that commendable public administration ethos and standards should be established on methodical, precise, intelligent, and logical techniques for budgetary administration, and, moreover, it should be upheld by accurately gifted and able human capital in a formally organised government structure. Thus, regulatory practises must be planned in order to bolster the execution of related policies, strategies, and work techniques.

2.4 BUDGETARY REFORMS TO CURB OVER-EXPENDITURE

Ensuing from the reforms in budgeting, the government sector's financial administration is experiencing changes. Particularly, the local sphere of government budget management, policy making, decision making, and financial transaction recording are outlandish without appropriate bookkeeping and systems of reporting (Fourie 2009:120). Already, the "cash accounting" framework and the cash budget were sufficient for the tick box consistent with bookkeeping that was operational in government. The budget reforms working on an "accrual basis of accounting" required bookkeeping frameworks that would incorporate revenue management, asset management, expenditure management, and liability management (Jordaan 2013:40). This was a conclusive move from vindictive compliance to results-driven operational productivity, which is where reporting is done on the full total financial position of the municipal entity, the helpful existence of assets, provisions of unexpected liabilities and assets, and cash flow statements (Jordaan 2013:42).

The out of date system of financial accounting—that employed a “cash bookkeeping” framework as well as an absence of financial planning—could antagonistically influence local government financial positions (Siswana 2007:74). Management financial systems encourage finance-related administration and compelling management of expenditure and checking, which brings about institutionalised basic decision-making as well as mitigation of risk. In local government, financial systems are urgent for determining expenditure trends against set projects and budget plans. It guarantees spending inside affirmed budgets related vote. Siswana (2007:135–137) argues that financial systems that are computerised provide aid in terms of internal reporting and providing details regarding the spending and management of expenditure against the financial budget limit. Executing a financial system that is computerised could bring about overspending and underspending within acceptable limits (Siswana 2007:136). The challenge with a computerised financial management system is, essentially, that the older generation, who are normally in senior positions, are not conversant with computerised systems. This could leave room for system manipulation as senior managers may not have the computer skills to perform reconciliations and the verification of provided data.

The national government and provincial government are using the same financial system, BAS, for finance-related transactions and reporting, and then using PERSAL for human capital management. Be that as it may, with all the accessible innovation to give dependable accounting systems, the municipalities in South Africa still do not have a solitary and coordinated financial system that can achieve consistency in reporting.

2.5 PUBLIC EXPENDITURE MANAGEMENT

As the heartbeat of public administration, finance assists with the functioning of the government sector. The tone for financial management is set by the president of the country during the State of the Nation Address. This address is legislated in terms of section 84 of *the Constitution*. During the State of the Nation Address, the President of the country gives perspective regarding the government’s performance over the financial period. The State of the Nation Address then crafts a way forward for how government will tackle some of the service delivery backlogs, how it plans to address current challenges, and what new strategies and priority programmes are going to be put in place to address both economic growth as well as employment creation in the main.

The government needs adequate financial resources to provide basic services to the citizens. The Public Finance Management Act, 1999 (Act 1 of 1999), states that the Minister of Finance and heads of the NT are responsible for the national budget preparation process. As such, the Minister of Finance tables the national budget (also known as the Mid-Term Expenditure Framework) before Parliament shortly after the delivery of the State of the Nation Address.

2.5.1 Budget Approval

The budget must address the key priorities as they are identified in the speech by the President, together, with the allocation of national departments, provincial departments, and local government at large. The budget must reflect alignment with the objectives of government, and it must be credible, transparent, and funded. Departments provide budget estimates, programmes, and activities, which thus enable the allocation of resources for the implementation of government programmes and projects (Djurovic-Tedorovic&Djordjejevic 2009:284; Abelin 2012:96; World Bank 1999:35). The national budget is contained in the Division of Revenue Act—an annual bill—which changes with every annual budget speech. The budget should, therefore, be seen as an important policy document because it will spell out how government intends to use its resources for the stated period.

2.5.2 Budget Funding

Again, the budget must address the key priorities as they are identified in the speech by the President, together, with the allocation of national departments, provincial departments, and local government at large. The budget must reflect alignment with the objectives of government, and it must be credible, transparent, and funded. Provinces give spending assessments and estimates as well as projects and exercises, and, in this manner, empower the allotment of funds for the usage of government projects and tasks (Djurovic-Tedorovic&Djordjejevic 2009:284; Siswana 2007:56; World Bank 1999:35). The national budget is contained in the Division of Revenue Act, which is an annual bill that changes with every annual budget speech.

Therefore, the budget is an important policy document as it spells out how government plans to use its resources for a planned period.

Jordaan (2013:39) states that government generates revenue through bonds, borrowings, various taxes, fines, penalties, and trade tariffs. While Jordaan (2013:43) and Siswana (2007:98) believe that public finance must be seen as a multi-dimensional methodology with a large number of components, according to Pauw et al. (2009:303–309), the cycle of public finance starts with the budgeting, which is mostly subsidised through taxation. At that point, government stirs the economy through the usage of the taxation gathered, through the public wage bill, through the purchasing intensity of the public-sector, and through the acquirement of products and services from the private sector.

As the manager(s) of public resources, government is accountable for the correct designation of funds to drive fundamental administration activities for its residents. Djurovic-Tedorovic and Djordjejevic (2009:281) argue that funds to run public-sector dwell with the populace, the general population, and the citizens—that is, not with government. Taxpaying citizens are regularly irritated by the abuse of the public purse, so they incite the need for accountability and knowledge regarding how funds are utilised. Therefore, government is compelled into being responsible, accountable, open, transparent, straightforward, and be driven by outcome and execution.

The World Bank (1999:29) states that the management and administration of public accounts involves fund activation, planning, prioritisation of government programs, management of resources, and observing the assessment the plans. While taxpaying citizens request an incentive for their loyalty to the tax system, the complexity of modern society is applying pressure upon the restricted public funds. Consequently, proper budget spending definition as well as appropriate budget spending executions are required. The implementation of the budget is called expenditure management.

2.5.3 Implementing the budget through expenditure management

As the paradigm of public administration shifted from the old approach to the new concept of public management, it has also instigated the need for a change of approach towards public finance management (Jadranka& Marina 2009:281). The concept of new public finance management requires the development of budgeting and expenditure management, which is guided by the policy and the strategic plan (Jadranka& Marina 2009:281). This contrasts with the previous public finance management regimes where budgeting was less aligned and linked to both policy as well as the strategic planning process (World Bank, 1998). The linkage of the budget to the strategic plans and policies influences the extent to which budgeting is performance and outcome-oriented—that is, its ability to influence the achievement of the desired socio-economic outcomes. While citing Schick's basics and stages of expenditure control, Brooke (2003:5) suggests that this can be achieved by encouraging public finance managers to get the basics right by developing and using the appropriate public expenditure management control systems.

This would require government to introduce a system that, prior to the introduction of performance or outcome-based budgeting, requires the identification of the performance standards in the isolated areas (Campos & Pradhan 1997:19). In addition to the introduction of control inputs—that is, before the introduction of the control outputs—it also requires the introduction of the external control systems before introducing the internal control mechanisms. As indicated by Brooke (2003:5), the other strategies would require, prior to emphasising management accountability, the introduction of effective internal control mechanisms. These must be accompanied by the development and use of an effective accounting system before establishing an integrated financial management system.

In addition to budgeting for the activities to be done before budgeting for the expected outcomes, Brooke (2003:5) also suggests the importance for the development and use of more effective as well as more efficient financial auditing systems. After all, financial systems also influence the effectiveness of public expenditure management. Given the population's increasingly expanding array of different needs, the effectiveness of public expenditure management is critical for enhancing the optimisation of the often-meagre public resources—that is, to implement as much of an array of different socio-economic programmes and projects as possible (Fabrizio & Ashoka 2006:9). To accomplish this, public expenditure management is often directed towards the achievement of the three complementary goals of fiscal discipline, efficient resource allocation, and good operational management.

Fiscal discipline refers to the process of ensuring that funds are utilised for the purposes that such funds were allocated for. It requires monitoring and compliance with relevant legislations and regulations, as well as policies to ensure that the funds are only channelled towards the financing of the identified socio-economic priorities (Blondal 2010:9). Fiscal discipline enhances the effective control of public expenditure management. It reduces the risk of wastage pertaining to public resources. Efficient allocation explores the extent to which funds are allocated according to the priorities prescribed in the budget.

Added to that, efficient allocation enhances the effectiveness of fiscal discipline on the basis that it leverages compliance and adherence to the prescribed budget (Pearson 2002:16). However, good operational management measures the efficiency and effectiveness of public expenditure management (Houerou&Taliercio 2002:19). It explores the extent to which necessary mechanisms are put in place to minimise wastage and lower the overall costs of the accomplishment of activities that are critical for bolstering public expenditure management. The effectiveness of public expenditure management is also influenced by fiscal transparency (Abelin 2012:19). Fiscal transparency is measured by the clarity of roles and responsibilities regarding how public expenditure is to be undertaken (Hou 2006:14). What is more, it also measures the availability of relevant information by not only how the funds will be utilised, but also how they are being utilised.

Such initiatives must also be accompanied by the adoption of an open and transparent process of budget preparation, execution, and reporting (Hou 2006:14). Fiscal transparency is also determined by the overall integrity of the process of public expenditure management. Such analysis may examine the extent to which the process is subjected to independent internal and external auditing (Coetzee & Lubbe 2013:26). Auditing improves the integrity of the public finance management system as well as public trust and confidence in government institutions. Public expenditure management often undertakes a cyclical process that is also aligned to the cyclical budget process of preparation, execution and monitoring, and evaluation (Shah & Von Hagen 2007:10).

2.6 PUBLIC EXPENDITURE MANAGEMENT CYCLE

Based on the South African national planning, the process of public expenditure management often springs from the cyclical budget process of preparation, execution and monitoring, and evaluation (Jadranka& Marina 2009:281).

2.6.1 Preparation

Budget preparation not only refers to the process of identifying the key priorities that are outlined in the strategic plans, but also the corresponding financial resources that are required for financing the implementation of the activities that critical for the delivery of such key priorities (Houerou&Taliercio 2002:19). It enhances the analysis of the extent to which the budget plan is aligned to relevant government policies. Moreover, it is during the budget preparation that public-sector managers are able to discern whether or not the available revenues and funds are sufficient for the implementation of all such key priorities (Blondal 2010:3). This enables public-sector managers to, in the event of an anticipated shortage, proactively assess and identify the additional sources from which funds can be drawn to address such shortages of the financial resources.

Quite often, consultation and involvement of the relevant stakeholders is important for ensuring that the budget plan is as comprehensive as possible (Mannya 2012:59). Given the broadness of government departments, the budget must reflect the funds required for the implementation of different programmes in different departments at different levels. It must also reflect the legal provision for the authorisation of the expenditure as well as the sources of funds (Premchand 2001:10). The budget preparation often takes the form of both a top-down approach and bottom-up approach.

The top-down approach is often aimed at discerning the aggregate amount of financial resources required for public spending over a given period of time. It also aids the assessment of the spending limit per government department ensuring the designated areas of government prioritiesare addressed(Premchand 2001:10). The bottom-up approach, however, enables the lower levels of the government structures to prepare and present their budgets within the legally prescribed limits (Von Hagen 1998:11). It is the aggregate of such budgets that constitutes the national budget outlining the amount of financial resources that the government aims to spend within a given period of time.

To reach a conclusion on the overall aggregate of the national budget, the process of budget preparation often entails the use of the six steps process that encompasses the preparation and communication of the macro-economic framework, preparation of a budget circular that offers guidelines for the departmental budgets and the expected ceilings, preparation of the departmental budgets that are based on such guidelines, negotiations for where adjustments are required, finalisation of the draft budget, and submission to parliament for debate (Rabotapi 2013:54). Nevertheless, the completion of budget preparation then leads to budget execution, which is a process that is necessary to ensure correct spending.

2.6.2 Execution

Budget execution refers to the actual process of releasing the funds to finance the indicated socio-economic programmes and projects (Rajaram & Krishnamurthy 2001:10). However, it is not only about the adherence to the prescribed budgets, but also the undertaking of the initiatives to ensure some flexibility to adapt to the emerging new changes. Flexibility is critical for leveraging both the capabilities of the government departments as well as the lower structures of government in order to, in an innovative manner, develop and apply the best approach for utilising the allocated budgets (Rajaram & Krishnamurthy 2001:10). Such flexibility should not, however, undermine the importance of ensuring effective public expenditure control. To develop and apply an effective control system, the budget execution system must have an appropriation accounting system (Hashim &Piatti-Funfkirchen 2017:52). Such appropriate systems not only make it easy to track transactions that are unfolding during each stage of the expenditure cycle, but also, often, encompass commitment, verification, and payment.

A system must also be put in place for enhancing the effective management of the multi-year contracts and forward commitments (Schick 2001:14). Such initiatives must be accompanied by the establishment of an effective personnel management system as well as a transparent process of procurement management. To enhance allocative and operational efficiency, the process of budget execution must also take initiatives to ensure the timely release of funds, which, in turn, enables the timely and efficient implementation of the required programmes

(Pakkies 2016:70). This must be undertaken in conjunction with the initiatives for ensuring that cash rationing is avoided. In addition to ensuring that supplementary estimates are also restricted, the government must ensure that, as much as inter-item transfers are permitted, they should not be used as the basis for altering priorities that are designated in the budget (Costello, Petacchi, & Weber 2017:62).

Even if effective internal control systems constituting of the required policy and regulatory controls are put in place, measures must still be undertaken to develop more effective monitoring and auditing systems (Pearson 2002:16). This leverages the tracking of whether or not the process of budget execution is unfolding according to the prescribed plan. Yet, when implementing the required control systems, a central cash control system may have to be established for instances when the processing of payments and accounting controls are decentralised (Costello, Petacchi, & Weber 2017:69). This contrasts with the case of the centralised system, which is where a control system may have to be instituted in order to ensure timely payment that accords with the budget schedules and plans.

This implies that investment in a relevant information system is critical for bolstering the overall efficiency of processing and controlling payments (Groenewald &Okanga 2019:142). Such initiatives must be accompanied with the establishment of a cash management and control system in order to, in essence, aid aggregation in relation to the control of spending and budget implementation that is both efficient and effective (Schick 1999:5). It also induces significant reduction of the costs of borrowing whilst, at the same time, also aiding the maximisation of the returns on deposits and government financial investments. As budget implementation unfolds, the development of effective accounting and reporting mechanisms is a critical antecedent for realising effective public expenditure management, accountability, and policy making.

2.6.3 Evaluation

To develop and establish an effective accounting system for such purposes, the four categories of the accounting systems that would be required encompass cash accounting, modified cash accounting, modified accrual accounting, and full accrual accounting (Rajaram & Krishnamurthy 2001:10). Whereas cash accounting reflects cash flows and cash balances, modified cash accounting often adds cash accounting of the complementary period undertaken for recognising end-of-year payments, and modified accrual accounting offers a template for recording liabilities and expenditures.

Full accrual accounting offers information on all liabilities and assets. As such activities are being accomplished, periodic monitoring and evaluation is critical for identifying and correcting deviations that may affect the implementation of the budget plan (Rajaram & Krishnamurthy 2001:10). This may require the use of internal and external auditors to evaluate how funds have either been utilised or are being utilised. Such analysis may be accompanied by the use of the relevant risk management framework in order to identify and mitigate risks such as governance, economic, supply chain, and political risks that are affecting the effectiveness of the budget plan's implementation (Premchand 2001:10). This influences the extent to which the implementation of the budget plan is able to enhance the achievement of the desired socio-economic outcomes. However, in addition to such systems, it is also critical to develop an effective internal accounting system that offers effective bookkeeping procedures, records for all expenditure and revenue transactions, and classification of the expenditures according to functional and economic categories (Fozzard& Foster 2001:141).

To enhance transparency and accountability, the design of the reporting system must enhance effective use by all users from the treasury, legislature, public, budget managers, and policy makers. Such views echo Pattanayak's (2016:36) argument, in *Framework for Expenditure Control*, that public expenditure control is a critical determinant for an effective public finance management system. It also renders it difficult to influence the achievement of the desired socio-economic outcomes that are outlined in both the medium-term and annual budgets (Schick 1999:5). Without an effective public expenditure control, it is often not easily possible to discern the values of different fiscal rules that are put in place.

2.7 THE OBJECTS OF EXPENDITURE MANAGEMENT

Each component of public finance will serve a specific use and purpose whilst building up a management of finance that is sound and credible. The primary objectives of management systems and public expenditure is to, firstly, convey basic services in a productive and efficient way (Rabotapi 2013:24). Secondly, to ensure that funds made available are assigned and allotted in an equitable manner (Siswana 2007:79). Lastly, to practise command over expenditure use with the purpose of balancing out the local economy.

The ethos and standards of virtuous governance in the public-sector centres around the service delivery output, organisational vision, organisational values, orientated effective institutional performance, risk management, human resource development, transparent decision-making, and commitment to stakeholders' engagement and consultation (Rabotapi 2013:25). Such ethos and standards are significant for improved financial and budgetary administration, financial duty and responsibility, and they promote accountability in relation to the use of public funds (World Bank 1999:2). Compliance with generally recognised accounting practises and standards helps with public-sector accountability as annual financial statements are setup, which is as per the recommended accounting guides and standards. The specific, specialised, and master work completed by municipal finance officials is underpinned by universally recognised accounting practises and principles, which incorporates the standards for effective management of expenditure.

2.7.1 TYPES OF UNACCEPTABLE EXPENDITURE

An action as simple as spending money in the public-sector can have undesirable consequences. The spending of money in the public-sector must be conducted within laid out procedures. These procedures are usually contained in the supply chain management policy and the procurement standard operating procedures. Any spending in opposition to such may prompt the three occasions of unacceptable and unsuitable expenditure, which are "unauthorised expenditure", "irregular expenditure", and "fruitless and wasteful expenditure" (UIFW) (Rabotapi 2013:19).

The MFMA (Act 56 of 2003) defines these expenditures in relation to municipalities as follows: Unauthorised expenditure means "overspending of the total amount appropriated in the municipality's approved budget, vote and department"; irregular expenditure means "expenditure incurred by a municipality in contravention of the requirement of MFMA" (Act 56 of 2003), Municipal Systems Act, 2002 (Act 40 of 2002), Public Office-Bearers Act, 1998 (Act 20 of 1998), or "expenditure incurred by a municipality in contravention of the requirements of the supply chain management policy of the municipality"; and, finally, fruitless and wasteful expenditure means “expenditure which was made in vain and would have been avoided had reasonable care been exercised.”

The classifications in connection to management of expenditure and financial-related administration are one of a kind toward the South African public-sector setting. Different government administrations allude to non-budgeted expenditure and unapproved expenditure. Unauthorised expenditure, however, is regularly approved and affirmed based on proficient systems of financial management. In essence, this expenditure can be avoided in the South African context if the correct financial systems were to be applied.

It is important to take note of inadequate expenditure management because a branch of financial management is not the only of cause of UIFW, but also the processes that take place before such expenditure is processed for payment. Added to that, based on the definitions provided when expenditure is classified as UIFW, it does not mean that services were not rendered at all. The underlying driver of a portion of the expenditure can be located in the procurement and acquisition framework (Mamogale 2014:83–85). The failure to pursue appropriate supply chain management procedures results in this type of expenditure that is deemed unacceptable. The absence of prerequisite skills pertaining to financial administration and management is the significant reason for unsuitable expenditure.

The office of the Auditor-General South Africa frequently utilises these terms for expenditure in order to provide a signal of the state as well as a condition of public-sector financial management. A decrease in this type of consumption will demonstrate an improved management of finances, budget, and expenditure.

2.8 PATTANAYAK’S FRAMEWORK FOR EXPENDITURE CONTROL

Pattanayak (2016:18) argues that, even though the effective management and control of public expenditure is a critical antecedent for realising a sound financial management system, it is often difficult to effectively control public expenditure. This is attributable to the fact that, whereas the process for revenue collection is often undertake through a centralised system, in most of the cases, such collected funds are spent through disaggregated systems (Shah & Von Hagen 2007:10). This renders it difficult to develop and use effective public expenditure management control at all the levels. Yet, less effective financial expenditure control causes high risks of expenditure arrears as well as perceptions that affect budget credibility.

In order to develop an effective expenditure control system, Pattanayak (2016:18) suggests that it is important to understand the key features of an effective expenditure control system, the stages of the budget execution cycle as well as the specific control objectives for each stage, and the roles and responsibilities of the actors involved in the enforcement of such controls. In addition to these, he also emphasises the importance of focussing on *ex ante* controls regarding expenditure commitments as opposed to *expost* controls that are usually undertaken at the payment stage of the payment cycle. Such initiatives must also be accompanied by emphasising the control of the accumulated liabilities—that is, rather than controlling cash expenditures. The other initiatives would require the encouragement of the devolution of expenditure controls in order to the lower levels.

As this is being undertaken in conjunction with the adoption of a more risk-based management approach, and, also, as the use of more effective internal and external audit systems to leverage the integrity of the financial management system, it is also important to emphasise transparency and accountability regarding the general management of public expenditures. Dzuke (2017:47) argues that the adoption of such an approach to expenditure management must be accompanied by the understanding and use of the seven stages' expenditure control framework that encompass authorisation, apportionment, reservation, commitment, verification, payment order, and payment.

Understanding these seven stages of expenditure control aids the understanding of the objectives and the control systems that must be put at each stage. Authorisation is one of the underpinning principles of public finance management that requires the utilisation of the available revenues in order to arise from some authorisation, which is embedded under some laws or legislations (Steyn 2014:74). Such budget laws often define the time span, budget limits, purpose, and the administrative unit that is accountable for such expenditure. Authorisation limits the waste of public expenditures. Budget authorisation may also arise from the legislation prescribing the importance of payments to certain entitlement programmes, debt services, or payment of international subscriptions by the state. Authorisation is usually followed by apportionment

Apportionment is the process of allocating funds to each spending unit and its specific purpose. This not only enhances accountability, but it also enhances the initiatives for ensuring that the allocated funds are spent for the dedicated purposes (Kusek&Rist 2004:139). Reservation is, subsequently, the process of setting aside the allocated funds. It improves the initiatives of ensuring that the allocated funds are not used unless it is required. It also bolsters the commitment of the government department to engage the relevant service providers because of the understanding that the required payments will be made.

Verification leverages the effectiveness of expenditure control on the basis that it enhances frequent analysis—that is, whether or not the expenditure is authorised and whether or not it is being undertaken for the planned activity (Premchand 2001:10). Verification not only assesses the authorisation of the expenditure, but also the quality and standards of the delivered services. It enhances whether or not the contract performance—including the quality and the quantity—is delivered within the prescribed specifications (Ericksson 2017:220). This bolsters the minimisation of risks pertaining to corruption and unethical practises among public officials, which is how and where certain items or activities may only be accomplished as a formality without the initiatives of ensuring that it complies with the prescribed standards. Subsequently, verification leads to payment order as well as payment of the ordered services.

However, even if understanding and adherence to these processes influences the effectiveness of expenditure control, it is still important that attention is paid towards understanding of the types of control and institutional actors that influence the effectiveness of public expenditure management. Such analysis is critical for discerning and mitigating the weaknesses in the public expenditure system. Just as indicated in the expenditure management cycle, these controls encompass appropriation, commitment, aggregate cash, regularity, and accounting controls (Pakkies 2016:56). These control systems are often exercised at the centralised or decentralised levels.

The centralised levels enhance the minimisation of the risks affiliated with having the expenditure criteria interpreted differently by different agencies or government departments (John 2016:114). However, it can also limit the creativity and innovativeness of the lower structures to assess how the limited financial resources can be effectively utilised to influence the implementation of as much of an array of different government programmes as possible.

That said, the decentralised control systems enhance the channelling of the financial resources to the areas designated in the budget (Naha 2015:106).

In spite of all that, as effective expenditure control systems are put in place, it is often not only the effectiveness of such control systems that influence effective public expenditure management. Instead, in most of the cases, it is also the skills and competencies of the public finance management personnel to apply such control systems that influence the effectiveness of public expenditure management (Hou 2006:14). In South Africa, it is such endeavours to leverage the application for the best public expenditure management practises that are some of the factors that motivated investment in the relevant municipal minimum competency programmes. Said programmes improve the overall public expenditure management capabilities.

2.9 MULTI-DIMENSIONALITY OF PUBLIC EXPENDITURE MANAGEMENT

The concept of public expenditure management is a multidimensional construct. As such, it implies that focusing on the development of the employees regarding the critical core skills and competencies for public expenditure management may not induce the desired results (Osborne 2010:5; Pollitt &Bouckaert 2004:9; Ryan & Walsh 2010:621). Instead, the use of a more holistic framework that not only focuses on the development of core skills and competencies, but also behaviours and practises that cascade ethics, good governance, accountability, and risk management seems more critical for influencing the overall effectiveness of public expenditure management (Rabotapi 2013:64).

2.9.1 Ethics

Effectiveness of public expenditure management is influenced by the ethical ethos adopted by the public finance management officials (Sandel 2009:3). In such initiatives, essentially, it is not only the core skills and competencies of the public finance management officials that influence the effective public expenditure management. That is, entrenched unethical practise tends to cause incidents where funds are diverted from the prescribed budget plan (Mayer et al. 2009:5). This affects the extent to which budget implementation is able to influence the achievement of the desired socio-economic outcomes. Ethics refers to the capability of distinguishing between wrong and right, and to consistently uphold good moral values.

Lack of ethics affects the employee moral judgment and their greater preponderance to engage in activities such as corruption, fraud, and theft of public funds (Mayer et al. 2009:5). In effect, in a study that explored the development of ethical competence among public officials, Whitton (2016:19) argues that the development of ethical competence in public officials is critical for bolstering public trust and confidence in government departments. To accomplish this, he emphasises the need for training and developing public-sector employees regarding ethical competencies such as moral reasoning, moral judgment, moral sensitivity, and focus. These competencies are critical for the public servants to identify in order to avoid situations or incidents that would cause unethical behaviours or corruption (Bazerman &Tenbrunsel 2011:58).

2.9.2 Code of conduct

In most of the cases, the effects of such an entrenched unethical culture are often exacerbated by poor governance among the managers and employees. This affects accountability as well as the extent to which the public finance management officials can be held accountable and responsible. Effectively, as the core skills and competencies of the employees are being improved, some of the authors suggest that it is critical to develop employees in relation to the essence of consistently upholding good governance and ethical practises (Bazerman &Tenbrunsel 2011:58). To develop a good ethical environment, managers must be able to develop ethical codes of conduct that promote the development of good financially ethical behaviours. The development of such ethical codes of conduct must be accompanied by the establishment of enforcement mechanisms that promote and encourage good ethical behaviours whilst, also, discouraging the unwanted unethical behaviours (Cumbo 2009:726). However, even if such initiatives are put in place, in certain cases, constraints that affect public expenditure management have often still emerged from poor stakeholder management.

2.9.3 Stakeholders Engagement

Poor stakeholder management can leave some of the public finance management officials to be more vulnerable to pressure from the political authorities. As the political authorities seek to impress the electorates, risks of over-promising may arise (Cumbo 2009:726). This causes situations where certain items are included in the budget plan despite it being apparent that the existing funds are insufficient to meet all such needs. In effect, the integration of such factors—in order to discern how public finance management officials can deal with such situations—is critical for leveraging the overall effectiveness of public expenditure management (Moore et al. 2014:10). However, in addition to that, investment in the relevant technologies and technological infrastructures is also critical for bolstering the effectiveness of public expenditure management (Darcy 2010:198). Investment in technologies such as the public accounting and finance information systems enhances ease of data gathering, storage, and analysis whilst identifying the areas with challenges. It improves the capability of public finance management officials to accomplish different tasks that cannot easily be performed manually. This implies that, even if the employees are equipped with relevant core skills and competencies, lack of critical technologies can still undermine the initiatives undertaken to bolster the effectiveness of public expenditure.

2.9.4 Good Governance

Good governance is critical for leveraging the overall effectiveness of public expenditure management (Helao 2015:20). It aids the designation of the responsibilities through which different public resources must be utilised for the accomplishment of different activities at different levels. In the event of deviations, it is such designated roles and responsibilities that enhance ease of analysis in order to enhance the identification of the areas where challenges could have emerged (Osborne 2010:5). As different roles and responsibilities are divided between different individuals, good governance also tends to foster the extent to which such individuals will undertake the necessary due diligence to ensure that the allocated public resources are effectively and efficiently utilised for the achievement of designated purposes (Pollitt &Bouckaert 2004:9). Moreover, it also influences the accountability and responsibility of the personnel charged with public expenditure management.

Good governance further improves the extent to which budgeting for how public resources must be utilised is able to respond to the required critical socio-economic needs of the population. This is attributable to the fact that the principles of good governance not only emphasise the need for accountability and responsibility, but also the involvement of the relevant stakeholders in the planning and budgeting of how the critical public finance resources must be utilised (Fourie 2007:738). In effect, as different stakeholders are involved and consulted during the strategic processes of planning and budgeting, it tends to influence the integration of the population's critical socio-economic needs among the key priorities that must be included in the budget. The integration of such key socio-economic priorities enhances the overall efficacy of public expenditure management to influence the achievement of the desired socio-economic outcomes.

However, due to the competing needs, the government is often unable to respond to all the socio-economic needs of the population (Lynn, Heinrich, & Hill 2011:19). It is therefore through such enhanced public participation and consultation processes that the government is often able to identify the common priority needs that it, the government, must focus on in order to leverage the overall effectiveness of service delivery (Pollitt &Bouckaert 2004:9). Yet, as relevant governance structures are put in place to influence the effectiveness of good governance, it also tends to enhance evaluation and control of the effectiveness of public expenditure management.

In addition to all of the aforementioned, good governance also enhances checks and balance by the governance committees regarding how the public finance management personnel are utilising the allocated funds to influence the achievement of the desired outcomes (Cheema 2004:19). These imply that measures for evaluating public expenditure must avoid only focussing on the use of accounting measures such as budgets and how the available funds have been utilised. Instead, such performance evaluation must also examine the compliance initiatives undertaken by public officials in order to adhere to good ethical and governance practises, which, ultimately, ensures that the desired socio-economic outcomes are achieved (Moore 1995:30). Even if good governance would induce improvement in the accountability of the public finance management personnel, the existence of effective accountability mechanisms is still critical for leveraging the overall effectiveness of public expenditure management (Moore 1995:30).

2.9.5 Accountability

The existence of the effective accountability mechanisms edifies the overall effectiveness of public expenditure management (Ryan & Walsh 2010:621). Accountability refers to the extent to which the holders of public office are required to explain progress and the challenges pertaining to the accomplishment of activities with which they are charged. In the context of public expenditure management, accountability influences the extent to which public finance management officials—that are charged with expenditure management—are able to offer meaningful explanations to the responsible authorities regarding how the allocated public finances have been spent (Campos 1997:41). This enhances the extent to which the officials that are charged with public expenditure management are able to ensure that the funds are used for financing the activities designated in the budget.

However, for accountability to influence the effectiveness of public expenditure management, it is critical that effective internal and external mechanisms for accountability are put in place. The internal mechanisms may consist of the internal reporting mechanisms that are put in place (Leclerc et al. 1996:2). It may refer to the process of filing formal financial reports to either the upper authorities or to any prescribed committees. Such financial reporting procedures are critical for discerning whether or not the public finances have been utilised as prescribed in the budget plan (Brooke 2008:37). Through such analysis, the authorities to whom reports are made can be capable of discerning and correcting any deviations that could be emerging from the process of utilising the funds allocated in the budget plan.

The internal mechanisms may also consist of a committee to whom reports pertaining to the progress of allocated fund utilisation can be made (Hupkes, Quintyn, & Taylor 2006:23). Even if such internal mechanisms are effective, most public sector organisations still often also subject different financial reports to the internal and external audit reviews. This improves the overall integrity of public finance management as well as expenditure management (Fozzard& Foster 2001:42). Internal and external auditing enhances the technical analysis and identification of technical errors that could have arisen from the process regarding the utilisation of the funds allocated in different budgets.

In addition to these internal mechanisms, the effectiveness of public expenditure management is also influenced by the overall effectiveness of the external mechanisms for accountability

(Keita 2014:15). Such external mechanisms for accountability often consist of the parliament oversight bodies, the law enforcement agencies, media, opposition political parties, and the civil society organisations. These bodies influence the analysis of how public finances are utilised. In the event of deviations, it enhances the extent to which the responsible public finance management officials can be held accountable and responsible (Neale & Anderson 2000:11).

Even if there are no deviations, empirical evidence indicates that the existence of such oversight bodies often lures public finance management officials to adopt good practises—that is, to ensure that the allocated public finances are utilised for the achievement of the outcomes prescribed in the budget plan. However, Khan (2016:5) argues that, for accountability to edify the effectiveness of public expenditure management, it is critical that public finance management officials must adhere to certain fundamental principles of good governance. Such fundamental principles encompass clarity of the designated roles and responsibilities, performance expectations, balancing expectations with capabilities, and emphasis of the veracity of reporting (Neale & Anderson 2000:11).

Pattanayak (2016:5) emphasises the need for such initiatives to be accompanied by the quests for measuring the overall effectiveness of the accountability mechanisms that are put in place using certain general and specific criteria. Such general criteria encompass the use of results-driven accountability, integration of financial management issues in the decision-making processes, accountability for the undertaken financial decisions, and availability of relevant financial management information as well as the existence of an effective integrated internal control system.

Khan (2016:5) reiterates the specific required criteria to encompass the evaluation of accountability for the supply chain and financial measurement performance system. The other measures for assessing the effectiveness of accountability entail evaluation of the existence of effective legislations, regulations and policies on accountability, effectiveness of the oversight bodies, regular evaluation of financial performance, congruence of individual goals with the organisational goals, effectiveness of audit systems, and the state of the implementation of audit reports (Pearson 2003:6). Although this influences accountability to also, in turn, enhance the effectiveness of public expenditure management, the effectiveness of public expenditure management may also be determined by the extent to which it is integrated with the relevant risk management framework (Leclerc et al. 1996:52).

2.9.6 Risk Management

Risk management leverages the overall effectiveness of public expenditure management. It enhances the identification and mitigation of the incidents that can interfere with the effectiveness of public expenditure management (Henriksen &Uhlenfeldt 2006:11). This implies that, unless public expenditure management is integrated with the measures for risk identification and mitigation, it may not influence the achievement of the desired socio-economic outcomes. The occurrence of risks can cause the deviation of public expenditure from the previously prescribed budgetary plans (Coetzee & Lubbe 2013:49), and this can induce costs and use additional resources.

In effect, proactive risk analysis, identification, and mitigation of risks are critical for edifying the effectiveness of public expenditure management. They aid contingent planning in order to discern the additional resources that can be required to address a particular situation in the case of an occurrence of risks. Risks connote the probabilities of an event occurring that distorts the overall effectiveness of the process regarding the accomplishment or implementation of a particular plan (Liebenberg & Hoyt 2013:16). However, risk management is the process of planning, organising, controlling, and leading the consistent and systematic process of risk identification and mitigation. Risk management requires the application of the framework pertaining to the four steps' process, which encompasses risk analysis, identification, measurement, and control. Risk analysis would require evaluation of the unfolding trends in the external organisational environment (Visser & Erasmus 2002:16). These trends may reveal threats such as political, economic, social, technological, or ecological threats that may affect the overall pattern of public expenditure management. This is attributable to the fact that political changes can induce new expenditure requirements that may set new promises and targets.

To respond to such changes, public finance management officials will have to discern the extent to which they have in place the available financial resources to respond to such demands (Liebenberg & Hoyt 2013:16). In case of shortfalls, the changes cause the burden of having to search for alternative sources of funds. Such changesmay also require review of the existing expenditure plan in order to identify the areas of less priority that must be compromised in favour of the most important areas. Even if challenges are not arising from changes in political trends, risks may also emerge from changes in economic trends (Vladut 2014:60). This is attributable to the fact that changes in economic variables—such as price rises or the change in interest rates—can affect the price of goods and services.

In most of the cases, even though adjustment budgets are used, adjustments can still affect the implementation of the budget plan. In terms of unfolding social trends, risks may arise from the emergence of community or citizen pressure groups that are demanding for the delivery of services of a certain quality and quantity (Wood 2011:60). Unless such risks were proactively identified and mitigated during the budgeting processes, they can affect budget implementation as well as public expenditure management. Quite often, such risks may be exacerbated by technological risks that are arising from technological changes or ecological threats that are unfolding through the occurrence of disasters and natural calamities such as floods or drought (Tadewald 2014:19).

In addition to these external sources of risks, other risks may also arise from the internal environment of a government department. Such risks may emerge from technological failures, policy failures, labour unrests, supply chain risks, governance risks and established practises, and cultural risks that can affect the effectiveness of public expenditure management (Woods 2011:111). The analysis and identification of such types of risks must be accompanied by risk measurement in order to assess the potential impacts of such risks—that is, if they happen to occur. Such analysis may require the use of SWOT (strength, weaknesses, opportunities, and threats) analysis, risk measurement questionnaires and surveys, scenario analysis, decomposition, decision trees, and cost-benefit analysis (Henriksen &Uhlenfeldt 2006:111).

The other methodologies may require the use of risk ranking and mapping as well as the use of tornado charts. Such analysis enhances the discernment of the contingent plan that can be put in place to mitigate the effects of such risks. It may also enhance the use of risk mitigating measures such as risk avoidance, risk reduction, risk sharing, and risk acceptance (Coetzee & Lubbe 2013:46). In cases of the public expenditure management, risks that may affect the effectiveness of public expenditure management are often easily evident from financial reports, financial statements, and audit reports (Woods 2009:69). Hence, mitigation of such risks—as well as proactive analysis and identification of the likely future risks—are critical prerequisites for bolstering the overall effectiveness of public expenditure management

2.10 MECHANISMS OF MEASURING GOOD EXPENDITURE MANAGEMENT

To commence, the budget is a significant record of accommodating financially-related information relating to government expenditure needs, policy-approach costing, planning, expenditure projects and projects benefits, and results. The data confined in the budget is significant for reporting transparency and financial accountability (Djurovic-Tedorovic&Djordjejevic 2009:288). A financial budget must contain foreseen revenue data, potential expenditure, and the objectives and purpose of the expenditure because, without such items, it tends to be said that the financial budget is fragmented and does not meet fiscal policy standards (Siswana 2007:102).

There are six key estimations of satisfactory financial performance management and budgetary execution that are recognised in the Public Expenditure and Financial Accountability (Public Financial Management Performance Measurement Framework 2005:2). A credible budget, for one, is dictated by the practical foreseen revenue and clear projects of execution. Secondly, financial budget must be transparent and thorough, which means it must be available to the public and easy to comprehend. Thirdly, financial budget ought to be conversant with policy and approach, and it should be founded on a policy framework because it expresses, in fiscal figures, the strategy of government. Fourthly, financial budget should be probable with clear controls regarding its execution. This suggests that a budget must be executed in an organised way and be deliberately systematic, so this must be accomplished when there is a reasonable arrangement of internal controls (Djurovic-Tedorovic&Djordjejevic 2009:291). Fifthly, there ought to be clear bookkeeping, thorough recording of transactions, and a detailed system of reporting. That being the administration part of the expenditure management, an unmistakable record of data should be created for oversight reasons and reporting as well as basic decision making and the controls. Lastly, regarding the activity of an audit—that is, review and assessment—the internal and external audit each review and assess what is contained in the first budget records and, also, the expenditure of projects contained in the financial budget (Asian Development Bank 2001:3).

In addition, the review, audit, and assessment furnish the citizens with affirmation that the financial budget was implemented as per the expressed priorities and needs of government. Plainly, in light of the above exhibition estimates, the financial budget is an instrument that frameworks the exercises affiliated with government's method of execution, and, henceforth, the requirement for the effective use of expenditure. According to Rabotapi (2013:25)"The management of expenditure as a control device is utilized to screen the execution plan through expenditure patterns of spending" The budget procedure can't be separated from utilisation of funds, which is what expenditure entails.

These patterns are actioned by always looking at spending gauges against actuals, and then observing differences—all told, estimating the spending execution/expenditure. Patterns in monetary administration are also estimated by utilising financial ratios or budgetary proportions, debt or obligation levels, and capacity to meet responsibilities in the long and short term (Maphalla 2016:16). Financial ratios or budgetary proportions can delineate patterns and trends because of the way that they depend on measurable, quantifiable, and interpretable models and standards that are financially-related (Teach Coach & Consult 2017:3). The accord in the literature review is that expenditure execution is reflectively estimated using financial ratios or related proportions, and that much assurance is provided by the office of the AGSA in its regularity audit opinions that are issued per financial year.

The World Bank (1999:57) indicates that certain components may improve expenditure management. The "political will" and the pledge to underspend, in specific segments, guarantees unhindered spending of the planned priority expenditure programmes of government. In instances of unapproved over/under spending of the spending plan, there ought to be remedial actions that may, at times, be punitive. Any moving of budgets should be, no matter what, untouched—that is, unless it is vital and endorsed by a pertinent authoritative expert such as council.

There ought to be measures set up to gather the anticipated income to guarantee a financed budget plan. The goal should be to ensure that spending usage is never frustrated and, also, that expenditure is improved (Rabotapi 2013:25–27). It tends to be reasoned that proper expenditure management advances the financially-related supportability of a local government and helps local authorities to provide certainty to citizens, which improves hierarchical organisational execution.

2.11 MONITORING AND EVALUATION

The local government sphere generally finds it difficult to measure productivity or output, even though there is always reference to efficient, economical, and effective use of resources (Hughes 2018:8). Abrahams (2015:3) makes reference to the growth of monitoring and evaluation in government, but, particularly, in the two upper spheres of government—excluding local government, that is. In fact, South Africa is amongst the few countries in the world with departments specifically dedicated to monitoring and evaluation.

Programme assessment is tied in with choosing venture appropriateness and viability—especially, the worth that may have been included by the NT pre-intervention (Nolan & Wong 2004:8). Program assessment is the systematic amassing of information about the program-related exercises, characteristics, and aftereffects, so as to make certain ends to improve its viability and, possibly, enlighten decision-making about future projects (Nolan & Wong 2004:54). The drive behind evaluation is to determine if particular objectives are being met, if there is sustainability, and if there is impact and effectiveness.

Mamogale (2014:81) states that local government's finance-related execution ought to be estimated by, more or less, utilising the yearly budget summaries as an apparatus to decide the general condition of the municipal state of affairs. This can be further enhanced by the annual opinion of the Auditor-General South Africa

Harachi et al. (1999:711) argue that program assessment adds to approach improvement by refining the nature of program configuration by estimating the presentation of past projects; program usage by evaluating the procedure; deciding the cost viability of the program; the executives by approving execution targets; and, in conclusion, by measuring capacities. In particular, the two most surely understood assessment strategies for program assessment are execution observing and net effect estimation. The two vary from one another in that the former tracks the absolute results and the latter assesses the esteem included via the intervention

(Eberts&Olearny 2004:257). Managers in the government sector have a commitment to build up expected execution results, earn resources towards the accomplishment of those outcomes, and consistently measure the results in order to, fairly, cause changes that improve organisational productivity and adequacy (Nolan & Wong 2004:53).

Nolan and Wong (2004:54) call attention to how administration should persistently concentrate on results, create execution observing measures, assess program usage, and measure results as well as the cost viability pertaining to programmes of intervention. Various measures can be applied to curb overspending and limit inessential underspending by applying proper management techniques of expenditure.

Prior to the execution of the MRMCL requirements, no literature exists to bolster the idea that the NT had set clear compulsory assessment prerequisites and post-usage achievementindicators. There is no gathered data on municipalities that can be attained from the NT in order to investigate and analyse the condition of expenditure management when the MRMCL was introduced. Howard and Shagun (2014:6) propose the utilisation of pre-intercession information testing and post-mediation information testing as a means of gauging if there has been any enhancements because of the presented mediation.

2.12 CHAPTER SUMMARY

To enhance the conceptualisation of the topic within the discipline of public administration, the discussion in this chapter commenced with the evaluation of theories pertaining to public expenditure management. This was followed by the evaluation of the literature on paradigm-shift in public administration in order to illustrate how the increasing emphasis of a need for more efficient public administration is influencing the need for effective and efficient public expenditure management. To accomplish this, theories suggest that, even though competency development for public finance management official is a critical prerequisite, the multidimensional nature of public expenditure management still implies that such competency development must be accompanied by the development and entrenchment of good ethical practise, good governance, and accountability.

CHAPTER THREE: LEGISLATIVE FRAMEWORK GUIDING EXPENDITURE MANAGEMENT AT LOCAL GOVERNMENT LEVEL

3.1 INTRODUCTION

The discussions in this chapter offer insights on the legislative framework for the implementation of the municipal minimum competency programmes in the South African municipalities. It commences with the analysis of how the implementation of the municipal minimum competency programmes in the South African municipalities was motivated by the need to leverage the effective and efficient application of the MFMA. Against that backdrop, the chapter explores the extent to which the introduction of the National Treasury's (2007) Guideline for Municipal Competency Levels has influenced the development of critical skills and competencies to influence not only the successful MFMA's implementation, but also municipal expenditure management. This was followed by the evaluation of the methodologies for the implementation of the municipal minimum competency programmes as well as the constraints of municipal finance management. The details of the discussions are as follows.

3.2 CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA

Chapter 7 of *the Constitution* makes a provision for the establishment of wall to wall municipalities within the Republic of South Africa. Combined, these municipalities form the third sphere of government, which called local government. Local government is empowered to govern its own affairs, with the legislative authority being conferred to the municipal council (Republic of South Africa, 1996). The municipalities are further categorised into three categories—that is, A, B and C. Category A municipality refers to Metropolitan Municipalities, Category B municipality refers to Local Municipalities, and Category C municipality refers to District municipalities (Republic of South Africa,1996).

Section 152 provides the five objects of local government and the constitutional reason for their existence:

(a) "to provide democratic and accountable government for local communities"

(b) “to ensure the provision of services to communities in a sustainable manner;”

(c) “to promote social and economic development;”

(d) “to promote a safe and healthy environment; and”

(e) “to encourage the involvement of communities and community organisations in the matters of local government.”

The section particularly states that the municipalities must endeavour to meet these objectives within their administrative and financial capacity.

Section 217 of *the Constitution* (1996) refers to the development of procurement systems that are “fair, equitable, transparent, competitive and cost effective.” Government procurement is a major contributor to the Gross Domestic Product, hence the direct emphasis on procurement in *the Constitution* (Molver&Gwala 2015:264). Added to this, government is able to influence the economy through its fiscal policy, which extends to local government procurement and expenditure patterns. It is for this reason that expenditure should be managed in an effective manner utilisingpublic administration and management tools.In ability to effectively manage expenditure leads to poor spending, ineffective service delivery and unaccountability.

Section 195 of *the Constitution* (RSA, 1996) provides the guiding principles and basic values governing South African public administration—that is, by stating that resources must be utilised in an economic, efficient, and effective manner whilst promoting accountability. Further to that, the section promotes career development practises reinforced by good human resource management.

3.3 MUNICIPAL FINANCE MANAGEMENT ACT

The implementation of the measures for improving the competencies of the municipal officials is motivated by the quests to bolster the effectiveness and efficiency of the process for the implementation of the MFMA (Department of Cooperative Governance and Traditional Affairs 2017:10). Successful implementation of the MFMA influences sound financial management. Subsequently, this leverages the improvement of the performance of the municipalities to impact positively upon the delivery of the critical socio-economic services. This is attributable to the fact that, through the implementation of different competency development measures, the government aimed to reduce the rate of wasteful, unauthorised, and fruitless expenditures. The MFMA seeks to improve the efficiency of the accomplishment of the logically interrelated municipal activities that encompass planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting, and oversight (Department of Cooperative Governance and Traditional Affairs 2017:10).

MFMA is often applied in conjunction with the Municipal Structures Act 1998 (Act 117 of 1998), the MSA, Municipal Property Rates Act 2004, and the Municipal Fiscal Powers and Functions Act 2007. These legislations prescribe the key criteria for leveraging municipal operations, planning, budgeting, governance, and accountability. However, major reforms of municipal financial management in South Africa were largely introduced by the MFMA (Coetzee & Lubbe 2013:45). Prior to 2003, municipal finance management was not only characterised by one-year item budgeting that did not integrate key priorities in the medium term, but also resource allocation that was based on past historical commitments rather than on the existing realties as well as the expected future changes in the needs and demands of the communities (Eglin &Ngamlana 2017:10). This affected the alignment of the budget plan to influence the achievement of the desired socio-economic outcomes. These challenges were further exacerbated by the poor evaluation and reporting culture. This affected performance assessment and the introduction of the new improvement measures that could be undertaken.

In effect, the introduction of the MFMA sought to introduce reforms that would change and transform the overall approach for municipal finance management. This was accomplished by introducing provisions that seek to strengthen accountability at the municipal level (Marais, Human, &Botes 2008:376). One of the initiatives for achieving such quests was to clarify the roles and responsibilities of the political and administrative spheres of the municipalities. Previously, the blurred distinction between the roles and responsibilities of the municipal mayor and the municipal managers affected the upholding of the principles of accountability. This affected the entrenchment of good governance as well as sound financial management.

Following the introduction of the Municipal Finance Management System in 2003, the executive mayor and the committees were charged with the role of policy formulation, guiding the inputs for budget formulation, monitoring, as well as evaluation of the process for the implementation of such budgets. To accomplish this, through different committees, councillors exercise the necessary oversight to ensure the successful implementation of different programmes (Marais, Human, &Botes 2008:376). As such, the municipal manager and the other municipal management officials were charged with the implementation of the municipal policies, the Integrated Development Plan (IDP), as well as the Service Delivery and Budget Implementation Plan (SDBIP). As these turned around the overall nature of municipal governance and management, the MFMA also introduced the concept of performance-oriented management regarding municipal activities (Department of Cooperative Governance and Traditional Affairs 2017:3). This influenced the integration of key socio-economic priorities and objectives in the municipal plans and budgets in order to enhance the achievement of desired key socio-economic priorities.

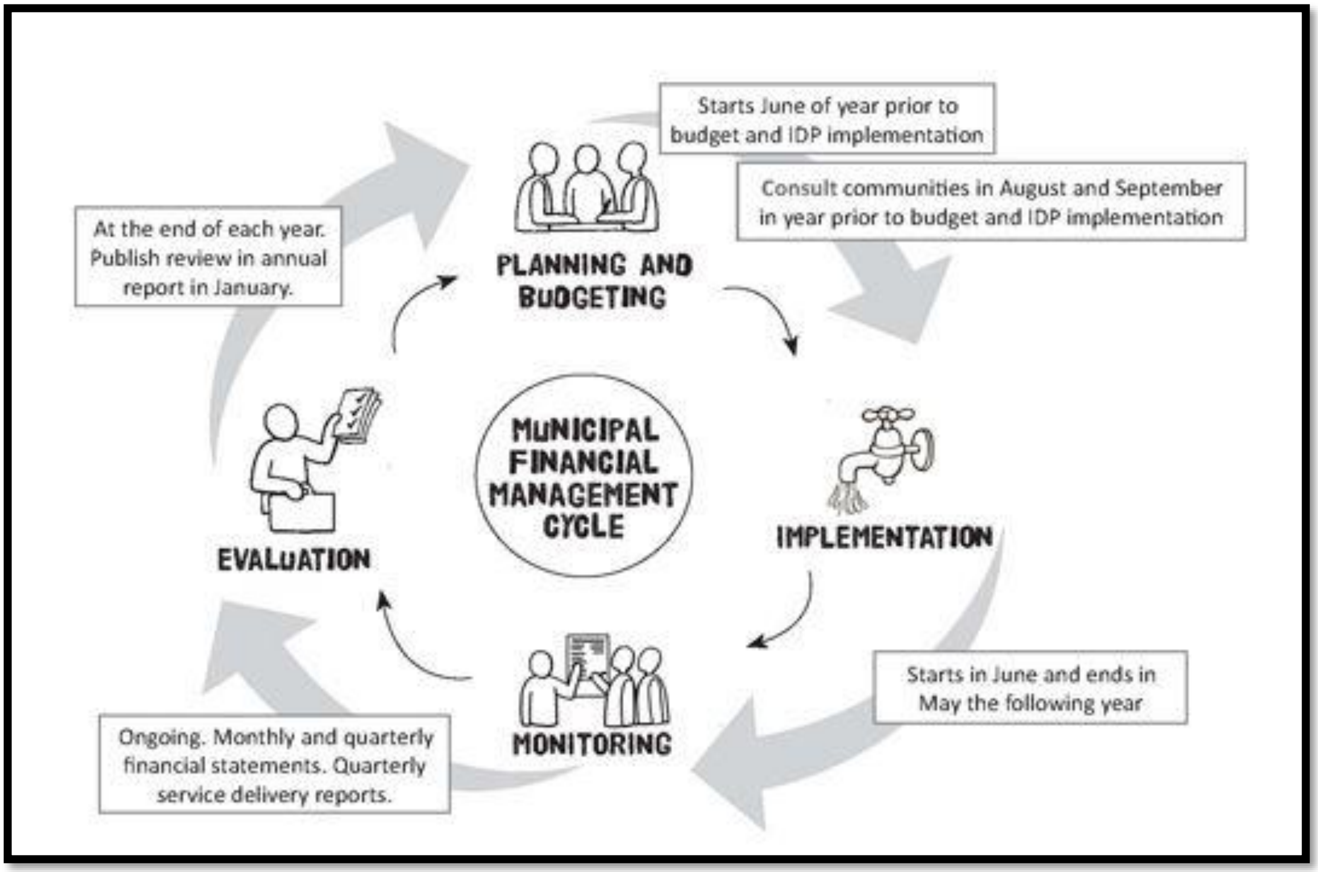
The MFMA also introduced the importance of performance evaluation and reporting to leverage the identification and correction of areas with shortfalls. Through such initiatives, the MFMA sought to echo the views in Section 153 of *the Constitution* (RSA, 1996) that emphasises the importance for the alignment of planning, budgeting, and reporting. This enhances the identification of the areas of priorities that must be addressed in order to unlock values that catalyse the delivery of different socio-economic services. Such constitutional provisions are also emphasised in the MSA. In line with such constitutional provision, the MFMA and the MSA tend to emphasis a cycle process for municipal finance management.

3.4 MUNICIPAL FINANCE MANAGEMENT CYCLE

The cyclical process for municipal finance management requires the accomplishment of activities that encompass Integrated Development Planning (IDP), budgeting, Service Delivery and Budget Implementation Planning (SDBIP), and reporting. Integrated Development Planning (IDP) sets out the key socio-economic priorities that must be aligned with the critical municipal resources in order to influence the achievement of the desired socio-economic outcomes. Budgeting sets out the revenue generation and expenditure management plan of the municipality. Service Delivery and Budget Implementation Planning (SDBIP) outlines the medium-term service delivery and financial targets that must be aligned with the key annual targets in both the IDP as well as the municipal budget.

Reporting consists of the in-year reports to the municipal council regarding the progress of the implementation pertaining to different service delivery programmes. These reports—as well as the annual financial statements—are subsequently compiled and submitted to the Auditor-General for comments about the state of the financial health of the municipality. However, to improve the quality and standard of financial reporting, the government introduced the Municipal Budget and Reporting Regulations 2009. The aim of the Municipal Budget and Reporting Regulations 2009 is to improve transparency, accountability as well as the need for municipalities to disclose key information regarding their funding budgets, asset management, and the delivery of basic services.

Figure 3.1: Municipal finance management cycle



Source: National Treasury (2008)

In order to accomplish its aims, Section 9 of the Municipal Budget and Reporting Regulations 2009 requires the executive mayor to establish the budget steering committee. The functions of the budget steering committee are, in essence, to offer technical support to the mayor whilst discharging the duties stipulated under Section 53 of the MFMA. Section 53 of the MFMA requires the mayor to ensure that the budget is prepared, approved, and produced on time in order to enable the delivery of the required critical socio-economic services to the population.

In order to facilitate the implementation of the Municipal Budget and Reporting Regulations 2009, the NT issued a number of the other complementary legal instruments—namely, Excel schedules that offer prescribed budget tables, the budget format guide, the funding compliance guide, and the annual MFMA budget circulars 48, 51, 54, and 55. In addition to these Excel schedules, the NT also offers a dummy budget guide that the municipalities can use as a template for discerning the kinds of information and analysis that must be included in the annual budget report. The dummy budget guide is aimed at leveraging the municipalities' compliance with Schedule A of the Municipal Budget and Reporting Regulations.

Although most municipalities are increasingly complying with Schedule A of the Municipal Budget and Reporting Regulations, the survey conducted by the NT in 2010/2011 indicated that there are some of the municipalities that are still unable to comply. Even for those that undertake the initiatives to use such templates, the results of the NT in 2010/2011 still suggest that there often remains certain challenges that arise from the quality and completeness of the presented information. Yet, as the municipalities use such templates, Section 18 of the MFMA and the MFMA circular 42 also require the municipalities to evaluate their funding sources. To accomplish that, the municipalities must assess the sufficiency of the three sources of budget funding that encompass the anticipated revenues to be collected—that is, surpluses from the previous years that have not been used for the other purposes and funds from borrowing. Such analysis is not only critical for discerning the adequacy of the municipal finances, but also to see how funds can be obtained in order to enhance the implementation of different municipal socio-economic programmes and projects. Certainly, all these imply that the introduction of MFMA influenced the creation of a system that would influence sound financial management and governance, which would, in turn, influence the overall effective performance of the municipalities.

However, the initiatives to achieve such initiatives were being undermined by the challenges that accompany a lack of appropriate skills and competencies on the part of the municipal managers to effectively and efficiently apply the provisions of MFMA. To address the challenge regarding lack of the required skills and competencies, a number of municipal competency development programmes have been conceptualised and implemented since 2007. One of such initiatives was the implementation of the National Treasury's (2007) Guideline for Municipal Competency Levels, which took effect in January 2008.

3.5 NATIONAL TREASURY’S GUIDELINES FOR MUNICIPAL COMPETENCY LEVELS

In order to ensure that the municipalities optimise the limited financial resources required to achieve the desired socio-economic outcomes, the National Treasury’s (2007) Guideline for Municipal Competency Levels prescribe the competencies that the municipal officials who are working in finance and accounts-related areas must possess. Such competencies are considered critical for bolstering the effective application of the MFMA, and, according to Koma (2010:116), they are the main managerial aptitudes required in public administration. The skills set comprises of leadership, communication; ethical conduct, accountability; service delivery innovation, change management, client orientation; problem solving and analysis; programme management, customer focus; people management; financial management; knowledge management; and project management and strategic capability. The national school of government (2012:48) posits that the “skillsapproaches” consist of uniform requirements in terms of attitudes, knowledge, behaviour and job performance aligned to the standards and objectives of the organisation. Moreover, circular 60 of the MFMA prescribes, “The municipal regulations on minimum competency levels required for the expected levels for consistent and uniform application of the Municipal Finance Management Act” (National Treasury 2012).

3.5.1 Skills aptitude itemised per curriculum area

The above perceptions demonstrate that competency cannot be accomplished without capability. Competence and capability in finance necessitates training. The skills competency required for budgeting and strategic management requires 77 credits, which are made up of six-unit standards. The municipal accounting and risk management has five-unit standards, with a total of 80 credits. The governance and legislation module carries 38 credits and requires four-unit standards. The costing and capital planning requires two-unit standards for a total number of 27 credits. The supply chain management and Private Public Partnership weighs 12 credits for a one-unit standard. Municipal IT and project management has 27 credits with two-unit standards (De Lange 2010:8). Out of the six key projects recognised, four have an immediate connection to finance-related administration.

Fourie (2002:131–132) delivers observational proof to help with the existing gaps in competency within local government. In the discoveries, these components are identified as lacking within senior management, budgeting, accounting, financial management, costing, performance indicators and auditing, procurement and acquisition, and workplace skills. As indicated by Fourie (2002:134) and Siswana (2007:138), the prospects of municipalities are under danger based on an absence of fundamental skills and training. Adding to the difficulties is an absence of operational knowledge from lower and middle management. In this manner, training needs should be tended to in an organised, sorted out, and well-coordinated fashion. A serious needs assessment is a necessity. The literature review revealed critical competency gaps, which, in this manner, gives rise to training needs. Learning materials and activities should be created and made available in such a way that they think about the pragmatic viewpoint—as well as the theoretical scholarly components of the module substance—to guarantee that learning means ability, knowledge, information, and skill.

The articulations in the National Treasury's (2007) Guideline for Municipal Competency Levels echo the provisions of Section 83, 107, and 119 of the MFMA and the Municipal Regulations on Minimum Competency Levels. The provisions of Section 83, 107, and 119 of the MFMA and the Municipal Regulations on Minimum Competency Levels require certain municipal officials to meet certain prescribed competencies in areas such as financial management and supply chain management. It also supplements the provisions of the MSA. Akin to the NT's (2007) Guideline for Municipal Competency Levels, these regulations and provisions require municipal officials—such as the accounting officers, senior managers, financial officials, and the supply chain management officials—to demonstrate competencies in areas such as strategic leadership and management, strategic financial management, operational financial management as well as governance, ethics, and values in financial management.

The National Treasury's (2007) guideline also requires municipal officials to display competencies in the accomplishment of the activities in areas such as financial and performance reporting, risk and change management, project management, legislation, policy and implementation, stakeholder relations, and supply chain management.

3.5.2 Strategic leadership and management

In terms of strategic leadership and management, the chief financial officers must demonstrate that they possess the competencies to conceptualise and implement short, medium, and long-term service delivery plans that would aid the municipality in achieving its desired strategic goals and objectives. The municipal finance officers are also expected to offer support to the municipal accounting officers and senior managers. Besides outlining the essence of developing and maintaining strategic alliances with various stakeholders, the National Treasury's (2007) Guideline for Municipal Competency Levels also requires the municipal finance officers to offer visible, supportive, and effective leadership to the municipalities.

As different activities are being accomplished, the municipal chief financial officers are not only expected to motivate and empower staffs, but also to create the appropriate work environment that influences the achievement of the desired socio-economic outcomes. Such initiatives must be accompanied with the ability to discern how the municipal strategies and goals can be aligned with the national and provincial policies. As this influences the harmonisation of the process for service delivery across the local government sphere, it is also emphasised in the National Treasury's (2007) Guideline for Municipal Competency Levels that management and evaluation of the process pertaining to the implementation of the performance management system must, also, be accompanied by assessing how different strategic planning methods and tools can be effectively utilised in order to enhance the successful implementation of the municipal plans and programmes.

The strategic leadership and management competencies of the chief financial officers are also measured by their demonstration of knowledge and skill when providing direction regarding the implementation of the Integrated Development Plan (IDP) and the Service Delivery and Budget Implementation Plan (SDBIP). The other competencies involve assessing the extent to which the municipal chief financial officers, consistently, evaluate and track the financial and non-financial impacts of changes that have been undertaken as a result of the implementation of different plans. While relying on the past and current performance of the municipalities, the National Treasury's (2007) Guideline for Municipal Competency Levels also emphasises that the municipal chief financial officers must also demonstrate their competency regarding the plans and strategies that can be undertaken to induce the achievement of the desired state of municipal performance. Such initiatives must be accompanied by advising the accounting officer and senior municipal management on the policy objectives as well as the way forward, and, also, evaluation and reporting to the accounting officer and senior management in relation to the progress achieved, so far, as well as the challenges that must be tackled.

In addition to striving to develop a culture of continuous learning and improvement within the finance function, it is also emphasised, in the National Treasury's (2007) Guideline for Municipal Competency Levels, that the municipal chief financial officer must demonstrate the competency to communicate the municipality's mission and vision to various stakeholders in the cooperative governance framework. As all these would enormously contribute to improving the strategic leadership and management competencies of the municipal financial officers, the National Treasury's (2007) Guideline for Municipal Competency Levels also requires the improvement of the strategic financial management competencies of the municipal chief financial officer.

3.5.3 Strategic financial management

The strategic financial management competencies of the municipal chief financial officer are judged by their capability to conceptualise and implement the appropriate financial strategies. This must be accompanied by the evaluation of how the chief financial officer encourages the culture and practises of sound financial management, and how such encouragement cascades across the finance department. Such initiatives must be accompanied by the capabilities of the chief financial officer in order to develop and implement the appropriate financial policies, systems, guidelines, financial instructions, as well as credit and debt control procedures to ensure sound financial administration and control.

In line with the National Treasury's (2007) Guideline for Municipal Competency Levels, the municipal chief financial officer must also display knowledge and skills pertaining to the control of municipal assets—that is, according to the prescribed policies and procedures. Moreover, they must conceptualise as well as apply the appropriate performance management system, and, also, apply the best practise management accounting techniques in order to bolster the overall effective management of the municipal finances.

The municipal financial officer must also demonstrate the capabilities required to support the accounting officer whilst overseeing financial management, tax implications, performance of service delivery mechanisms, and outsourced service agreements. Such initiatives must be accompanied by assisting the accounting officer in order to prepare multi-year revenue and expenditure forecasts and, also, discern its effects on service delivery, performance, and the financial position of the municipality. As such initiatives are being undertaken, the municipal chief financial officer must also act in cohort with the accounting officer to devise strategies that can be used for responding to the predicted shortfalls in revenues. However, in addition to the display of such skills and competencies, the National Treasury's (2007) Guideline for Municipal Competency Levels also requires the municipal chief financial officers to exhibit critical operational financial management competencies.

3.5.4 Operational financial management

Such operational capabilities must be reflected in the knowledge and skills of the municipal chief financial officers in order to develop and maintain an appropriate and accurate financial operating system. It must also enhance the development and maintenance of the appropriate records on debt, cash, investment, asset and liability management, revenue management, expenditure management, audit, analytical requirements, and statutory deductions. The knowledge and skills of the municipal chief financial officer are also determined by their capability to generate, regularly report, measure, and monitor financial information to ensure not only the effectiveness of financial control, but also to measure and monitor the overall performance of the municipality.

As indicated in the National Treasury's (2007) Guideline for Municipal Competency Levels, the municipal chief financial officer is also expected to liaise with the accounting officer to analyse and track the financial position, borrowing, and performance of the municipality. This must be accompanied by the evaluation of the implications pertaining to the financial position in relation to the implementation of the annual budget as well as service delivery and budget implementation plan (SDBIP). In addition to assessing the criteria for in-housed, outsourced, or shared service agreement, the municipal chief financial officer is also expected to liaise with the accounting officer in order to undertake review of the effectiveness and efficiency of the financial operational systems as well as their alignment with the changing needs of the municipality.

The municipal chief financial officer is also expected to demonstrate knowledge and skills related to the monitoring of effects regarding environmental changes that, among others, include legislations, inflation, and resource allocation on the municipal working capital. Besides the need to ensure the alignment of working capital with the municipal strategic goals and objectives, the municipal chief financial officer must also, frequently, monitor and report on the working capital—that is, its effects on investment options—as well as revenue and debt collection.

The municipal chief financial officer must also demonstrate the knowledge and skills of financial planning, taxation, budgeting, and forecasting. Such evaluation must be accompanied by the analysis of the implications of borrowing on service delivery programmes as well as the adoption of the risk management best practise in order to leverage working capital management. It is also emphasised, in the National Treasury's (2007) Guideline for Municipal Competency Levels, that the municipal chief financial officer must demonstrate knowledge and skills to advise the accounting officer on schedules for preparation, tabling and approval of the annual budget, review of IDP, and budget consultative and implementation processes. Such initiatives must be accompanied by the integration of budgeting process in the Integrated Development Plan as well as the Service Delivery and Budget Implementation Plan (SDBIP). Yet, as the budget is being formulated and implemented, in the National Treasury's (2007) Guideline for Municipal Competency Levels also emphasises the need for compliance with the relevant legislations in order to ensure the successful implementation of the budget.

3.5.5 Governance, ethics and values in financial management

However, in terms of the governance, ethics, and values of financial management, the National Treasury's (2007) Guideline for Municipal Competency Levels requires the municipal chief financial officer to uphold the principles of transparency and accountability. It requires this to be achieved by designating clear roles and responsibilities, and, also, the separation of powers through which the relevant accounting and financial officers are not only able to report, but also capable of being held accountable. Such initiatives must be accompanied by the display of the appropriate knowledge and skills in order to uphold financial management as well as governance ethics, and, in addition to all that, the key stipulations of the King Report on Corporate Governance.

The municipal chief financial officers are also expected to encourage the sharing of critical knowledge and skills in order to improve the collective knowledge and competencies of the officials as well as the councillors. However, to develop and entrench a culture of good financial management and governance, the National Treasury's (2007) Guideline for Municipal Competency Levels also requires the municipal chief financial officers to develop and apply the appropriate codes of conducts in areas such as financial planning and budgeting, financial expenditure management, and supply chain management.

As also demanded by the MSA, the development of such codes of conduct must also be accompanied by the establishment of a system for reporting and controlling misconduct, fraud, corruption, favouritism, and non-compliance with the relevant financial management and governance regulations and legislations. At the same time, measures must also be undertaken to improve the reporting and control of failure to disclose conflicts of interest, inducements, rewards, gifts, and any hospitality that is received. This implies that the municipal chief financial officers must strive to constantly uphold the principles of honesty, integrity, and fidelity as critical antecedents for entrenching good financial management practises at the municipal level. Yet, as the municipal chief financial officers exhibit such knowledge and skills, the National Treasury's (2007) Guideline for Municipal Competency Levels further requires them to also display sound knowledge and skills of financial and performance reporting.

3.5.6 Financial and performance reporting

In the initiatives that also encompass knowledge of the generally recognised accounting practise (GRAP), the chief financial officer must display sound knowledge and understanding of the financial legislative framework that governs local government financial reporting. This must be undertaken in conjunction with the display of knowledge and skills, and an essence for timely preparation, submission, and publication of statutory financial reports. Among others, these may include financial statements, annual reports, and in-year reports. As such reports are being prepared and submitted, the chief financial officer must also ensure that their contents are specific, measurable, accurate, valid, reliable, and time specific. It is further emphasised, in the National Treasury's (2007) Guideline for Municipal Competency Levels, that the chief financial officer must liaise with the accounting officer in order to assess and evaluate the implications of such financial reports on the implementation of different municipal strategies, financial position, borrowing, and performance in relation to the annual budget as well as the service delivery and budget implementation plan.

Such analysis must also assess the implications of financial reports on tariffs, rates, credit control, debt collection, and supply chain management policies. In addition, the municipal chief financial officer is required to display knowledge and understanding regarding the essence of performance evaluation as well as reporting in the context of Section 121(4) of the MFMA. These initiatives must be undertaken in conjunction with the evaluation and, also, discern the link between performance indicators and targets as well as the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP), and the officials' individual performance agreements. Besides exhibiting sound knowledge and understanding of the essence of financial and performance reporting, the National Treasury's (2007) Guideline for Municipal Competency Level further demands the municipal chief financial officers to also display knowledge and skills of risk and change management.

3.5.7 Risk and change management

The display of such knowledge and skills would influence the capabilities of the chief financial officers to liaise with the accounting officer in order to develop effective, efficient, and transparent internal systems for financial risk identification and mitigation. Such initiatives must be accompanied by the display of the capability to conceptualise as well as implement the appropriate risk management and fraud prevention plan. As the chief financial officer accomplishes such tasks, it is also critical to liaise with the accounting officers to develop a system for the assessment and prioritisation of risks, from the highest risk potential to the lowest risk potential. This aids the prioritisation of the risk intervention and mitigation measures that must be undertaken. Such initiatives must be undertaken in conjunction with the evaluation of the implications in relation to the changes unfolding in the local government environment regarding the performance of the municipality.

As risk mitigating measures are being conceptualised and implemented, the chief financial officer must also exhibit the knowledge and skills to discern the change initiatives that can be undertaken to minimise exposure to such risks. It is also part of the emphasis in the National

Treasury's (2007) Guideline for Municipal Competency Level that, in addition to undertaking risk and change management, the chief financial officers must also display project management knowledge and skills that are critical for bolstering the improvement of municipal performance.

3.5.8 Project Management

To accomplish this, chief financial officers are expected to display knowledge and skills in areas such as project budgeting, human resource management, change management, negotiation, service delivery mechanism, and outsourced service agreement. This must be accompanied with the display of knowledge and skills in relation to the operation and technical function of local government services and facilities as well as the capability to analyse and select project proposals. The other critical areas encompass the aligning of selected projects and their associated outcomes with the Integrated Development Plan (IDP) as well as the Service Delivery and Budget Implementation Plan (SDBIP). To ensure the effective and efficient completion of high quality and standard projects, the chief financial officer must also exhibit critical knowledge and skills regarding the methods for project structuring and planning. The other required critical competencies encompass contract management and capacity building through the appropriate training and allocation of resources. Such initiatives must be undertaken in conjunction with the designation of clear lines of accountability, frequent monitoring, measuring, and reporting on the progress of project implementation.

3.5.9 Legislation, policy and implementation

In line with the stipulations of the National Treasury's (2007) Guideline for Municipal Competency Level, the knowledge and skills of the chief financial officers are also evaluated by their capability to understand and apply different local government legislations—as well as the municipal by-laws—to influence the achievement of the desired socio-economic outcomes. The municipal finance officers must also advise the accounting officers on the implications of non-compliance with such legislations. This must be accompanied by the use of the appropriate framework for evaluating and enforcing compliance with such legislations and regulations. In terms of stakeholder management, the chief financial officers must identify and build relationships with critical municipal stakeholders such as the community, businesses, and suppliers. This must be accompanied with the evaluation of how public–private partnerships can be undertaken to improve the performance of the municipality in the areas where it requires the utilisation of the capabilities from the private sector in order to perform more effectively. As such initiatives are being undertaken, the chief financial officer must also demonstrate the capability to effectively management the municipal supply chain management system.

3.5.10 Supply chain management

The competencies of the Chief Financial Officers are measured by their ability understand and apply relevant regulations such as the NT circulars,Municipal Supply Chain Regulations and the Preferential Procurement Policy Framework. While acting in cohort with the accounting officers, the Chief Financial Officermust also be capable of engaging in relevant planning as well as the formulation of the supply chain management policies for the municipality.

While such policies and plans are being implemented, it is also part of the responsibility of the chief financial officer to undertake frequent evaluations that report upon the progress relating to the implementation of supply chain management plans and policies to the accounting officer. Such supply chain management plans and policies must emphasise the need for adherence to the procurement processes that consist of needs' analysis, advertisement for bids, selection, signing and executing the contract, and monitoring and evaluation to ensure that the procurement processes influence the achievement of desired socio-economic outcomes. These initiatives must be undertaken in conjunction with the application of the measures for enforcing compliance with the relevant supply chain legislations and policies.

It is also a requirement in the National Treasury's (2007) Guideline for Municipal Competency Levels that the chief financial officers must also exhibit the competency to identify and mitigate risks of fraud, corruption, favouritism, as well as unfair and irregular practises that may arise from the supply chain management. The display of such capabilities must also be accompanied with the display of the competency to settle and resolve all the disputes and conflicts that may arise from the supply chain management process.

The chief financial officers must also demonstrate the competence to develop and establish effective municipal audit and assurance systems. This can be accomplished by developing effective and efficient systems for analysing and reporting incidents that may affect the effectiveness of financial management. As such initiatives are being undertaken, the chief financial officer must also exhibit the competency to prepare and submit the required financial reports and statements for internal and external auditing as well as for auditing by the Auditor-General. Said initiatives must be accompanied by the commitment to ensure that all the recommendations of the Auditor-General are addressed to leverage the capabilities of the municipality in order to achieve clean audit reports.

All these imply that the competencies of the municipal chief financial officer must be assessed in the context of the key stipulations in the MFMA. Firstly, this implies the municipal chief financial officer must demonstrate proficiency in competency areas such as strategic leadership and management, strategic financial management, operational financial management, governance, and ethics and values in financial management. The National Treasury's (2007) guideline also requires municipal officials to display competency in the accomplishment of the activities in areas such as financial and performance reporting, risk and change management, project management, legislation, policy and implementation, stakeholder relations, and supply chain management.

Secondly, the municipal chief financial officer must possess the appropriate Higher Education Qualification, which is accredited by SAQA. Thirdly, the municipal chief financial officer and the accounting officers must possess the appropriate work-related experience. To evaluate how the municipal chief financial officers must be deployed, the capacities of the municipalities are divided according to three categories that encompass high, medium, and low as well as according to their relative budget size. While using such classifications, stringent criteria are required for the municipalities with higher capacities and budgets as compared to the municipalities with low capacities and a budget of less than ZAR500 million.

3.6 CHAPTER SUMMARY

The discussions in this chapter offer insights regarding the legislative framework for the implementation of the municipal minimum competency programmes in the South African municipalities. It commenced with the analysis of how the implementation of the municipal minimum competency programmes in the South African municipalities were motivated by the need to leverage the effective and efficient application of the MFMA. Against that backdrop, the chapter explored the extent to which the introduction of the National Treasury's (2007)

Guideline for Municipal Competency Levels has influenced the development of the critical skills and competencies that influence not only the successful MFMA's implementation, but also the performance of the municipalities. This was followed by the evaluation of the methodologies for the implementation of the municipal minimum competency programmes as well as the constraints of municipal finance management.

In other words, the discussions in this chapter imply that, as much as the implementation of the municipal minimum competency programmes has contributed to reducing the gaps in skills and competency at the municipal level, a lot of improvement still seems to be required in order to turnaround the performance of most municipalities. It is against that backdrop that this research undertakes assessment of the state of local government expenditure management after the implementation of the municipal minimum competency programme in the Bojanala District.

CHAPTER FOUR: RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

This chapter elucidates on the research design and methodology that was used in the primary research process. It details the research approach as well as the research design and method which was used in the study. Other sections of the chapter examined sampling, data collection, data analysis, validity and reliability and ethical considerations.

4.2 Research Approach

This research is based on the inductive research paradigm. A research paradigm connotes the thinking and way of reasoning that guide the process for the accomplishment of the research process (Maruna, 2010). A research paradigm can be inductive or deductive. The inductive research paradigm often commences with the identification of the problem and subsequently the collection and analysis of the primary and secondary data to discern the solution that can be extracted to respond to such a problem(Maruna, 2010). This contrasts with the process in the deductive research paradigm that commences with theory formulation and the collection and analysis of primary and secondary data to test the validity of such a theory. The motive of this research was not to test the validity of any theory. Instead, the study opted for the application of the inductive research approach. This is attributable to the fact that the motive of the study was to use National Treasury's (2014) financial ratios to assess whether or not there is improvement of municipal expenditure management after the implementation of the municipal financial minimum competency programmes. In effect, the study was inductive on the basis that after such analysis, the study sought to assess the remedies that can be extracted and suggested for improving the implementation of the municipal financial minimum competency programmes. However, as the research approach was inductive, the research design was based on a case study.

4.3 Research Design

A research design is a framework reflecting critical methodologies and techniques which are used in the accomplishment of the primary research process (O'Cathain, 2009). A research design can be based on a case study, experiment or it can be post adhoc, co-relational, or exploratory. However, this research opts for the use of the case study research design. A case study research design refers to the approach where the study is limited only to the subjects in a particular organisation or geographical area (O'Cathain, 2009). Quite often, the motive of such approach is to enhance thorough analysis of the phenomenon being researched so as to make necessary generalisation of the findings of that research about such similar subjects in other areas. In effect, while using the case study research design, this study was only limited to the five local municipalities in the Bojanala Platinum District. The five municipalities are Rustenburg, Madibeng Local Municipality, Moretele, Moses Kotane, and Kgetlengrivier. This enhanced though analysis of the impact of the implementation of the municipal financial minimum competency programmes. From the results of such analysis, necessary generalisation can be made about the implementation of the municipal financial minimum competency programmes in the local municipalities in the other regions of South Africa. This would aid analysis and identification of the improvement initiatives that must be undertaken to enhance the successful implementation of the municipal financial minimum competency programmes. However, to accomplish this, the study used the quantitative research method.

4.4 Research Method

A research method is a blueprint of the critical techniques that are used in the accomplishment of the primary research process (O'Cathain, 2009). A research method can be quantitative or qualitative. A quantitative research method seeks to collect and analyse figures and numbers as the basis for reaching logical conclusion on the phenomenon being researched (Morse, 2010). This differs from the qualitative research method that seeks for rich in-depth non-numerical information on the phenomenon being researched (Morse, 2010). A qualitative research method uses techniques such as observation, interviews and focus group discussions. However, this research opted for the application of the quantitative research method. This is attributable to the fact that this research aimed to analyse National Treasury's (2014) financial ratios so as to be able to assess whether or not the implementation of the municipal financial minimum competency programmes is improving expenditure management. In effect, the application of the quantitative research method entailed the analysis of the financial ratios in order to assess whether or not the implementation of the municipal finance minimum competency programmes is improving expenditure management. To reach logical conclusions on the phenomenon being researched, secondary data reflecting the financial statements and budget implementation information was drawn from five municipalities in Bojanala Platinum District.

4.5 Target Population

Target population refers to the units or subjects which constitute the focus of the research. In this research, the target population refers to the 257 municipalities in South Africa as per the 2016 re-demarcation of the municipal boundaries. However, to draw the sample municipalities from these 257 municipalities, simple random sampling was used to only use the five municipalities in the Bojanala Platinum District. As a category C municipality, the Bojanala Platinum District is geographically surrounded by five municipalities that vary in size and, also, are classified as category B municipalities. The five local municipalities are namely Rustenburg, Madibeng Local Municipality, Moretele, Moses Kotane, and Kgetlengrivier. The five selected municipalities make up 17% of North West land size. Made up of 24 wards, Moretele Local has an estimated populace of 187,906. Rustenburg Local Municipality has a populace of 399,540, and is made up of 36 wards. Madibeng Local Municipality is made up of 31 wards, and has an estimated populace of 348,265. Moses Kotane Local Municipality, which is made up of 30 wards, has a populace of 246,844. Lastly, Kgetlengrivier Local Municipality is made up of five wards and has a populace of 37,477 (Statistics SA community Survey 2016). Following the selection of these five municipalities, secondary municipal financial data was collected to analyse the change in expenditure management of each of these five local municipalities.

4.6 Data Collection

Data collection took the form of secondary data collection. This was accomplished by collecting secondary data on each of the five municipalities' financial statements and reports from the National Treasury. This is attributable to the fact that by law, all municipalities are required to submit monthly, quarterly and annual reports to the National Treasury repository. The National Treasury's repository therefore offered valid processed financial data on each of the five municipalities in Bojanala Platinum District that was used in the analysis. The financial statements and reports were accessed from the National Treasury's website (www.treasury.gov.za). The financial data that was obtained for each municipality include Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP, and AR. All these are attributable to the fact that since the National Treasury upholds very high standard for the quality of information, such financial statements and reports were therefore considered valid and of high quality for use in this research. For examination and analysis, the researcher employed the audited and reviewed financials. The information is quantifiable, numeric, and exhibits contrasts and similitudes in numbers. The National Treasury is the custodian of finance management in South Africa, so, as custodians of financial information, their standards—in terms of the quality of information—

is predetermined and maintained at a high level, which is a verification of accuracy and validity of such data.

4.7 Data Analysis

The obtained financial statements and reports from the National Treasury were analysed using Microsoft Excel. To assess whether or not there has been improvement of expenditure management after the implementation of the municipal financial minimum competency programmes, the analysis focused on eight financial ratios. The eight financial ratios encompass

- Capital Expenditure to Total Expenditure
- Current Ratio
- Creditors Payment Period (Trade Creditors)
- Irregular, Fruitless, and Wasteful and Unauthorised Expenditure / Total Operating Expenditure
- Remuneration as % of Total Operating Expenditure
- Contracted Services % of Total Operating Expenditure
- Capital Expenditure Budget Implementation Indicator and Operating Expenditure Budget Implementation Indicator

Using National Treasury's (2014) prescribed formulae and ratios, capital expenditure to total expenditure was calculated using formula (Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100). In line with the National Treasury's (2014) norm, capital expenditure to total expenditure was expected to fall in the norm of 10%-20%. Any result that was less than 10% was construed to imply underspending as contrasted to the figures that exceeded 20% that were interpreted to suggest overspending. Current ratio for each of the five municipalities was calculated using formulae (current assets / current liabilities). The data that was used included the statement of financial position, budget, IDP, and AR. As prescribed by the national treasury, a current ratio indicated good financial position if it fell in the ratio of 1.5-2.1. Creditors Payment Period (Trade Creditors) was analysed using formulae (Trade Creditors Outstanding / Credit Purchases (Operating and Capital) × 365). The interpretation of the findings was done in reference to the National Treasury's (2014) prescribed norm that requires all creditors to be paid up within 30 days. Ratios for irregular, fruitless, and wasteful and unauthorised expenditure / total operating expenditure were analysed using formulae (Irregular, Fruitless, and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x 100). Results were interpreted in the context of the National Treasury's (2014) norm that requires the ratio for irregular, fruitless, and wasteful and unauthorised expenditure / total operating expenditure to be constrained to 0%. Remuneration as % of Total Operating Expenditure was calculated using formulae (Remuneration (Employee Related Costs and Councillors' Remuneration) /Total Operating Expenditure x 100). Any findings that fell in the ratio of 25%-40% was interpreted to meet the National Treasury's (2014) prescribed norm. The financial data that was used in the analysis encompass statement of financial performance, budget, IDP, in-year reports, and AR. The analysis of the contracted services % of total operating expenditure was accomplished using the National Treasury's (2014) prescribed formulae (contracted services / total operating expenditure x 100). As prescribed by the National Treasury (2014), contracted services % of total operating expenditure was required to fall in the norm of 2%-5%. In terms of budget implementation, capital expenditure budget implementation indicator was analysed using formulae (actual capital expenditure / budget capital expenditure x 100). In line with the National Treasury's (2014) prescribed norm, a score of 95%–100% was interpreted to imply the effective utilisation of the capital expenditure budget. Any figure less than 95% was interpreted to suggest the underspending of the capital expenditure budget as contrasted to figures exceeding 100% which was interpreted to suggest overspending. As required by the National Treasury's (2014) norm, the same interpretation was also applied in the analysis of operating expenditure budget implementation indicator. Operating expenditure budget implementation indicator was calculated using formulae-Actual Operating Expenditure / Budgeted Operating Expenditure x 100. The financial data which was used in the analysis was drawn from the statement of financial position, budget, AFS Appendices, IDP, In-Year reports, and AR.

4.8 Validity and Reliability

In breaking down the auxiliary information, as a starting point, the researcher employed Microsoft Excel in order to enter into the required ratios and formulas—for further investigation—the crude information from the three years of financials. As suggested by Kumar (2014:368), the outputs from the data pertaining to the ratios was analysed by means of the regression technique. Howard and Shagun (2014:3) propose making use of pre-testing information, shaping the benchmark, and executing a post-testing procedure (otherwise called the "end line"). Next, a comparison of specific time periods was conducted in order to see the difference whilst basing the results on the pre-intervention data. This method of analysis enabled the researcher to develop a statistical comparison which improved the overall validity and reliability of the findings. The other measure for enhancing validity and reliability was latent in the fact that the data that was used in the analysis was drawn from the National Treasury that has the reputation for upholding high quality of data and information.

4.9 Ethical Considerations

Significant considerations were undertaken to ensure that this research is ethical. Voils and Knafl (2009) posit that research ethics refer to a set of prescribed rules, regulations and requirements that the process of inquiry of a particular subject or phenomenon in an organisation must adhere to in order to protect the rights of the parties who are involved in the research process. In the views of Clark (2010), it is important to adhere to ethical norms in research due to a number of reasons. Firstly, norms promote the aims of research, such as knowledge, truth, and avoidance of error. Secondly, ethical standards promote the values that are essential to collaborative work such as trust, accountability, mutual respect and fairness. Thirdly, ethical norms help to ensure that researchers are accountable to the public. This would include, for instance, conflicts of interest and the human subjects' protection. Lastly ethical norms help to build public support for research, for example, people need to trust the quality and integrity of research. Thus, in light of the recommendations by Clark (2010), the process of undertaking this research was conducted in a manner that took into consideration the following ethical issues: signing of the ethical clearance form, ethical implications of multiple roles and responsibilities, informed consent, and confidentiality and integrity.

4.10 CHAPTER SUMMARY

This chapter elucidates on the research design and methodology that was used in the primary research process. It details the research approach as well as the research design and method which was used in the study. Other sections of the chapter examined sampling, data collection, data analysis, validity and reliability and ethical considerations.

CHAPTER FIVE: DISCUSSION AND FINDINGS

5.1 INTRODUCTION

The discussions in this chapter offer a critical analysis on the state of local government expenditure management after the implementation of the municipal minimum competency programme in the Bojanala District Municipality. Using the National Treasury's (2014) prescribed financial ratios, the analysis is accomplished by evaluating the state of expenditure management and budget implementation—before and after the implementation of the Municipal Minimum Competency programmes—in all of the five local municipalities in Bojanala District Municipality.

As a category C municipality, the Bojanala Platinum District is geographically surrounded by five municipalities that vary in size and, also, are classified as category B municipalities. The five local municipalities are namely Rustenburg, Madibeng Local Municipality, Moretele, Moses Kotane, and Kgetlengrivier. The five selected municipalities make up 17% of North West land size. Made up of 24 wards, Moretele Local has an estimated populace of 187,906. Rustenburg Local Municipality has a populace of 399,540, and is made up of 36 wards. Madibeng Local Municipality is made up of 31 wards, and has an estimated populace of 348,265. Moses Kotane Local Municipality, which is made up of 30 wards, has a populace of 246,844. Lastly, Kgetlengrivier Local Municipality is made up of five wards and has a populace of 37,477 (Statistics SA community Survey 2016). As indicated by Statistics SA, the five combined municipalities have a 38% joblessness rate. The geographic accessibility of the locales to the researcher was a factor in the reasoning for their consideration and selection. At a glance, the sample of municipalities is—in nature and make up—a mix between urban, semi-urban, and rural.

The analysis of expenditure management in these municipalities was accomplished by the assessment of the ratios for capital expenditure to total expenditure, current ratio, and creditors' payment period. It also entailed the analysis of the ratios on irregular, fruitless, and wasteful and unauthorised expenditure to total operating expenditure, remuneration as percentage (%)of total operating expenditure, and contracted services as % of total operating expenditure.

The state of budget implementation in each of these five local municipalities—before and after the implementation of the municipal minimum competency programmes—were evaluated by analysing the ratios on the capital expenditure budget implementation indicator and the operating expenditure budget implementation indicator. The analysis was based on the statement of financial position, budget, IDP, and the Auditor General's Reports for the periods between 2007 and 2016. The formulas used in the analysis were extracted from the National Treasury's (2014) prescribed formula for analysing financial ratios of local government entities (See *Table 1.1*: *Uniform ratio, formulae, and data source* in chapter one of this Dissertation). Against this backdrop, the details of the analysis and discussions are as follows.

5.2 EXPENDITURE MANAGEMENT ANALYSIS FOR MADIBENG MUNICIPALITY

Financial ratio analysis was undertaken in order to assess whether or not the implementation of the municipal minimum competency programme has influenced the improvement of the Madibeng municipality's public expenditure management. This was accomplished using the National Treasury's (2014:1) prescribed financial ratios, which involved evaluating the state of Madibeng's expenditure management and budget implementation before and after the implementation of the municipal minimum competency programmes.

5.2.1 Madibeng's expenditure management

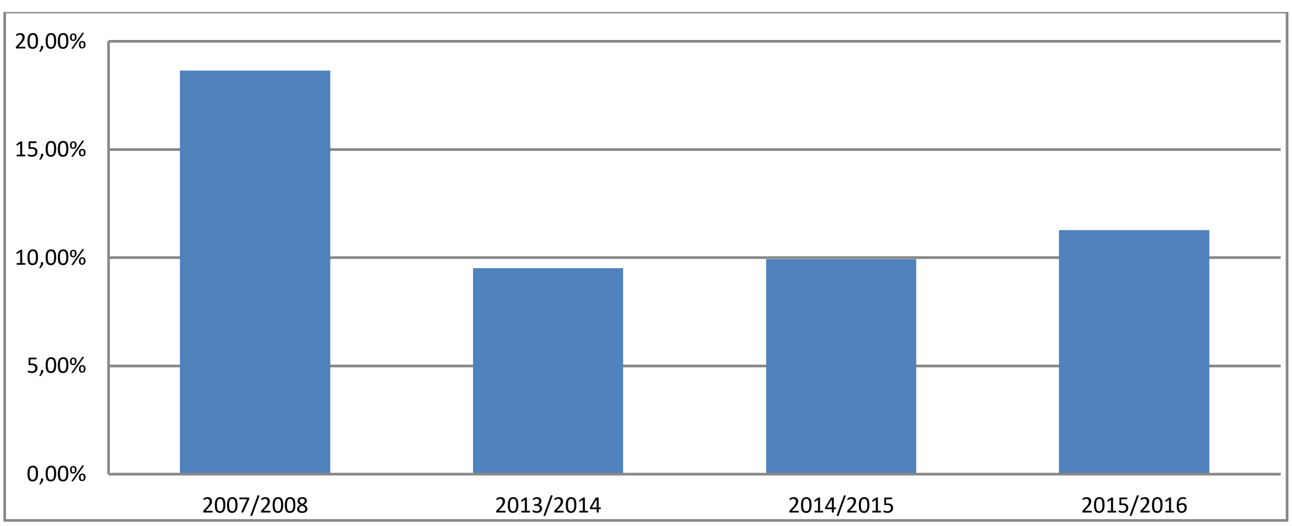
Diagnosis of the improvement or the decline of the effectiveness of Madibeng's expenditure management was evaluated by assessing the ratios for capital expenditure to total expenditure, current ratio, and creditors' payment period. It also entailed the analysis of the ratios on irregular, fruitless, and wasteful and unauthorised expenditure to total operating expenditure, remuneration % of total operating expenditure, and contracted services % of total operating expenditure.

5.2.1.1 Capital expenditure to total expenditure

In terms of the Madibeng's ratios for capital expenditure to total expenditure, the calculation of total capital expenditure/total expenditure revealed 18.65% capital expenditure to total expenditure in the financial year 2007/2008. In the context of what is illustrated in *Table 5.1*, this signifies that, prior to the implementation of the municipal minimum competency programmes, the ratio of Madibeng's capital expenditure to total expenditure was 18.65%. In line with the National Treasury's (2014:1) prescribed norm of 10%–20%, this implies there were better initiatives to effectively manage and control Madibeng's capital expenditures. Because the ratio of 18.65% is skewed towards 20%, it also signifies that there was a balance between the need to invest in critical capital infrastructure projects and the other socio-economic priorities that were critical for leveraging the process of service delivery.

Although the Auditor-General's Report for 2007/2008 raised issues about the effectiveness of the internal control, such a ratio still implies that there was an attempt to minimise wastes by overspending or underspending on capital infrastructure projects. However, after the implementation of the municipal minimum competency programme, *Figure 5.1*indicates that the ratio for Madibeng's capital expenditure to total expenditure declined from 18.65% in 2007/2008 to 9.52% in the 2013/2014 financial year. This was certainly a decline by 9.13%.

Figure 5.1: Capital Expenditure to Total Expenditure



Indeed, a ratio of 9.52% is less than the National Treasury's (2014:1) norm of 10%–20%. This can be interpreted to imply that the new skills and competencies gained from the introduction of the municipal minimum competency programmes could have instigated Madibeng local municipality to review its spending in relation to relevant capital infrastructure projects. As such reviews were being undertaken to shift resources to the other areas of significant importance and priority, it could have also caused underspending on relevant capital infrastructure projects. Such capabilities to re-evaluate and shift expenditure patterns according to the areas of significant socio-economic priorities are some of the critical pedigrees of effective municipal expenditure management. It is such critical pedigrees of effective municipal expenditure management that the introduction of the municipal minimum competency programmes sought to encourage.

Although the ratios remained almost constant at 9.93% in 2014/2015 financial, the analysis of the ratios for 2015/2016 indicates improvement of the ratio for Madibeng's capital expenditure to total expenditure by 1.34% to 11.27%. This could have been influenced by the accuracy of budgeting and better internal control mechanisms to ensure the effective optimisation of Madibeng's capital expenditure budget. Certainly, such an improved capability to effectively manage Madibeng's capital expenditure budget can be attributed to the new skills and competencies that Madibeng could have gained from the introduction of the municipal minimum competency programmes. However, using Madibeng's statement of financial position and statement of financial performance—as well as notes to the AFS, Budget, In-Year reports, IDP, and Auditor-General's Reports—current ratio analysis indicated Madibeng is increasingly getting plunged into a liquidity crisis.

5.2.1.2 Current ratio analysis

However, such a problem was not easily evident prior to the introduction of the municipal minimum competency programmes in 2007. In that period, as *Table 5.1* indicates, the analysis of Madibeng's current ratio indicated 1.6 as the ratio for the financial year of 2007/2008. This was within the National Treasury's (2014:1) prescribed norm of 1.5 to 2:1. It signifies better cash management and minimisation of wastes for Madibeng to save the necessary financial resources to consistently meet its current and short-term financial obligations as they fall due.

Table 5.1: Current Ratio Analysis

Current Ratio: Financial Ratio Analysis for Madibeng Local Municipality Formula: Current Assets/Current Liabilities	
Financial Year	**Current Ratio**
2007/2008	1.60
2013/2014	0.45
2014/2015	0.82
2015/2016	0.69
Source of Data: Statement of Financial Position, Budget, IDP, and AR: National Treasury's (2014:1) prescribed norm of 1.5 to 2:1	

However, after the implementation of the municipal minimum competency programme, Madibeng Municipality's ratio of current assets to current liabilities declined from 1.6 in 2007/2008 to 0.45 in the 2013/2014 financial year. Although it increased by 0.37 to 0.82 in the 2014/2015 financial year, it subsequently declined again by 0.13 to 0.69 in the financial year of 2015/2016. In line with the National Treasury's (2014:1) interpretation of the significance of the municipal current ratios, this indicates that, starting from the financial year of 2013/2014 to the financial year 2015/2016, Madibeng local municipality seems to have had the challenge of meeting all its current and short-term financial obligations that enable it to continue operating at the desired level.

Drawing from the Auditor-General's Reports for the financial years of 2013/2014, 2014/2015, and 2015/2016, the emergence of Madibeng's liquidity crisis could have arisen from poor cash management, operational deficiencies, inefficiencies, and less effective internal control. Such a finding suggests that, as far as Madibeng local municipality expenditure management is concerned, it seems that not many new skills and competencies have been drawn from the introduction of the municipal minimum competency programmes.

The view that Madibeng had a liquidity crisis was also echoed in the Auditor-General's Report for 2014/2015. In said report, it was indicated that, as Madibeng local municipality incurred a net loss of R729 887 655 million, its current liabilities exceeded its current assets by R115 889 899 million. Uncertainty regarding the capability of the Madibeng local municipality to continue operating is a going concern that also emerged in the Auditor-General's Report for 2015/2016, which indicated the situation to worsen. In that financial year, the Auditor-General's Report (2015/2016) and the Madibeng financial statements indicated a deficit of R645 132 206 million. It also revealed that Madibeng local municipality's current liabilities were exceeding its current assets by R175 854 364 million.

All these echo the results of the current ratio analysis. It indicated that, commencing from the financial year 2013/2014 to 2015/2016, Madibeng local municipality seems to have had serious liquidity problems that casted doubt on its capability to operate as a going concern(means the ability of the organisation to operate from year to year).

Unfortunately, all these occurred in the financial periods after the introduction of the municipal minimum competency programmes. In effect, it suggests the introduction of the municipal minimum competency programmes could have caused only minimal impacts on improving Madibeng local municipality's expenditure management capabilities—that is, to control and minimise wastes and unnecessary debts. All said, with the Auditor-General's (2015/2016) indicating that Madibeng local municipality is facing several civil suits, there is certainly a liquidity crisis that may threaten Madibeng's future financial sustainability.

However, apart from poor internal controls, such a liquidity crisis could also have emerged from over-investments in infrastructure projects to bolster Madibeng's capability to improve the delivery of the required socio-economic services to its population. Such a view is not only accentuated in the several procurement-related suits that Madibeng is facing, but also in the fact that the Auditor-General's Report (2015/2016) indicates that Madibeng—from its procurement expenditure—made payments of about R95 673 054 and R15 400 014 in 2015 as well as R28 766 166 and R50 668 401 in 2016.

Because all these could have been in the quests to bolster service delivery, it may not necessarily imply that not much has been achieved from the introduction of the municipal minimum competency programmes in 2008. Despite such an interpretation, Madibeng local municipality's liquidity crisis also seems to have affected the payment of its creditors in accord with the National Treasury's (2014) prescribed cycle of 30 days.

5.2.1.3 Creditors' payment period

Using the statement of financial position and the statement of financial performance—as well as notes to the AFS, Budget, In-Year reports, IDP, and Auditor-General's Reports for the periods between 2007 and 2016—the analysis of Madibeng's trade creditors' outstanding/credit purchases$x365days$ indicated that Madibeng would take about 1.56 days to pay its creditors. The National Treasury's (2014:1) prescribed norm requires all creditors to be paid within a period of 30 days. Because Madibeng had the creditors' payment period of 1.56 days, it can be interpreted that, prior to the implementation of the municipal minimum competency programmes, Madibeng was taking about two days to pay its creditors in the 2007/2008 financial year.

However, since then, there seems to be a challenge for Madibeng local municipality to comply with this regulatory requirement. In line with what is illustrated in *Table 5.2*, this is reflected by the fact that, after the implementation of the municipal minimum competency programmes, the days taken to have creditors paid have since been falling out of the required 30 days.

In the financial year of 2013/2014, it increased to 45.33 days from 1.56 days in 2007/2008. Although creditors' payment period increased to 97.27 days in the financial year of 2014/2015, it subsequently declined by 19.9 days to 77.37 days in the 2015/2016 financial year. This certainly indicates initiatives are being undertaken to improve compliance with the National Treasury's (2014) norm of a creditors' payment period of 30 days. Payment within the period of 30 days is one of the critical strategies for municipal expenditure management because it enhances the saving of enormous costs—that could have been paid as interest—that have accrued to the creditors.

Since Madibeng's creditors' payment period increased in 2014 and, subsequently, declined by 19.9 days to 77.37 days in the 2015/2016 financial year, it can be argued that the introduction of the municipal minimum competency programmes could have influenced Madibeng's financial and accounting officers to review their approach regarding the management of creditors' payment periods as one of the critical strategies for avoiding costs that may accrue from interest. However, with Madibeng's current ratio already indicating a liquidity crisis, it seems part of the reason for the delay to pay creditors is also attributable to the cash flow management problems and, also, the numerous procurement related challenges that Madibeng local municipality is facing.

Table 5.2: Creditors' Payment Period

Creditors Payment Period (Trade Creditors): Financial Ratio Analysis for Madibeng Local Municipality Formula: Trade Creditors Outstanding /Credit Purchases (Operating and Capital)x 365days	
Financial Year	Ratio
2007/2008	1.56
2013/2014	45.33
2014/2015	97.27
2015/2016	77.37
Source of Data: Statement of Financial Performance, Notes to AFS, Budget, In-Year reports, and AR: National Treasury's (2014:1) prescribed norm of 30 Days	

Cash flow management is one of the critical competencies emphasised in the municipal minimum competency programmes for accounting and financial officers. In effect, the fact that

Madibeng local municipality is still experiencing such challenges implies that the introduction of the municipal minimum competency programmes has not contributed much to improving Madibeng local municipality's cash flow management. Such a finding also signifies that the introduction of the municipal minimum competency programmes has not only *not* influenced improvement of Madibeng's working capital management, but it also has not influenced the introduction and application of effective internal financial expenditure control measures.

The fact that Madibeng's poor adherence to the National Treasury's (2014) prescribed creditors' payment period of 30 days is explained by cashflow and revenue generating challenges, which are accentuated in Madibeng's (2014/2015) financial statements as well as the Auditor-General's Report for the financial year of 2014/2015. In that financial statement and report, Madibeng is noted to have experienced material impairments and losses to the amount of R54 801 795, debt impairment losses of R30 524 184, asset impairment losses of R132 121 327, and electricity and water distribution losses of R190 400 605 and R269 311 919, respectively.

As Madibeng local municipality continued to struggle with the development and use of an effective billing system, the Auditor-General's Report (2015/2016) indicated Madibeng would also continue experiencing water and electricity distribution losses of R310 187 118 and R130 386 620 in the financial year of 2015/2016. Although these explain the delay for Madibeng to pay its credits within the required period of 30 days, it is also heralding the symptoms that suggest the introduction of the municipal minimum competency programmes has not yet influenced the quests for a better financial management practise to cascade to all levels of the Madibeng local municipality's financial management systems.

5.2.1.4 Unauthorised Irregular, fruitless and wasteful, expenditures

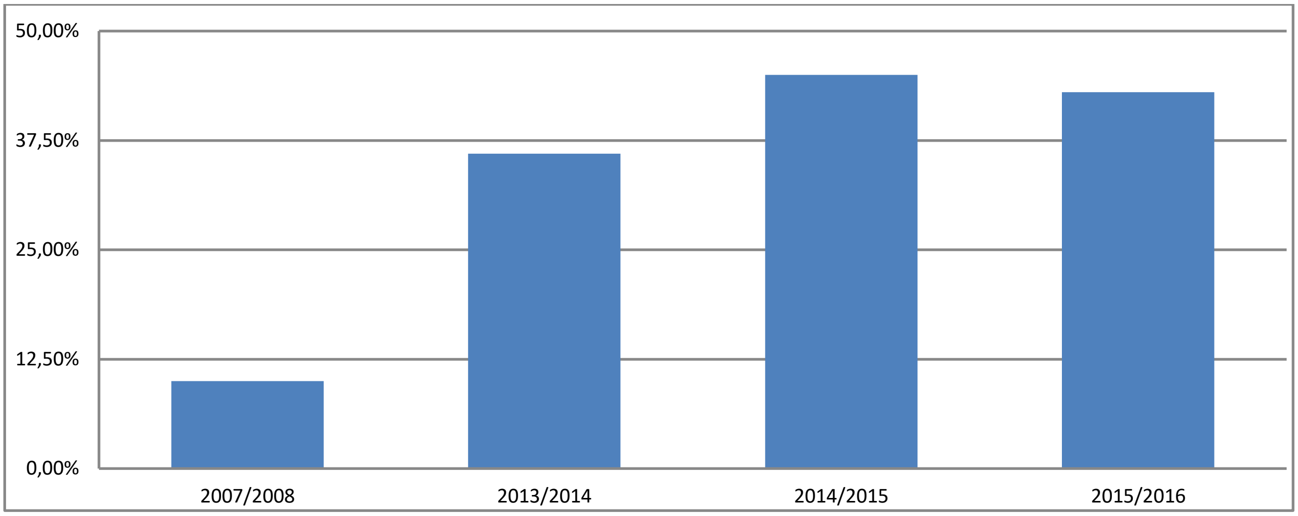
Madibeng's ratios of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure were calculated using the formula: (unauthorised, irregular, fruitless and wasteful expenditures/total operating expenditure$x100\%$). As indicated in *Figure 5.2*, the analysis was based on the statement of financial performance as well as notes to annual financial statements and Auditor-General's Reports (AR) for the periods between 2007 and 2016. Such analysis was also undertaken whilst cognisant of the fact that the National

Treasury's (2014:1) norm requires ratios of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure to be constrained at 0%.

However, in contrast to such a norm, *Figure 5.2* indicates that, prior to the implementation of the municipal minimum competency programme, Madibeng had unauthorised, irregular, fruitless and wasteful expenditures of 10%. The analysis did not indicate any improvement after the implementation of the municipal minimum competency programme. This is accentuated in the fact that Madibeng's unauthorised, irregular, fruitless and wasteful expenditures increased by 26% from 10% in the 2007/2008 financial year to 36% in 2013/2014. It further increased to 45% in the 2014/2015 financial year and declined to 43%, which is minimally by 2% in the financial year of 2015/2016. Despite such a decrease, 43% of the ratios of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure is quite high. Higher levels of the ratios of unauthorised, irregular, fruitless and wasteful unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure imply Madibeng faces governance and internal control challenges.

Such views are echoed in the Auditor-General's Reports for 2013/2014, 2014/2015, and 2015/2016, which indicate that Madibeng was to face the challenge of internal controls. Such internal control deficiencies were reiterated to be latent in the leadership's inability to effectively exercise the required critical oversight functions, in effective audit systems, and poor governance, which are reflected in the inabilities to uphold the principles of accountability and transparency in the ways the municipal expenditures are planned and undertaken.

Figure 5.2: Unauthorised, Irregular, Fruitless and Wasteful, and Expenditures



The National Treasury's (2007) Guideline for Municipal Competency Levels requires the municipal chief financial officer to uphold the principles of transparency and accountability. It requires this to be achieved by designating clear roles and responsibilities as well as the separation of powers through which the relevant accounting and financial officers are not only able to report, but also can be held accountable. In effect, the existence of internal control deficiencies about five years after the implementation of the municipal minimum competency programmes signifies that it is not yet causing significant impact to the turnaround approach for planning and managing Madibeng local municipality's expenditure.

It was also the motive of the introduction of the National Treasury's (2007) Guideline for Municipal Competency Levels to improve the accounting officers' understanding and application of relevant supply chain management policies and regulations—that is, such as the National Treasury Municipal Supply Chain Regulations and the Preferential Procurement Policy Framework. However, the analysis of the Auditor-General's Report (2015/2016) indicates that some of the irregular expenditures—such as Madibeng local municipality's payment of R28 766 166 in 2016 and R15 400 014 in 2015—were done in contravention of the relevant procurement policies and regulations. Of course, such expenditures could have been incurred to leverage the implementation of certain critical socio-economic infrastructures in order to bolster improvement of service delivery.

However, it still indicates the extent to which the introduction of the municipal minimum competency programmes has not influenced the improvement of Madibeng local municipality —namely, to develop effective internal control systems to bolster compliance with the relevant financial policies and regulations.

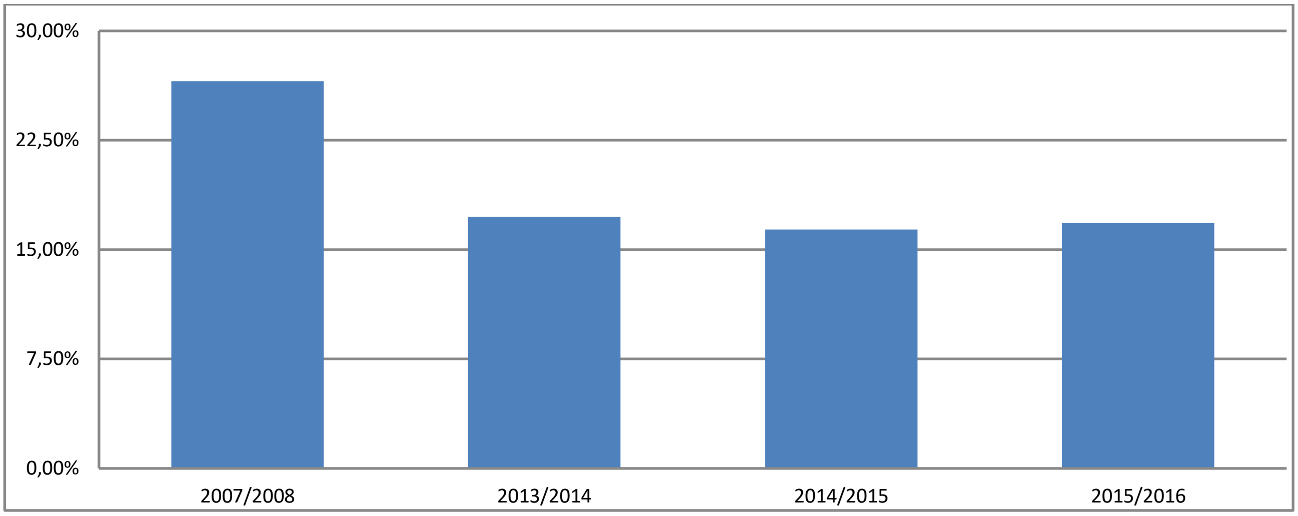
5.2.1.5 Remuneration as percentage (%)of total operating expenditure

Madibeng's remuneration as % of total operating expenditure was calculated using the formula: (remuneration [employee-related costs and councillors' remuneration]/total operating expenditure$x100\%$). The calculation was based on the analysis of the statement of financial position and the statement of financial performance—as well as notes to the AFS, Budget, In-Year reports, IDP, and Auditor-General's Reports (AR)—for the periods between 2007 and 2016. Using the National Treasury's (2014:1) prescribed norm of 25% to 40%, Madibeng's remuneration as % of total operating expenditure was found to fall at 26.56% before the implementation of the municipal competency programmes in the 2007/2008 financial year.

After the implementation of the municipal competency programme, it decreased to 17.26% in the 2013/2014 financial year, and then, subsequently, to 16.39% in 2014/2015. This decrease in Madibeng's remuneration as % of total operating expenditure did not continue because, instead, it rose to 16.82% in the financial year of 2015/2016. Despite such up and down trends, the overall analysis still indicates that the accounting officers were committed to bringing Madibeng's remuneration as % of total operating expenditure within the National Treasury's (2014:1) prescribed norm of 25% to 40%. As presented in *Figure 5.3*, this is demonstrated by the fact that, whereas in 2007/2018 the remuneration as % of total operating expenditure was 26.56%, constant quests by the accounting officers seem to have driven it down to 16.82% in the financial year of 2015/2016.

Although it is too low to imply that there are risks of understaffing that are undermining the delivery of critical socio-economic services, it is still evident that, given the liquidity challenges that Madibeng local municipality is facing, a significant reduction of the personnel costs pertaining to remuneration was critical for leveraging their financial sustainability.

Figure 5.3: Remuneration as percentage (%) of Total Operating Expenditure



As contrasted to the other areas, this demonstrates the extent to which the introduction of the municipal minimum competency programmes has influenced the improvement of the Madibeng local municipalities. That is, to conceptualise and apply the appropriate strategies to bolster effective management of its expenditure.

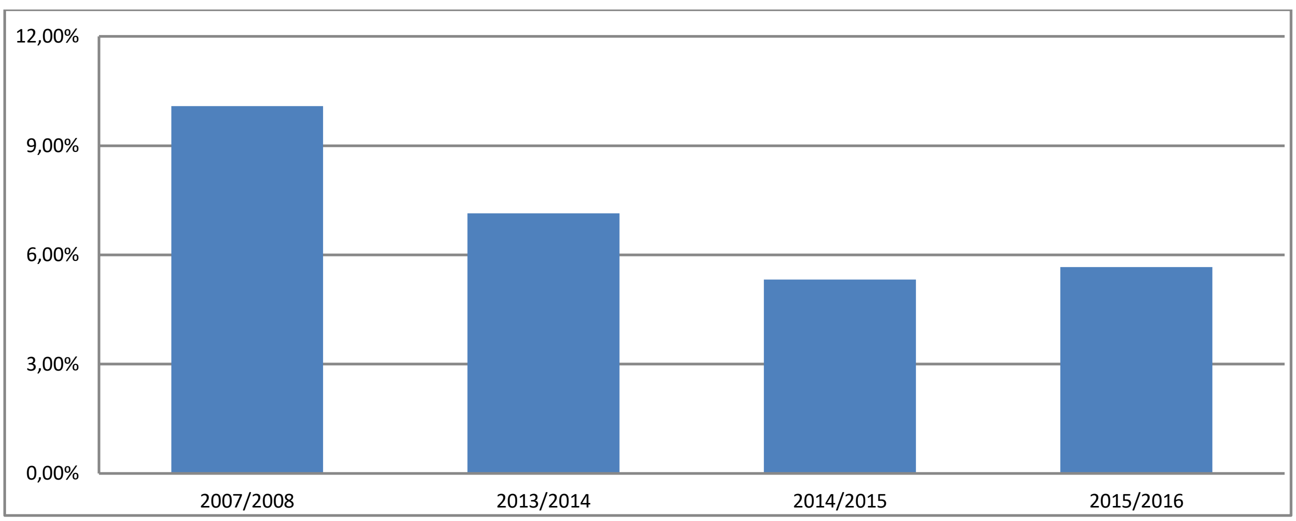
5.2.1.6 Contracted services % of total operating expenditure

Madibeng's contracted services % of total operating expenditure was analysed by calculating contracted services/total operating expenditure$x100\%$. Such analysis entailed the evaluation of the statement of financial position and the statement of financial performance—as well as notes to the AFS, Budget, In-Year reports, IDP, and Auditor-General's Reports—for the periods between 2007 and 2016. Whether prior or after the implementation of the municipal minimum competency programmes, Madibeng's contracted services % of total operating expenditure was still found to fall out of the scope of the National Treasury's (2014:1) norm of 2% to 5%. This is accentuated by the fact that Madibeng's contracted services % of total operating expenditure constituted 10.09% prior to the implementation of the municipal minimum competency programmes.

Even though the percentage decreased to 7.14% in the 2013/2014 financial year, it still remained out of scope after the implementation of the municipal minimum competency programmes. *Figure 5.4* indicates that the decrease in Madibeng's contracted services % of total operating expenditure further continued in the financial year of 2014/2015 to reach 5.32%, and then increased, again, to 5.67% in the 2015/2016 financial year. Deviation from the National Treasury's (2014:1) norm of 2% to 5% signifies that there is a challenge of managing the contracted services' costs. It is such deviations that can be interpreted to imply that the introduction of the municipal minimum competency programmes has not contributed much to influencing Madibeng local municipality's improved capabilities to effectively manage its contracted services' costs. This also, subsequently, affects the effective management of Madibeng local municipality's expenditure patterns.

The motive for the introduction of the National Treasury's (2014:1) norm of 2% to 5% was to enhance waste minimisation. In essence, it was intended to ensure that municipalities would be able to engage only the external skills and competencies that are critical for it to leverage the provision of the relevant socio-economic services.

Figure 5.4: Contracted Services % of Total Operating Expenditure



However, given that Madibeng local municipality's contracted services % of total operating expenditure has been consistently falling out of the National Treasury's (2014:1) prescribed norm of 2% to 5%, it suggests that there is a challenge regarding expenditure management. That is, it implies over-utilisation of the services of contractors, consultants, and subcontractors. This could be causing wastes and higher total operating costs. However, it is also important to note that, because Madibeng local municipality is in a difficult financial position, there could have been a tendency to over-utilise contracted services as a strategy of accessing new capabilities to turnaround its performance. Even if that is the case, the fact that it lacks sufficient financial resources renders such a strategy less financially feasible. This is demonstrated by the fact that, so far, the Auditor-General's Report for the 2015/2016 financial year indicates that Madibeng local municipality is already struggling to pay most of its creditors, with the effect that it is facing numerous civil suits.

In effect, it can be argued that, even if the engagement of more contracted services in the midst of such a less impressive financial situation could be a normal error, it still reflects the extent to which the introduction of the municipal minimum competency programmes has only contributed little to edifying the effectiveness of the contracted services cost management—that is, as a critical determinant of Madibeng's municipal expenditure management.

5.2.2 Madibeng's budget implementation

The change in budget implementation—before and after the implementation of the municipal minimum competency programmes—was analysed by evaluating the ratios on the capital expenditure budget implementation indicator and the operating expenditure budget implementation indicator.

5.2.2.1 Capital expenditure budget implementation indicator

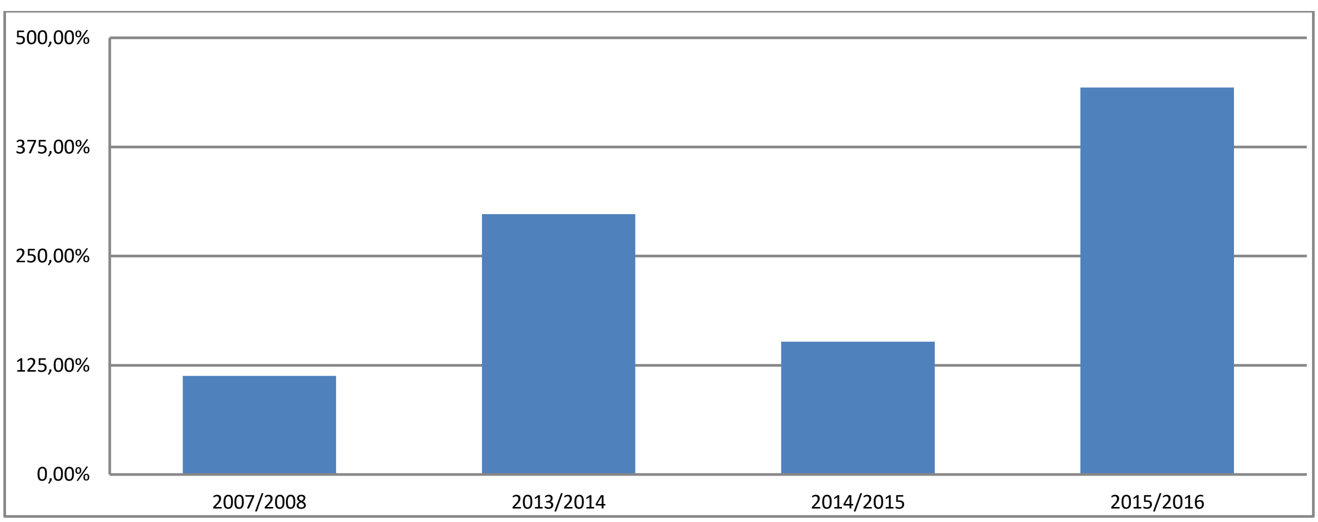
As indicated in *Figure 5.5*, Madibeng's capital expenditure budget implementation indicator was analysed by calculating the actual capital expenditure/budget capital expenditure$x100\%$. Figures used in the analysis were extracted from the statement of financial position and the statement of financial performance—as well as notes to the AFS appendices, Budget, In-Year reports, IDP, and Auditor-General's Reports (AR)—for the periods between 2007 and 2016. The National Treasury's (2014:1) norm of 95% to 100% was used in the analysis regarding whether or not there has been improvement in Madibeng's capital expenditure budget implementation—that is, after the implementation of the municipal minimum competency programmes.

As indicated in *Figure 5.5*, before the implementation of the municipal minimum competency programmes, Madibeng's capital expenditure budget implementation indicator was at 89% in

2007/2008. Although this already falls below the National Treasury's (2014:1) norm of 95% to 100%, after the implementation of the municipal minimum competency programmes, Madibeng experienced a continuous increment in its capital expenditure budget implementation indicator. This is reflected in the fact that *Figure 5.5* indicates that Madibeng's capital expenditure budget implementation indicator increased from 89% in 2007/2008 to 126% in 2013/2014, and, subsequently, to 152% and 188%, respectively, in the 2014/2015 and 2015/2016 financial years. Using the National Treasury's (2014:1) norm of 95% to 100%, these signify evidence of overspending within Madibeng local municipality's capital expenditure budget.

Evidence of Madibeng local municipality's overspending its expenditure budget was also common in the Auditor-General's Reports for the financial years of 2013/2014, 2014/2015, and 2015/2016. However, such evidence of overspending the capital expenditure budget does not necessarily suggest that the introduction of the municipal minimum competency programmes has not significantly influenced the improvement of Madibeng local municipality's capital expenditure management. This is attributable to the fact that higher capital expenditure could be arising from the higher investments in capital infrastructures that Madibeng local municipality considers critical for leveraging its service delivery capabilities. Certainly, it is such higher capital expenditure that could have caused Madibeng local municipality liquidity crisis.

Figure 5.5: Capital Expenditure Budget Implementation Indicator



However, when examined in the context of the Auditor-General's Reports for the financial years of 2013/2014, 2014/2015, and 2015/2016, it can also be discerned that the overspending of Madibeng local municipality's capital expenditure budget could also be arising from poor internal controls, poor governance, and a lack of effective internal audit systems. From the Auditor-General's Reports for the financial years 2013/2014, 2014/2015, and 2015/2016, it was also commonly evident that the causes of the overspending of Madibeng local municipality's capital expenditure budget could be emanating from lack of skills and competencies, which are critical for the conceptualisation and utilisation of the appropriate IDPs and SDBIPs.

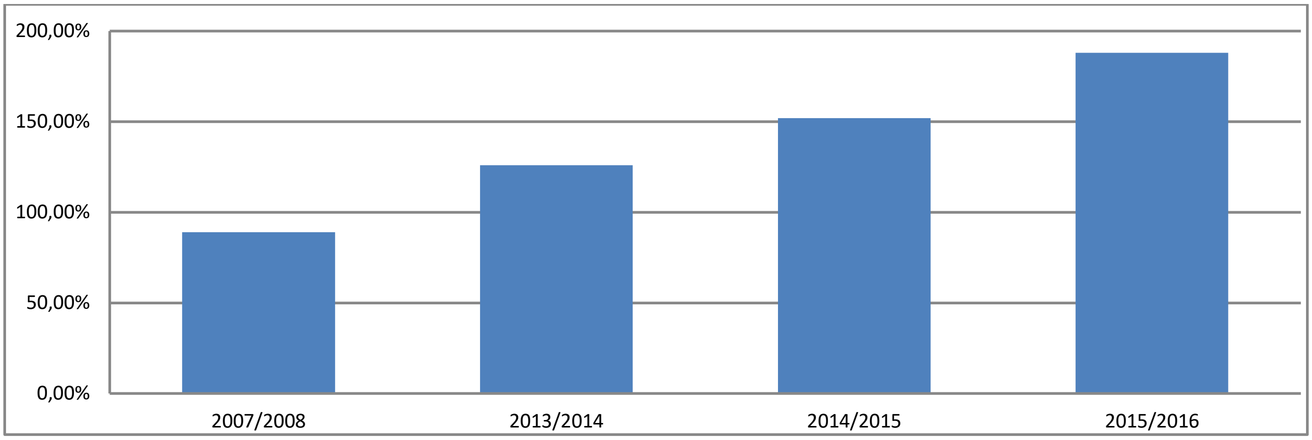
This is accentuated by the fact that the Auditor-General's Reports for 2014/2015 and 2015/2016 not only raised issues of poorly defined objectives and indicators, but also highlighted the fact that Madibeng local municipality had not undertaken the initiatives to assess compliance with the skills and competencies stipulated in the National Treasury's (2007) Guideline for Municipal Competency Levels. This implies that, despite the introduction of the National Treasury's (2007) Guideline for Municipal Competency Levels, the challenge of the required skills and competencies still seems to exist.

In effect, it is not surprising that, even after the implementation of the municipal minimum competency programmes, trends of overspending or underspending still characterise Madibeng local municipality's capital expenditure budget. Such a finding signifies that the implementation of the municipal minimum competency programmes has not significantly influenced the improvement of Madibeng local municipality's capital expenditure management.

5.2.2.2 Operating expenditure budget implementation indicator

As indicated in *Figure 5.6*, such evidence was not only discernible from the findings on Madibeng local municipality's capital expenditure budget implementation, but also from the findings on its operating expenditure budget implementation.

Figure 5.6: Operating Expenditure Budget Implementation Indicator



Diagnosis of the effects regarding the implementation of the municipal minimum competency programmes on improving Madibeng's operating expenditure budget implementation indicator was analysed by calculating its actual operating expenditure/budgeted operating expenditure$x100\%$. The analysis was based on the figures from the statement of financial position and the statement of financial performance—as well as notes to the AFS appendices, Budget, In-Year reports, IDP, and Auditor-General's Reports (AR)—for the periods between 2007 and 2016. Using the National Treasury's (2014:1) norm of 95% to 100%, Madibeng's operating expenditure budget implementation indicator was found to score 113% before the implementation of the municipal minimum competency programmes in the 2007/2008 financial year. Although, after the implementation of the municipal minimum competency programmes, it increased to 298% in 2013/2014 and decreased to 152% in the 2014/2015 financial year. After that, however, it subsequently increased quite significantly to 443% in the 2015/2016 financial year.

Akin to the case of Madibeng local municipality's capital expenditure budget implementation, there also seems to be trends of it overspending its operating expenditure budget implementation. Even if there could be justifiable reasons for such variances, the overall analysis of the findings in this section seems to imply the implementation of the municipal minimum competency programmes has neither significantly influenced the improvement of Madibeng local municipality's capital expenditure budget implementation nor its operating expenditure budget implementation.

5.3 EXPENDITURE MANAGEMENT ANALYSIS FOR RUSTENBURG LOCAL MUNICIPALITY

While limiting the analysis of financial ratios to the period between 2007 and 2016, the evaluation of the effects regarding the implementation of the municipal competency programmes on the improvement of Rustenburg Municipality's expenditure management was accomplished by analysing the ratios for expenditure management and budget implementation.

5.3.1 Rustenburg's expenditure management

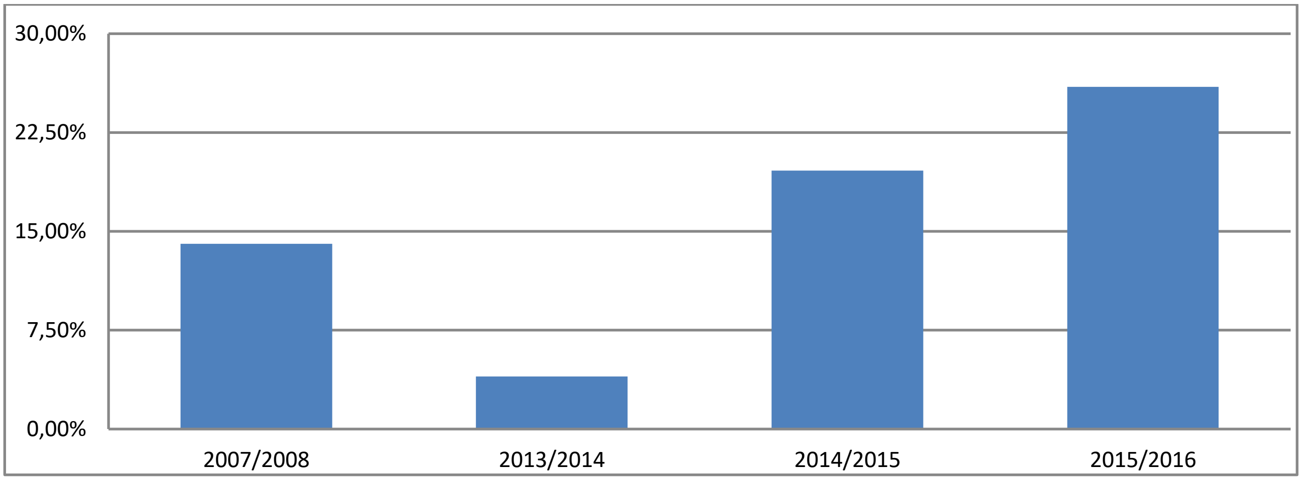
The assessment of the state of Rustenburg's expenditure management entailed the analysis of the ratios for capital expenditure to total expenditure, current ratio, and creditors' payment period. Such analysis was undertaken in conjunction with the evaluation of the ratios for unauthorised, irregular, fruitless and wasteful expenditure to total operating expenditure, remuneration % of total operating expenditure, and contracted services % of total operating expenditure.

5.3.1.1 Capital expenditure to total expenditure

Using the analysis of total capital expenditure/total expenditure$x100\%$, the ratio for capital expenditure to total expenditure was found to score 14.05% before the implementation of the municipal minimum competency programme in the 2007/2008 financial year. A score of 14.05% was, certainly, within the scope of the National Treasury's (2014:1) prescribed norm of 10%–20%. Indeed, this implies the ratio of capital expenditure to total expenditure was, prior to the implementation of the municipal minimum competency programmes, in a relatively good state.

However, after the implementation of the municipal minimum competency programmes, Rustenburg's ratio of capital expenditure to total expenditure declined to 4.00% in the 2013/2014 financial year. In line with what is illustrated in *Figure 5.7*, it subsequently increased to 19.62% in the 2014/2015 financial year. Although this was, certainly, a better state in the context of the National Treasury's (2014:1) norm of 10%–20%, in the 2015/2016 financial year, it rose to 25.96%. A ratio of 25.96% is, indeed, out of the scope of the National Treasury's (2014:1) norm of 10%–20%. Such a deviation could have been caused by poor capital expenditure budget implementation that instigated the need for the utilisation of additional resources.

Figure 5.7: Capital Expenditure to Total Expenditure



As indicated in the Auditor-General's Report for the financial year of 2015/2016, such deviations could have also arisen from deficient internal control systems that undermined the control of capital expenditure within the budget plan. However, there were attempts to control capital expenditure—that is, with the effect that the ratio of capital expenditure to total expenditure kept falling on and off the National Treasury's (2014:1) norm of 10%–20%. Using such findings, it can be interpreted that there are attempts by Rustenburg local municipality to utilise the new competencies gained from the implementation of the municipal minimum competency programmes. In essence, to discern and apply the appropriate strategies to control its capital expenditures.

5.3.1.2 Current ratio analysis

In terms of Rustenburg's current ratio, the analysis based on the statement of financial position and the statement of financial performance—as well as notes to the AFS, Budget, In-Year reports, IDP, and AR—for the periods between 2007 and 2016, indicated the current ratio of 1.78 for the 2007/2008 financial year. Because the implementation of the municipal minimum competency programmes only started in 2008, such a ratio reflects the impressive liquidity position of Rustenburg Municipality prior to the implementation of the municipal minimum competency programmes. In line with the National Treasury's (2014:1) norm of 1.5 to 2:1, *Table*

5.3 indicates that it can be construed that, by then, Rustenburg Municipality was certainly in a good liquidity position as a result of better expenditure management and control.

Table 5.3: Current Ratio Analysis

Current Ratio: Financial Ratio Analysis for Rustenburg Local Municipality Formula: Current Assets/Current Liabilities	
Financial Year	**Current Ratio**
2007/2008	1.78
2013/2014	0.96
2014/2015	0.88
2015/2016	0.95
Source of Data: Statement of Financial Position, Budget, IDP, and AR: National Treasury's *(2014:1) prescribed norm of 1.5 to 2:1*	

However, after the implementation of the municipal minimum competency programmes, Rustenburg's current ratio declined to 0.96 in 2013/2014. Although such a decline continued in the financial year of 2014/2015—with the effect that Rustenburg's current ratio only scored 0.88—in 2015/2016, it increased to 0.95. Despite such an increase, it was still evident, from the financial year of 2013/2014 to financial year of 2015/2016, that Rustenburg's current ratio consistently did not meet the National Treasury's (2014:1) norm of 1.5 to 2:1. This indicates that there are consistent liquidity challenges that Rustenburg Municipality could have been experiencing.

Because liquidity challenges are often associated with poor working capital management, it can be argued that it seems there is still a challenge for the newly-introduced municipal minimum competency programmes to influence the improvement of Rustenburg's effective working capital management. In line with the Auditor-General's Reports for 2014/2015 and 2015/2016, there could have also been challenges for Rustenburg local municipality to control its irregular, fruitless and wasteful expenditure. In addition to that, the Auditor-General's Reports for 2014/2015 and 2015/2016 also indicated poor asset management and revenue generation that could have subsequently affected Rustenburg local municipality's liquidity position.

5.3.1.3 Creditors' payment period

In terms of the creditors' payment period, it is noted in *Table 5.4* that Rustenburg Municipality was taking about 29.09 days in the 2007/2008 financial year to have its creditors paid. In line with the National Treasury's (2014:1) norm of 30 days, it can be argued that, prior to the implementation of the municipal minimum competency programmes, Rustenburg Municipality was taking the necessary initiative to minimise payment of interests arising from the late payment of creditors.

Table 5.4: Creditors' Payment Period

Creditors Payment Period (Trade Creditors): Financial Ratio Analysis for Rustenburg Local Municipality Formula:Trade Creditors Outstanding /Credit Purchases (Operating and Capital)x 365days	
Financial Year	**Ratio**
2007/2008	29.09
2013/2014	37.19

2014/2015	47.88
2015/2016	33.10
Source of Data: Statement of Financial Performance, Notes to AFS, Budget, In-Year reports, and AR: National Treasury's (2014:1) prescribed norm of 30 Days	

This contrasts with the situation after the implementation of the municipal minimum competency programmes—that is, where Rustenburg Municipality was found to take about 37.19 days to pay off its creditors in the financial year of 2013/2014. Although the number of days of creditors' payment period increased to 47.88 days in the financial year of 2014/2015, in the financial year of 2015/2016, further analysis of the creditors' payment period indicated that Rustenburg was taking about 33.10 days to have its creditors paid. Although this reflects a decline by 14.78 days from the 47.88 days in 2014/2015, it can still be interpreted, in the context of the National Treasury's (2014:1) norm of 30 days, that in terms of creditors' payment period, Rustenburg Municipality seems to have not performed well after the implementation of the municipal minimum competency programmes.

Although issues of procurement-related disputes were not evident in any of the Auditor-General's Reports, it was instead evident from the Auditor-General's Reports, for the financial years of 2014/2015 and 2015/2016, that poor revenue collection could have affected Rustenburg local municipality's liquidity position as well as its capability to pay its creditors within the National Treasury's (2014:1) norm of 30 days. Combined with the fact that Rustenburg local municipality is not in a good liquidity position, it can be argued that it seems the implementation of the municipal minimum competency programmes has not significantly influenced the improvement Rustenburg local municipality's expenditure. Such evidence of poor expenditure management was also easily discernible from Rustenburg local municipality's inability to control its unauthorised, irregular, fruitless and wasteful expenditures.

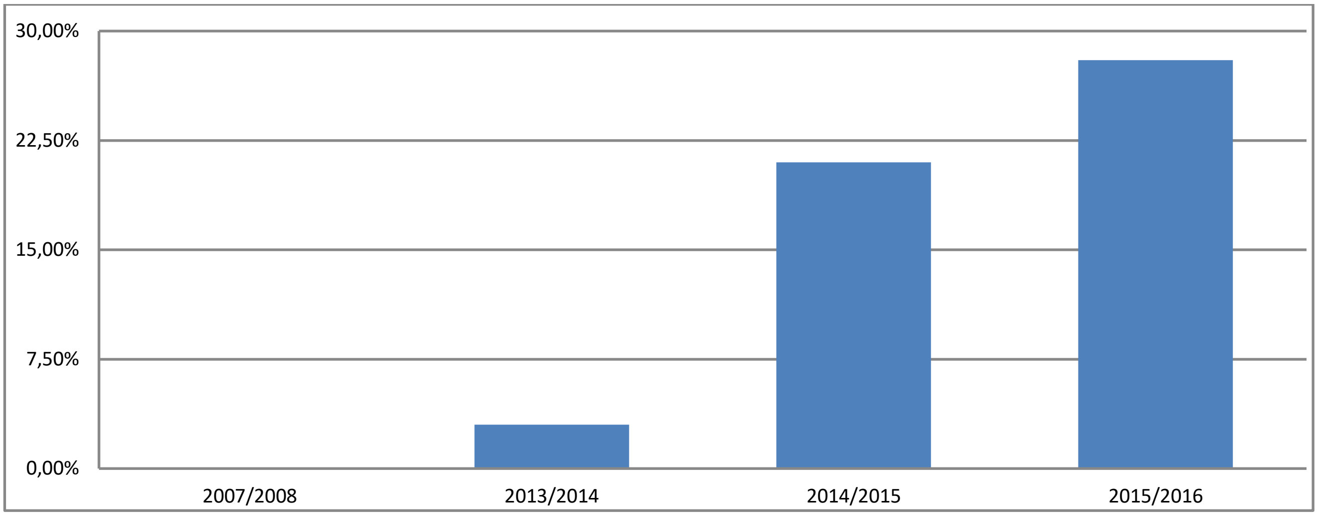
5.3.1.4 Irregular, fruitless, wasteful, and unauthorised expenditures

While using the calculation of irregular+fruitless+wasteful+unauthorised expenditures/total operating expenditure$x100\%$, Rustenburg scored 0% in the financial year of 2007/2008. This was confirmed in the Auditor-General's Reports for 2007/2008—that is, where issues of unauthorised, irregular, fruitless and wasteful expenditures did not arise. In line with the National Treasury's (2014:1) norm of 0%, this implies that, prior to the implementation of the municipal minimum competency programmes, Rustenburg Municipality was able to effectively control and minimise unauthorised, irregular, fruitless and wasteful expenditures.

Although Rustenburg's ratio of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure only minimally increased to 3% by 2013/2014, *Figure 5.8* indicates that it subsequently increased to 21% and 28%, respectively, in the financial years of 2014/2015 and 2015/2016. The fact that the ratio of Rustenburg's ratio of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure has been increasing was also echoed in the Auditor-General's Reports for the financial years of 2013/2014, 2014/2015, and 2015/2016. In the financial year of 2013/2014, the Auditor-General's Reports (2013/2014) indicated Rustenburg local municipality to have incurred unauthorised expenditure of R51 165 847.

In addition, in the financial year of 2014/2015—indicating to have incurred unauthorised expenditure of R13 394 000, there were also fruitless and wasteful expenditures of R537 000 and irregular expenditure of R657 889 000. In the financial year of 2015/2016, Rustenburg local municipality incurred an unauthorised expenditure of R427 557 000 as well as a fruitless and wasteful expenditure of R894 000. Most of the unauthorised expenditures were in contravention of Section 32 of the Municipal Finance and Management Act. Yet, the implementation of the measures for improving the competencies of the municipal officials was motivated by quests to bolster the effectiveness and efficiency of the process pertaining to the implementation of the MFMA.

Figure 5.8: Unauthorised, Irregular Fruitless and Wasteful Expenditures

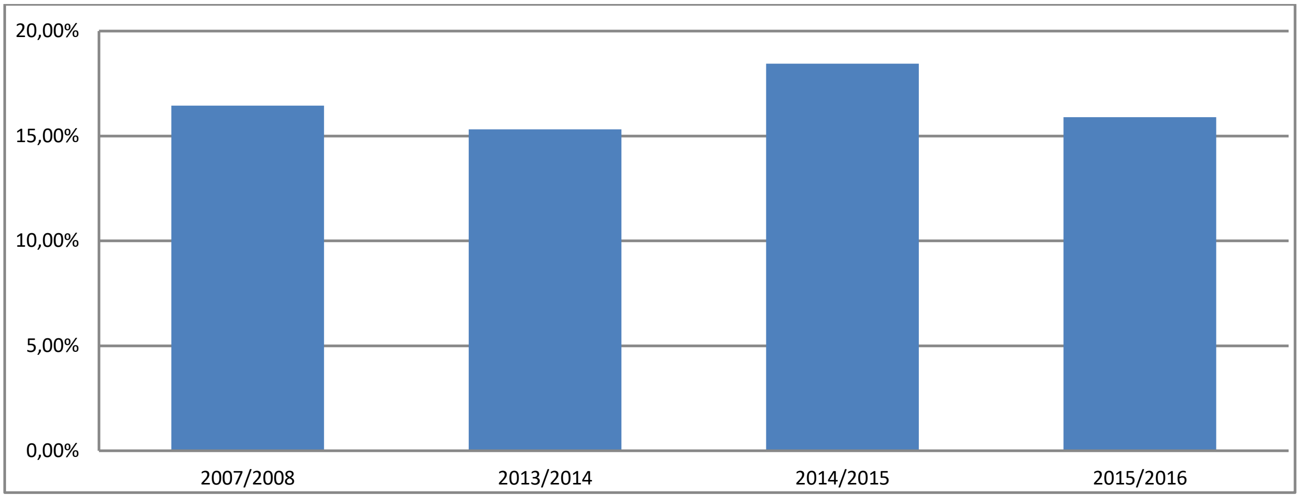


Certainly, this signifies Rustenburg is still struggling with the competencies—that is, it is experiencing difficulties whilst endeavouring to effectively reduce the ratio of its unauthorised, irregular, fruitless and wasteful expenditures to a total operating expenditure of 0%, which is required by National Treasury's (2014:1) norm of 0%. Such deficiencies also signify the implementation of the municipal minimum competency programmes has not yet influenced the improvement of Rustenburg local municipalities in their application of the appropriate expenditure management control measures to, essentially, minimise its unauthorised, irregular, fruitless and wasteful expenditures. However, as contrasted to remuneration as % of total operating expenditure, it seems Rustenburg has been able to undertake the necessary controls.

5.3.1.5 Remuneration as percentage% of total operating expenditure

Rustenburg's ability to undertake the aforementioned necessary controls is attributable to the fact that, as *Figure 5.9* indicates, prior to the implementation of municipal minimum competency programmes, Rustenburg scored 16.44% in terms of remuneration as % of its total operating expenditure. While basing the analysis on the statement of financial position, budget, IDP, and Auditor-General's Reports for the period between 2007 and 2016, a ratio of 16.44% was not in line with the prescribed National Treasury's (2014:1) norm of 25% to 40%. Therefore, it signified that either understaffing or deliberate cost control initiatives—aimed at controlling the costs of personnel and councillors' remuneration to the lowest level as possible—could have undermined the effectiveness of service delivery.

Figure 5.9: Remuneration as % of Total Operating Expenditure



Although Rustenburg's ratio of remuneration as % of its total operating expenditure increased, respectively, to 15.32% and 18.44% in 2013/2014 and 2014/2015, it subsequently declined to 15.89% in the financial year of 2015/2016. Certainly, all these ratios still did not meet the National Treasury's (2014:1) norm of 25% to 40%. In essence, it showed Rustenburg local municipality's continuous demonstration of its commitment—prior to the implementation of municipal minimum competency programmes—to stringently control the costs of personnel and councillors' remuneration. Given the fact that Rustenburg local municipality was struggling with liquidity issues as well as the payment of its creditors within the National Treasury's (2014) prescribed cycle of 30 days, significant reduction of the costs of personnel and councillors' remuneration could have been deliberately undertaken to unlock additional financial resources that could have been used for meeting some of its priorities and short-term obligations as they fell due.

Although such manipulation of the financial expenditure activities is critical for leveraging the sustainability of the municipality, it also demonstrates cash and expenditure management challenges that Rustenburg local municipality could have been facing. The rationale for the application of the National Treasury's (2014:1) norm of 25% to 40%—for remuneration as % of total operating expenditure—is to make sure the municipality is adequately staffed to ensure its optimal performance. Hence, attempts to reduce remuneration as % of total operating expenditure may affect optimal performance. Also, it may indicate risks of expenditure mismanagement issues that are causing disequilibrium somewhere else. In effect, with

Rustenburg local municipality's ratio of capital expenditure to total expenditure reaching 25.96% in the 2015/2016 financial year, it could be argued that the minimisation of the costs of personnel and councillors' remuneration could have been aimed at ensuring the sufficiency of the financial resources in the areas of significant priority. If so, then, that was a good expenditure management practise exhibited by Rustenburg local municipality.

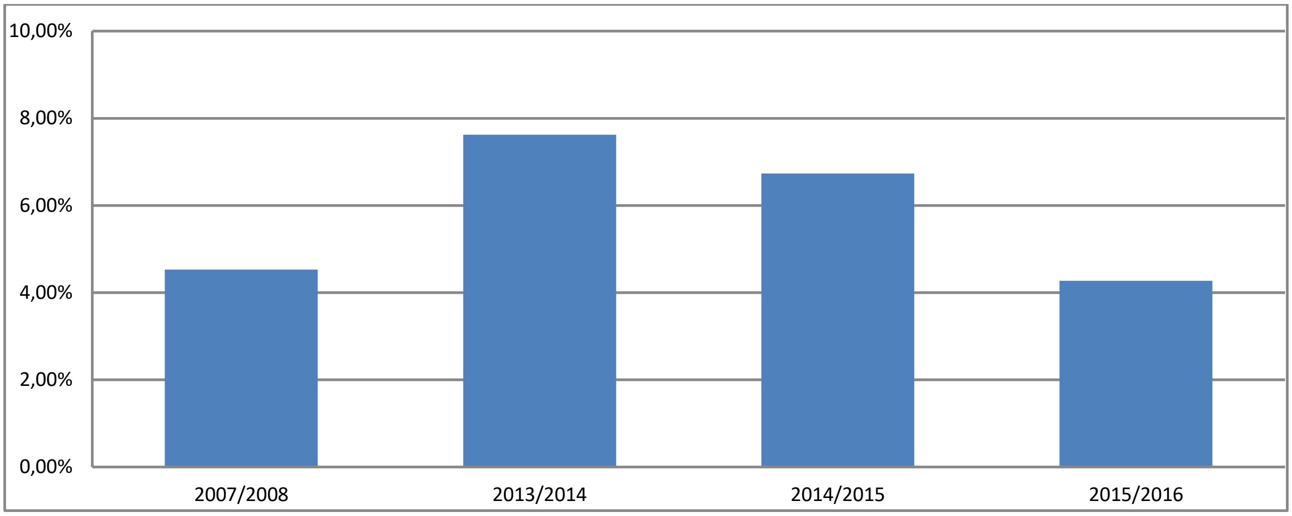
It is such capabilities that the implementation of municipal minimum competency programmes aimed to unlock from municipal accounting officers and financial officials. Because Rustenburg local municipality was able to demonstrate the effective application of such capabilities, it can be argued that the implementation of municipal minimum competency programmes impacted on improving Rustenburg local municipality's expenditure management, but not the management of remuneration as % of its total operating expenditure.

5.3.1.6 Contracted services as a percentage (%) of total operating expenditure

In terms of Rustenburg's contracted services as % of total operating expenditure, the analysis of contracted services/total operating expenditure$x100\%$ indicated a ratio of 4.53% in 2007/2008. This implies, prior to the implementation of the municipal minimum competency programmes in 2008, Rustenburg's ratio of contracted services % of total operating expenditure of about 4.53% was in line with the National Treasury's (2014:1) norm of 2% to 5%. However, after the implementation of the municipal competency programmes, as *Figure 5.10* indicates, the ratio of contracted services % of total operating expenditure increased to 7.62% in 2013/2014. Although it decreased to 6.73% in 2014/2015, it still did not meet the National Treasury's (2014:1) norm of 2% to 5%.

This contrasts with the situation in the financial year of 2015/2016, which is where a further decrease to 4.27% rendered Rustenburg's ratio of contracted services % of total operating expenditure to fall within the required National Treasury's (2014:1) norm of 2% to 5%. Such increases and decreases could be attributed to Rustenburg local municipality's quests to, more or less, balance the need to minimise wastes on contracted services as well as the importance to access critical external skills and competencies to leverage its service delivery potential.

Figure 5.10: Contracted Services as percentage (%) of Total Operating Expenditure



However, because the ratio of 4.27% in 2015/2016 subsequently met the National Treasury's (2014:1) norm of 2% to 5% of contracted services % of total operating expenditure, it can be argued that findings signify the implementation of municipal minimum competency programmes is improving Rustenburg local municipality's expenditure management.

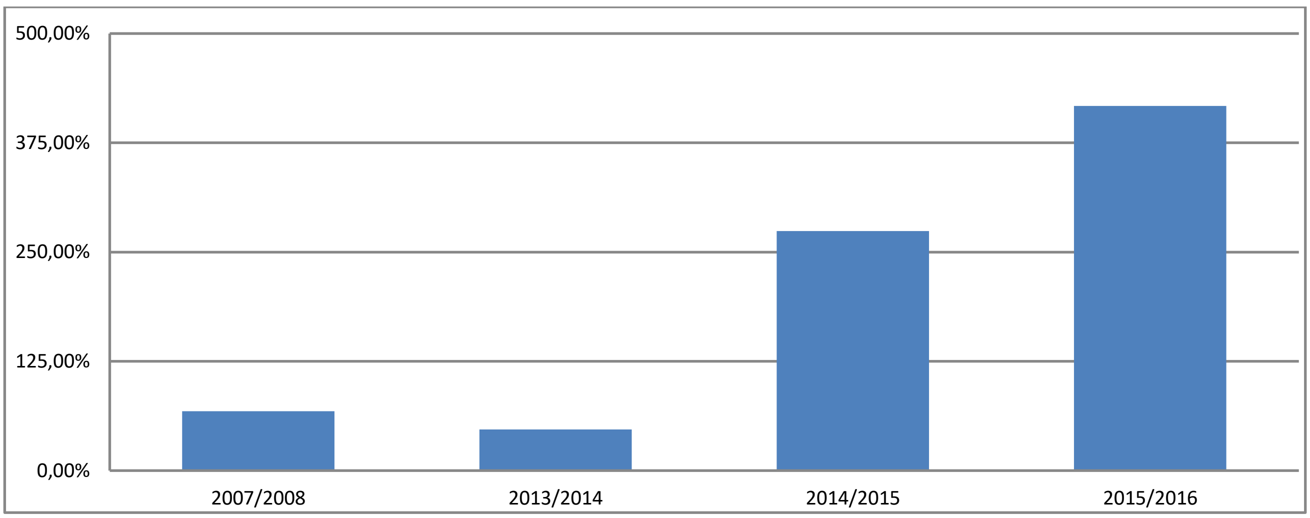
5.3.2 Rustenburg's budget implementation

The analysis of whether or not there has been any significant improvement in Rustenburg's budget implementation—that is, after the implementation of the municipal minimum competency programmes—entailed the evaluation of the ratios on the capital expenditure budget implementation indicator and the operating expenditure budget implementation indicator. Again, such evaluations follow.

5.3.2.1 Capital expenditure budget implementation indicator

Based on the statement of financial position and the statement of financial performance—as well as notes to the AFS appendices, Budget, In-Year reports, IDP, and the Auditor-General's Reports—for the periods between 2007 and 2016, the analysis of Rustenburg's capital expenditure budget implementation indicator did not indicate any improvement. In essence, it indicated either under-expenditure or over-expenditure. In the financial year of 2007/2008, as *Figure 5.11* indicates, the analysis revealed a ratio of 68%. This was prior to the implementation of the municipal minimum competency programme. Therefore, this ratio did not meet the National Treasury's (2014:1) norm of 95% to 100% for capital expenditure budget implementation indicator.

Figure 5.11: Capital Expenditure Budget Implementation Indicator



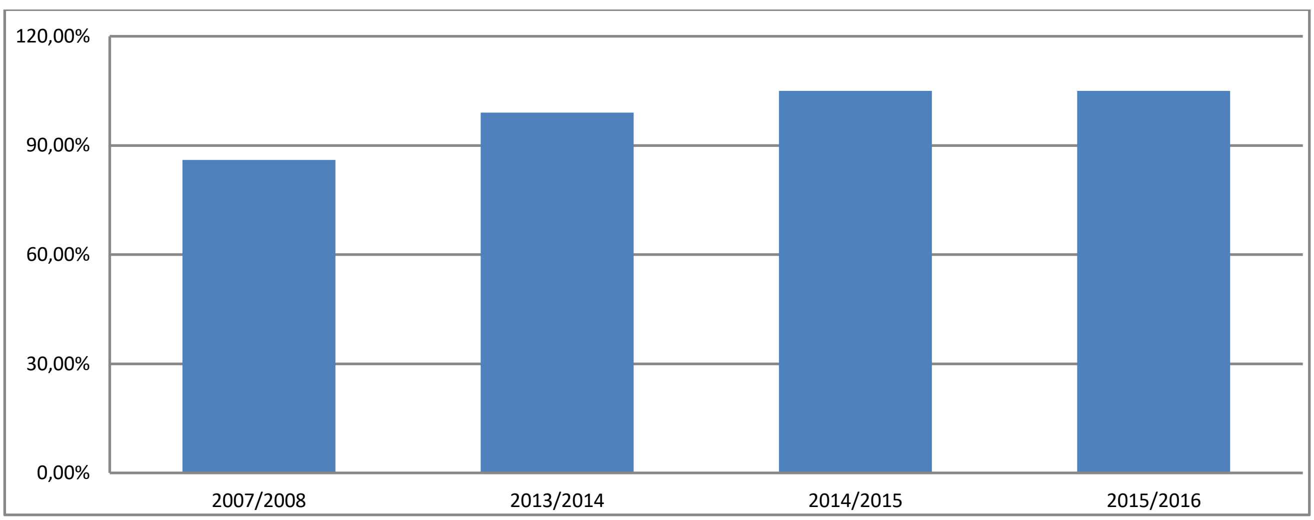
Even after the implementation of the municipal minimum competency programmes, signs of improvement were not easily discernible as the ratio analysis for the capital expenditure budget implementation indicator only scored 47% in 2013/2014. A ratio of 47% signified a persistence of the challenge of under-expenditure that, prior to the implementation of the municipal minimum competency programmes in 2008, characterised Rustenburg Municipality. However, in the later financial year of 2014/2015, the problem seems to have shifted from under-expenditure to over-expenditure as the ratio of the capital expenditure budget implementation indicator skyrocketed to 274%. Even up to the financial year of 2015/2016, it was still evident—from the calculation of actual capital expenditure/budget capital expenditure$x100\%$—that there was still a challenge of dealing with over-expenditure. This is accentuated by the fact that, in 2015/2016, the ratio for the capital expenditure budget implementation indicator increased from 274% in 2014/2015 to 417% in the 2015/2016 financial year. In line with the Auditor-General's

Reports of the financial years of 2013/2014, 2014/2015, and 2015/2016, this could have arisen from inaccurate budgeting and poor internal financial control systems.

5.3.2.2 Operating expenditure budget implementation indicator

However, regarding Rustenburg's operating expenditure budget implementation indicator, the analysis of actual operating expenditure/budgeted operating expenditure$x100\%$ revealed a ratio of 89% in 2007/2008. Although this was below the National Treasury's (2014:1) norm of 95% to 100%, a score of 99% in the financial year of 2013/2014 signified the implementation of the municipal minimum competency programmes had influenced the improvement of Rustenburg's budget implementation. However, as indicated in *Figure 5.12*, such positive results were not sustained for a long time because, in the financial year of 2014/2015, the financial ratio for the operating expenditure budget implementation indicator increased and remained constant at 105% up to the financial year of 2015/2016.

Figure 5.12: Operating Expenditure Budget Implementation Indicator



A ratio of 105% does not only meet the National Treasury's (2014:1) norm of 95% to 100%, but it also signifies that the risks of over-expenditure are gradually creeping in.

5.4 EXPENDITURE MANAGEMENT ANALYSIS FOR MORETELE MUNICIPALITY

The evaluation of the effects pertaining to the implementation of the municipal competency programmes—in relation to the improvement of Moretele Municipality's expenditure management—was accomplished by analysing the ratios for expenditure management and budget implementation.

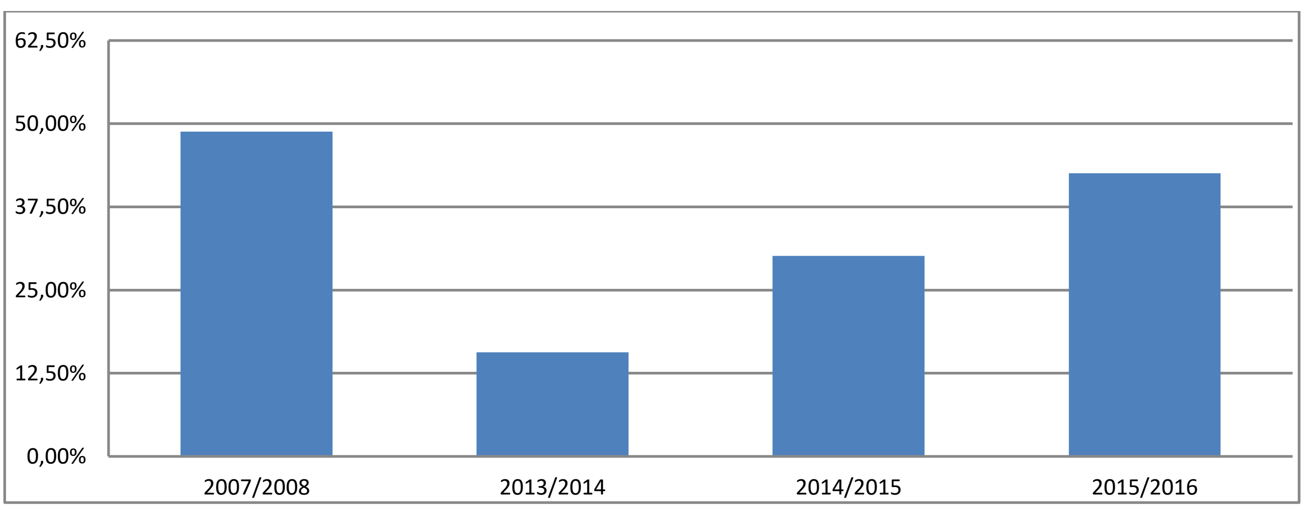
5.4.1 Moretele's expenditure management

To reach logical conclusions regarding the state of Moretele's expenditure management in the periods between 2007 and 2016, the analysis encompassed the assessment of the ratios for capital expenditure to total expenditure as well as the current ratio and creditors' payment period. It also entailed the assessment of the ratios for unauthorised, irregular, fruitless and wastefulexpenditure to total operating expenditure, remuneration % of total operating expenditure, and contracted services % of total operating expenditure.

5.4.1.1 Capital expenditure to total expenditure

In line with the what is illustrated in *Figure 5.13*, the analysis of ratios for Moretele's capital expenditure to total expenditure revealed a score of 48.83% for the financial year of 2007/2008. This was prior to the implementation of the municipal minimum competency programmes.

Figure 5.13: Capital Expenditure to Total Expenditure



Using the National Treasury’s (2014:1) norm of 10%–20%, a ratio of 48.83% was found not to meet the prescribed norm. However, further calculation of total capital expenditure/total expenditure$x 100\%$ revealed 15.64% as Moretele’s ratio of capital expenditure to total expenditure in the financial year of 2013/2014. In line with the National Treasury’s (2014:1) norm of 10%–20%, a ratio of 15.64% was interpreted to imply significant improvement of Moretele’s control as well as effective management of its capital expenditure. However, such improvement in Moretele’s effective control and management of its capital expenditure was only temporary. This is attributable to the fact that, as compared to 2013/2014—which is indicated in *Figure 5.13*—that Moretele’s ratio of capital expenditure to total expenditure increased up to 30.13% in 2014/2015. Such a trend even worsened in the financial year of 2015/2016—that is, as the Moretele’s ratio of capital expenditure to total expenditure increased from 30.13% in 2014/2015 to 42.55%. All these demonstrate poor capital expenditure management. In effect, using the National Treasury’s (2014:1) norm of 10%–20%, it can be interpreted that the introduction of the municipal minimum competency programmes has not significantly influenced the improvement of Moretele local municipality’s capital expenditure management. In contrast to such a trend, financial ratio analysis indicated Moretele’s current ratio to be improving.

5.4.1.2 Current ratio analysis

While using the statement of financial position and the statement of financial performance—as well as notes to the AFS appendices, Budget, In-Year reports, IDP, and Auditor-General’s Reports—for the periods between 2007 and 2016, *Table 5.5* indicates that Moretele’s current ratio was found to score 0.32 in 2007/2008. In line with the National Treasury’s (2014:1) norm of 1.5 to 2:1, it can be interpreted that Moretele’s current ratio was not in a good state prior to the implementation of the municipal minimum competency programmes in 2008. Even though, after the implementation of the municipal minimum competency programmes, Moretele’s current ratio still scored 0.33 in 2013/2014, in the 2014/2015 financial year, it improved to 1.06 and, subsequently, to 1.18 in the 2015/2016 financial year. This implies, to a certain extent, the implementation of municipal minimum competency programme has influenced the improvement of Moretele’s expenditure management.

Table 5.5: Current Ratio Analysis

Current Ratio: Financial Ratio Analysis for Moretele Local Municipality Formula: Current Assets/Current Liabilities	
Financial Year	**Current Ratio**
2007/2008	0.32
2013/2014	0.33
2014/2015	1.06
2015/2016	1.18
Source of Data: Statement of Financial Position, Budget, IDP, and AR: National Treasury's *(2014:1) prescribed norm of 1.5 to 2:1*	

Evidence of improvement was not only discernible from the analysis of Moretele's current ratio, but also from the assessment of the ratio for its creditors' payment period.

5.4.1.3 Creditors' payment period

Conventionally, the National Treasury's (2014:1) norm requires all creditors to be paid within a period of 30 days. In line with such a norm, *Table 5.6* shows that the calculation of trade creditors' outstanding/credit purchases$x365days$ indicated to Moretele to pay its creditors within a cycle of 3.72 days. This was prior to the implementation of the municipal minimum competency programmes. After the implementation of the municipal minimum competency programmes, although Moretele's approach to creditors' payment worsened with the effect that the ratio for creditors' payment period was 113.06 days in 2013/2014, it subsequently improved to 20.15 days in the 2014/2015 financial year. Such improvement continued upward into the financial year of 2015/2016, with the effect that Moretele's ratio for creditors' payment period decreased quite significantly from 20.15 days in 2014/2015 to just four days.

Table 5.6: Creditors' Payment Period

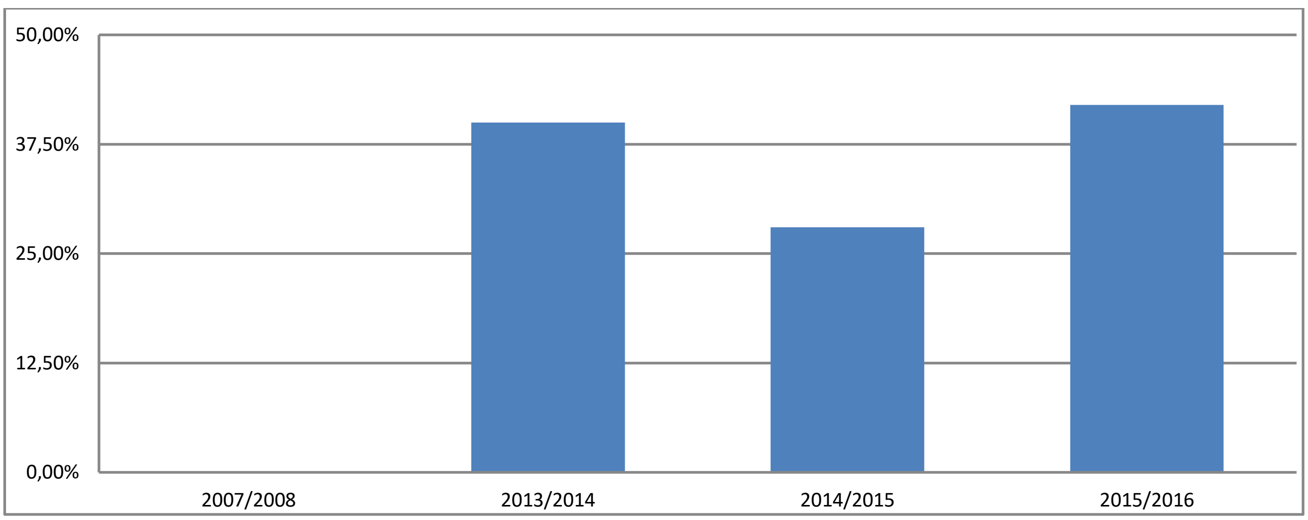
Creditors Payment Period (Trade Creditors): Financial Ratio Analysis for Moretele Local Municipality Formula: Trade Creditors Outstanding /Credit Purchases (Operating and Capital)x 365days	
Financial Year	**Ratio**
2007/2008	3.72
2013/2014	113.06
2014/2015	20.15
2015/2016	4.00
Source of Data: Statement of Financial Performance, Notes to AFS, Budget, In-Year reports, and AR: National Treasury's (2014:1) prescribed norm of 30 Days	

Such a finding suggests the implementation of the municipal minimum competency programmes is influencing the improvement of Moretele local municipality's expenditure management. However, these positive results were not evident in the results of the analysis of Moretele's ratios of unauthorised, irregular, fruitless and wasteful expenditures to its total operating expenditure.

5.4.1.4 Irregular, fruitless, wasteful, and unauthorised expenditures

Prior to the implementation of the municipal minimum competency programmes, the calculation of Moretele's irregular+fruitless+wasteful+unauthorised expenditures/total operating expenditure$x100\%$ revealed a ratio of 0%. However, after the implementation of the municipal minimum competency programme, as *Figure 5.14* indicates, that ratio analysis—based on the statement of financial position, budget, IDP, and Auditor-General's Reports for the period between 2007 and 2016—indicated the increase of about 40% in the financial year of 2013/2014. As a result of the implementation of incremental measures to improve the control and minimisation of Moretele's unauthorised, irregular, fruitless and wasteful expenditures, certainly, as *Figure* 5.14indicates, the ratio decreased from 40% in the financial year of 2013/2014 to 28% in 2014/2015.

Figure 5.14: Unauthorised Irregular, Fruitless and Wasteful Expenditures

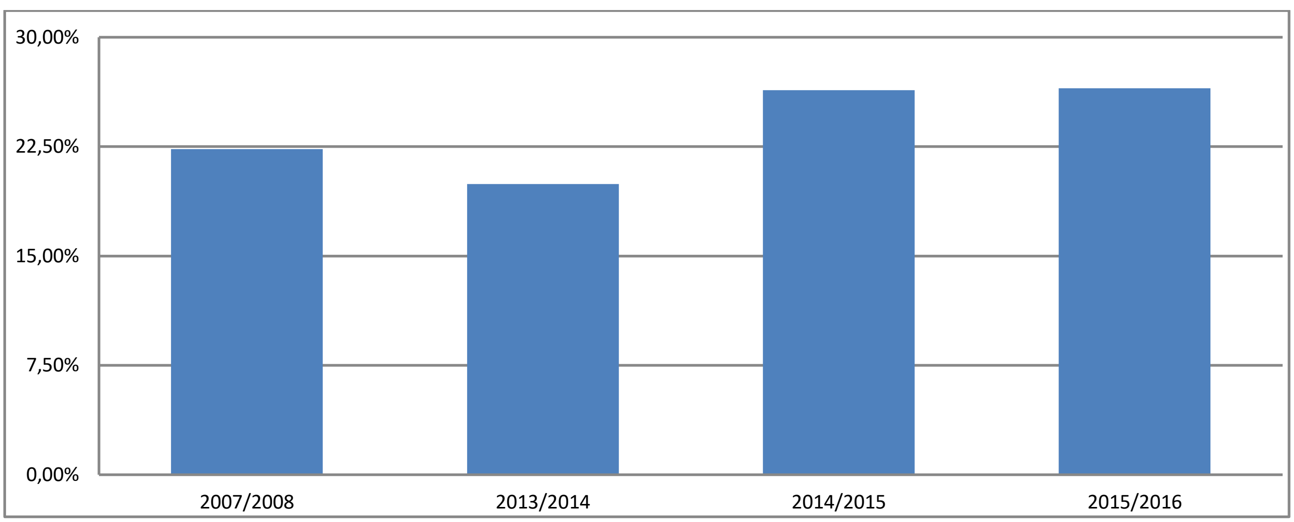


However, using the National Treasury's (2014:1) norm that requires unauthorised, irregular, fruitless and wasteful expenditures to be constrained at 0%, such reduction was still not good. Although it demonstrated that some initiatives were being undertaken to control unauthorised, irregular, fruitless and wasteful expenditures, further ratio analysis indicated Moretele's ratios of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure to have, again, increased quite significantly to 42% in 2015/2016. Such a finding suggests the implementation of the municipal minimum competency programmes is not inducing significant positive impacts on the improvement of Moretele local municipality's expenditure management.

5.4.1.5 Remuneration as % of total operating expenditure

For Moretele's remuneration as % of total operating expenditure, the National Treasury (2014:1) requires a norm of 25% to 40% for a municipality's remuneration as % of its total operating expenditure. However, as *Figure 5.15* indicates, both prior to and after the implementation of the municipal minimum competency, Moretele seems to have been facing the challenge of having to conceptualise and apply the appropriate financial management techniques in order to control the ratio of its personnel remuneration costs as well as the remuneration to councillors. This is echoed in the fact that, prior to the implementation of the municipal minimum competency programmes, Moretele had a ratio of 22.34% in 2007/2008 for its remuneration as % of total operating expenditure. This falls outside the scope of the National Treasury's (2014:1) norm of 25% to 40%.

Figure 5.15: Remuneration as percentage (%)of Total Operating Expenditure



With a ratio of 19.94% in 2013/2014, there was also no evidence of improvement in 2013/2014. Instead, a ratio of 19.9% signified stringent control of Moretele's personnel remuneration costs as well as the remuneration to councillors. Such stringent control of remuneration costs can be interpreted to imply symptoms of expenditure management challenges in another area that Moretele local municipality could have been seeking to fix by minimising remuneration costs.

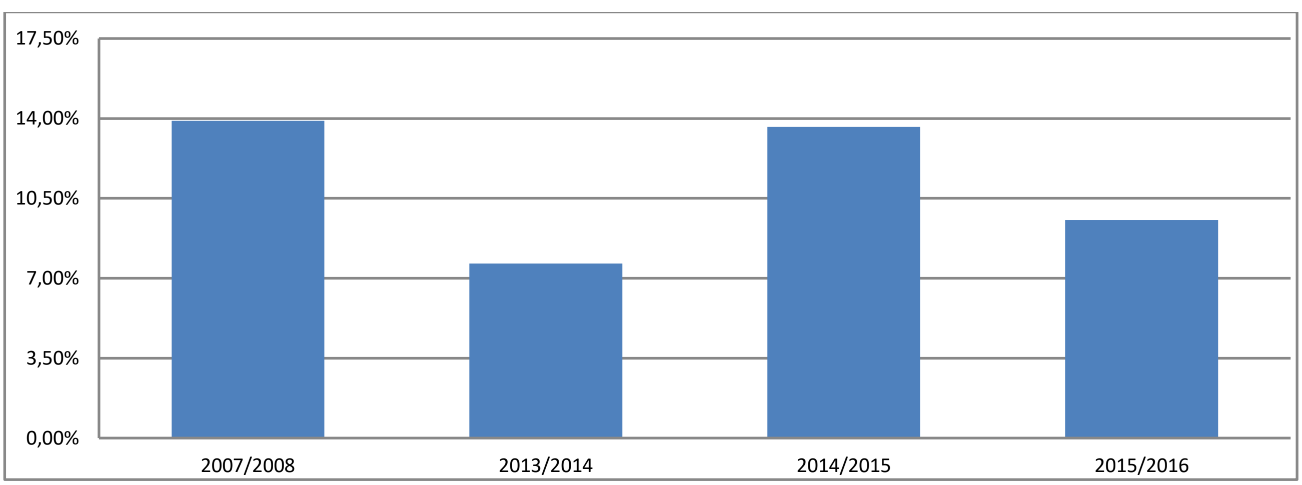
Such an approach could have caused understaffing that affected the effectiveness of service delivery.

However, as *Figure 5.15* indicates, a score of 26.38% in the 2014/2015 financial year indicated some improvement. Such a ratio almost remained constant at 26.51% in the financial year of 2015/2016. These findings suggest the extent to which the implementation of the municipal minimum competency is influencing the improvement of Moretele's capability to control and manage its personnel remuneration costs. However, evidence of such improvements was not easily discernible in the results from the analysis of ratios for contracted services.

5.4.1.6 Contracted services as % of total operating expenditure

Generally, the National Treasury's (2014:1) norm requires 2% to 5% of a municipality's contracted services as % of its total operating expenditure. However, as indicated in *Figure 5.16,* with a ratio of 13.90% for Moretele's contracted services % of total operating expenditure in the financial year of 2007/2008, evidence of improvement after the implementation of the municipal minimum competency programmes was not easily discernible from ratio analysis. This is attributable to the fact that, after the significant decrease of the ratio for contracted services % of total operating expenditure from 13.90% in 2007/2008 to just 7.65% in 2013/2014, it again rose significantly, by half, to 13.63% in 2014/2015.

Figure 5.16: Contracted Services as a percentage (%) of Total Operating Expenditure



Although it decreased minimally to 9.55% in 2015/2016, it still did not meet the National Treasury's (2014:1) norm of 2% to 5%. Because such a ratio is higher than the National Treasury's (2014:1) norm of 2% to 5%, it instead signifies wastage of financial resources on excessive utilisation of contracted services from consultants, contractors, and subcontractors. Based on such a finding, it can be argued that it seems the implementation of the municipal minimum competency programmes is not inducing significant positive impacts on the improvement of Moretele local municipality's expenditure management.

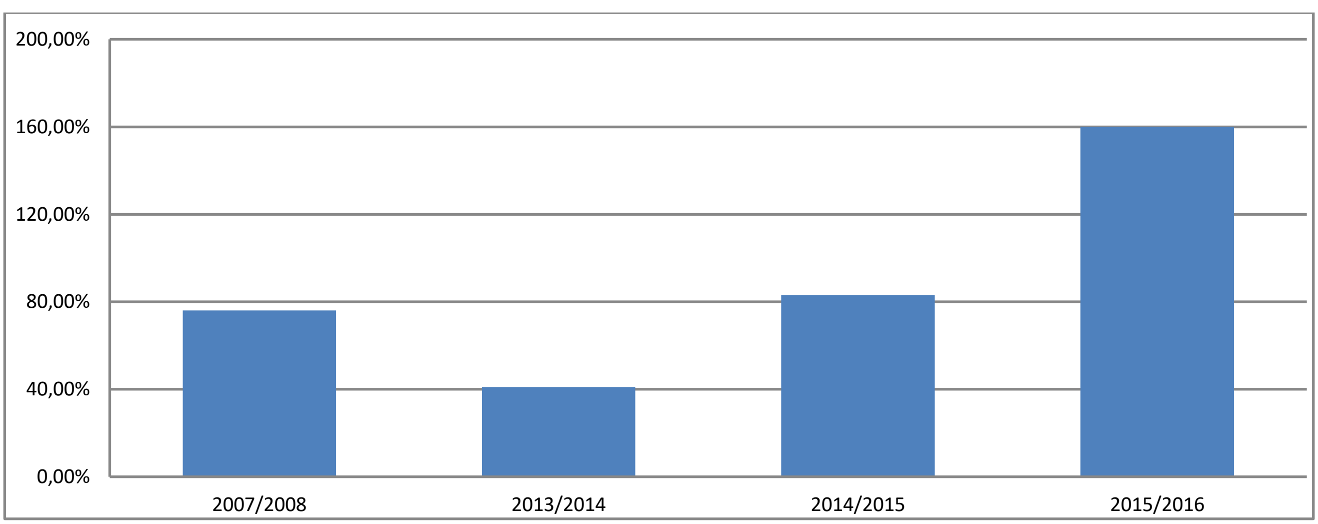
5.4.2 Moretele's budget implementation

The analysis of whether or not there has been any significant improvement in Moretele's budget implementation—that is, after the implementation of the municipal minimum competency programmes—entailed the evaluation of the ratios on the capital expenditure budget implementation indicator and the operating expenditure budget implementation indicator.

5.4.2.1 Capital expenditure budget implementation indicator

While based on the National Treasury's (2014:1) norm of 95% to 100%, *Figure 5.17* reveals that the calculation of Moretele's actual capital expenditure/budget capital expenditure$x100\%$ indicated a ratio of 76%.

Figure 5.17: Capital Expenditure Budget Implementation Indicator



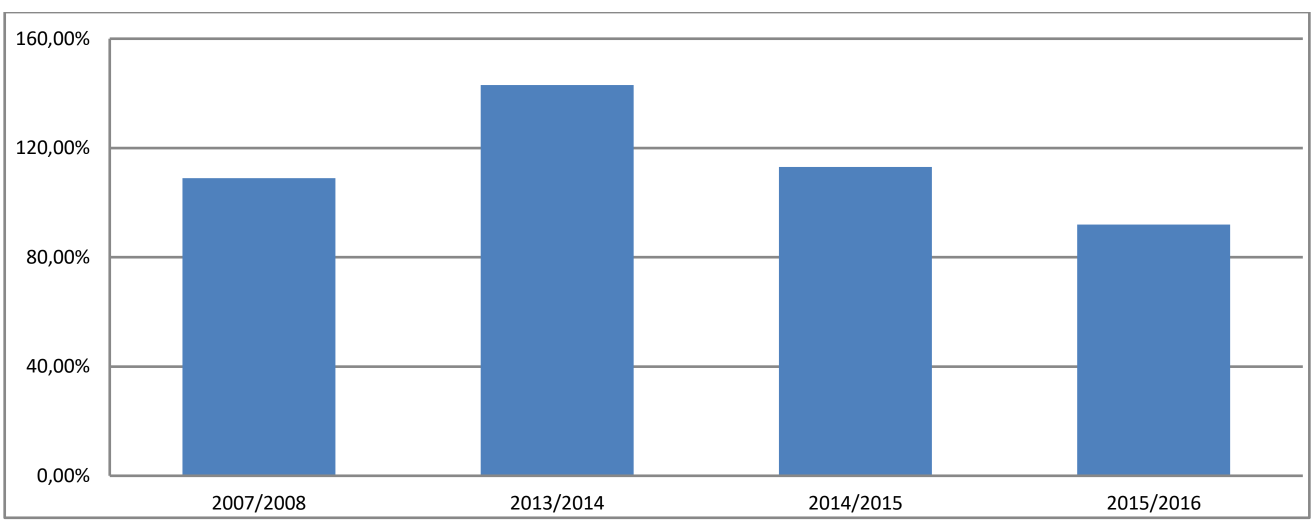
This implies that, prior to the implementation of the municipal minimum competency programmes, Moretele's capital expenditure budget implementation indicator was unable to meet the National Treasury's (2014:1) norm of 95% to 100%. However, even after the implementation of the municipal minimum competency programmes, there was no evidence of the improvement of Moretele's capital expenditure budget implementation indicator.

Instead, as *Figure* 5.17indicates, in the financial year of 2013/2014, ratio analysis indicated a ratio of 41%. Although it subsequently increased, respectively, to 83% and 160% in 2014/2015 and 2015/2016, it still did not meet the National Treasury's (2014:1) norm of 95% to 100%. This suggests a significant improvement in Moretele's budget implementation has not been realised after the implementation of the municipal minimum competency programmes.

5.4.2.2 Operating expenditure budget implementation indicator

In terms of Moretele's operating expenditure budget implementation indicator, as *Figure 5.18* depicts, the analysis of actual operating expenditure/budgeted operating expenditure$x100\%$ revealed a score of 109%, which was slightly above the National Treasury's (2014:1) norm of 95% to 100%.

Figure 5.18: Operating Expenditure Budget Implementation Indicator



Even though the aim of the implementation of the municipal minimum competency programmes was to improve municipalities' budget implementation, further ratio analysis indicated evidence that was not easily discernible from Moretele's budget implementation in the financial years of 2013/2014 and 2014/2015. In the financial years of 2013/2014 and 2014/2015, the obtained ratios for Moretele's operating expenditure budget implementation indicator were 143% and 113%, respectively. Although such ratios do not meet the National Treasury's (2014:1) norm of 95% to 100%, it was evident from ratio analysis that, as it declined to 113%, such a decline continued to 92% in 2015/2016. The decline to 92% is, certainly, near the National Treasury's (2014:1) norm of 95%. It seems to suggest that, as a result of the implementation of the municipal minimum competency programmes, there might have been stronger quests by Moretele Municipality to apply the relevant expenditure management techniques and methods to reduce over-expenditures.

5.5 FINANCIAL RATIO ANALYSIS FOR KGETLENGRIVIER MUNICIPALITY

The assessment of the state of Kgetlengrivier Municipality's expenditure management—before and after the implementation of the municipal competency programmes—was accomplished by analysing the financial ratios for expenditure management and budget implementation.

5.5.1 Kgetlengrivier's expenditure management

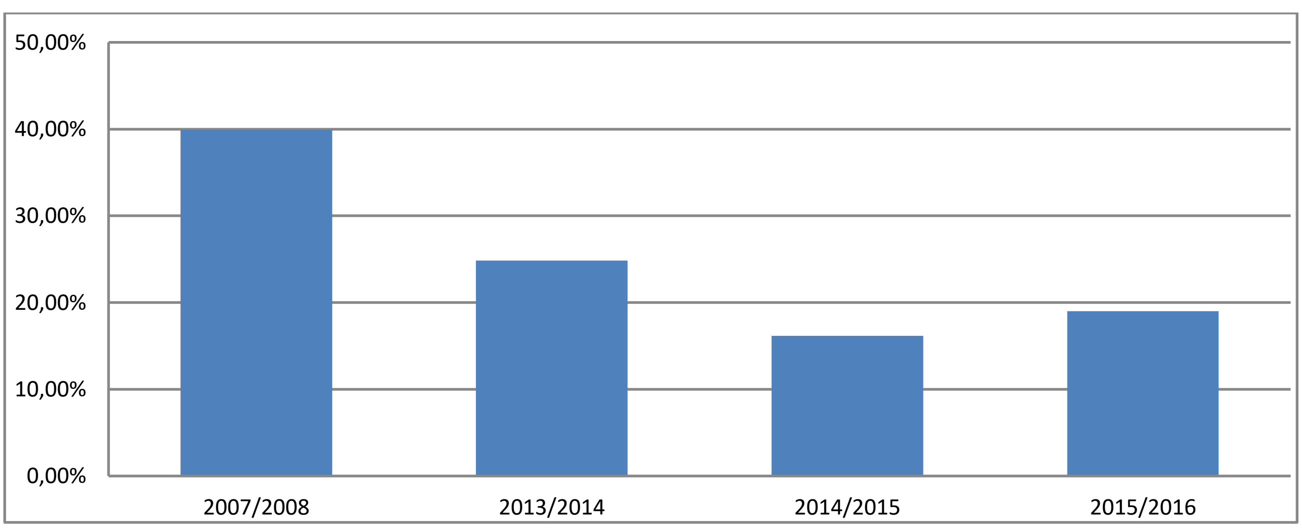
The evaluation of Kgetlengrivier's expenditure management entailed the analysis of the ratios for capital expenditure to total expenditure, current ratio, and creditors' payment period. Such analysis was also accompanied by the assessment of the ratios for unauthorised, irregular, fruitless and wasteful expenditure to total operating expenditure, remuneration % of total operating expenditure, and contracted services % of total operating expenditure.

5.5.1.1 Capital expenditure to total expenditure

Drawing from Kgetlengrivier's statement of financial position and the statement of financial performance—as well as notes to the AFS appendices, Budget, In-Year reports, IDP, and Auditor-General's Reports—for the periods between 2007 and 2016, the analysis of the ratios for capital expenditure to total expenditure revealed the ratio of 39.91% in 2007/2008. In the context of the National Treasury's (2014:1) norm of 10%–20%, this suggests that Kgetlengrivier had higher spending on infrastructure projects and programmes prior to the implementation of the municipal minimum competency programmes. Such a view is accentuated by the fact that a ratio of 39.91% exceeds the National Treasury's (2014:1) norm of 10%–20%. This implies that, as Kgetlengrivier sought to leverage the delivery of the required critical socio-economic services, it could have also been driven by such quests to increase investments in relevant socio-economic infrastructure projects.

Even after the implementation of the municipal minimum competency programmes, the calculation of total capital expenditure/total expenditure$x100\%$ still revealed a higher ratio of about 24.85% for capital expenditure to total expenditure in 2013/2014. Although there was a decline by 15.06%, it still indicated that there were further initiatives by Kgetlengrivier to maintain higher investments in relevant socio-economic infrastructure projects. However, as *Figure 5.19* indicates, in the financial year of 2014/2015, the ratio of capital expenditure to total expenditure decreased significantly from 24.85% in 2013/2014 to just 16.16%. Although it subsequently increased to 18.99%, the ratio of capital expenditure to total expenditure still remained in the National Treasury's (2014:1) norm of 10%–20%. The significant decreased in Kgetlengrivier's ratio of capital expenditure to total expenditure from, mainly, 2013 to 2016, could be attributed to the completion of the conceptualisation and implementation of most of its socio-economic infrastructure projects for addressing service delivery backlogs.

Figure 5.19: Capital Expenditure to Total Expenditure



Such achievements can also be attributed to the implementation of the municipal minimum competency programmes—that is, on the basis that it could have influenced the improvement of the skills and competencies of the municipal officials to, more or less, ensure that the allocated funds are utilised in accordance with the designated budget plans. The improvement of the municipal officials' skills and capabilities could also have induced them to re-evaluate the socio-economic impacts of several infrastructure projects that were being undertaken. In effect, such analysis could have easily caused the shifting of the financial resources' expenditure to other areas of significant importance and priority.

5.5.1.2 Current ratio analysis

Even if the aforementioned scenario is not the case, the effects of Kgetlengrivier's higher capital expenditure are also reflected in the challenges that it seems to face in relation to its ability to have sufficient cash to meet its current and short-term financial obligations. Such a view is attributable to the analysis of the current ratios, which are indicated in *Table 5.7.* In essence, both before and after the implementation of the municipal minimum competency programmes, Kgetlengrivier seems to have faced the challenge of having sufficient cash to cover all risks in order to enable it to continue operating at desired levels. In the financial year of 2007/2008, which was before the implementation of the municipal minimum competency programmes, Kgetlengrivier had a current ratio of 0.64.

Table 5.7: Current Ratio Analysis

Current Ratio: Financial Ratio Analysis for Kgetlengrivier Local Municipality Formula: Current Assets/Current Liabilities	
Financial Year	**Current Ratio**
2007/2008	0.64
2013/2014	0.72

2014/2015	0.59
2015/2016	0.84
Source of Data: Statement of Financial Position, Budget, IDP, and AR: National Treasury's (2014:1) prescribed norm of 1.5 to 2:1	

The current ratio of 0.64 was less than the National Treasury's (2014:1) norm of 1.5 to 2:1, and, therefore, suggested Kgetlengrivier had challenges meeting its unfolding current and short-term obligations. After the implementation of the municipal minimum competency programmes, although there was a minimal increase to 0.72 in 2013/2014, it still declined, again, to 0.59 in 2014/2015 before rising back up to 0.84 in 2015/2016. The rise of the current ratio to 0.84 in 2015/2016 is, certainly, still below the National Treasury's (2014:1) norm of 1.5 to 2:1. However, the slide improvement—as compared to before—implies that, after gaining new expenditure management skills and competencies, Kgetlengrivier is increasingly applying new financial management techniques to minimise costs and control wastage in order to, essentially, improve its overall liquidity to meet its current and short-term financial obligations as they fall due.

5.5.1.3 Creditors' payment period

Yet, while using Kgetlengrivier's statement of financial position and performance—as well as notes to the AFS appendices, Budget, In-Year reports, IDP, and Auditor-General's Reports—for the periods between 2007 and 2016, the analysis of the ratios for creditors' payment period also revealed a challenge. As indicated in *Table 5.8*, such a challenge was, for the most part, common after the implementation of the municipal minimum competency programmes.

Table 5.8: Creditors' Payment Period

Creditors Payment Period (Trade Creditors): Financial Ratio Analysis for Kgetlengrivier Local Municipality Formula: Trade Creditors Outstanding/Credit Purchases (Operating and Capital)x 365 days	
Financial Year	**Ratio**
2007/2008	12.11
2013/2014	101.02
2014/2015	226.92
2015/2016	248.34
Source of Data: Statement of Financial Performance, Notes to AFS, Budget, In-Year reports, and AR: National Treasury's (2014:1) prescribed norm of 30 Days	

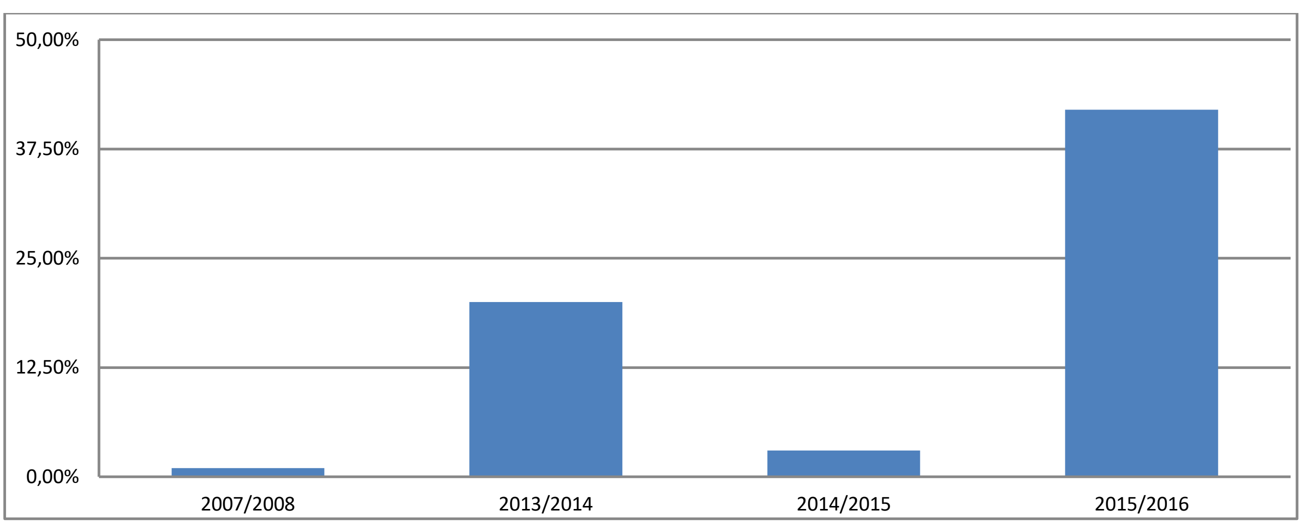
Before the implementation of the municipal minimum competency programmes in 2008, Kgetlengrivier was taking about 12.11 days to pay its creditors. This was within the National Treasury's (2014:1) norm of 30 days. Therefore, this implies that there was effective working capital management and consistent observance of the internal control mechanisms to ensure the prompt payment of all the creditors. However, after the implementation of the municipal minimum competency programmes, the number of days that Kgetlengrivier was taking to pay off its creditors increased to 102.02 days in 2013/2014. It subsequently increased quite significantly to 226.92 days in 2014/2015, and then to 248.34 days in 2015/2016.

All of these suggest that Kgetlengrivier seems to have faced the challenge of having its creditors paid within the National Treasury's (2014:1) norm of 30 days. However, the challenge may not be necessarily arising from the fact that the implementation of the municipal minimum competency programmes has, more or less, not influenced the improvement of effective working capital management and consistent observance of the internal control mechanisms to ensure the prompt payment of all the creditors. Instead, the source of the problem could be arising from poor revenue collection, over-investment in capital infrastructure, or procurement-related disputes that are causing Kgetlengrivier to take longer periods to settle claims from its creditors. In addition to such challenges, problems could be arising from the challenges that Kgetlengrivier is experiencing in relation to effectively managing and controlling its unauthorised, irregular, fruitless and wasteful expenditures.

5.5.1.4 Irregular, fruitless, wasteful, and unauthorised expenditures

Based on the National Treasury's (2014:1) norm, which requires a municipality's ratio of unauthorised, irregular, fruitless and wasteful expenditures to its total operating expenditure to be constrained at 0%, *Figure 5.20* suggests that ratio analysis indicated deviation by 1% in 2007/2008. This was prior to the implementation of the municipal minimum competency programmes, which suggests that there was already a problem regarding the establishment and use of relevant internal control measures for controlling and maintaining the ratio of unauthorised, irregular, fruitless and wasteful expenditures pertaining to total operating expenditure at 0%.

Figure 5.20: Unauthorised Irregular, Fruitless and Wasteful Expenditures

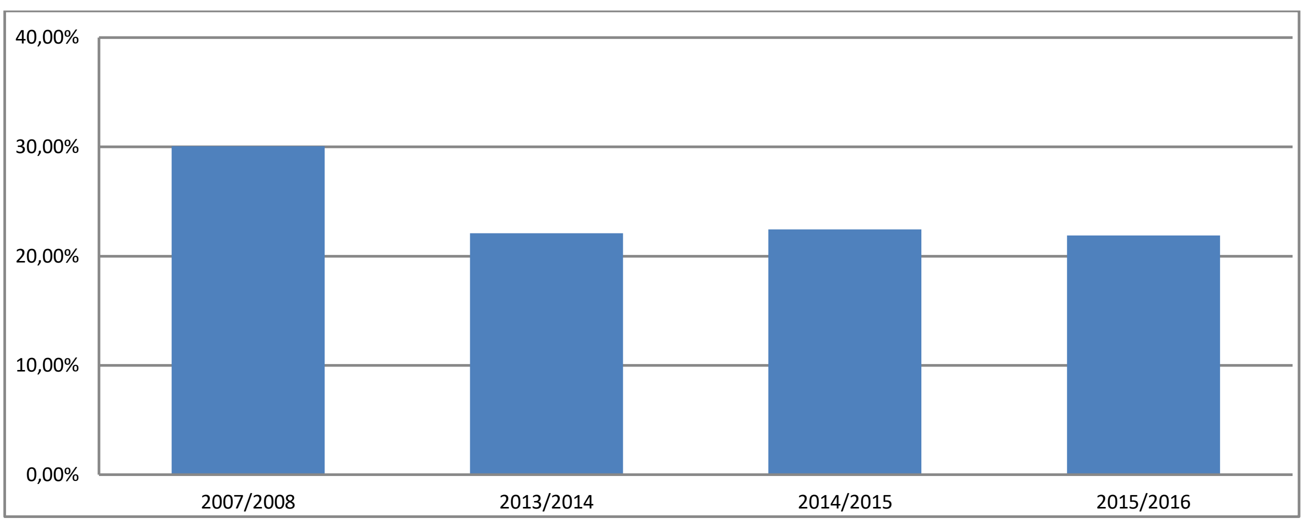


However, even after the implementation of the municipal minimum competency programmes, such a problem did get addressed. This is reflected in the financial year of 2013/2014—that is, where the ratio of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure increased to 20%. Although it declined to 3% in 2014/2015, it subsequently rose, again, to 42% in the 2015/2016 financial year. This signifies that the implementation of the municipal minimum competency programmes has not had much impact on the improvement of the skills and capabilities of the Kgetlengrivier municipal finance management personnel to, essentially, establish and use relevant internal control mechanisms to control the ratio of unauthorised, irregular, fruitless and wastefulexpenditures to total operating expenditure.

5.5.1.5 Remuneration as % of total operating expenditure

Despite such a challenge, analysis of the findings in *Figure 5.21* signifies that Kgetlengrivier has been able to maintain and control the ratio of remuneration to its total operating expenditure within the National Treasury's (2014:1) prescribed norm of 25% to 40%.

Figure 5.21: Remuneration as a percentage (%) of Total Operating Expenditure



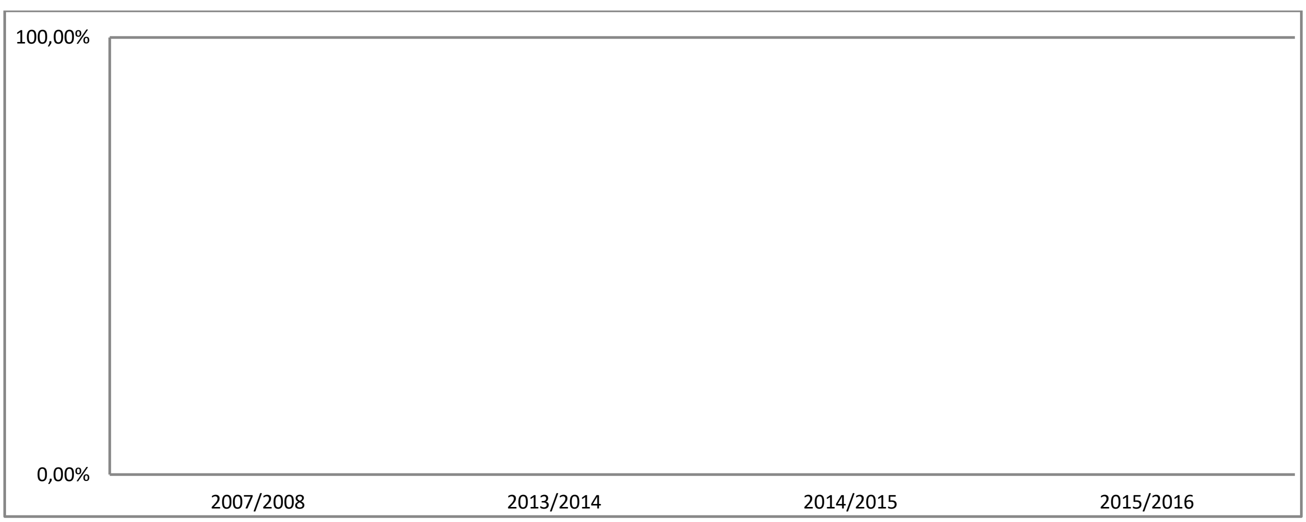
Prior to the implementation of the municipal minimum competency programmes, Kgetlengrivier had a ratio of 30.05% of remuneration to its total operating expenditure. This decreased in 2013/2014 to 22.08%. This suggests that, after the implementation of the municipal minimum competency programmes, Kgetlengrivier recognised the need to undertake relevant staff rationalisation as part of the expenditure management and control initiatives—that is, in order to lower its costs of remuneration to employees and councillors. The application of such cost control initiatives could have significantly influenced efficiency improvement and the minimisation of risks related to overstaffing.

Subsequently, Kgetlengrivier's ratios of remuneration to its total operating expenditure were 22.45% and 21.88% in 2014/2015 and 2015/2016, respectively. However, such ratios did not meet the National Treasury's (2014:1) prescribed norm of 25% to 40%. In essence, it implies a challenge in relation to expenditure management. In effect, it can be argued that it seems the implementation of the municipal minimum competency programmes is not inducing significant positive impacts on the improvement of Kgetlengrivier local municipality's expenditure management.

5.5.1.6 Contracted services as percentage (%) of total operating expenditure

While using the National Treasury's (2014:1) norm of 2% to 5%, *Figure* 5.22reveals it was evident that the implementation of the municipal minimum competency programmes has influenced the improvement of Kgetlengrivier's capabilities to maintain 0% of contracted services pertaining to its total operating expenditure from 2007 to 2016.

Figure 5.22: Contracted Services as percentage (%) of Total Operating Expenditure



It is therefore implied that, both before and after the implementation of the municipal minimum competency programmes, Kgetlengrivier adopted a service delivery model that capitalised on the utilisation of its internal capabilities—that is, instead of using consultants, contractors, and subcontractors. Such an approach is a critical cost minimisation strategy. In effect, the implementation of the municipal minimum competency programmes could have influenced the improvement of Kgetlengrivier's capabilities to recognise—if it is to minimise its overall total operational costs—the importance of the continuous application of such a strategy. However, risks of the application of such an approach may arise from Kgetlengrivier's inability to gain from the unique external skills and competencies that would have been critical for it to leverage the overall effectiveness of its service delivery.

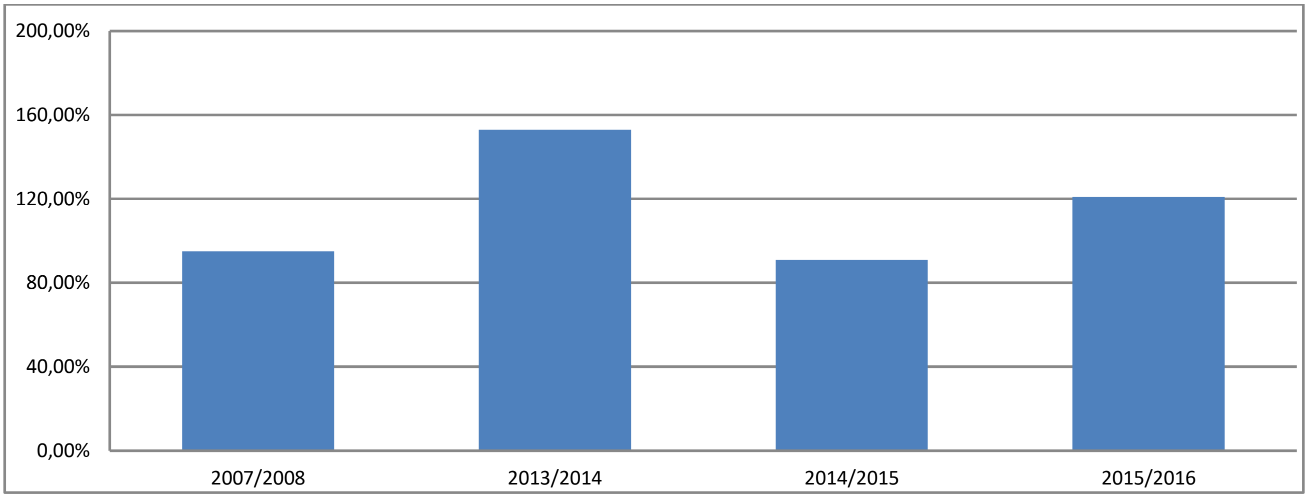
5.5.2 Kgetlengrivier's budget implementation

The analysis of whether or not there has been any significant improvement in Kgetlengrivier's budget implementation—that is, after the implementation of the municipal minimum competency programmes—entailed the evaluation of the ratios on the capital expenditure budget implementation indicator and the operating expenditure budget implementation indicator.

5.5.2.1 Capital expenditure budget implementation indicator

The use of the ratios on the capital expenditure budget implementation indicator was critical for discerning the extent to which Kgetlengrivier's capability to implement its capital projects—as well as to ensure that such expenditures are undertaken in accord with the prescribed budget—improved after the implementation of the municipal minimum competency programmes. In line with the National Treasury's (2014:1) norm of 95% to 100%, *Figure* 5.23 indicates that the calculation of actual capital expenditure/budget capital expenditure$x100\%$ indicated a score of 95% in 2007/2008.

Figure 5.23: Capital Expenditure Budget Implementation Indicator



Because it falls within the scope of the National Treasury's (2014:1) norm of 95% to 100%, this signified a healthy state of Kgetlengrivier's capital expenditure budget implementation. However, after the implementation of the municipal minimum competency programmes, Kgetlengrivier's capital expenditure budget implementation indicator increased quite significantly to 153% in 2013/2014. This implies Kgetlengrivier experienced the challenge of overspending its capital expenditure budget. In essence, this could have arisen from either inaccurate budgeting or poor financial control. Inaccurate budgeting or poor financial controls are also often symptoms of the poor understanding and application of the relevant expenditure management techniques. However, such a challenge must have instigated Kgetlengrivier to conceptualise and apply relevant capital expenditure budget control mechanisms.

The effect was, in 2014/2015, the capital expenditure budget implementation indicator, again, fell to 91%. Because 91% was below the National Treasury's (2014:1) norm of 95% to 100%, it suggests incidents of underspending. Underspending often arises from capacity challenges, supply chain management failures, inefficiencies, or cashflow challenges that affect capital project implementation. Underspending may also be caused by the application of more stringent capital expenditure management control initiatives for minimising wastes and saving financial resources.

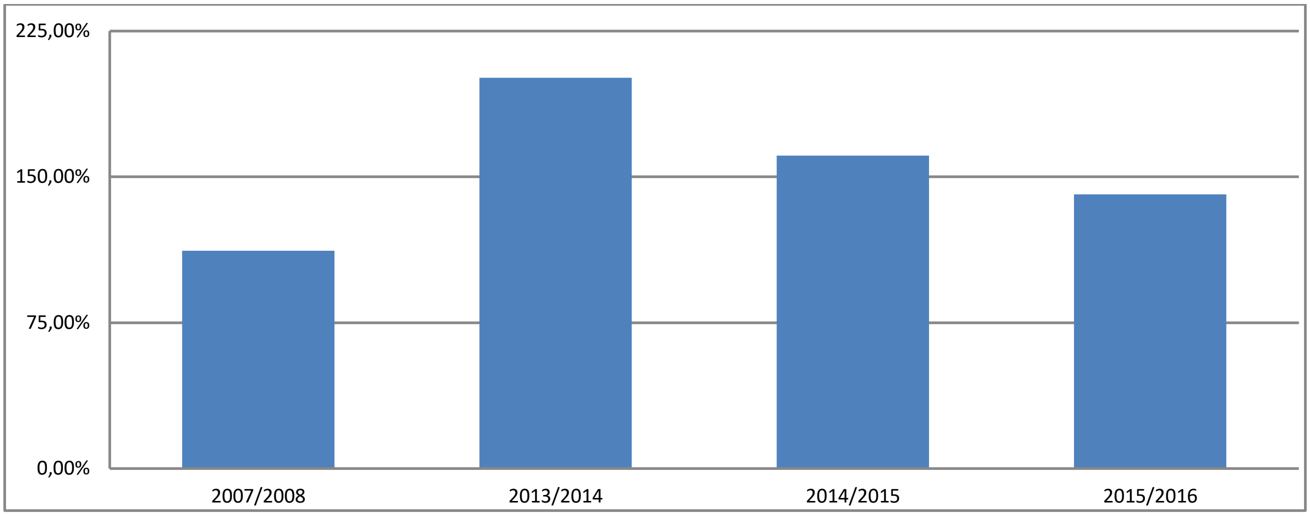
However, as compared to the other causes, Kgetlengrivier's underspending seems to have arisen from the devising and application of more stringent expenditure control measures in order to avoid a repeat of the overspending that occurred in the previous year. Such a situation offers insight regarding the extent to which the implementation of the municipal minimum competency programmes has improved the capabilities of Kgetlengrivier municipality's financial official to analyse the unfolding state of the municipal expenditure whilst, also, discerning relevant measures that can be undertaken in order to address the less impressive unfolding state of municipal expenditure management.

That said, even as Kgetlengrivier sought to discern relevant remedial approaches that could be used to address the challenge of its capital expenditure budget implementation, in the financial year of 2015/2016, risks pertaining to poor internal control seem to have caused yet another overspending of its capital expenditure budget. That is, in 2015/2016, Kgetlengrivier's capital expenditure budget implementation rose to 121%. This 121% falls outside the scope of the National Treasury's (2014:1) norm of 95% to 100%, and it could have been caused either by inaccurate budgeting or poor financial management controls. Even though there seems to be challenges, the interpretation of the findings still imply that the implementation of the municipal minimum competency programmes has influenced the improvement of Kgetlengrivier's capabilities when it comes to constantly discerning how its capital expenditure budget implementation can be best undertaken.

5.5.2.2 Operating expenditure budget implementation indicator

Nevertheless, as compared to Kgetlengrivier's operating expenditure budget implementation indicator, the findings in *Figure 5.24* imply that the implementation of the municipal minimum competency programmes seems to have an impact on the improvement of Kgetlengrivier's operating expenditure budget implementation.

Figure 5.24: Operating Expenditure Budget Implementation Indicator



This is attributable to the fact that findings imply Kgetlengrivier is, continuously, struggling to minimise overspending by limiting its operating expenditure budget implementation to the National Treasury's (2014:1) prescribed norm of 95% to 100%. Before the implementation of the municipal minimum competency programmes, ratio analysis for 2007/2008 indicated that Kgetlengrivier had the operating expenditure budget implementation indicator of 112%. After the implementation of the municipal minimum competency programmes, it increased to 201% in 2013/2014. Subsequently, it decreased to 161% and 141% in 2014/2015 and 2015/2016, respectively.

Although this implies that attempts to conceptualise and apply the appropriate operating expenditure budget controls are continuously being undertaken, it still suggests that Kgetlengrivier seems to face a challenge regarding how to exercise the appropriate control in order to minimise the increasingly common risks of its overspending—that is, in either its capital expenditure budget or it operating expenditure budget. In effect, it can be argued that such findings imply the implementation of the municipal minimum competency programmes is not inducing significant positive impacts on the improvement of Kgetlengrivier local municipality's expenditure management.

5.6 EXPENDITURE MANAGEMENT ANALYSIS FOR MOSES KOTANE MUNICIPALITY

Critical analysis of the state of Moses Kotane local municipality's expenditure management was undertaken to, in essence, discern how the implementation of the municipal competency programmes has influenced the improvement of its expenditure management and budget implementation.

5.6.1 Moses Kotane's expenditure management

Analysis of Moses Kotane's expenditure management entailed the evaluation of the ratios for capital expenditure to total expenditure, current ratio, and creditors' payment period. It also encompassed the assessment of the ratios for unauthorised, irregular, fruitless and wasteful expenditure to the total operating expenditure, remuneration % of total operating expenditure, and the contracted services % of total operating expenditure.

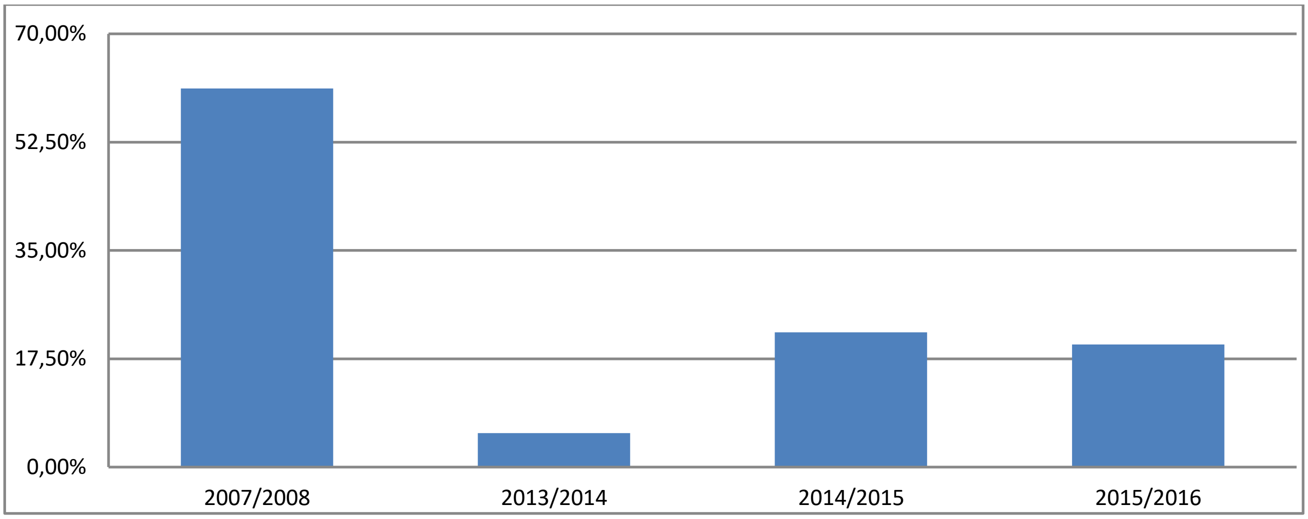
5.6.1.1 Capital expenditure to total expenditure

In terms of the ratios pertaining to capital expenditure to total expenditure, the calculation of total capital expenditure/total expenditure$x100\%$ indicated a ratio of 61.17%. This was significantly higher than the National Treasury's (2014:1) prescribed norm of 10%–20%. It implies Moses Kotane's higher expenditure on infrastructure projects—that is, prior to the introduction of the municipal minimum competency programmes in 2008. Considering the service delivery strikes and riots that characterised the South African local government in the period between 2007 and 2013, such higher investments in relevant infrastructure projects could have been aimed at leveraging Moses Kotane's capability to deliver the required critical socio-economic services. However, this would have occurred in the 2013/2014 financial year, which fell in the period after the introduction of the municipal minimum competency programmes.

Figure 5.25 indicates that Moses Kotane's ratios of capital expenditure to total expenditure declined, rather significantly, to 5.49%. In line with the National Treasury's (2014:1) norm of 10%–20%, this signified a significant reduction of Moses Kotane's investment in relevant infrastructure projects. Such significant reduction in the investment in infrastructure projects could be attributable to the fact that, after addressing the service delivery backlogs, Moses

Kotane local municipality could have shifted the investments of the significant part of its financial resources to other areas. Such a view is accentuated by the fact that, after the significant reduction of infrastructure spending to 5.49% in 2013/2014, Moses Kotane local municipality was able to regularise its ratios of capital expenditure to total expenditure at almost the constant levels of 21.76% and 19.82% in the 2014/2015 and 2015/2016 financial years, respectively.

Figure 5.25: Capital Expenditure to Total Expenditure



Such an approach to capital expenditure management offers evidence on the new expenditure management skills and competencies that, essentially, Moses Kotane local municipality could have acquired from the introduction of the municipal minimum competency programmes. The capability to analyse patterns of the unfolding municipal expenditure and , in essence, shift resources from areas of less importance to areas with significant priorities is, more or less, one of the critical competencies emphasised in the municipal minimum competency development programmes. In effect, with the evidence of the application of such an approach emerging from the pattern of Moses Kotane municipal expenditure management, it is most certain that some of the capabilities could have been drawn from the introduction of the municipal minimum competency programmes.

5.6.1.2 Current ratio analysis

The implementation of the municipal minimum competency programmes seems to have not only improved Moses Kotane's capital expenditure management, but also the effectiveness of its financial and cash management to enhance the meeting of current and short-term financial obligations as they fell due. *Table 5.9* indicates that, against the National Treasury's (2014:1) prescribed norm of ratio of 1.5 to 2:1, Moses Kotane local municipality's current ratio was 1.42 in 2007/2008. Prior to the implementation of the municipal minimum competency programmes, this signified it had liquidity challenges to meet in its current and short-term financial obligations as they fell due. However, findings imply that such a situation changed after the implementation of the municipal minimum competency programmes.

Table 5.9: Current Ratio Analysis

Current Ratio: Financial Ratio Analysis for Moses Kotane Local Municipality Formula: Current Assets/Current Liabilities	
Financial Year	**Current Ratio**
2007/2008	1.42
2013/2014	2.06
2014/2015	1.87
2015/2016	1.87
Source of Data: Statement of Financial Position, Budget, IDP, and AR: National Treasury's (2014:1) prescribed norm of 1.5 to 2:1	

This is reflected in the fact that, in 2013/2014, Moses Kotane local municipality's current ratio increased from 1.42 in 2007/2008 to 2.06. Although the current ratio of 2.06 was almost within the scope of the National Treasury's (2014:1) prescribed norm of ratio of 1.5 to 2:1, further incremental improvement—which was undertaken to unlock Moses Kotane local municipality's overall level of liquidity—seemed to have spurred improvement in the current ratio to a constant level of 1.87 in the financial years of 2014/2015 and 2015/2016, respectively. Considering that there was a current ratio challenge in 2008, it can be argued that the implementation of the municipal minimum competency programmes could have influenced the financial management personnel to adopt better municipal expenditure management practises in order to turnaround Moses Kotane's liquidity crisis.

5.6.1.3 Creditors' payment period

As indicated in *Table* 5.10 such an improved level of liquidity seems to have also enabled Moses Kotane local municipality to pay off its creditors. Prior to the implementation of the municipal minimum competency programmes in 2008, ratio analysis for 2007/2008 indicated that Moses Kotane local municipality was taking about 13.44 days to have its creditors paid off. Its approach to the creditors' payment period, however, worsened in 2013/2014 because findings revealed that Moses Kotane local municipality was taking about 66.95 days to pay its creditors.

Table 5.10: Creditors' Payment Period

Creditors Payment Period (Trade Creditors): Financial Ratio Analysis for Moses Kotane Local Municipality Formula: Trade Creditors Outstanding/Credit Purchases (Operating and Capital)x 365days	
Financial Year	**Ratio**
2007/2008	13.44
2013/2014	66.95
2014/2015	23.44
2015/2016	22.04

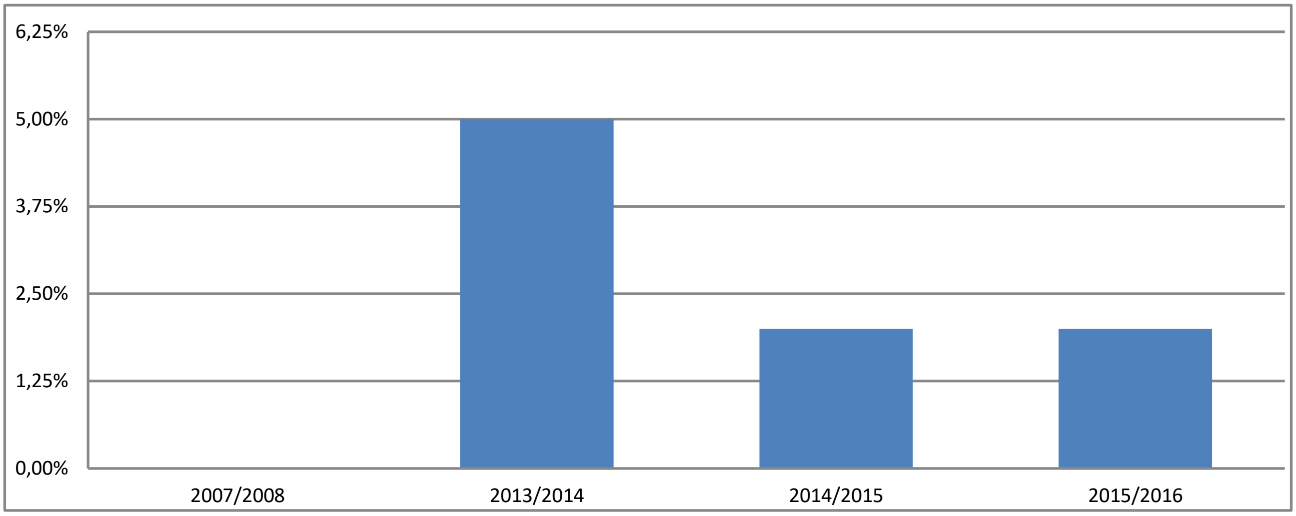
Source of Data: Statement of Financial Performance, Notes to AFS, Budget, In-Year reports, and AR: National Treasury's (2014:1) prescribed norm of 30 Days

The current ratio of 2.06 in 2013/2014 supports the argument that there could have been liquidity challenges if all the creditors had been paid within the National Treasury's (2014) required period of 30 days. However, there could have also been other equally important competing priorities that affected the payment of creditors within the National Treasury's (2014:1) norm of 30 days. As the creditors' payment period decreased—from 66.95 days in 2013/2014 to 23.44 days, and then 22.04 days in 2014/2015 and 2015/2016—it can be argued that it seems the financial officials at Moses Kotane local municipality were able to conceptualise and apply new liquidity management strategies to ensure the availability of funds to meet all the critical priorities.

5.6.1.4 Irregular, fruitless, wasteful, and unauthorised expenditures

Comparatively, Moses Kotane local municipality seems to have been able to control the rate of its unauthorised, irregular, fruitless and wasteful expenditures to a minimal level—that is, as compared to the other local municipalities in Bojanala District. However, after the implementation of the municipal minimum competency programmes in 2008, *Figure 5.26* shows ratio analysis indicated that the ratio of Moses Kotane's unauthorised, irregular, fruitless and wasteful expenditures to its total operating expenditure increased from 0% in 2007/2008 to 5% in 2013/2014.

Figure 5.26: ***Unauthorised*** **Irregular, Fruitless *and* Wasteful Expenditures**

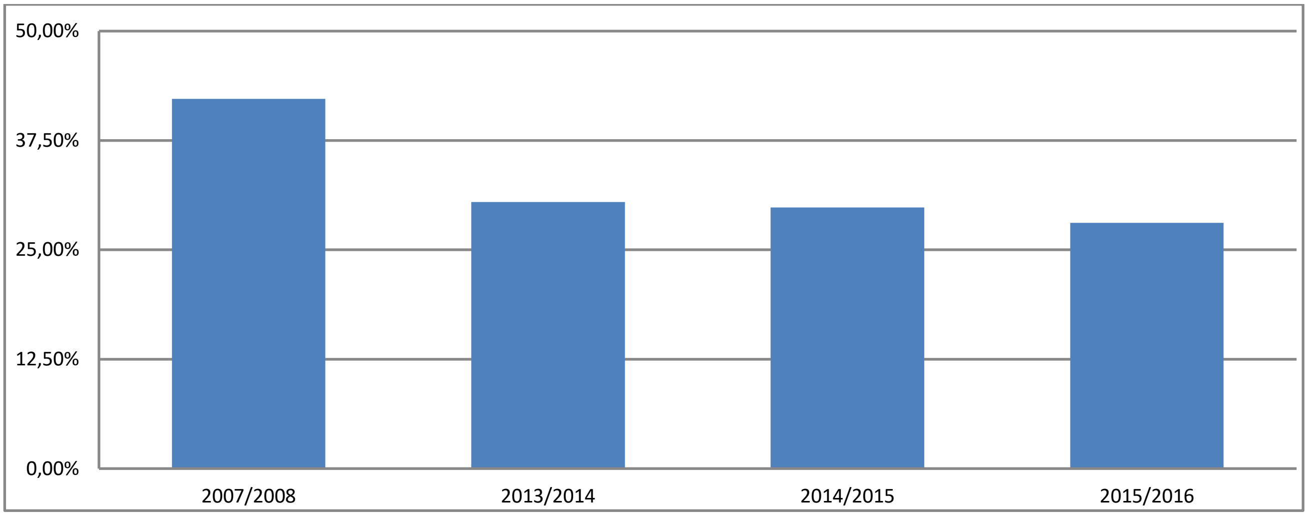


This could have arisen from laxity in the internal control measures to proactively identify and minimise unauthorised, irregular, fruitless and wasteful expenditures. However, in the later financial years of 2014/2015 and 2015/2016, findings revealed Moses Kotane local municipality to have been able to reduce and contain the ratio of its unauthorised, irregular, fruitless and wasteful expenditures to a total operating expenditure of 2%. Certainly, it was observed that unauthorised, irregular, fruitless and wasteful expenditures emerged after the 2007/2008 financial year. However, the fact that there has been an increase and, subsequently, a significant reduction implies Moses Kotane local municipality is utilising the new skills and competencies acquired from the municipal minimum competency programmes to discern how the ratio of its unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure can be, consistently, contained at the National Treasury's (2014:1) norm of 0%.

5.6.1.5 Remuneration as percentage (%) of total operating expenditure

In terms of Moses Kotane local municipality's remuneration as % of total operating expenditure, the calculation of remuneration/total operating expenditure$x100\%$ revealed 42.27%. This was prior to the implementation of the municipal minimum competency programmes in 2008. As indicated in *Figure 5.27*, the ratio of 42.27% for remuneration as % of total operating expenditure was, certainly, outside the scope of the National Treasury's (2014:1) prescribed norm of 25% to 40%. Such a ratio offers evidence in support of the argument that there could have been over-staffing as well as a greater preponderance to pay exorbitant allowances to municipal officials and councillors.

Figure 5.27: Remuneration as percentage% of Total Operating Expenditure

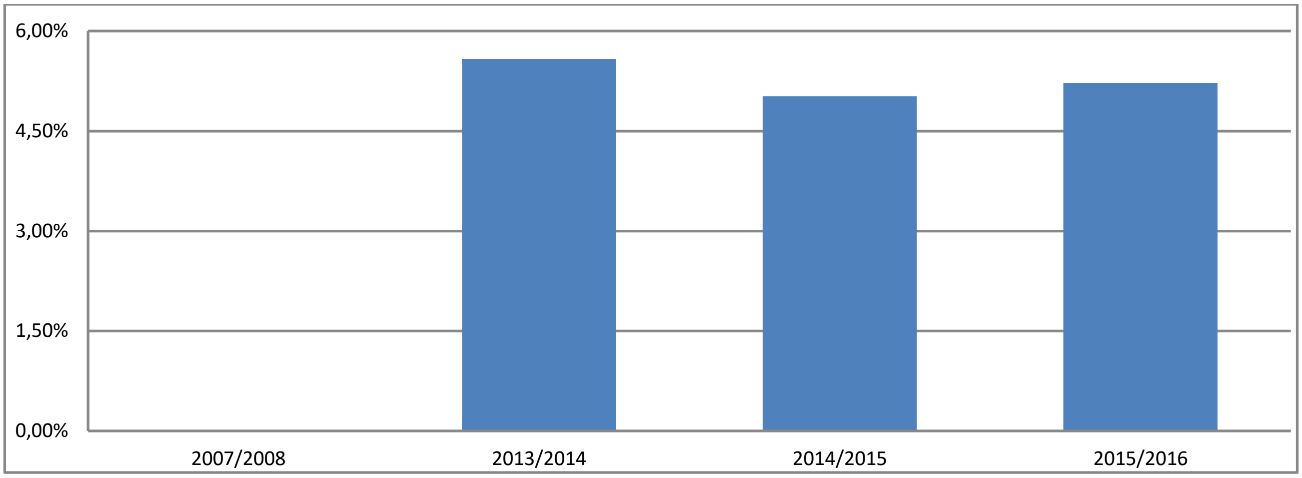


However, after the implementation of the municipal minimum competency programmes, the acquisition of new financial expenditure management skills and competencies seem to have influenced Moses Kotane local municipality's ability review and change how it manages the costs of remuneration. The implications were latent in the significant reduction of remuneration as % of total operating expenditure from 42.27% in 2007/2008 to 30.47% in 2013/2014. The decrease further continued to 29.85% in 2014/2015 and, subsequently, to 28.08% in 2015/2016. Because all these are within the scope of the National Treasury's (2014:1) norm of 25% to 40%, it can be argued that the introduction of the municipal minimum competency programmes highlighted the importance for Moses Kotane local municipality to review and adopt a new approach for managing its remuneration expenditure—that is, as one of the critical cost control mechanisms.

5.6.1.6 Contracted services as % of total operating expenditure

However, in terms of the municipal contracted services, the National Treasury's (2014:1) norm requires about 2% to 5% of contracted services. The rationale for such a norm is to enable municipalities to access and gain from unique external skills and competencies—that is, from consultants, contractors, and subcontractors. Although such unique external skills and competencies are critical for leveraging a municipality's service delivery capabilities, *Figure 5.28* reveals that the ratio analysis for 2007/2008 indicated that Moses Kotane local municipality did not at all utilise any contracted services. This could have affected the effective and successful conceptualisation and implementation of some of its service delivery projects.

Figure 5.28: Contracted Services as a percentage (%) of Total Operating Expenditure



The introduction of the municipal minimum competency programmes could have enabled Moses Kotane local municipality to acquire new insights in order to review such an approach. The implications are latent in the fact that, as compared to the zero approach to the utilisation of contracted services in 2007/2008, Moses Kotane local municipality's contracted services—as % of total operating expenditure—scored 5.58% in 2013/2014. Certainly, this was above the National Treasury's (2014:1) norm of 2% to 5%, and it signified over-utilisation of the contracted services. If contrasted with the findings on the creditors' payment period for 2013/2014, such an approach might have strained resources and caused wastes that affected Moses Kotane local municipality's ability to pay its creditors within the required 30 days' cycle. Such a view is echoed in the findings that indicated that as Moses Kotane local municipality's creditors' payment period worsened in 2013/2014, which is when it took about 66.95 days to pay its creditors.

In the financial year 2014/2015, although there was an attempt to reduce contracted services as % of total operating expenditure to 5.02%, it still increased to 5.22%. This could have arisen from the fact that new insights gained from the introduction of the municipal minimum competency programmes might have caused Moses Kotane local municipality to adopt new strategies that required the utilisation of significant contracted services in order to bolster its capabilities whilst delivering the required socio-economic services. Nevertheless, the fact that the ratio of contracted services as % of total operating expenditure of 5.22% exceeded the National Treasury's (2014:1) norm of 2% to 5% still implies, more or less, that the implementation of the municipal minimum competency programmes is not inducing significant positive impacts on the improvement of Moses Kotane local municipality's expenditure management.

5.6.2 Moses Kotane's budget implementation

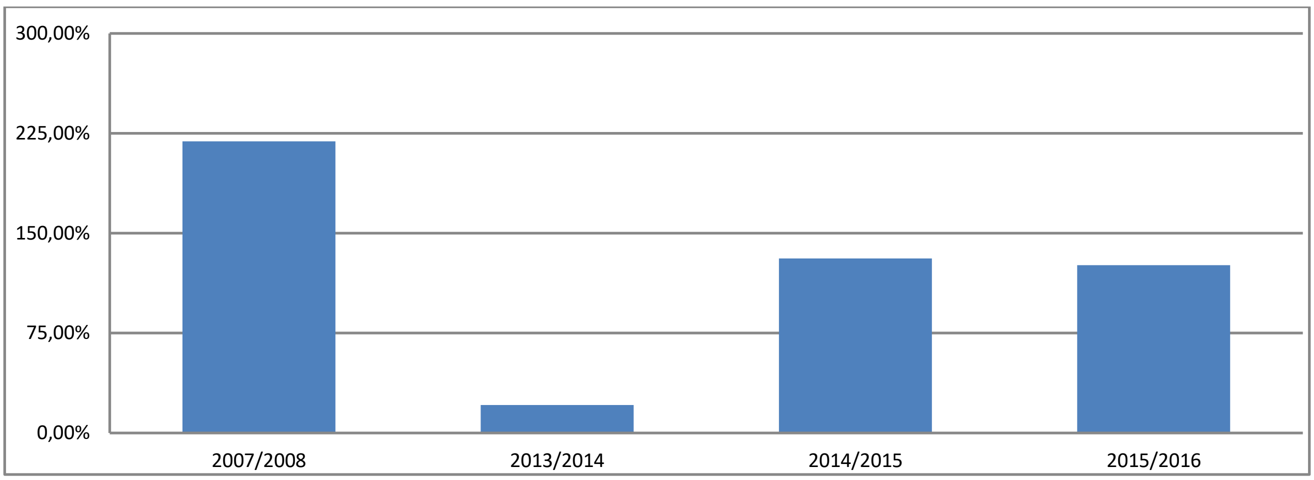
To reach logical conclusions regarding whether or not there has been any significant improvement in Moses Kotane's budget implementation after the implementation of the municipal minimum competency programmes, the analysis entailed the evaluation of the ratios on the capital expenditure budget implementation indicator and the operating expenditure budget implementation indicator.

5.6.2.1 Capital expenditure budget implementation indicator

The motive of the analysis of the ratios on the capital expenditure budget implementation indicator was to, in essence, enable the analysis of variance as well as the success of Moses Kotane local municipality's capital expenditure budget implementation. As indicated in *Figure 5.29*, the ratio of the capital expenditure budget implementation indicator demonstrated Moses Kotane to have scored 219% prior to the introduction of the municipal minimum competency programmes in 2008. However, this not only indicated a variance from the National Treasury's (2014:1) norm of 95% to 100%, but also signified that there was overspending of Moses Kotane's capital expenditure budget. Mainly, this could be attributable to the conceptualisation and implementation of an array of different infrastructure projects in the financial year of 2007/2008. Such a finding is also echoed in the results of the analysis pertaining to the ratios of capital expenditure to total expenditure. In such analysis, the calculation of total capital expenditure/total expenditure$x100\%$ indicated a ratio of 61.17%, which was significantly higher than the National Treasury's (2014:1) prescribed norm of 10%–20%.

Even though the overspending of Moses Kotane's capital expenditure budget could be attributable to high investments in different capital projects, it seems there were also internal control challenges. The fact that internal control deficiencies could have affected control of the capital expenditure budget is in accord with the prescribed plan that is strongly supported in the Auditor-General's Report (2007/08), which indicated internal control challenges. The fact that internal control deficiencies were a challenge was also reflected by the fact that, after the implementation of the municipal minimum competency programmes, Moses Kotane local municipality experienced a significant decrease in the ratio of its capital expenditure budget implementation indicator from 219% in 2007/2008 to a remarkable 21% in 2013/2014.

Figure 5.29: Capital Expenditure Budget Implementation Indicator



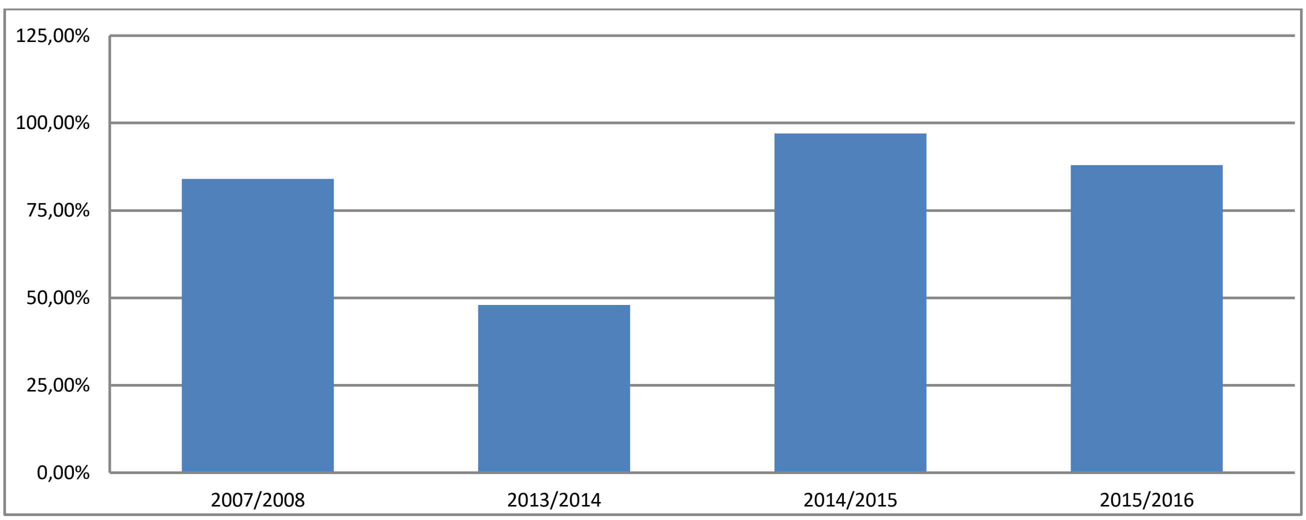
Although such significant reduction implies the implementation of the municipal minimum competency programmes influenced Moses Kotane local municipality to discern and apply new internal control strategies, it was still less than the National Treasury's (2014:1) norm of 95% to 100%. Instead, it suggests that Moses Kotane local municipality underspent its capital expenditure budget. The underspending of the capital expenditure budget could also be explained by either procurement deficiencies or disputes that affected capital project implementation. However, in the later financial years of 2014/2015 and 2015/2016, Moses Kotane local municipality experienced increases in the ratios of its capital expenditure budget implementation indicator to 131% and 126%, respectively.

Although such changes reflected the attempt to improve the efficiency of capital expenditure budget implementation, it still exceeds the National Treasury's (2014:1) norm of 95% to 100%. This signifies that, even after undertaking relevant improvement strategies, Moses Kotane local municipality was still unable to deal with the challenge of overspending.

5.6.2.2 Operating expenditure budget implementation indicator

Figure 5.30 reveals that the same challenge of overspending or underspending also emerged from the results of the analysis of Moses Kotane local municipality's operating expenditure budget implementation indicator. Such an analysis revealed the challenge of underspending the operating expenditure budget to be persistent—that is, even after the introduction of the municipal minimum competency programmes.

Figure 5.30: Operating Expenditure Budget Implementation Indicator



Using the National Treasury's (2014:1) norm of 95% to 100%, the calculation of the actual operating expenditure/budgeted operating expenditure$x100\%$ revealed a score of 84% for the financial year of 2007/2008. After the implementation of the municipal minimum competency programmes, the analysis of the ratio for the financial year of 2013/2014 indicated a decrease to 48%. Subsequently, the ratio for the operating expenditure budget implementation indicator increased to 97% in 2014/2015. Although this was within the scope of the National Treasury's (2014:1) norm of 95% to 100%, it subsequently declined to 88% in the financial year of 2015/2016.

From these trends, it appears the frequent underspending of Moses Kotane local municipality's operating expenditure budget is not arising from capacity-related challenges, but, rather, from a deliberate management approach to stringently control operating expenditure budget. However, as a result of the introduction of the municipal minimum competency programmes, there seem to have been attempts to balance the need for stringent control with the quest to spend in order to deliver the required critical services. It is such quests that are causing the shift in the ratio for the operating expenditure budget implementation indicator—that is, between the acceptable and the unacceptable level of overspending. Nevertheless, the fact that there are frequent incidents of overspending and underspending still implies the implementation of the municipal minimum competency programmes is not inducing significant positive impacts on the improvement of Moses Kotane local municipality's expenditure management.

5.7 BRIEF DISCUSSION OF RESULTS

A summary of findings has been framed to ensure an alignment to the study's objectives, and, also, to look at the results over a period of three years, on average.

5.7.1 Linkage to objective one: To assess the degree to which the implementation of the municipal minimum competency programme has improved financial skills, with specific reference to expenditure management

Financial management skills are demonstrated through good expenditure management and good budget management, which is a notion that was established in the literature review. The norms and standards of the National Treasury (2014) have prescribed the following ratios as being acceptable indicators of good expenditure management: Remuneration as a percentage of operational expenditure should be between 25%–40%, capital expenditure to total expenditure should be between 10%–20%, and contracted services to operating expenditure should be curbed between 2%–5%. The National Treasury (2014) has also set budget indicator norms and standards as 95%–100% for capital expenditure, and operating expenditure is between 95%–100%.

As a percentage of operational expenditure, remuneration was kept, on average, at 16,82% for Madibeng; 16,55% for Rustenburg; 24,27% for Moretele; 22,13% for Kgetlengrivier; and 29,46% for Moses Kotane. However, only Moses Kotane was within the acceptable norm. The concerning factor with a low remuneration percentage is that, when the contracted services ratio is compared, the municipalities with lower percentages tend to compensate for municipal vacancies with consulting services. The evidence indicates that Madibeng and Rustenburg spent more of the consulting services—essentially, an average of 6,04% and 6,20%. The same is evident in Moretele and Moses Kotane, where they spent 11,27% and 5.27%, respectively. The compensation by using consulting services could be an indication that the municipalities do not have the skills to perform some functions in-house. The twist in the results, when comparing remuneration percentage and the use of consultant service, could be attributed to an inherited workforce that does not have skills and does not necessarily possess the required minimum competencies.

On average, when comparing the results of capital expenditure to total expenditure, the municipalities performed well—that is, with Madibeng at 10,24%, Rustenburg at 16,52%, Moretele at 29%, Kgetlengrivier at 20%, and Moses Kotane at 15,69%. Though the National Treasury (2014) norm is between 10%–20%, this performance indicates investment into infrastructure. What is also evident from the results is that supply chain management committees were trained, which, therefore, allowed for the timely awarding of capital projects. This can be attributed to the minimum competency programme being effective.

Both the budget indicators for the capital expenditure and the operational expenditure are above the norm for all the municipalities. The prescribed norm is between 95% and 100%, but, in this case, Madibeng achieved 155,33% and 297%, Rustenburg achieved 246% and 103%, Moretele achieved 94,66% and 116%, Kgetlengrivier achieved 121,66% and 167,66%, and Moses Kotane achieved 103,05% and 94%—respectively, of course, for capital and operation budget indicators. These results support the increase in the unauthorised, irregular, fruitless, and wasteful expenditure, as well as the possibility that the minimum competency programme cannot, singularly, achieve an improvement in expenditure management. That is, budgetary control also plays a role.

The highly prevalent rates of overspending of most local municipalities' capital expenditure budgets could have emerged as a result of the quests to bolster service delivery capabilities—namely, by focusing on the investments in more critical priority capital projects.

5.7.2 Linkage to objective two: To determine if the municipalities are in a better financial position to meet their short-term financial obligations as they become due

As previously indicated, the component that addresses the financial position of the municipality is the liquidity management test. The liquidity management test considers the municipalities' ability to meet its financial obligations when they become due. For this test, the current ratio and creditors payment period analysis is used. The acceptable norm for the current ratio is 1,5 to 2,1. In this regard, the following has been determined—that is, the Madibeng (0,65), Rustenburg (0,93), Moretele (0,85), and Kgetlengrivier (0,71) were, on average, below the acceptable norm (with the exception of Moses Kotane, which had a ratio of 1,93). Therefore, this indicates that the municipalities, using their current assets, are not in a position to pay off their debt within one year.

A further finding, one that relates to municipalities being able to pay their creditors within 30 days, is the creditors payment period analysis. It was found that none of the municipalities are able to adhere to this prescript and norm that was set by that National Treasury (2014). On average, it took Madibeng 73 days to pay its creditors, while Rustenburg and Moses Kotane were closer to the mark—that is, paying their creditors within 39 and 37,47 days, respectively. Moretele was able to pay its creditors within 45 days, and Kgetlengrivier Municipality took, on average, over 410.72 days to pay its creditors.

Therefore, based on the current ratio analysis and creditors payment period ratio, the municipalities are now in a better position to pay their obligations when they become due—at least, better than they were before the introduction of the minimum competency requirements.

5.7.3 Linkage to objective three: To determine if there has been an increase or decrease in unauthorised, irregular, fruitless, and wasteful expenditure

The National Treasury (2014) recommends a norm of 0% for unauthorised, irregular, fruitless, and wasteful expenditure. These types of expenditure were adequately defined in chapter two as avoidable expenditures. Their occurrence implies non-adherence to the provisions of the MFMA, so, as such, they are used as a yardstick to determine good financial conduct. The escalation of these types of expenditure has a negative connotation. Unauthorised expenditure could be linked with unfunded budgets, irregular expenditure is often associated with disregard for supply chain management processes, and fruitless and wasteful expenditure indicates a shift from an effective, efficient, and economic use of resources. Based on the findings of the study, there has been an exponential increase in the unauthorised, irregular, fruitless, and wasteful expenditure. The five municipalities were found to be between 0%–10% in the 2007/08 financial year, and, by 2015/16, had increased in the following manner: Madibeng increased to 43%, Rustenburg increased to 28%, Moretele increased to 42%, Kgetlengrivier increased to 42%, and Moses Kotane increased to 42%.

While the findings indicate an increase—which could lead to a conclusion that the minimum competency programme has failed to improve these kinds of expenditure—it could also be determined that the increase in the reported figures is a result of reporting accuracy. In essence, reporting is a critical part of expenditure management, and, also, it is one of the key competencies of the minimum requirements under strategic management and budgeting.

5.8 CHAPTER SUMMARY

Despite challenges, the implementation of the municipal minimum competency programmes seems to be, gradually, across the five local municipalities in Bojanala District Municipality, causing the desired positive effects on the improvement of municipal expenditure management and budget implementation.

However, findings revealed that such innovative approaches seem to have been less effective for unlocking the additional financial resources required to deal with the liquidity crisis that most of the local municipalities in the Bojanala District Municipality are facing. Across all of the five municipalities, there was evidence of current ratio problems that signified there is a general challenge pertaining to the problem of working capital management.

Even though the motive of the implementation of the municipal minimum competency programmes was to improve the skills and competencies of the senior municipal officials, the challenge of appropriate skills was still found to cause inaccurate planning and budgeting. In turn, this instigated the rising rates of budget overspending. However, all these do not necessarily suggest the implementation of the municipal minimum competency programmes is not inducing the desired effects on the improvement of the municipal expenditure management and budget implementation. Instead, it seems it is the internal conditions within most of these local municipalities that is the impediment. Against that backdrop, the discussions in the next chapter offer the general conclusions and recommendations that the authorities in the North West Provincial Treasury can adopt to ensure the implementation of the municipal minimum competency programmes influences the improvement of expenditure management and budget implementation in most of the local municipalities within the Bojanala District Municipality.

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter offers the general conclusions and recommendations of the study. It also provides highlights regarding the extent to which the research objectives have been met. The details are as follows.

6.2 CONCLUSION

The general conclusions offer highlights of the key findings pertaining to each of the four previous chapters. It is accomplished according to the four main chapters that encompass chapter 1 (general overview and background of the study), chapter 2 (literature review), chapter 3 (legislative framework guiding expenditure management at local government level), and chapter 4 (findings and discussions). Again, the details are as follows.

6.2.1 Chapter 1: General overview and background of the study

In the context of Section 154(1) of *the Constitution*, national and provincial governments are expected to support and strengthen the capacity of the municipalities to manage their own affairs more efficiently and effectively. They are also expected to support municipalities in exercising their powers and performing their functions more efficiently and effectively. To accomplish this, the National Treasury (2007:39) introduced the municipal regulation on minimum competency requirements as part of its constitutional mandate to support municipalities. The aim of the NT was, ultimately, to improve municipal financial management performance and service delivery by strengthening capacity as well as professionalising local government. Municipalities are required to be financially sustainable—that is, they must manage their financial resources in a responsible and accountable manner by gradually lessening their dependence on NT grants. The municipal regulations regarding minimum competency requirements were first introduced in 2007, with a compliance deadline of January 2013. The compliance dates have been postponed twice since the initial deadline. The NTintroduced budgetary reforms, financial reporting reforms, financial systems, and grant management system reforms, and all with the aim of improving municipal financial management and basic service delivery.

As much as some of the municipalities have experienced significant improvement in their expenditure management, there is insufficient literature available that provides evidence of an improved state of local government finance management. The challenge of the financial skills shortage is still rife in local government. Judging by the continued service delivery protests and negative audit opinions, service delivery and financial performance has not improved much. The Auditor-General of South Africa expressed dissatisfaction in the 2015/16 MFMA audit report, stating that municipalities continued to accumulate unauthorised, irregular, fruitless, and wasteful expenditure (Auditor-General of South Africa 2016:19). This may be seen as a sign that municipalities still lack the proper financial management skills.

The increase in the unauthorised, irregular, fruitless, and wasteful expenditure deflates public confidence in local government's financial management. Any expenditure incurred contrary to the MFMA prescripts can be negatively construed as a wastage or a redirection of service delivery funds to activities that are not of benefit to the community. This could further lead to mistrust and possible service delivery protests. It is such constraints that motivated this research to explore the extent to which the implementation of the minimum level competency programmes has managed to improve financial management—that is, with specific reference to expenditure management in the five municipalities within the Bojanala Platinum District Municipality.

The five municipalities are Moretele Local Municipality, Madibeng Local Municipality, Moses Kotane Local Municipality, Kgetlengrivier Local municipality, and Rustenburg Local Municipality. Using a quantitative research approach, the study was accomplished by using the National Treasury's (2014) prescribed financial ratios in order to assess the state of expenditure management and budget implementation—before and after the implementation of the municipal minimum competency programmes—in all of the five local municipalities within Bojanala District Municipality. Through such analysis, the study aimed to discern the strategies for improving the extent to which the implementation of the municipal minimum competency programmes can influence the improvement of the municipal financial management.

6.2.2 Chapter 2: Literature Review

Post-modernism emphasises the need for the achievement of the desired results. It also requires discerning the best ways for managing public expenditure in order to minimise waste whilst improving the overall level of resource optimisation (Rauta, 2014:57). To accomplish that, it not only requires the integration of technologies into governmental operations, but also the adoption of best management approaches. The best management approaches can best be understood by delving into the critical components of public finance management. Pauw et al. (2009:302) reduce public finance to four critical components, which is revenue “R”, expenditure “E”, assets “A”, and liabilities “L” (REAL).

The Office of the Accountant General South Africa (2010:1), in its financial management dictionary, defines revenue management as the technique applied during the planning, collection, safeguarding, and banking of all incomes. Public income includes revenue raised from tax collections, property rates, service charges, levies, and duties. Expenditure management is about the timely capturing and processing of payments to invoices within 30 days. The MFMA states that expenditure must be incurred within an approved municipal budget and, also, must be limited to the amount allocated in a vote. However, the process of expending cannot take place without an approved budget—hence, budgeting is a critical factor in expenditure management. Visser and Erasmus (2002:366) define asset management as the administration of public assets by ensuring the correct replacement cost, impairment, depreciation, establishment of a maintenance plan, and optimisation of the assets.

Pauw et al. (2012:326) propagate that asset management should distinguish between current and non-current assets. This is an important factor in determining the liquidity of the municipality. The MFMA section 63 (1) charges the Accounting Officer with the responsibility of ensuring the effective management of assets by safeguarding and maintaining the assets, and, also, ensuring proper liability management. The 2013/14 North West audit report of the Auditor-General indicates that asset management remains a huge challenge in local government. Pauw et al. (2009:330) define liability as municipal debt—that is, money owed by the municipality to external parties. In sections 45 and 46 of the MFMA, provisions are made for short-term and long-term debt, respectively. Short-term debt refers to debt that can be repaid within a period of 12 months and long-term debt is debt that is repayable over a period of a year. Public finance is the pulse of public administration because it enables government to function. Yet, as the paradigm of public administration shifted from the old approach to the new concept of public management, it has also instigated the need for a change of approach regarding public finance management—that is, a new approach (Jadranka& Marina 2009:281).

The concept of new public finance management requires the development of budgeting and expenditure management, which is guided by the policy and the strategic plan (Jadranka& Marina 2009:281). This contrasts with the previous public finance management regimes where budgeting was less aligned and linked to policy and the strategic planning process (World Bank 1998). The linkage of the budget to the strategic plans and policies influences the extent to which budgeting is performance-oriented and outcome-oriented and, more or less, capable of influencing the achievement of the desired socio-economic outcomes.

While citing Schick's basics and stages of expenditure control, Brooke (2003:5) suggests that this can be achieved by encouraging public finance managers to get the basics right—in essence, by developing and using the appropriate public expenditure management control systems. This would require government, prior to the introduction of performance or outcome-based budgeting, to introduce a system that requires the identification of the performance standards in the isolated areas (Campos & Pradhan 1997:19). In addition to the introduction of control inputs—that is, *before* the introduction of the control outputs—it also requires the introduction of *external* control systems before introducing the *internal* control mechanisms. These must be accompanied by the development and use of an effective accounting system before establishing an integrated financial management system. Public expenditure management often undertakes a cyclical process, which is also aligned to the cyclical budget process of preparation, execution and monitoring, and evaluation (Shah & Von Hagen 2007:10).

Based on the South African national planning, the process of public expenditure management often springs from the cyclical budget process of preparation, execution, monitoring, and evaluation (Jadranka& Marina 2009:281). The aims of public expenditure and management systems are to exercise effective control over public expenditure aggregates—with the aim of stabilising the domestic economy—to deliver services in a technically efficient manner. It also aims to ensure equitable fund allocation for efficient service delivery (Rabotapi 2013:24). An action as simple as spending money in the public-sector can have undesirable consequences. Essentially, the spending of money in the public-sector must be conducted within laid out procedures. These procedures are usually contained in the supply chain management policy and the procurement standard operating procedures. Any spending contrary to such may lead to the three instances of unacceptable expenditure, which is unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure (UIFW) (Rabotapi 2013:19).

Pattanayak (2016:18) argues that, even though the effective management and control of public expenditure is a critical antecedent for realising a sound financial management system, it is often difficult to effectively control public expenditure. This is attributable to the fact that, whereas the process for revenue collection is often undertaken through a centralised system, in most of the cases, such collected funds are spent through disaggregated systems (Shah & Von Hagen 2007:10). This renders it difficult to develop and use effective public expenditure management control at all the levels. Yet, less effective financial expenditure control causes high risks of expenditure arrears as well as perceptions that affect budget credibility. However, the concept of public expenditure management is a multidimensional construct—that is, it implies focusing on the development of employees as well as on critical core skills, and such competencies for public expenditure management may not induce the desired results (Osborne 2010:5; Pollitt &Bouckaert 2004:9; Ryan & Walsh 2010:621). Instead, the use of a more holistic framework—that not only focuses on the development of core skills and competencies, but also behaviours and practises—that cascade ethics, good governance, accountability, and risk management seems more critical for influencing the overall effectiveness of public expenditure management (Rabotapi 2013:64).

6.2.3 Chapter 3: Legislative framework guiding expenditure management at local government level

The implementation of the measures for improving the competencies of the municipal officials is, in essence, motivated by the quests to bolster the effectiveness and efficiency of the process pertaining to the implementation of the MFMA (Department of Cooperative Governance and Traditional Affairs 2017:10). Successful implementation of the MFMA influences sound financial management. Subsequently, this leverages the improvement of the performance of the municipalities in order to positively impact upon the delivery of the critical socio-economic services. This is attributable to the fact that, through the implementation of different competency development measures, the government aimed to reduce the rate of wasteful, unauthorised, and fruitless expenditures.

The MFMA seeks to improve the efficiency of the accomplishment of the logically interrelated municipal activities. Said activities encompass planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting, and oversight (Department of Cooperative Governance and Traditional Affairs 2017:10). MFMA is often applied in conjunction with the Municipal Structures Act 1998 (Act 117 of 1998), the MSA, Municipal Property Rates Act 2004, and the Municipal Fiscal Powers and Functions Act 2007. These legislations prescribe the key criteria for leveraging municipal operations, planning, budgeting, governance, and accountability.

In effect, the introduction of the MFMA sought to introduce reforms that would change and transform the overall approach for municipal finance management. This was accomplished by introducing provisions that seek to strengthen accountability at the municipal level (Marais, Human, &Botes 2008:376). One of the initiatives for achieving such quests was to, more or less, clarify the roles and responsibilities of the political and administrative spheres of the municipalities. Previously, the blurred distinction between the roles and responsibilities of the municipal mayor and the municipal managers affected the upholding of the principles of accountability. This affected the entrenchment of good governance as well as sound financial management. The initiatives to achieve such initiatives were also being undermined by the challenges regarding the lack of appropriate skills and competencies for the municipal managers to effectively and efficiently apply the provisions of MFMA. To address the challenge of lack of the required skills and competencies, a number of municipal competency development programmes have been conceptualised and implemented since 2007. One of such initiatives was the implementation of the National Treasury's (2007) Guideline for Municipal Competency Levels, which took effect in January 2008.

The National Treasury's (2007) Guideline for Municipal Competency Levels prescribes the competencies that the municipal officials who are working in finance and accounts related areas must possess. Such competencies are considered critical for bolstering the effective application of the MFMA. The competencies include accountability, change management, client orientation, communication, customer focus, ethical conduct, financial management, knowledge management, leadership, people management, problem solving and analysis, programme management, project management, service delivery innovation, and strategic capability. The National School of Government (NSG) (2012:48) contends that "competence approaches comprise standardised requirements, in terms of knowledge, skills, behaviour and attitudes, for the effective performance of specific jobs in accordance with organisational objectives and standards."

The articulations in the National Treasury's (2007) Guideline for Municipal Competency Levels echo the provisions of Section 83, 107, and 119 of the MFMA as well as the Municipal Regulations on Minimum Competency Levels. The provisions of Section 83, 107, and 119 of the MFMA and the Municipal Regulations on Minimum Competency Levels require certain municipal officials to meet certain prescribed competencies in areas such as financial management and supply chain management. It also supplements the provisions of the MSA. Akin to the National Treasury's (2007) Guideline for Municipal Competency Levels, these regulations and provisions require municipal officials—such as the accounting officers, senior managers, financial officials and the supply chain management officials—to demonstrate competencies in areas such as strategic leadership and management, strategic financial management, operational financial management as well as governance, ethics, and values in financial management. The National Treasury's (2007) guideline also requires municipal officials to display competencies in the accomplishment of activities in areas such as financial and performance reporting, risk and change management, project management, legislation, policy and implementation, stakeholder relations, and supply chain management.

6.2.4 Chapter 5: Discussions and findings

Findings indicated poor working capital management that characterise most of the municipalities' financial management. This was even evident after the introduction of the municipal minimum competency programmes. This implies that the implementation of the municipal minimum competency programmes has not contributed addressing the liquidity crisis that some of the municipalities face. This is attributable to the fact that, even after the introduction of the municipal minimum competency programmes, Madibeng's current ratio did not improve.

Current ratio analysis indicated Madibeng is increasingly being plunged into a liquidity crisis. Madibeng local municipality's liquidity crisis also seems to have affected the payment of its creditors—at least, in accordance with the National Treasury's (2014) prescribed cycle of 30 days. The same challenges were also evident in the other municipalities, such as Kgetlengrivier, Moretele, and Rustenburg. Findings indicated the challenge of poor working capital management to be compounded by increasing inability—among most of the municipalities within the Bojanala District Municipality—to control and reduce irregular, fruitless, wasteful, and unauthorised expenditures to zero. This is attributable to the fact that, although Moretele had a ratio of 0% for irregular, fruitless, wasteful, and unauthorised expenditures, it subsequently increased to about 40% after the introduction of the municipal minimum competency programmes. In Kgetlengrivier, ratio analysis indicated deviation by 1% in 2007/2008. This was prior to the implementation of the municipal minimum competency programmes. Therefore, this suggests that there was already a problem that required instilling and using relevant internal control measures in order to control and maintain the ratio of its irregular, fruitless, wasteful, and unauthorised expenditures to total operating expenditure at 0%. However, such a problem did get addressed—even after the implementation of the municipal minimum competency programmes. This is reflected in the financial year of 2013/2014 where the ratio of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure increased to 20%. Although it declined to 3% in 2014/2015, it subsequently rose, again, to 42% in the 2015/2016 financial year. This signifies the implementation of the municipal minimum competency programmes has not impacted much on the improvement of the skills and competencies of the Kgetlengrivier municipal finance management personnel to establish and use relevant internal control mechanisms in order to control the ratio of irregular, fruitless, wasteful, and unauthorised expenditures to total operating expenditure.

The same challenge was also evident in Rustenburg and Madibeng where, even after the introduction of the municipal minimum competency programmes in Bojanala District, irregular, fruitless, wasteful, and unauthorised expenditures were found to increase. This shows the extent to which the introduction of the municipal minimum competency programmes is only minimally contributing towards the reduction of the rate of irregular, fruitless, wasteful, and unauthorised expenditures. Besides irregular, fruitless, wasteful, and unauthorised expenditures, it also emerged from the findings that there is a challenge of poor capital expenditure management. This is attributable to the fact that most of the municipalities were found to either underspend or overspend their capital expenditure budgets. After the implementation of the municipal minimum competency programmes, Kgetlengrivier's capital expenditure budget implementation indicator increased rather significantly to 153% in 2013/2014. This implies Kgetlengrivier experienced the challenge of overspending its capital expenditure budget, which could have arisen from inaccurate budgeting or poor financial control. Inaccurate budgeting or poor financial control is also, often, a symptom of poor understanding and application of the relevant expenditure management techniques.

Having said all that, the analysis of Rustenburg's capital expenditure budget implementation indicator did not indicate any improvement. That is, it indicated either under-expenditure or over-expenditure. In the financial year of 2007/2008, the analysis revealed a ratio of 68%. This was prior to the implementation of the municipal minimum competency programme. Essentially, this ratio did not meet the National Treasury's (2014:1) norm of 95% to 100% for the capital expenditure budget implementation indicator. Even after the implementation of the municipal minimum competency programmes, signs of improvement were not easily discernible as the ratio analysis for the capital expenditure budget implementation indicator only scored 47% in 2013/2014. A ratio of 47% signified persistence of the challenge of under-expenditure that characterised Rustenburg Municipality prior to, in 2008, the implementation of the municipal minimum competency programmes. However, in the later financial year of 2014/2015, the problem seemed to shift from under-expenditure to over-expenditure as the ratio of the capital expenditure budget implementation indicator skyrocketed to 274%. Even up to the financial year of 2015/2016, it was still evident from the calculation of actual capital expenditure/budget capital expenditure$x100\%$ that there was still a challenge pertaining to the handling of over-expenditure. In line with the Auditor-General's Reports relating to the financial years of 2013/2014, 2014/2015, and 2015/2016, this could have arisen from inaccurate budgeting and poor internal financial control systems.

The same trends of either underspending or overspending were also evident in the other municipalities, such as Moretele and Madibeng. Underspending implies that the municipal officials have not yet grasped the relevant expenditure management skills. It suggests a lack of skills to balance the expenditure to the level that would influence the delivery of the required services. However, overspending is not necessarily associated with investment in activities to spur improved service delivery. Instead, it is associated with wastes and inability to control the capital expenditure budgets. This is corroborated by the fact that most of the municipalities within Bojanala District were found to face the challenge of controlling the rate of irregular, fruitless, wasteful, and unauthorised expenditures.

6.3 RECOMMENDATIONS

This section offers the recommendations of the study. The recommendations are drawn and aligned with the key research findings. In essence, there are four key research findings. The first finding highlights the challenge of underspending and overspending the capital expenditure budget, which is aligned to the first recommendation—that is, emphasising the need for training and development in order to improve budget development as well as the implementation of skills and competencies. The second finding heralds the challenge of poor working capital management, and is thus aligned to the second recommendation, which stresses the need for training and development in order to improve working capital management skills and competencies. The third finding provides the state of municipalities' unauthorised, irregular, fruitless, and wasteful expenditures, so it is aligned to the third recommendation, which stresses the need for the development of effective internal control systems in order to reduce the rate of unauthorised, irregular, fruitless, and wasteful expenditures. The fourth finding highlights the constraint associated with a lack of good governance as well as corruption, so, therefore, it is aligned to the fourth recommendation, which emphasises good governance and financial ethics. The details are as follows.

6.3.1 Findings 1: Underspending and overspending capital expenditure budget

Findings indicated that there are some of the local municipalities that are still struggling to leverage the effective management of their expenditure budgets. Such a view is echoed by the fact that, in local municipalities such as the Rustenburg local municipality, signs of improvement were not easily discernible—that is, even after the implementation of the municipal minimum competency programmes. Incidents of either overspending or underspending were still increasingly prevalent. In Rustenburg local municipality, a ratio for the capital expenditure budget implementation indicator—68% in 2007/2008 and, subsequently, 47% in 2013/2014—signified persistence of the challenge pertaining to under-expenditure that characterised Rustenburg local Municipality prior to the implementation of the municipal minimum competency programmes in 2008. Even as it sought to deal with the challenge of underspending in the later financial year of 2014/2015, the problem seemed to shift from under-expenditure to over-expenditure as the ratio of capital expenditure budget implementation indicator skyrocketed to 274%.

These challenges of overspending and underspending suggest the implementation of the municipal minimum competency programmes has not yet impacted upon the improvement of the capabilities pertaining to some of the local municipalities' ability to conceptualise and apply the appropriate strategies for accurate budgeting. It also suggests evidence of deficient internal control systems and poor governance. As in Madibeng local municipality, its capital expenditure budget implementation indicator increased from 89% in 2007/2008 to 126% in 2013/2014, and then, subsequently, to 152% and 188%, respectively, in the 2014/2015 and the 2015/2016 financial years. Akin to the case of Madibeng local municipality's capital expenditure budget implementation, there also seems to be trends of overspending its operating expenditure budget implementation. After the implementation of the municipal minimum competency programmes, Madibeng local municipality's operating expenditure budget implementation indicator increased from 113% in 2007/2008 to 298% in 2013/2014, and then decreased to 152% in the 2014/2015 financial year. However, it subsequently increased, quite significantly, to 443% in the 2015/2016 financial year. Even if there could be justifiable reasons for such variances, it is still apparent that, as far as Madibeng local municipality is concerned, it seems the implementation of the municipal minimum competency programmes has not only *not* significantly influenced the improvement of Madibeng local municipality's capital expenditure budget implementation, but it also has not influenced its operating expenditure budget implementation.

Similar to the case of Madibeng local municipality, Kgetlengrivier local municipality was also found to continuously struggle to minimise overspending by limiting its operating expenditure budget implementation to the National Treasury's (2014:1) prescribed norm of 95% to 100%. With the operating expenditure budget implementation indicator of 112% in 2007/2008, Kgetlengrivier local municipality experienced a continuous upward increment of its operating expenditure budget implementation indicator, which went up to 141% in 2015/2016. In essence, despite implementation of the municipal minimum competency programmes in Bojanala District Municipality, some of the local municipalities still seem to face the challenge of how to exercise the appropriate control to minimise the increasingly common risks of its overspending—that is, either their capital expenditure budget or their operating expenditure budget. To address these challenges of underspending and overspending, training and development would be required to improve budget development and implementation skills as well as the competencies of the municipal officials.

6.3.1.1 Recommendation 1: Training and development to improve budget development and implementation skills and competencies

Certainly, there seemed to have been issues that arose from the skills and competencies required to conceptualise and apply appropriate strategies for accurate budgeting.., These, more or less, operate in conjunction with the development and use of effective internal control systems as well as a framework to ratify poor governance. Yet, most of the local municipalities within Bojanala District Municipality continue to struggle how to undertake effective municipal expenditure management. The effects of the failure to minimise waste are increasingly threatening their financial positions to effectively meet their current and short-term obligations.. The improvement of the skills and competencies of the municipal officials—that is, their ability to development and implement the appropriate budgets—shall certainly leverage the effectiveness of expenditure management in most of the local municipalities within Bojanala District Municipality.

In essence, it will improve the accuracy of budgeting and the use of budget plans as the control mechanism during the budget implementation phase. This is attributable to the fact that financial ratio analysis indicated an enormous rate of overspending and underspending across most of the local municipalities in Bojanala District Municipality. The view that the accuracy of budgeting is also a challenge was reiterated by the Auditor General's Reports of the financial years 2007/2008, 2013/2014, 2014/2015, and 2015/2016 for all the local municipalities within Bojanala District Municipality. Regarding the skills and competencies of the municipal officials—to development and implement the appropriate budgets—the areas of focus must encompass a clear outline pertaining to the areas of priorities, indicators, the required resources, and the implementation time plan.

6.3.2 Findings 2: Poor working capital management

Even after the introduction of the municipal minimum competency programmes, some of the local municipalities—such as the Madibeng local municipality—were still found to be struggling with the development and maintenance of the appropriate financial position. After the implementation of the municipal minimum competency programme, Madibeng Municipality's ratio of current assets to current liabilities declined from 1.6 in 2007/2008 to 0.45 in the 2013/2014 financial year. Although it increased by 0.37 to 0.82 in the 2014/2015 financial year, it subsequently declined, again, by 0.13 to 0.69 in the financial year of 2015/2016. In line with the National Treasury's (2014:1) interpretation of the significance of the municipal current ratios, this indicates that, starting from the financial year of 2013/2014 to the financial year of 2015/2016, Madibeng local municipality seems to have had the challenge of meeting all its current and short-term financial obligations required to enable it continue operating at the desired level.

Drawing from the Auditor General's Reports for the financial years of 2013/2014, 2014/2015, and 2015/2016, the emergence of Madibeng's liquidity crisis could have arisen from poor cash management, operational deficiencies, inefficiencies, and less effective internal control. Such a finding suggests that, as far as Madibeng local municipality expenditure management is concerned, it seems that not many new skills and competencies have been drawn from the introduction of the municipal minimum competency programmes. Yet, as it struggles to conceptualise and apply the appropriate expenditure management capabilities to control and minimise wastes and unnecessary debts, its declining financial position seems to also have impacted upon its capabilities to its creditors—that is, in accord with the National Treasury's (2014) prescribed cycle of 30 days.

Prior to the introduction of the municipal minimum competency requirements, Madibeng took about 1.56 days to pay its creditors. However, after the implementation of the municipal minimum competency programmes, the days taken to pay creditors have since beenexceeding the required 30 days. This suggests there is a work capital management challenge because poor internal control systems enhance the minimisation of financial wastes. That said, as Madibeng continues to struggle, similar liquidity challenges—that is, after the implementation of the municipal minimum competency requirements—seem to have also not eluded Rustenburg local municipality. From an impressive current ratio of 1.78 for the 2007/2008 financial year, Rustenburg local municipality's current ratio declined to 0.96 in 2013/2014. Although such a decline continued in the financial year of 2014/2015—with the effect that it only scored 0.88—in 2015/2016, it increased to 0.95. Despite such an increase, it was still evident from the financial year of 2013/2014 to financial year of 2015/2016 that Rustenburg's current ratio consistently did not meet the National Treasury's (2014:1) norm of 1.5 to 2:1. This indicates the consistent liquidity challenges that Rustenburg Municipality could have been experiencing.

Because liquidity challenges are often associated with poor working capital management, it can be argued that it seems there is still a challenge for the newly-introduced municipal minimum competency programmes to influence the improvement of Rustenburg local municipality's effective working capital management. Even if that is not the case, the effects of Kgetlengrivier local municipality's higher capital expenditure were also found to be reflected in the challenges that it faced in order to have sufficient cash to meet its current and short-term financial obligations. Both before and after the implementation of the municipal minimum competency programmes, Kgetlengrivier local municipality seems to have faced the challenge of having sufficient cash to cover all risks, which enable it to continue operating at the desired levels.

After the implementation of the municipal minimum competency programmes, although there was a minimal increase to 0.72 in 2013/2014, it still declined, again, to 0.59 in 2014/2015, and then rose, again, to 0.84 in 2015/2016. The rise of the current ratio to 0.84 in 2015/2016 is, certainly, still below the National Treasury's (2014:1) norm of 1.5 to 2:1. It seems its poor financial position is also negatively impacting upon its capability to pay creditors within the National Treasury's (2014:1) norm of 30 days. Such findings imply that the improvement of the working capital management skills and competencies is a prerequisite if the municipalities in the Bojanala District are to sustainably operate.

6.3.2.1 Recommendation 2: Training and development to improve working capital management skills and competencies

The improvement of the working capital management skills and competencies of the accounting officers and financial officials in the local municipalities in Bojanala District Municipality would, more or less, improve the effectiveness of expenditure management. This is attributable to the fact that, as ratio analysis indicated, most of the local municipalities in the Bojanala District Municipality face the challenge of working capital management. The implications were latent—that is, considering most of the municipalities face liquidity challenges whilst meeting their current and short-term financial obligations as they fall due.

The analysis of the Auditor General's Reports pertaining to the financial years of 2007/2008, 2013/2014, 2014/2015, and 2015/2016—for all the local municipalities in Bojanala District Municipality—also indicated working capital management challenges as the major cause of unauthorised, irregular, fruitless and wasteful expenditures. The National Treasury's (2007) Guideline for Municipal Competency Levels emphasises the need for the accounting officers, senior managers, financial officials, and the supply chain management officials to demonstrate competencies in areas such as strategic leadership and management, strategic financial management, operational financial management as well as governance, ethics, and values in financial management. The National Treasury's (2007) guideline also requires municipal officials to display competency in the accomplishment of the activities in areas such as financial and performance reporting, risk and change management, project management, legislation, policy and implementation, stakeholder relations, and supply chain management. However, it seems the development of the specialised programme for improving working capital management would significantly influence the improvement of the municipal expenditure management. In the accomplishment of such initiatives, such a programme must also emphasise the importance of integrating and applying Pattanayak's (2016:18) seven stages' expenditure control, which encompass authorisation, apportionment, reservation, commitment, verification, payment order, and payment. Such initiatives must be accompanied by the initiatives for improving the skills and competencies of the municipal officials—that is, to development and implement the appropriate budgets.

6.3.3 Findings 3: State of municipalities' unauthorised, irregular, fruitless, and wasteful expenditures

Even after the implementation of the municipal minimum competency requirements, it was still evident that the challenge of reducing the ratio of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure is a challenge with which most of the local municipalities in Bojanala District Municipality are still grappling. In local municipalities, such as the Kgetlengrivier local municipality—which had only 1% of the ratio of unauthorised, irregular, fruitless and wasteful expenditures to its total operating expenditure in 2007/2008—ratio analysis for the financial year of 2013/2014 indicated that it subsequently increased to 20%. Although it declined to 3% in 2014/2015, it subsequently rose, again, to 42% in the 2015/2016 financial year. In Moretele local municipality—prior to the implementation of the municipal minimum competency programmes—the ratio of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure was 0%. However, after the implementation of the municipal minimum competency programme, it instead increased to 40% in the financial year of 2013/2014. Certainly, as a result of the implementation of incremental measures to improve the control and minimisation of Moretele's unauthorised, irregular, fruitless and wasteful expenditures, it subsequently decreased from 40% in the financial year of 2013/2014 to 28% in 2014/2015.

Although it demonstrated that some initiatives were being undertaken in order to control unauthorised, irregular, fruitless and wasteful expenditures, further ratio analysis indicated Moretele's ratios of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure to have increased significantly, again, to 42% in 2015/2016. Such a finding suggests the implementation of the municipal minimum competency programmes is not inducing significant positive impacts on the improvement of Moretele local municipality's expenditure management. Meanwhile, prior to the implementation of the municipal minimum competency programme, Madibeng's ratio of unauthorised, irregular, fruitless and wasteful expenditures to its total operating expenditure was 10%. After the implementation of the municipal minimum competency programme, it instead increased by 26%—that is, from 10% in the 2007/2008 financial year to 36% in 2013/2014. It further increased to 45% in the 2014/2015 financial year, and then declined to 43%, which is, minimally, by 2% in the financial year of 2015/2016. Despite such a decrease, 43% of the ratios of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure is quite high.

Higher levels of the ratios in relation to unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure imply Madibeng faces governance and internal control challenges. From 0% in 2007/2008, although Rustenburg's ratio of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure only minimally increased to 3% by 2013/2014, it subsequently increased to 21% and 28%, respectively, in the financial years of 2014/2015 and 2015/2016. In other words, even after the implementation of the municipal minimum competency programmes, it seems most of the local municipalities within Bojanala District Municipality are still struggling to manage the ratio of unauthorised, irregular, fruitless and wasteful expenditures to their total operating expenditure. The rising rate of unauthorised, irregular, fruitless and wasteful expenditures could be a result of the laxity in the internal control measures to proactively identify and minimise unauthorised, irregular, fruitless and wasteful expenditures. Given such challenges, it can be argued that, despite the gradual positive results that are emerging from the implementation of the municipal minimum competency requirements, the North West Provincial Treasury must consider conceptualising and applying additional measures through which the implementation of the municipal minimum competency requirements in Bojanala District Municipality can be improved.

6.3.3.1 Recommendation 3: Develop effective internal control systems to reduce the rate of unauthorised, irregular, fruitless, and wasteful expenditures

As the government strives to improve municipal expenditure management in order to bolster the overall effectiveness of socio-economic service delivery, the development and establishment of more effective internal control systems is a prerequisite. The development and establishment of a more effective internal control system is a prerequisite for identifying and minimising the increasingly rising rate of unauthorised, irregular, fruitless and wasteful expenditures.

Throughout the analysis of the financial ratios, the issue pertaining to the capability of most of the local municipalities in Bojanala District Municipality was found to be a challenge. Because of this, effectively, most of the local municipalities are unable to achieve and maintain good financial positions in order to continue meeting their current and short-term obligations as they fall due. The Auditor General's Reports of the financial years 2007/2008, 2013/2014, 2014/2015, and 2015/2016—for all the local municipalities—indicated the increasingly rising rate of unauthorised, irregular, fruitless and wasteful expenditures. This signifies that the establishment of an effective internal control system is a prerequisite. The development of such internal control systems would require the development and application of measures for ensuring compliance with the relevant regulations and policies that govern municipal expenditures. This is attributable to the fact that, whereas relevant policies and regulations are in place, it seems there is a challenge of enforcing compliance with such regulations.

That explains why, despite the existence of such policies and regulations, ratio analysis still indicated such the ratios of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure for all the local municipalities in Bojanala District Municipality. In effect, improvement of the enforceability—with relevant policies and regulations—would improve the extent to which the allocated funds are utilised for the accomplishment of their designated purposes. As such initiatives are being undertaken, it is also critical that a new initiative be undertaken to introduce a Centralised Bojanala District Municipality Procurement System.

The development and establishment of a Centralised Bojanala District Municipality Procurement System will minimise the increasing risks that are arising from the irregular expenditures incurred in contravention of the Supply Chain Management policies and regulations as well as the Municipal Management Finance Act. This is attributable to the fact that the analysis of the Auditor General's Reports for the financial years of 2007/2008, 2013/2014, 2014/2015, and 2015/2016—for all the local municipalities in Bojanala District Municipality—indicated the increasing preponderance for most of the payments to be made to suppliers in contravention of Supply Chain Management policies and regulations as well as the Municipal Management Finance Act. The implications are latent in the fact that the resulting disputes that are arising from such payments are instigating enormous civil suits. Such civil suits are, increasingly, emerging as one of the factors that are affecting the development and maintenance of impressive financial positions for most of the local municipalities in Bojanala District Municipality. In effect, the North West Provincial Treasury must consider developing and applying stringent measures for ensuring compliance with the Supply Chain Management policies and regulations as well as the Municipal Management Finance Act.

Alternatively, it must also consider the option of developing and establishing a Centralised Bojanala District Municipality Procurement System. The development and establishment of a Centralised Bojanala District Municipality Procurement System will minimise the risks of non-compliance. Such initiatives may be feared for the reason that it could usurp the roles of the local municipalities in Bojanala District Municipality to procure and respond to the local service delivery needs. That said, it will not. This is attributable to the fact that, as such a centralised system is used for determining tender allocation, the process for payment and implementation of the relevant procurement contracts will be reserved for the local municipalities. Such an initiative will, certainly, improve the fairness of the procurement-related decisions in order to minimise risks of disputes and, also, the rising number of civil suits, which are fleecing most of the local municipalities in Bojanala District Municipality of enormous funds that could have been used in the other areas of significant priority. The development and establishment of a Centralised Bojanala District Municipality Procurement System must also be accompanied by the development and reinforcement of the need for local municipalities to uphold the principles of good governance.

6.3.4 Findings 4: Lack of good governance and corruption

It emerged from the findings that lack of good governance and corruption are some of the challenges undermining effective expenditure management in Bojanala District Municipality. This is attributable to the fact that, in Madibeng, the Auditor-General's Report (2017) attributed the rising rate of irregular, fruitless, wasteful, and unauthorised expenditures to corruption and poor adherence to good governance principles. Poor governance causes poor oversight to ensure that irregular, fruitless, wasteful, and unauthorised expenditures are identified and mitigated. Such a view is strongly echoed in the Auditor-General's Reports of the financial years of 2007/2008, 2013/2014, 2014/2015, and 2015/2016, for all the local municipalities in Bojanala District Municipality face the challenge of deficient internal control systems, poor governance, poor leadership oversight, and poor strategic planning and budgeting. The same trends were also evident in other municipalities such as Moretele and Kgetlengrivier where corruption-related challenges were found to undermine minimisation of the high rates of irregular, fruitless, wasteful, and unauthorised expenditures. Corruption was identified not only as the main cause of the rising rate of irregular, fruitless, wasteful, and unauthorised expenditures, but also the high rate at which most of the municipalities in Bojanala District overspend budgets. The Auditor-General's Report (2017) found that most overspending was not a result of the high investment in relevant capital projects to improve service delivery. Instead, it attributed such high rates of overspending to corruption, which erode resources that could have been invested in the improvement of other service delivery programmes. To deal with this challenge, there is need to emphasise the importance of good governance as well as adherence to relevant financial ethics.

6.3.4.1 Recommendation 4: Emphasise good governance and financial ethics

The adherence to the principles of good governance will improve municipal expenditure management. It will encourage compliance with relevant laws and policies. It will also improve the overall level of transparency and accountability in the way municipal expenditures are managed. This is attributable to the fact that ratio analysis signified that, although in certain cases, the issue of the required skills and competencies may not be the challenge, the internal conditions in some of the local municipalities could be the problem.

In effect, the emphasis of the principles of good governance will enable local municipalities to consistently adhere to the principles of good municipal expenditure management. The view that improved adherence to the principles of good governance will improve municipal expenditure management is also accentuated in the fact that the Auditor-General's Reports of the financial years 2007/2008, 2013/2014, 2014/2015, and 2015/2016—for all the local municipalities in Bojanala District Municipality—indicated that there is a general challenge of disclosure, transparency, and accountability. Effectively, the encouragement of the need for upholding the principles of good governance can be accomplished by improving the clarity of the designated roles and responsibilities, performance expectations, balancing expectations with capabilities, and emphasis of the veracity of reporting. Such initiatives can be accompanied by encouraging the use of results-driven accountability, integration of financial management issues in the decision-making processes, accountability for the undertaken financial decisions, and availability of relevant financial management information as well as the existence of an effective integrated internal control system.

As the principles of good governance are being emphasised, the North West Provincial Treasury must also consider conceptualising and discerning how a new programme can be introduced in order to improve the municipal officials' financial ethics' competencies. The development and improvement of the financial ethics of the municipal officials will significantly improve the effectiveness of expenditure management. It will also enable the municipal officials to consistently use the allocated funds for accomplishing the objectives and goals indicated in the budget plan. This will minimise risks of corruption, which are increasingly causing the rising rate of unauthorised, irregular, fruitless and wasteful expenditures in most of the local municipalities within Bojanala District Municipality.

Such initiatives must be accompanied by ensuring that the quests for the development and improvement of the financial ethics of the municipal officials are, in essence, undertaken by developing and enforcing the use of the appropriate code of financial ethics. Such initiatives must be accompanied by frequent training and monitoring and evaluation in order to enhance compliance. Such a view is attributable to the fact that, amongst other theories, as Whitton (2016:19) argues, the effectiveness of public expenditure management is often influenced by the ethical ethos adopted by the public finance management officials. In such initiatives, it is not only the core skills and competencies of the public finance management officials that influence the effective public expenditure management. That is, entrenched unethical practise tends to cause incidents where funds are diverted from the prescribed budget plan. This affects the extent to which budget implementation is able to influence the achievement of the desired socio-economic outcomes. Yet, as relevant measures for enhancing financial ethics are being put in place, training must also be conducted to improve the working capital management skills and competencies of the accounting officers and financial officials in the local municipalities within Bojanala District Municipality.

6.4 HOW THE STUDY RESPONDED TO THE RESEARCH OBJECTIVES?

This research has, indeed, succeeded in responding to the critical research objectives of the study. It has elicited the required critical information that aids the analysis of whether or not the implementation of the municipal minimum competency programmes is influencing the improvement of the municipal expenditure management. The details of the conclusion are as follows.

6.4.1 Research Objective 1: To measure the extent to which the application of the MRMCL programme has enhanced skills, specifically management of expenditure under finance.

In terms of the first research question, findings indicated that some of the municipalities have made significant strides while others have been unable to realise improvement. As contrasted to the periods before the implementation of the municipal minimum competency programmes, most of the local municipalities in the Bojanala District Municipality are, increasingly, striving to constrain municipal expenditure within the prescribed budget plan. In such initiatives, quests are increasingly being undertaken in order to minimise risks of overspending or underspending.

Even though there are few instances of underspending, as a result of the quests to minimise costs or underspending to respond to the service delivery backlogs, municipalities such as Kgetlengrivier local municipality are increasingly constraining their capital expenditures within the stipulated budget limits. With a high ratio of 39.91% that significantly exceeded the National

Treasury's (2014:1) norm of 10%–20% in the 2007/2008 financial year, ratio analysis indicated that Kgetlengrivier local municipality was able to significantly reduce the ratio of its capital expenditure—that is, from a total expenditure of 39.91% in 2007/2008, to 24.85% in 2013/2014 and, subsequently, to just 16.16% and 18.99% in the 2014/2015 and 2015/2016 financial years, respectively. All these were within the National Treasury's (2014:1) norm of 10%–20%.

Significant decreases in Kgetlengrivier local municipality's ratio of capital expenditure to total expenditure from, mainly, 2013 to 2016 could be attributed to the completion of the conceptualisation and implementation of most of its socio-economic infrastructure projects to address service delivery backlogs. However, it is quite possible that the implementation of the municipal minimum competency programmes could have also influenced the improvement of the accounting and financial officers—that is, enhancing their capabilities—which would make them more adept at devising strategies for limiting their capital expenditures within the prescribed budgets. Evidence of the improvement of capital expenditure management also emerged from the significant strides undertaken by Moses Kotane local municipality. Prior to the introduction of the municipal minimum competency programmes in 2008, Moses Kotane local municipality had the capital expenditure budget implementation indicator of 219%.

However, in the later financial years of 2014/2015 and 2015/2016, Moses Kotane local municipality was able to significantly reduce such higher rates of overspending in its capital projects' budget to 131% and 126%, respectively. Although such ratios were still higher than the National Treasury's (2014:1) norm of 95% to 100%, it still demonstrated the improved Moses Kotane local municipality's capability to apply the appropriate capital expenditure management techniques to deal with the challenge of overspending. Similar trends were also discernible from Rustenburg local municipality's improvement management of its operating expenditure budget implementation. With a ratio of 89%, which certainly indicated underspending in 2007/2008, quests to meet the National Treasury's (2014:1) norm of 95% to 100% were found to have driven Rustenburg local municipality's operating expenditure budget implementation indicator to 99% in the financial year 2013/2014. Although it subsequently increased to 105% in the financial year of 2015/2016, it still signified that the implementation of the municipal minimum competency programmes had influenced the improvement of Rustenburg's budget implementation.

Trends of improved municipal expenditure management were not only easily discernible from the improved capital expenditure budget management, but also in the quests of some of the local municipalities in the Bojanala District Municipality. That is, they undertook aggressive cost minimisation strategies that significantly limited the funds spent on remuneration as well as contracted services-related expenditures. The implications were latent in the fact that, even after the implementation of the municipal minimum competency programmes, local municipalities such as Kgetlengrivier local municipality adopted a service delivery model that capitalised on the utilisation of its internal capabilities instead of the use of consultants, contractors, and subcontractors.

In effect, Kgetlengrivier local municipality maintained 0% of contracted services pertaining to its total operating expenditure from 2007 to 2016. Meanwhile, in Rustenburg local municipality, evidence of the impact of the implementation of the municipal minimum competency on its improved expenditure management was discernible from the stringent approach that it, subsequently, adopted for minimising the costs of personnel and councillors' related remunerations. It exemplified Rustenburg local municipality's continuous demonstration of its commitment—prior to the implementation of municipal minimum competency programmes—to stringently control the costs of personnel and councillors' remuneration. Given the fact that Rustenburg local municipality was struggling with liquidity issues as well as the payment of its creditors within the National Treasury's (2014) prescribed cycle of 30 days, the significant reduction in the costs of personnel and councillors' remuneration could have been deliberately undertaken in order to unlock additional financial resources that could be used for meeting some of its current priority and short-term obligations—that is, as they fall due.

Certainly, all the aforementioned demonstrate the gradual positive effects upon the improvement of municipal expenditure management that are, increasingly, emerging from the implementation of the municipal minimum competency programmes in Bojanala District Municipality. Indeed, such findings imply the study has responded to its first research objective, which was to explore the degree to which the implementation of the municipal minimum competency level programme has improved financial skills—that is, with specific reference to expenditure management. However, despite such positive results, it was also evident that there are some of the local municipalities that are still struggling to leverage the effective management of their expenditure budgets.

6.4.2 Research Objective 2: To assess if local government is in an improved financial position to honour its obligations in the short and long-term.

The second research objective sought to assess if the municipalities are in a better financial position to meet their short-term financial obligations as they become due. This research objective has been met on the basis that, as much as there are some of the municipalities that still struggle with the liquidity crisis, there are also others that have made significant improvements. Said improvements are reflected in Moretele local municipality's current ratio, which, prior to the implementation of the municipal minimum competency programmes in 2008, rose from a poor state to 1.06 and, subsequently, to 1.18 in the 2015/2016 financial year. This implies, to a certain extent, that the implementation of the municipal minimum competency programme influenced the improvement of Moretele local municipality's expenditure management. Evidence of improvement was not only discernible from the analysis of Moretele's current ratio, but also from the assessment of the ratio for its creditors' payment period. After the implementation of the municipal minimum competency programmes, although Moretele's approach to creditors' payment worsened—with the effect that the ratio for creditors' payment period was 113.06 days in 2013/2014—it subsequently improved to 20.15 days in the 2014/2015 financial year.

Such improvement continued upward into the financial year of 2015/2016, with the effect that Moretele's ratio for the creditors' payment period decreased, rather significantly, from 20.15 days in 2014/2015 to just four days. Such a finding suggests the implementation of the municipal minimum competency programmes is influencing the improvement of Moretele local municipality's expenditure management. Evidence of improved financial position was not only discernible from Moretele local municipality, but also from the improved financial position of Moses Kotane local municipality.

Against the National Treasury's (2014:1) prescribed norm of a ratio of 1.5 to 2:1, Moses Kotane local municipality's current ratio was 1.42 in 2007/2008. Prior to the implementation of the municipal minimum competency programmes, this signified it had liquidity challenges to meet its current and short-term financial obligations—that is, as they fell due. However, findings imply that such a situation changed after the implementation of the municipal minimum competency programmes. Further incremental improvement, which was undertaken to unlock Moses Kotane local municipality's overall level of liquidity, seemed to have spurred improvement in its current ratio to a constant level of 1.87 in the 2014/2015 and 2015/2016 financial years, respectively. Considering that there was a current ratio challenge in 2008, it can be argued that the implementation of the municipal minimum competency programmes could have influenced the financial management personnel to adopt better municipal expenditure management practises in order to turnaround Moses Kotane's liquidity crisis. However, as the creditors' payment period decreased—from 66.95 days in 2013/2014 to 23.44 days and 22.04 days in 2014/2015 and 2015/2016—it can be argued that it seems the financial officials at Moses Kotane local municipality were able to conceptualise and apply new liquidity management strategies to ensure the availability of funds to meet all the critical priorities.

In essence, as some of the local municipalities in Bojanala District Municipality are still struggling to develop and maintain the appropriate financial position, it seems others, such as Moses Kotane local municipality, have been able to gain and utilise new capabilities from the introduction of the municipal minimum competency requirements to thrive against all odds. Certainly, that implies this research met its second research objective, which was to assess if the municipalities are in a better financial position to meet their short-term financial obligations as they become due. However, that does not suggest the introduction of the municipal minimum competency requirements has influenced the development of new capabilities for most of the local municipalities in Bojanala District Municipality to identify and mitigate the increasingly rising rate of unauthorised, irregular, fruitless and wasteful expenditures.

6.4.3 Research Objective 3: To assess any exponential rise or decline in "U" unauthorised, "I" irregular, "F" fruitless, and "W" wasteful expenditure.

Certainly, the study has succeeded in responding to the third research objective, which sought to assess if there has been an increase or decrease in unauthorised, irregular, fruitless, and wasteful expenditures. However, of all the ratios, findings indicated rate of unauthorised, irregular, fruitless, and wasteful expenditures to increase rather than decrease. Even after the implementation of the municipal minimum competency programmes, most of the municipalities in the Bojanala District were found to experience increment rather than a decrease in relation to the rate of unauthorised, irregular, fruitless, and wasteful expenditures. Such findings suggest the implementation of the municipal minimum competency programmes has not influenced the improvement of the skills and competencies of the municipal officials in Bojanala District to manage their finances in ways that minimise the rise in the rate of unauthorised, irregular, fruitless, and wasteful expenditures.

As the Auditor-General's Report (2017) indicated, this was largely attributable to corruption, poor governance, and contravention of the procurement regulations. Such evidence of poor expenditure management was easily discernible from Rustenburg local municipality's inabilities to control its unauthorised, irregular, fruitless and wasteful expenditures. Such deficiencies also signify the implementation of the municipal minimum competency programmes has not yet influenced the improvement of Rustenburg local municipality to apply the appropriate expenditure management control measures in order to minimise its unauthorised, irregular, fruitless and wasteful expenditures. As for Moretele, ratio analysis after the implementation of the municipal minimum competency programmes indicated Moretele's ratios of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure have increased quite significantly to 42% in 2015/2016. Such a finding suggests the implementation of the municipal minimum competency programmes is not inducing significant positive impacts on the improvement of Moretele local municipality's expenditure management.

The same trend applies to Kgetlengrivier local municipality, where the ratio of irregular, fruitless, wasteful, and unauthorised expenditures to total operating expenditure increased to 20%. Although it declined to 3% in 2014/2015, it subsequently rose, again, to 42% in the 2015/2016 financial year. This was after the implementation of the municipal minimum competency programmes. As such, it signifies the implementation of the municipal minimum competency programmes has not impacted much on the improvement of the skills and capabilities of the Kgetlengrivier municipal finance management personnel to establish and use relevant internal control mechanisms in order to control the ratio of unauthorised, irregular, fruitless and wasteful expenditures to total operating expenditure. Such evidence was also discernible from Moses Kotane local municipality, where ratio analysis indicated that the ratio of Moses Kotane'sunauthorised, irregular, fruitless and wasteful expenditures to its total operating expenditure increased from 0% in 2007/2008 to 5% in 2013/2014. This could have arisen from the laxity in the internal control measures to proactively identify and minimise unauthorised, irregular, fruitless and wasteful expenditures.

In essence, even after the implementation of the municipal minimum competency programmes, the issue of unauthorised, irregular, fruitless and wasteful expendituresseem to be yet a challenge with which most of the local municipalities in Bojanala District are increasingly struggling. However, despite such challenges, this research has still succeeded in responding to the third research objective, which, again, sought to assess if there has been an increase or decrease in unauthorised, irregular, fruitless, and wasteful expenditures.

6.4.4 Research Objective 4: To recommend to Provincial Treasury North West (or the District) the need to develop a centralised procurement system at district level.

The fourth research objective sought to elicit the strategies that can be recommended to Provincial Treasury North West. This research has succeeded in responding to such an objective. In essence, it is argued in the recommendations—which are drawn and aligned to the findings—that to discern new strategies through which the implementation of the municipal minimum competency requirements in Bojanala District Municipality can be improved, the North West Provincial Treasury must consider conceptualising and applying certain additional measures. Such additional strategies encompass the development of effective internal control systems, development of a centralised Bojanala District Municipality procurement system, and enforcement of the principles of good governance.

Also emphasised, the North West Provincial Treasury must stress the need for upholding financial ethics, training, and developing the municipal officials' working capital management skills and competencies as well as the skills and competencies critical for edifying effective budget development and implementation. On that basis, it is without question that this research has responded to the research objective, which was to determine the strategies that can be recommended to Provincial Treasury North West.

6.5 SUGGESTION FOR FUTURE RESEARCH

Future research can still use the qualitative approach to explore the underlying reasons why some of the local municipalities in Bojanala District Municipality are performing well while others—even after the implementation of the municipal minimum competency programmes—are unable to improve their expenditure management. However, the findings of this study must be reservedly used on the basis that the study was only limited to the Bojanala District Municipality. That implies there could be municipalities that are doing well from which the best practises can be emulated and applied to the other municipalities. In terms of the delimitation of the research, the study is also limited to only three financial years after the introduction of the municipal minimum competency programmes. That suggests later studies may easily elicit findings that differ from the ones offered by this study. The study also focused on only the analysis of the ratios and did not elicit the reasons explaining the poor expenditure management—that is, even after the implementation of the municipal minimum competency programmes. That implies future research must focus on exploring the constraints for the implementation of the municipal minimum competency programmes.

6.6 CHAPTER SUMMARY

Municipal expenditure management is critical for leveraging the overall effective performance of the local government department. In essence, it aids effective discerning of how different socio-economic programmes and projects can be implemented in order to respond to the constantly increasing array of needs and demands of the contemporary South African population. Municipal expenditure management enhances the channelling of the required critical resources to the areas of priorities. This minimises risks pertaining to wastes and leverages the overall optimisation level of financial resources.

Municipal expenditure management is, therefore, pivotal not only in the quests for leveraging the effective performance of the local government department, but also for bolstering the overall socio-economic growth and development of the country. It is on that basis that the implementation of the municipal minimum competency requirements sought to leverage the effective performance of the local municipalities within Bojanala District Municipality. Whereas positive results that leverage the effectiveness of municipal expenditure are gradually beginning to emerge, in some of the local municipalities in Bojanala District Municipality, evidence of such positive results were not easily discernible from their performance.

Tremendous efforts are being undertaken to bolster the accuracy of budget implementation as well as cost minimisation to leverage the overall impressiveness of some of the local municipalities. However, there are incidents regarding the increasingly rising rate of unauthorised, irregular, fruitless and wasteful expenditures in most the local municipalities in Bojanala District Municipality. Higher rates of unauthorised, irregular, fruitless and wasteful expenditures were found to be further exacerbated by poor budget implementation, which causes either overspending or underspending. All of these affect the effectiveness of municipal expenditure management as well as budget implementation. The analysis of the Auditor General's Reports of the financial years 2007/2008, 2013/2014, 2014/2015, and 2015/2016—for all the local municipalities in Bojanala District Municipality—attributed some of the causes of such challenges to deficient internal control systems, inaccuracy of budgeting, poor governance, lack of leadership oversight, poor working capital management, and poor record management. Indeed, these internal conditions have affected the extent to which the implementation of the municipal minimum competency requirements in Bojanala District Municipality is able to impact upon the improvement of the municipal expenditure management.

In order to discern new strategies through which the implementation of the municipal minimum competency requirements in Bojanala District Municipality can be improved, it is argued in the recommendation section that the North West Provincial Treasury must consider conceptualising and applying additional measures that encompass the development of effective internal control systems, development of a centralised Bojanala District Municipality procurement system, and enforcement of the principles pertaining to good governance. It also emphasised that the North West Provincial Treasury must emphasise the need for upholding financial ethics, training, and developing the municipal officials' working capital management skills and competencies as well as the skills and competencies critical for edifying effective budget development and implementation. Future research can opt to focus on exploring the constraints for the implementation of the municipal minimum competency programmes.

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