Year-end Oversight in Local Government: A Case Study of Water and Sanitation Service Delivery at Amathole District Municipality

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Glory and praise to my saviour, Jesus Christ. This is dedicated to Him, and I am grateful for the Grace granted to have been able to complete this research.

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From the bottom of my heart,
Kea leboga.

Soli Deo Gloria

ABSTRACT

Poor service delivery is a challenge that has continued to plague the constitutional democracy of South Africa. Legislation has, in response, been passed to ensure efficient service delivery. Despite this legislation, municipal service delivery has been alarmingly poor, and reports on municipal performance and newspaper articles have corroborated this. On the causes of poor service delivery, the existing literature appears to have focused on financial mismanagement, corruption, and the incapacity of officials. Absent from existing literature are discussions on how municipal service delivery is affected by the lack of interrelatedness between municipal public resource management processes (such as revenue collection, expenditure management and oversight). This dissertation addresses this gap by examining the municipal public resource management processes from an oversight perspective. The study sought to analyse the effectiveness of year-end oversight at Amathole District Municipality (ADM) over water and sanitation services. This research aimed to study the year-end oversight over service delivery with reference to the Municipal Public Resource Management (MPRM) model. According to the model, effective service delivery includes inter alia effective oversight, as oversight forms part of the entire system of the municipal resource management cycle. Thus, for the MPRM model, oversight should be exercised on all these processes. The research was a desktop analysis that used both a qualitative and quantitative research methodology. The primary document analysed was the ADM Oversight Report (OR). This report is produced by the Municipal Public Accounts Committee (MPAC) and reflects the year-end oversight conducted by the MPAC on the municipality's activities. In the analysis of the OR, it was concluded that the ADM MPAC had failed to conduct effective year-end oversight of W&S services. The efficacy of the ADM MPAC's year-end oversight was measured against guidelines for effective year-end oversight from the National Treasury and the MPRM model. The findings suggested that there were inefficiencies in the manner that the ADM MPAC exercised its year-end oversight.

ACRONYMS & ABBREVIATIONS

AC	Audit Committee
ADM	Amathole District Municipality
AFS	Annual Financial Statements
AG	Auditor-General
AR	Annual Report
COGTA	Cooperative Governance and Traditional Affairs
EC COGTA	Eastern Cape Cooperative Governance and Traditional Affairs
EMPAC	Essentials of Municipal Public Accounts Committee (MPAC)
IDP	Integrated Development Plan
GiZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GDU	Governance and Development Unit
KPI	Key Performance Indicator.
MFMA	Municipal Financial Management Act
MM	Municipal Manager

MPAC	Municipal Public Accounts Committee
MPRM	Municipal Public Resource Management
OR	Oversight Report
RSA	Republic of South Africa
RU	Rhodes University
RMM	Raymond Mhlaba Local Municipality
RUESC	Rhodes University Ethics Standard Committee
SALGA	South Africa Local Government Association
SDBIP	Service Delivery Budget and Implementation Plan
W&S	Water and sanitation.
WSA	Water Service Authority
WSP	Water Service Provider

KEYWORDS: LOCAL GOVERNMENT; SERVICE DELIVERY; YEAR-END OVERSIGHT; OVERSIGHT REPORTS; WATER AND SANITATION.

INTRODUCTION

Despite the continual need for public services, many countries have struggled to provide public services (Andrews and Shah, 2005: ix). The struggle to provide services in South Africa has a historical context. According to a report by the Department of Water Affairs and Forestry Report (2002: 2 as cited in Matha, 2017: 1), before 1994, service delivery in South Africa was guided by systematic discrimination, with poor or no services provided to the former "black" urban and rural areas. This contributed to service delivery backlogs. It was against these backlogs that the post-1994 South African government sought, amongst other changes, to redress the service delivery backlogs from the apartheid era (pre-1994) (Chilenga-Butao, 2020) through legislative provisions (Mogale, 2003: 216).

Section 152 of the Constitution of the Republic of South Africa (1996) states that the two key objectives of the local government are (1) to provide sustainable services to communities and (2) to provide a democratic and accountable government for local communities. In addition, local governments are required to provide these (sustainable) services in a manner that is accountable and indicates that these services are prioritised (MSA, 2000: section 73(1)(a)). However, given the poor delivery of municipal services, there appears to be a disconnection between these legislative provisions and the practical provision of W&S services.

This research sought to highlight the need for effective oversight in the provision of public services. Before proceeding, I would like to acknowledge the Essentials of Municipal Public Accounts Committee (EMPAC) programme that was run by the GDU (RU) in collaboration with GIZ and EC COGTA. The programme sought to empower MPACs in the Eastern Cape with skills to conduct oversight duties in a more systematic way.[1] I enrolled in the EMPAC programme, and this was part of my employment as a GDU MPAC researcher (stationed at ADM). I must highlight my involvement in the programme and my employment because this research draws on information obtained from the EMPAC programme and some of the findings made during the term of employment.

The research investigated the problem of service delivery and the importance of (year-end) oversight. In this regard, the core research inquiry concerned the efficacy of the ADM MPAC's exercise of year-end oversight of W&S services at the end of the 2018/19 financial year. The primary goal was to study the efficacy of year-end oversight at ADM and test the MPRM model's explanatory ability (on year-end oversight). Using ADM as a case study, this research aimed to present the problem of service delivery and the importance of effective (year-end) oversight in relation to improving service delivery. A critical realist research paradigm was adopted, and the Municipal Public Resource Management (MPRM) model was used as the theoretical framework.

[1] According to the Municipal Structures Act (1998), MPACs are oversight committees in municipalities whose key task is to exercise oversight over the affairs of the municipality.

At the core of this research is the proposition that, in line with the MPRM model, oversight is not a standalone process. It is a process that is part and parcel of the processes required for effective service delivery. This is expanded on later in the dissertation.

Justifying the focus on W&S

First, the focus on 'water on sanitation' rests on the legislative provisions that highlight the necessity of these services. Section 27(1)(b) of the Constitution (1996) notes that everyone has the right to have access to sufficient water, while section 24(a) notes that everyone has the right to an environment that is not harmful to their health or well-being, which may refer to clean sanitation. Lastly, in section three of the Water Services Act (1997), citizens have a right to access basic water and sanitation. The second reason pertains to the interrelatedness and importance of W&S services from the perspectives of health, the economy, and environmental affairs, as highlighted by Makhari (2016: v). Despite the importance of water and sanitation services, there remain challenging experiences in providing these services. It should be noted that it is not within the scope of this research to give an extensive account of the W&S challenges experienced in municipalities; the primary focus is oversight. Chapter two does, however, note some of the challenges faced in providing W&S.

Focusing on ADM

Given that the focus of this research was W&S services, it must be noted that, according to section 7 of the South African Local Government Transition Act (1993), the provisions of these services fall within the mandate of local government. This research was focused on Amathole District Municipality (ADM), which is situated in the Eastern Cape (East London) (2021/22 ADM IDP, 2021: 53). ADM is a district municipality that comprises six local municipalities, namely: Mbhashe, Mnquma, Great Kei, Amahlathi, Ngqushwa and Raymond Mhlaba (2021/22 ADM IDP, 2021: 53). When compared to other regions, ADM accounts for a total population of 885,000, which is 12.1% of the total population in the Eastern Cape Province (2021/22 ADM IDP, 2021: 54).

The income levels of the population in Amathole indicate that the community members are struggling financially, thus suggesting members of Amathole Municipality may be highly reliant on the ADM providing water and sanitation services. The 2021 IDP reported that, amongst other findings, about 20% of all the households in ADM were living on R30 000 or less per annum; close to 36 100 households were in the R30 000 - R42 000 income category and 34 200 households were in the R18 000- R 30 000 income category (2021/22 ADM IDP, 2021: 71). In 2019, the percentage of people living in poverty was 76.38% at ADM, using the upper poverty line definition[2] (2021/22 ADM IDP, 2021: 72). Again, this goes to show the reliance of the communities on municipal services.

[2] "The upper poverty line is defined by Stats SA as the level of consumption at which individuals are able to purchase both sufficient food and non-food items without sacrificing one for the other" (2021/22 ADM IDP, 2021: 72a).

Regarding demographic information related to water and sanitation services, 23% of the total households in ADM had flush toilets, 44% of total households had Ventilation Improved Pits, and 21.61% of total households had pit toilets (2021/22 ADM IDP, 2021: 79). The number of households without any hygienic toilets in ADM was 81 100 in 2018 (2021/22 ADM IDP, 2021: 79). Lastly, the ADM IDP (2021: 80) reported that about 70% of the households within the ADM region had no piped water.

A focus on the MPAC

Another focus of this research is on MPACs because of their role in exercising oversight at the local government level. Municipalities have an obligation to provide sustainable basic services for the needs of citizens in an accountable manner. Oversight is then used to ensure accountability in service provision. As Andrews and Shah (2005: 79) state, for local governments to be held accountable, there must be channels for ensuring accountability. These channels have, in SA, been established through oversight bodies. In South African municipalities, MPAC is the key oversight body. It holds municipal executives and administrators accountable (Municipal Structures Act, 1998). The primary purpose of the MPAC is to exercise oversight on the executive functionaries of the council and ensure good governance in the municipality (SALGA, 2012: 8; MPAC Guide and Toolkit: 2012: 4).

The MPRM model

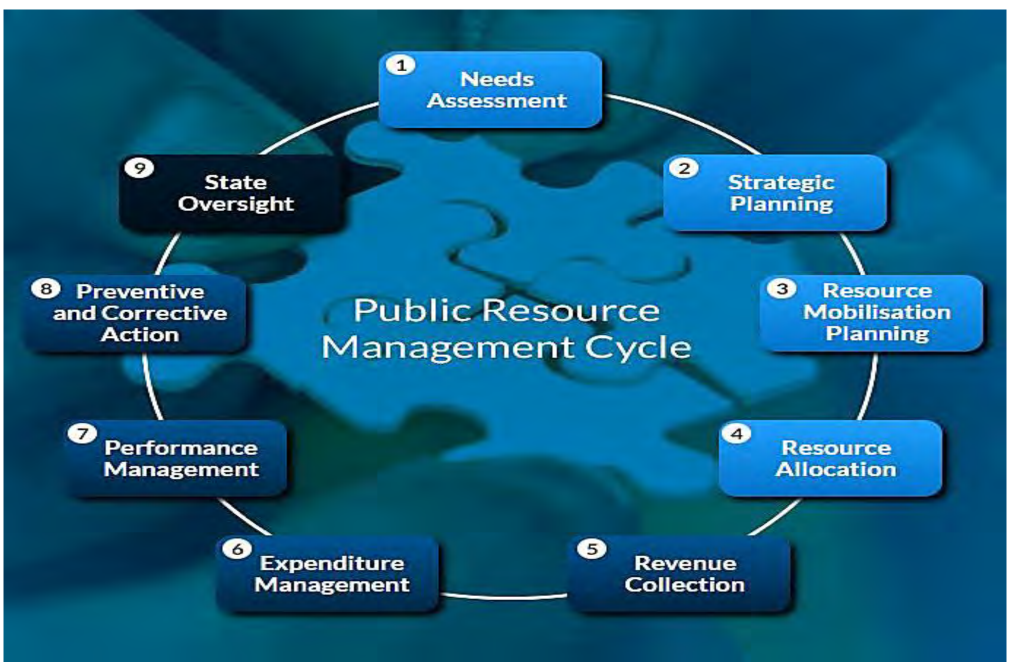
The theoretical framework that was used in this research was the MRPM model. Developed by Colm Allan (2018), the model is a theoretical tool that seeks to help government agencies improve service delivery. Although the model is unpublished, Allan has piloted the application of the model in MPACs across some municipalities in the Eastern Cape. These include, *inter alia,* Chris Hani District Municipality and Amathole District Municipality. According to Allan (2018), the MPRM model seeks to 'ensure the state's progressive realisation of people's needs within available resources.' Allan (2018) proposes that the model is a normative model, which proposes that, for government agencies to meet the needs of residents, they need to meet conditions to convert available public resources into the required goods and services. These conditions are encapsulated in nine public resource management processes set out for effective service delivery. The processes are: (1) Needs assessment, (2) Strategic planning, (3) Resource mobilisation planning, (4) Resource allocation, (5) Revenue collection, (6) Expenditure management, (7) Performance management, (8) Preventive and corrective action and lastly (9) State oversight (Allan, 2018). The processes are interrelated, but for this research, as stated, the focus was on state oversight. State oversight looks at all processes of the MPRM from an oversight perspective. As such, this research focused on all the MPRM processes but from an oversight perspective. Chapter two explains how the model works and how it was applied in this research.

The MPRM's processes are similar to the concept of strategic management, and there is a link that can be drawn between each process and relevant legislative provisions (Allan, 2019). Some legislative provisions supporting these processes are the Constitution (1996), the Local Government Municipal

Structures Act 117 of 1998, the Local Government Municipal Systems Act 32 of 2000, and the Local Government Municipal Finance Management Act 56 of 2003. An example of the interrelatedness between the processes and legislative provisions is the National Treasury's Municipal Financial Management Act (MFMA) Circular 32 (2006), which guides municipalities on exercising oversight. The circular provides that there is 'an explicit link between the strategic goals set by the council (through the IDP), the budget for these goals (reported in the financial statements), and the delivery of those goals (reported in the Annual Report)' (National Treasury, 2006: 1).

According to Allen (2019), the concepts used in the MPRM model, such as expenditure management or strategic planning, are not new but are often discussed as individual causes for poor service delivery. Researchers such as Koma (2010), Mishra (2019) and Davids *et al*. (2020) have studied these processes before but as individual processes. In contrast, the MPRM model presents these individual concepts as part of a cycle, highlighting the interdependent relationship between each process. In applying the model, the model proposes that all nine processes must be implemented for municipal public resources to be converted into municipal services for the needs of municipal residents to be met. A diagram of the model can be seen below.

Source: Allan (2019)



(Diagram 1)

Thesis Chapter Outline

This thesis is divided into six chapters. Chapter one discusses the research design. That is the philosophical paradigm, goals, and approaches to data collection and analysis used in this research. Chapter One also discusses the sampling method, ethical considerations, and the research's validity and reliability issues. Chapter two looks into a review of the literature on service delivery, oversight and the MPRM model as the theoretical framework of this research.

Chapter three presents the data collected from the ADM MPAC's Oversight report for the 2018/19 financial year. Chapter four provides a discussion of the data collected. Here, the research aims are restated, and the research questions are answered in relation to the data collected. To answer the research questions, the findings are compared to the MFMA Circular No. 32, which is meant to be the MPAC's guiding document for year-end oversight. Lastly, the MPRM model is used to provide an analysis of the municipality's performance in respect of W&S services. The intention here is to show how the model can better analyse the municipality's performance on W&S service provision.

Chapters five and six are the concluding chapters, providing the last remarks and the conclusion of the research. Chapter five looks into the implications of philosophical/theoretical framework and literature on the findings and discusses the MPRM model as a mid-range theory. Chapter six clarifies how the research aims were addressed, the contribution of this research to the field of service delivery in local government, the study's limitations and the recommendations for future research.

CHAPTER ONE:
RESEARCH DESIGN AND METHODOLOGY

This research design chapter will outline the research goals and how these goals will be attained. The chapter will discuss: (1) the focus and the aim of the research; (2) an outline of the research questions and objectives; (3) the broad philosophical paradigm that influenced the overall approach of this research; (4) the data collected and the method for collecting that data; (5) the sampling strategy and the sample of the research; and (6) lastly, the ethical considerations, issues of validity, reliability and the limitations of the study.

According to Creswell & Creswell (2018: 309), a research design includes formal procedures for data collection, interpretation, and analysis. A discussion on the research design accounts for how the data was collected, interpreted and analysed.

1.1. Philosophical paradigm: Critical Realism

This research adopted critical realism (CR) as the philosophical paradigm. CR is founded on Roy Bhaskar's realist philosophy and "assumes that reality is composed of entities that exist independently of our perceptions" (Wynn Jr & Williams, 2020: 51). For CR, the theories we develop about social reality are dependent on the fallible beliefs and knowledge we possess (Wynn Jr & Williams, 2020: 51). Since the theories we have about reality are fallible, they are subject to correction and revision, and this subsequently "necessitates multiple measurements and triangulation" (Wynn Jr & Williams, 2020: 51). For this research, this meant using multiple methods and sources of data to understand the social phenomenon of ineffective year-end oversight. One of the ways this was achieved was by using qualitative and quantitative means of data collection.

As a philosophical paradigm, CR goes beyond simply suggesting using multiple sources and data. It offers a distinct approach to reality and how we can understand it. An example that may demonstrate how CR is able to offer a fuller explanatory account in research is a study by Buchana *et al*. (2018). Using CR, Buchana *et al.* were able to explain the influence of information and communication technologies (ICT) on organisational performance in the healthcare sector. Their research noted that, although ICT was introduced in the healthcare sector to improve the delivery of healthcare services, studies could not explain what exactly enabled ICT to improve emergency medical services; so, in response, Buchana *et al*. used CR to explain the (micro-level) norms and practices that were responsible for improved healthcare services.

1.1.1. Knowledge creation in Critical realism

CR acknowledges the importance of the subjective knowledge of social actors in a given situation and the existence of (objective) independent structures which can constrain and enable these social actors to pursue certain actions in a particular setting (Wynn Jr & Williams, 2012: 787-788). By acknowledging the subjective knowledge of social actors and the existence of independent structures, the CR paradigm positions this research to provide more detailed causal explanations of phenomena or events by giving an account that refers to both the actors' interpretations and the structures and mechanisms that interact to produce the outcomes in question (Wynn Jr & Williams, 2012: 787-788).

‘Mechanisms’ here refers to the ways of acting (Bhaskar 1975: 14 as cited in Wynn Jr & Williams, 2020: 52); so, by mechanisms, refer is made to the ways the ADM MPAC acts in exercising year-end oversight. These mechanisms can also be causal powers (Wynn Jr & Williams, 2020: 51), that is, the "dispositions, capacities, and potentials of the ADM MPAC to exercise year-end oversight. The mechanisms have the capability to enable or limit what can happen within the (social) structures (Wynn Jr & Williams, 2020: 52). This means the mechanisms (i.e., the capacities of the ADM MPAC) can enable or limit effective oversight in the municipal council.

The ontological assumption made by CR is that reality is stratified and is separated into three domains, namely: the real, actual and the empirical (Bhaskar, 1989 as cited in Allan, 2021: 1). The domain of the ‘real’ consists of the unobservable generative mechanisms. These (generative mechanisms) are the social and physical structures and can include ‘organisations, norms, culture, oversight platforms, networks, projects, and as well as the overall environment in which these structures exist’ (Wynn Jr & Williams, 2020: 52). The domain of the actual are the events that occur as a result of the “enactment and interaction of the mechanisms from the real domain” (Wynn Jr & Williams, 2020: 52); this domain consists of the events that happen in society (Elder-Vass, 2010: 44). Lastly, the domain of the empirical involves the events occurring in the actual domain that can be observed or experienced (Elder-Vass, 2010: 44). In this stratified view of reality, the structures and activities making up the objective reality have the tendency or capability to generate specific events as outcomes, when enacted; and what we are able to experience is only a subset of the real and actual domains (Wynn Jr & Williams, 2020: 52).

The epistemological goal of CR is to explain social phenomena by ‘identifying the existence of the set of independent structures, the mechanisms emerging from these structures and the outcomes or events observed’ (Wynn Jr & Williams, 2020: 51-52) Simply put, research that adopts CR seeks to explain how and why the social phenomenon being studied occurred. Acknowledging the structures and mechanisms underlying the observed social phenomena allows the research to explain those phenomena better (Wynn Jr & Williams, 2020: 52).

As noted above, CR acknowledges the existence of independent structures (municipal council in this case). These structures ‘constrain and enable actors to pursue certain actions in particular settings’ (Wynn Jr & Williams, 2012: 787-788). This research was concerned with the oversight actions and activities of the ADM MPAC in exercising oversight. In an attempt to conduct a proper study on these activities, this research acknowledges that the activities operate within municipal structures, and these municipal structures enable or constrain the exercise of oversight at ADM. The point here is that the causal mechanisms, i.e., ‘dispositions, capacities, and potentials’ of the MPAC councillors, are generated within the municipal structures. So, when the mechanisms are enacted, they interact with the municipal structures to produce observable effects of (in)effective oversight (Wynn Jr & Williams, 2020: 51).

Importantly, from a CR point of view, the potential of the ADM MPAC to exercise effective year-end oversight exists even outside the structures of the municipal council. Yet, the dispositions, capacities and potentials of the ADM MPAC arise from the nature of the municipal council as an entity (or structure) (Wynn Jr & Williams, 2020: 52). With this said, to exercise year-end oversight at ADM, ADM MPAC would have to exercise their year-oversight in the entity, and there would need to be the right circumstances for this exercise of the year-end oversight. The line of thinking here is that, for CR, entities typically possess powers, which may or may not be enacted in a given context to generate the events that manifest as empirical experiences (Wynn Jr & Williams, 2012: 791). So, in this sense, the study has also sought to acknowledge the municipal council structure and context within which the ADM MPAC operates.

In acknowledging the context, this research presupposes that the events manifesting as empirical experiences are not universal. Thus, the mechanisms (capacities of the ADM MPACs) are enabled or constrained by the contexts in which they occur (Allan, 2021: 2). So, to explain how context constraints or enables the capacities to exercise effective oversight, the research acknowledged the context of oversight at ADM. This required a combination of the research findings and the context of oversight from a national perspective, as explored in the literature review.

Noting CR's importance in probing for underlying explanations to understand reality (Sobh & Perry, 2006: 1201), this research sought to study the underlying causal mechanisms of the observable pattern of ineffective year-end oversight at ADM. These causal mechanisms (dispositions or capacities) are the cause of a given social phenomenon (or action) (Wynn Jr & Williams, 2012: 791); in this case, the social phenomenon was effective/ineffective year-end oversight.

In the pursuit to identify the underlying causal powers of effective/ineffective year-end oversight at ADM, this research holds that the year-end oversight by the MPAC at ADM constitutes an observable pattern of behaviour. Consistent with the CR approach, a distinction is made between the practice of oversight by MPACs (as an observable pattern) and their capacities (as the underlying generative mechanisms) (Pawson and Tilley, 1997: 216). In this sense, it is proposed that the MPAC’s capacities are responsible for the observable patterns of the effective/ineffective year-end oversight at ADM. This requires a demonstration of how the ADM MPAC generates their year-end oversight. This was done by looking at the ADM MPAC’s year-end analysis of the ADM executive’s performance in providing water and sanitation services.

The MPRM model was used to demonstrate how the capacities (or generative mechanisms) are responsible for generating the pattern of ineffective year-end oversight at ADM. As should be clear, the MPRM asserts that for effective service delivery, local government (or government institutions) need to systematically go through nine public resource management processes that are separate but interdependent. These processes are required if government agencies successfully convert available resources into goods and services that meet citizens’ needs (Allan, 2021: 3). According to the MPRM, each process represents an observable regular pattern and is generated by an underlying causal mechanism relevant to it (Allan, 2021: 4). Based on the MPRM model, to explain the (in)effective year-end oversight at ADM, we must have a systematic approach that the ADM MPAC adopts when they exercise year-end oversight. The systematic approach is effective if it acknowledges the nine processes that the ADM suggests. So, essentially, the MPRM model was used to explain how the capacities (or generative mechanisms) are responsible for generating the pattern of ineffective year-end oversight at ADM. The explanation is that oversight is effective if it is exercised systematically.

The usage of the MPRM model was partially motivated by the idea that one of the practical starting points for CR research is that we cannot know reality in its entirety. So, when studying social phenomena, we use observation or prior theories to try and find logical reasons to explain and justify the existence of these social phenomena. The MPRM model (also founded on CR) is the theory used for this research. With reference to the theory, this research posits that the observed ineffective year-end oversight is due to the absence of a systematic approach to public service delivery or lack thereof.

For the MPRM, a systematic approach to service delivery includes service delivery planned targets, the implementation of those targets and oversight over the planning and implementation of the targets. Although the focus was on oversight, for the MPRM, oversight is not a stand-alone process. Rather, it is part of the system of processes required to provide services (such as revenue collection and expenditure management). For the MPRM, viewing these processes as separate and not interdependent presents us with a case of ineffective oversight. That is to say, oversight should be exercised on all the processes that are used for the realisation of public service provision. This, however, is not to suggest that the approach here could completely eradicate the issues of oversight or public service delivery in its entirety. This approach allows us to have a systematic approach to service delivery (and oversight).

Overall, the point the research makes is that consistent with CR, the unobservable mechanisms, that is, the choices and capacities of MPACs, motivate the MPACs to act or behave in particular ways when conducting year-end oversight. This results in an observable pattern of either effective or ineffective year-end oversight. So, in line with the MPRM, the capacities of the ADM MPAC translate to an observable pattern, where councillors who are not, for instance, able to identify revenue and spending targets for services are consequently unable to assess the revenue or spending on those targets. In other words, as the MPRM holds, the implementation of service delivery is reliant on the planned targets for the delivery of those services. For effective oversight and proper monitoring of the planned targets and their implementation, there needs to be oversight for both planned targets and how they were implemented. In the case of MPAC councillors, their inability to identify service delivery targets results in their inability to track the implementation of the service targets and ultimately results in the councillors' inability to exercise effective oversight over planned targets and the implementation of the targets planned.

It should be noted that for CR, researchers are encouraged not to view their explanations as being (absolutely) correct or without error. Rather, CR suggests that researchers should be open to the idea that there may be other possible explanations that could have generated the observed outcomes (Wynn Jr & Williams, 2020: 52). So, the approach of this research was to study the year-end oversight at ADM whilst acknowledging that these explanations may be fallible. That there are other possible explanations for the observed year-end oversight does not, however, diminish the value and necessity of this research's findings and discussions.

1.2. Research goal(s)

Buchana *et al*. (2018: 2) state that "the starting point for the critical realist researcher is to observe a given situation and hypothesise why the observed events occur". By adopting the MPRM model, the hypothesis was that effective oversight by MPACs can be improved if MPACs use a systematic model for how public resource management should work at a municipal level.[3] This systematic model could be used as a guide for exercising oversight and should add to the existing means for exercising year-end oversight. All in all, the goal of the research was to determine, using the MPRM model, whether the ADM MPAC's exercise of oversight over water and sanitation services at the end of the 2018/19 financial year was effective/ineffective.

Additionally, this research also sought to explore the problem of service delivery in relation to the need for accountability in service delivery. Oversight ensures accountability, as such oversight is thus important to ensure that planned municipal services are provided.

1.2.1. The primary research question:

How effectively did the ADM MPAC exercise year-end oversight over water and sanitation services at the end of the 2018/19 financial year, and why was the year-end oversight effective or ineffective?

1.2.1.1. Subsidiary research questions:

a. Did the ADM MPAC review the financial and non-financial performance of W&S service delivery in ADM at the end of the 2018/19 financial year?
b. Did the ADM MPAC produce an evidence-based Oversight Report, and were the findings from its review of the ADM annual report guided by the MFMA circular no. 32?
c. Is the year-end oversight of ADM effective in so far as the MPRM model is concerned?

1.2.2. Research objectives

1. To study the efficacy of year-end oversight over W&S at ADM during the 2018/19 financial year, and

2. To test the explanatory ability of the MPRM model in the exercise of oversight. Here, the objective is also to explain how effective oversight can positively contribute to service delivery.

For this research, the explanatory ability of the MPRM lies in the model's proposition that for the effective exercise of oversight over service delivery in local government, MPAC councillors need to start by familiarising themselves with the municipality's targets for services needed in communities (MPRM model, 2018). These targets include *inter alia* the revenue and spending targets, which are

[3] The systematic model is the Municipal Public Resource Management model (discussed in the literature review).

informed by the needs of the communities as recorded in the municipality's IDP. For the MPRM, MPAC needs to be able to track the municipal executive's performance in relation to the targets. This can be done by tracking the municipality's service delivery performance in, for instance, revenue collection and expenditure management. By being able to track the municipality's performance, MPAC would effectively and subsequently exercise oversight over the municipal executive's performance in respect of service delivery.

Essentially, the MPRM model (2018) asserts that MPAC councillors need to be able to identify the targets set for service delivery and assess whether the targets are consistent with the community's needs. Then, MPAC needs to compare the targets set against the municipality's performance, that is, whether the municipality could provide the required services. This will then be followed by a report detailing MPAC's findings and recommendations.

1.2.3. Methodology

The research adopted a mixed-methods approach. This approach puts equal weight on qualitative and quantitative methods (Creswell & Creswell, 2018: 328). In particular, the research adopted a convergent mixed method approach, which converges quantitative and qualitative data to provide a comprehensive analysis of the research problem (Creswell & Creswell, 2018: 52).

Using this approach was important because the data collected in this research was from documents. The primary documents used for the research included the ADM's Annual Report, oversight report and the Annual Financial Statements. The former were predominantly qualitative documents, while the latter were quantitative.

1.2.4. Strategy

The research used a retroductive strategy. Consistent with CR, the strategy begins by identifying an observed regularity or phenomenon (Blaikie, 2000: 25), which in this case was a lack of systematic exercise of oversight. Having identified this regularity, the research sought to use the underlying mechanism responsible for producing the observed regularity (Blaikie, 2000: 25). This underlying mechanism is the manner in which the ADM MPAC exercised oversight. The manner can be established from the content of the year-end oversight report produced by the ADM MPAC. The analysis of the report's content can be used to determine whether there was a systematic exercise of oversight. In simple terms, a systematic exercise of oversight would include the ADM MPAC to report on: (1) the community needs, (2) the municipality's planned targets in response to the community's needs and (3) the performance of the municipality in relation to the planned targets.

So, using the retroductive strategy, the observation was the lack of systematic oversight. This observed phenomenon, it is argued, is caused by an underlying mechanism, i.e., a lack of systematic exercise of oversight. It is this underlying mechanism which, in turn, produces the observed phenomenon of ineffective oversight. A lack of systematic exercise results in ineffective oversight.

1.2.5. Case Study

The research was a case study. A case study is an ‘empirical investigation of a phenomenon (Smith, 1978 as cited in Mabry, 2008: 214). In social science, a case study focuses on an instance of greater societal complexity (Mabry, 2008: 214). In the case of this research, the complexity to be addressed is oversight over public service delivery in local government. This research essentially intended to analyse the state of year-end oversight at ADM. The idea is to suggest that oversight can be used to address the service delivery challenges in local government. The case study approach was relevant to the research as it narrowed the focus of the research to oversight of water and sanitation services at ADM.

This case study approach is also in line with the CR approach. It helps answer the how and why questions (Kohlbacher, 2006: 4; Buchana, 2018: 74). This means, similar to the CR approach, this research sought to provide explanations instead of mere descriptions. Thus, this made a case study approach appropriate for this research, considering that the primary research question was about understanding the year-end oversight conducted at ADM, how it was conducted and why the year-end oversight was effective or ineffective.

As an added advantage of adopting a case study approach, this approach is considered appropriate for developing theoretical explanations (Buchana, 2018: 74). This fed onto the research’s intention to provide a theoretical explanation of the year-end oversight at ADM.

1.2.6. Effective oversight

The research focused on MPAC and sought to analyse how effectively the ADM MPAC exercised oversight at the end of the 2018/19 financial year. This required a clear approach to how effective year-end oversight was analysed in this research. The proposed approach is two-fold and requires answers to the following questions:

- First, was the year-end oversight undertaken in line with legislative provisions (i.e., circular no.32 of the MFMA)?
- Secondly, in line with the MPRM model, did the year-end oversight report on community needs and the municipality's response to those community needs (i.e., the targets and performance)?

Essentially, in the first question, the idea was to determine if the ADM MPAC conducted effective year-end oversight by looking to determine whether they used the MFMA circular no. 32 to inform the findings, conclusions and recommendations in their year-end oversight report. In the second question, the intention was to use the MPRM model to analyse the efficacy of the ADM MPAC’s year-end oversight report. The model is discussed in chapter two, but essentially, it proposes that there are nine separate but interdependent processes that municipalities must follow to provide services effectively. This means, from an oversight perspective, MPAC would need to reflect on each of these processes and report on the municipality's performance with reference to those processes.

According to the MPRM model, to exercise effective oversight over water and sanitation services, MPAC would need to first report on: (a) the water and sanitation needs of the community, (b) the activities the municipality planned to adopt to provide for these needs, and (c) the coherency of the revenue and expenditure planning for the identified water and sanitation services. Second, MPAC would look into reviewing the implementation of the programmes/activities and the revenue and expenditure targets that the municipality planned to implement. These first two points basically involve the ADM MPAC reviewing the planning and implementation of ADM executive targets for the financial year. Lastly, in addition to reviewing the planning and implementation of ADM's targets, the ADM MPAC would need to exercise year-end oversight with reference to the MFMA's circular no.32 and the internal and external audit findings of the municipality's performance.

These criteria are in line with the scope of work of MPAC outlined in the MPAC Guide and Toolkit (SALGA, NA: 7). The MPAC guide notes that among other objectives, MPACs should: (a) ensure that financial information provided is accurate and conforms to standards for reporting; (b) probe and clarify any deviations in form or the information contained in the financial statements, especially when the deviation may pose to be a potential risk to the municipality and (c) make appropriate and timely recommendations to the council of the municipality (SALGA, NA: 7). For purposes of this research, this includes MPAC addressing issues in the Annual report when producing the Oversight report.

1.2.7. Data collection and analysis.

1.2.7.1. Data Collection

For the data collection, a document analysis approach was used. The primary document used was the ADM 2018/19 Oversight Report. The Oversight Report is a report by the municipal council and is produced by the MPAC (oversight committee established by the council). The report follows a review of the annual report by the council itself (National Treasury, 2006: 4). Among other things, the oversight report is meant to be a year-end report that allows MPAC to practice oversight on the performance of the municipal executive and administration in the relevant financial year (National Treasury, 2006: 3). The oversight report looks at the financial and non-financial performance of the municipality, in relation to the municipality's mandate to provide services to the community.

The Oversight Report is informed by Circular No. 32 from the Municipal Finance Management Act (MFMA) (2003). The circular is a practical guide for councillors. It deals with financial governance and maintaining oversight within the broader governance context. It focuses on the oversight process that councils must follow when considering the Annual Report. Moreover, it involves considerations for councillors on how to deal with the Oversight Report by encouraging continuous improvement and promoting accountability to stakeholders (National Treasury, 2006: 4).

In basic terms, Circular no.32 guides MPAC in completing the Oversight Report. The Oversight Report is a report by the MPAC and is crucial for year-end oversight. To produce this document, MPAC uses the municipality's Annual Report and analyses it using the guidelines from the MFMA circular no.32. The former (Annual Report) is a report that primarily reports on the municipality's performance for the relevant financial year. The latter (MFMA circular no.32) is a guideline that notes the content MPAC should focus on when producing the Oversight Report. So, in the Oversight Report, MPAC exercises oversight over the municipality's Annual Report.

According to the circular, the Oversight Report must address the following themes: (a) financial matters, (b) allocations received and made to the municipality, (c) disclosures in notes to Annual Financial Statements, (d) the municipal performance using the annual performance reports of the municipality and general information (such as the service delivery performance of the municipality on the key services that the municipality provides). These themes could easily be used to inform the content of the Oversight Report. At the very least, the oversight report's content should indicate that the MPAC engaged with the issues in the respective categories mentioned earlier.

1.2.7.2. Data Analysis

Before analysing the data collected, the data was first presented and discussed. This was then followed by an analysis of the ADM MPAC Oversight Report using the findings informed by the MFMA Circular no.32. It should be clear that Circular no.32 was used to analyse ADM MPAC's Oversight report. Furthermore, the MPRM model was then used to analyse year-end oversight at ADM. The intention was to determine whether an in-depth analysis was provided in the ADM MPAC's year-end oversight.

The key documents that were used here include ADM's 2018/19: IDP, SDBIP, Annual Financial Statements, Annual and oversight report. All the documents were accessed from the websites of ADM and the National Treasury.

1.2.8. Sampling

The research used a purposive sampling method to identify the documents required. In purposive sampling, the researcher chooses a generally small sample that will be the most useful for the research (Buchana, 2018: 85). The sample for this research was the Oversight Report and the ADM, IDP, SDBIP and financial documents.

1.2.9. Ethical considerations

This research received ethical clearance from the Rhodes University Human Research Ethics Committee. The ethics clearance certificate has been attached in Annexure B (Figure 25).

At the time of conducting the research, there were no potential dangers to any persons. As it stands, the research stands to benefit ADM by exploring the issue of oversight over water and sanitation services and recommending ways in which oversight can be improved at ADM. Improving oversight could, as this research sought to suggest, have subsequent improvements on service delivery.

The information used for the completion of this research was accessed through government information portals (such as the website of the municipality and the National Treasury). The information is not confidential as it is on publicly accessible websites. In this sense, there was no need for any consent from the municipality to access the documents used in this research.

1.2.10. Validity of the research:

According to Biggam (2018: 251), validity in research relates to the appropriateness and relevance of the research strategies and data collection techniques. So, this section seeks to justify the usage of the retroductive strategy, a case study method and document analysis.

Using a retroductive strategy was relevant for this research because, as explained above, the strategy is consistent with CR. A document analysis was appropriate for this research because the focus is on year-end oversight. In the municipal context, year-end oversight involves the MPAC producing an Oversight Report at the end of the financial year. This means the research had to primarily focus on using a document analysis approach. In addition, it was impossible to communicate with the relevant MPAC officials, so it was not possible to secure any interviews. This made a document analysis the most appropriate approach.

Moving on to the appropriateness of the case study approach. It was noted above that case studies focus on instances of greater societal complexities. So, the case study approach was appropriate for studying the societal complexity of the efficacy of year-end oversight at ADM. Moreover, case studies are commonly chosen for their ability to help theories provide explanations or be informative (Mabry, 2008: 214). For this research, the case study approach aided in providing an analysis of the year-end oversight at ADM. Each individual process of the MPRM was assessed, and the processes were connected to the relevant empirical findings. The empirical findings were sourced from the documents found in the data collected. Linking the MPRM processes to the empirical findings allowed me to use the MPRM model to explain why the ADM MPAC's year-end oversight was, according to the MPRM model, ineffective.

1.2.11. Issues of reliability:

The reliability of research is another important variable to consider when undertaking research (Biggam, 2018: 251). Research that is reliable has evidence that it was indeed conducted (as in there should be a record of interviews conducted or documents sourced). Moreover, reliable research should be fair and objective as far as possible (Biggam, 2018: 251).

This research is reliable because it relied on valid strategies and techniques appropriate to address the research objectives. There were research workshops/seminars attended for the different chapters and sections of the research, which ensured that the research is reliable. To provide evidence that the research was indeed conducted, all the documents that were used in this research have been attached in Annexure A. These documents can serve as records of evidence for the research.

The research was fair and objective because the documents obtained were obtained from the municipal website and the national treasury website. Moreover, the research was reviewed by my then supervisor who was the Director of the Governance and Development Unit at the Sociology of Rhodes University.

The unit is credible and is known to have engaged with government provincial and national structures such as the EC COGTA and the National Treasury.

1.2.12. Chapter summary.

This research design chapter outlined the research goals, which included the research question, the subsidiary research questions and the research objectives. As noted, the primary research question pertains to the effectiveness of the ADM MPAC's year-end oversight. In this sense, the main objective of the research is to study the efficacy of the ADM MPAC's year-end oversight at municipalities.

To address the research question and objective, a CR approach was used. The research was a case study approach, and a purposive sampling method was used to focus mainly on the MPAC officials' Oversight report. The last section of this chapter noted the ethical issues, validity, and limitations.

CHAPTER TWO:
SERVICE DELIVERY AND OVERSIGHT

2.1. Introduction

This chapter explores the literature on service delivery in SA and the importance of oversight. The approach to the review was separated into two themes: i.e., the problem in service delivery and the solution to this problem. Overall, the review seeks to present the service delivery problem in local governance by looking at how this problem is addressed in the literature. The point of this chapter is to highlight that the SA local government has a service delivery problem, and the contention is that, in addition to other solutions, the service delivery problem in SA could be addressed through effective oversight.

On the first theme of attempting to present the service delivery problem, there is an acknowledgement of decentralisation as an approach the SA government has adopted to provide services to SA communities. Acknowledging this approach allows for a proper account of service delivery issues, considering how some issues stem from adopting decentralisation in service delivery. In addition to decentralisation, an attempt is made to note how the neo-liberal economic policy has also affected how services are delivered in SA. In the context of service delivery, the neoliberal policy is the financial base of SA and is thus intertwined with decentralisation.

Water and sanitation services were contextualised for an empirical account of service delivery in SA. This contextual account is narrowed down (briefly) from a national level to a local (government) level (ADM). This empirical account presents some financial issues raised by the National Treasury (NT) and the Auditor-General of South Africa (AGSA). This is followed by some contributions from the literature on financial mismanagement in service delivery. Here, it is noted that financial mismanagement contributes to service delivery issues. A discussion on the overarching issue of incapacity in local government service delivery follows this.

Having noted these issues, the discussion shifts to the second theme of this chapter and looks into some suggestions from the literature on how to address service delivery issues. This then draws on the proposition of the importance of oversight and accountability in ensuring improved service delivery. The intention here is to propose that oversight could allow us to keep municipalities accountable for their actions and further allow for improved municipal performance in service delivery.

With this said, the research delves into a discussion on the state of local government oversight. Here, the intention is to raise some of the issues that MPAC councillors have faced and how some of these issues that MPACs are faced with hinder effective oversight in municipalities. Crucial for this research is that, in addition to these challenges, there does not appear to be a systematic approach to effective oversight. Thus, the research seeks to present the MPRM model as a theoretical tool that can help improve oversight.

2.2. A contextual account of local governance in SA

2.2.1. Decentralisation in SA.

As noted in the first chapter, this research acknowledges the independent structures in society within which the capacities of individuals operate. In line with the CR approach, these capacities become observable through social phenomena such as the exercise of oversight. The context of this research is oversight over water and sanitation service delivery in local government. In particular, the focus is on the municipal council structure. It is within the municipal council structures where MPAC councillors conduct their oversight duties. However, given the context of local government, it is important to discuss the theory of decentralisation. This theory refers to the 'national government delegating some of its administrative, fiscal and political power to lower-level government structures' (Siddle and Koelble, 2014: 1117). The theory will help bring understanding to the establishment of the local government, and consequently municipal structures, in SA.

According to section 40(1) of the Constitution of the Republic of South Africa (1996), there are three spheres of government - the National, Provincial and Local government. The role of the National government is to formulate policy and help develop standards and norms which provinces and municipalities have the duty of implementing (National Treasury, 2014: 94). Through the Division of Revenue Bill, resources raised nationally are divided between the National, Provincial and Local spheres of government (National Treasury, 2014: 94). The provincial sphere of government is responsible for *inter alia* 'education, health, social development services, provincial governance, local government, and human settlements (National Treasury, 2014: 94). Local government goes a step lower, and is responsible for water and sanitation, electricity, refuse removal, stormwater management and municipal transport and roads (National Treasury, 2014: 94). Provincial and Local governments are also required to try and reduce the cost of living for poor households by providing free or subsidised services (National Treasury, 2014: 94).

This research focuses on the local sphere of government, which, according to section 151(1) of the Constitution (1996), consists of municipalities. According to section 152(1)(b) of the Constitution (1996), the responsibilities of municipalities include the provision of basic services (such as water, sanitation, refuse removal, roads, and electricity). Section 152 sets out that, in addition to providing services to communities, the objective of local government also includes providing an accountable and fair government for local communities. For municipalities to achieve these objectives, in accordance with Section 153(a) of the Constitution, municipalities are obliged to "structure and manage their administration and budgeting and planning processes to give priority to the basic needs of the community". These provisions give a practical application of the idea that, in decentralisation, the local sphere of government is responsible for providing services to communities in need (Andrews and Shah, 2005: 63). The intention is to shift the central government's authority closer to the local community (Andrews and Shah, 2005: 77); thereby improving the efficiency, transparency, openness and accountability in public service provision (Crook and Manor, 2000:11-12 as cited Chilenga-Butao, 2020).

In the context of SA, decentralisation has mostly been fiscal. This means the lower sphere of government has been granted the power to manage its financial arrangements, including, but not limited to, raising its revenue (Chilenga-Butao, 2020). This is regulated by the Municipal Financial Management Act (2000), a legislative provision to ensure sound financial management in municipalities (National Treasury, 2021). Decentralisation aims to foster the provision of services (Chilenga-Butao, 2020). So, in this sense, the idea behind fiscal decentralisation is for the lower government to receive financial resources to provide public services to municipal residents. In fiscal decentralisation, as local governments manage their finances, they are able to provide public services to communities. The provision of public services to communities by local governments is then viewed as the decentralisation of public services. This is because, essentially, the intention is for local governments to manage their finances to ensure they are providing public services to communities. They are to ensure that available public resources are used to address the relevant needs of the community.

Through decentralisation, service provision is much easier and more efficient (Chilenga-Butao, 2020) because local governments are closer to communities and are, ultimately, able to provide for the communities within their jurisdiction. On this point, however, Cuenca (2020: 31) conducted a study and found that there was limited evidence that the decentralisation of public services results in improved service delivery. The study was conducted in the Philippines and relied on statistical data. With a focus on health and sanitation services, the study's findings suggested that decentralising public services does not automatically lead to improved services, especially in the context of issues related to minimal budgeting for public services at the local government level. Cuenca (2020: 32) found that the study's findings contrasted with the existing literature that suggests that fiscal decentralisation improves service delivery.

One of the issues with decentralisation is that it needs to be accompanied by a sound financial resource base, capacity building of local officials and participatory governance (Cuenca, 2020: 33). To have a sound financial resource base means the local government is, for instance, able to generate its own revenue and is able to cover all costs of the services it is required to provide (Cuenca, 2020: 33). Poor revenue in a local government is disastrous considering the responsibilities of local government, as local government responsibilities require healthy revenue streams.

As the research sought to study year-end oversight, it was important to note some of the issues that are present in the (independent) municipal structures where oversight is exercised. For this research, effective oversight is seen as being able to help improve service delivery. So, the purpose here is to note the issues that are external to the practice of oversight but affect service delivery. That is, service delivery issues may also be caused by the possible failure of decentralisation in improving service delivery, which is suggested by Cuenca's (2020) study.

2.2.2. Global factors to consider in relation to water and sanitation.

Given the aim of this research to analyse the oversight over water and sanitation services, this section notes some global factors that impact the provision of water and sanitation services. Noting these global factors is meant to highlight the importance of these services and, therefore, the reason for focusing on these services.

Globally, the water sector is impacted by major trends such as (1) climate change, which leads to an increase in floods and droughts; (2) the increasing number of people living in areas facing water stress, which negatively affects the supply of water; (3) urbanisation, which continues to strain existing water resources and the ecosystems; (4) the inception of megacities, which contributes to the challenge of providing water and sanitation services to about 1 billion people (who live in informal settlements and are not served by water networks); and (5) the ageing water infrastructure (Dikgang and Magambo, 2021: 247). In addition, the COVID-19 pandemic adds more problems to the global status of the water sector (Dikgang and Magambo, 2021: 247). There has been an increase in demand for water, and while the total effect of the COVID-19 pandemic on total water demand varies across communities, poor people without efficient access to water suffer the most (Dikgang and Magambo, 2021: 247). The poor struggle to source water for themselves, so if the demand for water increases, they stand to suffer even more.

Water service authorities (WSAs) and water service providers (WSPs) in South Africa are, in this regard, faced with the difficult task of providing water and sanitation services amid the COVID-19 pandemic, water scarcity, climate change, high poverty and high inequality (Dikgang and Magambo, 2021: 247). So, outside these global (external) factors, oversight over these services should be seen as crucial because it could help ensure that a sustainable system of accountability is built to provide W&S services. This would ensure that WSPs at least have internal control measures to provide these services in the face of global factors.

2.2.3. The neoliberal policy and public (water and sanitation) services.

As has already been mentioned, public service provision in SA is affected by decentralisation. However, discussing decentralisation without acknowledging the economic policy adopted in SA would be incomplete. This section, therefore, notes the neo-liberal policy as the economic policy adopted in SA (Cuenca, 2020: 32). In addition to decentralisation, this research proposes that the neo-liberal economic policy framework has had an effect on the delivery of services in SA.

Neoliberalism was adopted by the post-1994 South African government (Day *et al*., 2020: 245). It values the commodification and privatisation of public services (Ornellas *et al*, 2020: 235). In

South Africa, the policy came with the concept of marketisation, which pushes for public institutions to function as private institutions and to be governed by private sector principles and expectations (Ornellas *et al*., 2020: 239). Marketisation also holds that the markets are efficient and effective and should be introduced in as many and as wide a range of contexts as possible (Ornellas *et al*., 2020: 238), including the government. One example of the private sector principles and expectations found in marketisation is that service delivery is provided in line with the system of 'full-cost recovery' (Mathekganye *et al*., 2019: 48). In full-cost recovery, the services are charged in such a manner that ensures that the consumer covers the costs of the service production or provision (Mathekganye *et al*., 2019: 48). Essentially, this means, firstly, services are charged. Secondly, this means the prices of the services have to be inclusive of the production costs. In this sense, services might have to be charged at higher prices. The issue with this is that those without the financial resources to pay for services may struggle to access these services if municipalities fail to provide those services (Van der Waldt, 2015: 1).

For the neoliberal approach to service delivery, affordability of services and access to services become intertwined (Mathekganye *et al*., 2019: 48); and what we find is that public services become expensive for poor people. Without government help, the services are only accessible to the wealthy (Ornellas *et al*., 2020: 239). Simply put, in neoliberalism, a failure to pay for the service needed results in the service not being provided by the service provider (Ukwanda, 2009 as cited Mathekganye *et al*., 2019: 51). This is the primary effect of the neoliberal policy on service delivery -- that the provision of services can be viewed as very much expectant for an exchange of payment either by government institutions or individuals.

In the South African context, there is a slight clash between the neoliberal policy and the legislative measures in place to provide water and sanitation public services. Where legislation says water and sanitation services are human rights and should be provided (almost freely to all citizens), while neoliberalism seems to hold that the services should be provided if they are paid for (regardless of whether they are human rights or not). As will be demonstrated in the subsequent sections, there is a lack of access to water and sanitation that continues to persist in post-apartheid South Africa. With this said, it can be surmised that the neoliberal policy has been posing serious challenges to realising basic rights such as access to water and sanitation.

So, this shows that, as put forward by Mathekganye *et al*. (2019: 54-55), though apartheid has ended, it has only ended 'politically.' The legacy of apartheid continues to live insofar as a service provision is concerned. Service delivery issues experienced under apartheid continue to occur and now affect most South Africans irrespective of race.[4] This time, the lack of financial resources threatens efficient access to public services. This can be attributed to, among other things, the commodification of public services (Mathekganye *et al*., 2019: 54-55), and, effectively, neoliberalism. On this point, it seems sensible for authors like Jegede and Shikwambane (2021) to

[4] Although service provision was segregated according to race, it now has no racial segregation and thus affects all people of different races.

suggest that the continuing struggle of disadvantaged communities to access services like water constitutes ‘water apartheid’, as this lack of access negates the human rights principles of equality and non-discrimination.

When the African National Congress (ANC) came into power in 1994, the financial state of the country was dire, and it was perceived that this would have a negative effect on service delivery in South Africa (Modimowabarwa, 2014: 92). One of the reasons for this perception was that the pre-1994 state was a nearly bankrupt state, and therefore financially constrained. The state adopted approaches such as ‘fiscal decentralisation’ to reduce these financial constraints (and service delivery backlogs) (Ababio *et al*., 2008: 6).

However, as noted, Cuenca’s study (2020) revealed that there was not enough evidence to support decentralising public services to improve service delivery. This perhaps problematises SA’s adoption of fiscal decentralisation to address its (historical) financial constraints. This is because this recent study by Cuenca problematises the adoption of decentralisation to improve service delivery because service delivery backlogs will continue to persist even in decentralisation. Especially in the context of issues such as minimal budgeting. For example, simply decentralising services and not having a sufficient budget for services to be delivered means the services might not be delivered. In this line of thinking, local government service delivery needs to be preceded by a process where the required services are budgeted.

In effect, SA service delivery is decentralised and guided by the neoliberal policy. In as much as decentralised service delivery was meant to make service provision more efficient as municipalities are closer to communities, the neoliberal approach has threatened effective service delivery in that, for the neoliberal approach, access to services requires the affordability of those services (Mathekganye *et al*., 2019: 48). The services could be paid for by the government, or individuals in their own capacity. On this basis, when the government fails to provide these services, community members are unable to purchase and access these services. This is one way to view the service delivery challenges in South Africa.

My analysis is that the service delivery problem stems partly from adopting decentralisation to redress service delivery backlogs. With that said, this part of the research seeks merely to underline a potential cause for service delivery issues. Given this research’s focus on oversight, it must be acknowledged that while the focus is on how oversight can address service delivery issues, there are other aspects of addressing service delivery issues that are beyond oversight. This includes, for instance, recognising service delivery as comprising numerous causal factors such as financial mismanagement and oversight.

2.2.4. Water and sanitation service delivery and financial mismanagement.

As stated in Chapter One, the post-1994 South African government has sought to use legislative provisions to redress the service delivery backlogs from the pre-1994 period (Mogale, 2003: 216;

Chilenga-Butao, 2020). These legislative provisions make it clear that municipalities are obligated to produce an accountable government that prioritises the needs of municipal residents and provides sustainable services to address those needs (Constitution, 1996; Municipal Systems Act, 2000). Despite this, there have been ongoing issues with service delivery in South African municipalities (Van der Waldt, 2015: 1). Thus, the SA service delivery challenges translate to a gap between legislative provisions and their implementation. This gap is presented through the service delivery challenges. Since the research sought to explain the problem of ineffective oversight over public services, it was important to note the service delivery challenges. In mentioning these existing service delivery issues, this dissertation does not seek to suggest that the service delivery issues in SA result from ineffective oversight. Instead, the point being made is that oversight is an alternative to address service delivery issues. Furthermore, as will be shown through the MPRM, oversight is not a standalone process.

The previous section noted that some service delivery problems could be traced back to decentralisation and neoliberalism. For this section, the discussion is narrowed down to the possible service delivery issues. In particular, this section discusses (financial) maladministration of public resources, as this has been identified to be another cause for the failures in municipal service delivery. According to the Public Service Administration (2015: 1 as cited in Davids *et al*., 2020: 16), rural municipalities in South Africa derive up to 70 per cent of their revenue from national grants, while the metropolitan municipalities and the non-metro large towns have a 24 per cent and 28 per cent grant dependence, respectively. The rural municipalities constitute a majority of the municipalities in South Africa. They face major issues, like impoverished communities, and therefore face most of the country's major socio-economic and developmental challenges. They rely heavily on national grants, and despite the number of issues they need to address, they are held to misuse public resources (PSA, 2015:1 as cited in Davids *et al*., 2020: 16).

In the 2018/19 financial year, 60% of South Africa's 257 municipalities were financially unsustainable and were characterised by poor (service delivery) performance and increasing water losses (National Treasury, 2019: 1-2). According to the Auditor-General (AG), municipalities were not merely failing to manage their finances effectively but were also mismanaging their infrastructure (AGSA, 2019: 16). Water infrastructure was found to be particularly problematic. In the same financial year, 41% of municipalities responsible for water did not have maintenance policies for their water infrastructure. This resulted in 36% of these municipalities losing over 30% of their treated (potable) water, at the cost of R6 billion (AGSA, 2019: 17). Even worse, the AG pointed to an alarming trend in the misuse of equitable share funds[5] allocated to municipalities for the provision of basic services (AGSA, 2019: 9 and Medium-Term Budget Policy Statement, 1998: 58). The AG found that in certain municipalities, the equitable share was used to cover salaries and municipal debt (AGSA, 2019: 9 and 28). There is a case for financial mismanagement here.

[5] The equitable share funds are from tax revenues raised at national level by the South African Revenue Services. These funds are allocated to local municipalities to ensure the provision of *inter alia* basic services to indigent households (Ajam, 2021: 1).

That is, it is concerning for municipalities to use their equitable share to cover salaries and debt. As this goes to corroborate the AGSA's findings regarding the financial unsustainability of most of the municipalities in SA.

The AG noted that, in the EC, the reporting on municipal finances and programmes was poor during the 2018/19 financial year (AGSA, 2019: 9). Only 19% of municipalities reported accurately on their services to communities (AGSA, 2019: 27). Now ADM, situated within the EC, is one of the municipalities that have contributed significantly to the negative municipal performance, provincially and nationally. The municipality faces numerous challenges that have adversely affected its delivery of services. One of these challenges is weak financial management, which the AG has noted to have been poor, on a provincial level. With reports revealing how some community members within ADM are consuming human-waste-contaminated water (Ellis, 2021), we can assume, in such cases, that the weak financial management might have contributed to the lack of clean drinking water.

Along with the lack of clean water, the district of ADM is plagued by drought (COGTA, 2020: 6 and Damba-Hendrik, 2020); about 32% of the households have no piped water, and only a small percentage of households were reported to have piped water: 16% inside the dwelling and 13% inside the yard (COGTA, 2020: 26). As an aggravating factor, it was also reported that, in the early part of 2021, over 1600 of the municipality's employees protested the ADM's failure to pay their salaries; as the municipality was in a difficult financial position (Dada, 2021).[6]

2.2.5. Corruption and service delivery.

Reflecting on how the financial unsustainability and mismanagement in some municipalities has impacted service delivery (National Treasury, 2019: 1-2; AGSA, 2019: 16); this section touches on corruption as another feature of financial mismanagement. Corruption is a notable concern in service delivery. In the context of local government, it involves the taking and receiving of bribes, using public office positions for personal gain, or illegally acquiring wealth using public resources (Adeyemi, 2012: 184-185).

Among other issues, corruption threatens the institutions and values of democracy and quite often delays infrastructural development. In service delivery, it adds additional costs to the cost-of-service delivery, as bribes become additional costs; this ultimately impacts effective service delivery (Corruption Watch, 2020 as cited in Davids *et al*., 2020: 16). In the end, the bribe becomes a cost for receiving the service. Ultimately, corruption deprives citizens of their constitutional and human rights (Davids *et al*., 2020: 16), and deters the potential of wealth creation in states (Mishra,

[6] The article did not provide sufficient details on who the employees were, but 1600 is a significant number of employees. If some of these employees were in charge of providing some services, then this means the strike may have had a consequent effect on the delivery of those services.

2019: 5). This means corruption potentially lessens the financial resources intended for public services; and consequently, hinders the improvement of service delivery.

Under the administration of the post-1994 government, financial corruption has plagued the country with more financial problems, especially in the light of service delivery. In a study relying heavily on secondary literature, Kgobe (2020: 54) notes that despite service delivery legislation for dealing with corruption, public services are rife with corruption. Makhari (2016: 4) agrees that corruption is one of the problems that local governments are struggling with. However, Makhari (2016: 4) also asserts that we should consider institutional capacity. As discussed in the next section, incapacity seems to be a predominant finding in most of the literature explored.

2.2.6. The overarching issue of incapacity in local governance

2.2.6.1. Incapacity in municipal structures

Service provision may be seen to be affected by incapacity in municipalities, which is the shortage of skills which potentially impacts the management of finances. According to Koma (2010:115), capacity can be understood from three perspectives: the individual, institutional and environmental. Individual capacity is 'the competency and potential that exist in a person'. Institutional capacity looks at the ability and potential of an organisation's human capital, leadership, infrastructure and financial perspectives, and other important factors. Environmental capacity is the competence found outside the municipality's formal structures (which includes the socio-economic composition of the municipality's political and social capital). The following discussion on capacity will be used within the framework of these different views of capacity. The discussion will incorporate all these views of capacity but focus on individual and institutional capacity. For this research, though, capacity should simply be viewed in light of the municipality's ability to carry out its objectives and the capacity to use funds allocated for development projects.

There are cases where funds allocated to municipalities for development projects have been returned to the National Treasury as a result of municipalities lacking the capacity to use such funds (Makhari, 2016: 4). These institutional capacity problems in South African municipalities can be traced back to the shortage of qualified and experienced public servants who are necessary to turn government plans into action (PSA, 2015:2 as cited in Davids *et al*., 2020: 16). The study by Mabizela and Matsiliza (2020: 1) is worth noting here. Their study aimed to examine gaps in service delivery at Okhahlamba Municipality, and the intention was to determine the strategies that can enhance municipal capacity and successfully provide basic services. Using a mixed methodology, purposive sampling, unstructured interviews and questionnaires, they gathered data from various respondents such as municipal officials, Ministry of Rural Development and Agriculture staff, community members, and experts. Their study revealed that the Okhahlamba municipality was failing to comply with basic service legislation, an indication that there was incapacity on the part of the municipal staff as they were failing to adhere to legislative provisions. It is important to highlight the difference here between 'not willing to adhere' and ‘failing to adhere’. Both of these, for the context of this dissertation, should be understood as reflecting incapacity on the part of the officials.

Another study to reflect on is one by Zikhali (2018), who conducted a study on the Rural District Councils (RDC) in Zimbabwe. The study looked at the challenges in providing such services by the Nkayi Rural District Council. The study used purposive sampling and opted for the qualitative case study research design (Zikhali, 2018: 4). It was revealed in the study that the council is facing challenges in delivering its mandated services to the communities due to not only the mismanagement of resources but also unskilled human resources (Zikhali, 2018: 5). This seems to suggest that capacity has an impact on service delivery. As will be explored below, authors like Mello also share this view, though Mello’s focus is largely on the capacity of councillors.

A number of South African municipalities are not performing at the level required and expected by law (Mello, 2018: 2). Relevant to this dissertation, poor performance of municipalities is said to be caused by weak oversight and the incapacity of councillors and officials to monitor projects and finances (Mello, 2018: 2). Conducting a qualitative study, Mello (2018) focused on the Auditor-General’s reports for the 2012– 2013, 2013–2014 and 2014–2015 financial years, and established that municipalities that get clean audits have strong oversight systems and leadership. Mello (2018: 1) found that the qualifications of councillors, training, time and remuneration contributed to poor oversight by councillors and political structures. In confirmation, a study conducted by Mpehle and Kanjere (2013: 772 as cited in Mello, 2018: 3), showed that 75% of the councillors (study’s respondents) did not have any qualification beyond high school. Only 25% of the councillors had tertiary qualifications. In this sense, the lack of qualifications ultimately affected the delivery capacity of councillors at an individual level (Mello, 2018: 3).

It is tempting to think these incapacity issues are fairly new, but the African Peer Review Mechanism (2007:79 as cited in Mello, 2018: 3) shows how early incapacity in municipalities has been raised. The paper cited lack of capacity as a challenge faced by municipalities in South Africa. However, at the time this issue was raised, the local governance structures in South Africa were still evolving. But this issue appeared to be more than just an issue that could be brushed off easily by the suggestion that the local government sphere was ‘evolving.’ The contributions from authors like Koma (2010) point to continued concern raised on the capacity of municipal officials. Koma’s (2010) study raised the same concern and asserted that there was a need for municipal personnel to have the requisite skills, competencies and knowledge. By looking at the state of local governance, Koma held that municipalities should ensure that institutional capacity is continuously strengthened and that resources are allocated efficiently to deliver public services (Koma, 2010: 119).

2.2.6.2. Incapacity and Municipal Oversight

In line with the observations by Koma (2010) and other authors’ contributions on municipal incapacity, Van der Waldt (2015) sought to investigate the nature of municipal political oversight.

Van der Waldt (2015) makes reference to the challenges of project oversight. Using a qualitative research design, Van der Waldt (2015: 7) set out a questionnaire and randomly distributed it to 59 participants. The participants were councillors and officials in local and district municipalities across five provinces (Gauteng, North West, Free State, Eastern Cape and the Northern Cape). Van der Waldt (2015) found that while there was an adequate statutory and regulatory framework in place to guide the establishment and functioning of oversight structures and mechanisms, there were significant challenges that challenged the effective usage of these oversight structures and mechanisms (Van der Waldt, 2015: 716). Van der Waldt (2015) shows these issues were related to the lack of a comprehensive oversight framework for capacity building of councillors, especially newly elected councillors. Moreover, there appears to be no political commitment of the Council to act on instances of the executive's non-compliance with statutory and regulatory requirements. In this sense, Van der Waldt suggested a framework fostering a system of accountability, transparency, and a performance culture in municipalities (Van der Waldt, 2015: 716).

Having looked at both councillors and officials, Van der Waldt's (2015) contribution suggests that the capacity of councillors (who are responsible for municipal oversight) is just as important as executive and administrative municipal officials' capacity. Quite plainly, the capacity of councillors is important because councillors are meant to oversee the executive and administration of the municipality and should have the capacity to do their work (Botlhoko, 2017: 307). When councillors possess low academic and professional qualifications, they are considered ill-equipped to interrogate officials, critique their work and hold the officials accountable for their actions or failures to act (Paradza *et al*., 2010:48 as cited in Mello, 2018: 3). Although it was conducted a bit earlier than Van der Waldt's (2015) study, Xego's (2012) study confirmed the need for capacity in councillors. Xego's (2012) focus was on the councillor's oversight committee. It was recommended that the members of the Intsika Yethu Municipality's oversight committee should be capacitated to carry out their duties efficiently and effectively (Xego, 2012: 57). The research was qualitative and used interviews as a data collection strategy (Xego, 2012: 53).

Still on the 'capacity' of councillors, Okafor *et* al. (2015) conducted a study reviewing the oversight roles played by municipal councillors in Alfred Nzo District Municipality, Eastern Cape Province (South Africa). The objective of the study was to determine the appropriate strategies that can be recommended for improving the effectiveness of leadership in council structures, and it was recommended that there needed to be an improvement in educational and leadership capacity of elected councillors (Okafor *et* al., 2015: 52). The study explored the impact of oversight on 'the goals set in the Integrated Development Plan of the municipality' and on service delivery (Okafor *et* al., 2015: 54). To avoid having a situation where the councillors' capacity to interrogate municipal reports is limited, it was recommended that the capacity of councillors with lower educational qualifications should be improved. The idea behind the recommendation is that the limited capacity of councillors to engage officials undermines their capacity to monitor the progress of projects implemented (Okafor *et* al., 2015: 67).

2.3. Some solutions to dealing with service delivery issues

2.3.1. Dealing with service delivery issues

There have been initiatives adopted to increase the capacity of municipal officials. The Municipal Skills Development Programme (MSDP), for instance, was a programme initiated to improve service delivery. Using a Mixed-methods approach, Mamburu (2020), investigated the effectiveness of the MSDP in the improvement of service delivery. MSDP was established during the 2000s and was an (informal) economic programme that local municipalities drew on to provide municipal officials with the skill necessary to improve municipalities, economically and ultimately financially (Mamburu, 2020: 62-63). The study was conducted at a district municipality level, and the findings indicated that the MSDP was indeed a successful way of improving the service delivery in District Municipalities in South Africa. The overarching recommendation is that the attendance of the MSDP by all (municipal) managers is essential for improving the service delivery of local governments in South Africa. In effect, the approach taken through the MSDP appears to be an approach that seeks to address the issue of incapacity in public institutions as it (the MSDP) is focused on improving the skills of municipal officials.

In a related attempt to address incapacity in local government, Mkhatshwa-Ngwenya and Khumalo (2020: 268) advocate for capacity building to capacitate municipal office bearers. They hold that training could be a tool to improve service delivery as it is a nationwide need (Mkhatshwa-Ngwenya and Khumalo, 2020: 268). Training will improve the ability of government institutions to carry out their functions well. For instance, state owned enterprises (SOEs) such as Eskom are negatively affected by the inability of the local government to plan, monitor, manage and source funds appropriately (Mkhatshwa-Ngwenya and Khumalo, 2020: 268). The authors' reference to SOEs indicates that planning, monitoring and management of public resources are national (state) problems and cannot be seen as failures of local governments (Mkhatshwa-Ngwenya and Khumalo, 2020: 268). All in all, the authors recommend that skills development programme interventions should be designed to focus on the needs of the local government outputs.

Makhari (2016) provided a slightly different approach by assessing service delivery performance in the Municipalities of the City of Tshwane, the City of Cape Town and eThekwini Metropolitan. Makhari (2016) focused on water service delivery and compared the provision of water services in the three Water Service Authorities (WSA). Using desktop research incorporating both quantitative and qualitative data collection methods (Makhari, 2016: v), Makhari's research looked into the changes in performance levels in the provision of basic services. Most of these WSAs were failing to recover their operating expenses from their own revenues, and thus remained dependent on the state government for subsidies (Makhari, 2016: v). This is much in line with the observation by the Public Service Administration (PSA) (2015:1 as cited in Davids *et al*., 2020: 16), which indicated that rural municipalities are highly dependent on national government grants, although in this case, the municipalities being referred are metropolitan municipalities. Makhari's study recommended that municipalities ensure that they are financially viable and sustainable. They can achieve this by diversifying their revenue (Makhari, 2016: 62).

Of importance, particularly for water service delivery, Makhari's study also recommended using the Regulatory Performance Measurement System (RPMS) to improve water service delivery (Makhari, 2016: 62). RPMS came after the closer inspection of service delivery at the local level and was developed by the Department of Water Affairs (DWA), whose mandate, according to Section 155 (7) of the Constitution, is to regulate water and sanitation services. RPMS is a tool used to measure compliance levels within municipalities using (water) service delivery indicators. The DWA uses it to measure the performance of Water Service Authorities against key performance indicators (Makhari, 2016: 2).

Both the MSDP and the RPMS were introduced to ensure service delivery is improved. They serve as examples of some of the practical steps that have been taken to improve service delivery in local government.

2.3.2. Oversight and accountability

This research seeks to suggest that, in addition to financial and capacity issues, oversight and accountability issues have an impact on service delivery. In this way, the research suggests that service delivery issues could be addressed through effective oversight. This approach is motivated by:

- the national government's pressure on municipalities to manage their finances efficiently and accountably,
- the need to address the mismanagement of funds in municipalities (Van der Waldt, 2015: 1), and lastly,
- the need to address service delivery issues through a more effective practice of oversight as emphasised by Siddle and Koelble (2014: 1126).

Overall, this research seeks to complement contributions from other authors on service delivery issues by suggesting that there is a strong need for oversight in local government. The argument is that the state of local government is deteriorating due to failures in accountability and oversight (Williams, 2012: 3; Municipal IQ, 2021: 2). This feeds into the core concern for this research; that is, how to go about conducting oversight systematically.

In the discussion of a systematic approach to oversight, the contention made is that oversight works alongside accountability. In local government, accountability entails obligating municipal officials to explain and justify their actions or omissions in respect of their duties, to ensure the delivery of services (Parliament, 2009: 8). In the context of this research, accountability is defined as 'the social relationship where the government is obligated to explain and justify its conduct to oversight institutions (Parliament, 2009: 8). The municipality is required to perform as mandated in legislation. Where it fails, oversight is used to ensure that the municipality explains and justifies its failure to perform.

Using oversight, we can identify and prevent municipal misconduct that deviates from the provision of services (Parliament, 2009: 7). Oversight entails the monitoring and supervision of the executive (Ogul and Rockman, 1990: 5). Municipalities are responsible for the planning and provision of basic services. In this sense, oversight over the activities adopted for the provision of services is crucial to ensure that municipalities manage their finances properly and are ultimately able to provide basic services (Van der Waldt, 2015: 1). Ultimately, the focus on oversight is informed by the idea that municipal officials need to be held accountable for their duty to provide basic services. To keep them accountable, we rely on oversight (Van Niekerk and Sebakamotse, 2020: 271).

Accountability is important particularly in government agencies that have a duty to provide public services. In the case of municipalities, municipalities need *inter alia* financial resources to fulfil their constitutionally mandated obligations. Without good financial resources or mechanisms to ensure these financial resources are protected, municipalities have lesser chances of providing required services (Van Niekerk and Sebakamotse, 2020: 271). The point that the dissertation seeks to present is that we could ensure that municipalities have sufficient resources by practising efficient oversight over these municipalities and ensuring that they are constantly kept accountable to the public.

2.4. The state of oversight

Despite the establishment of the municipal oversight body (MPAC), municipalities appear to still be struggling with the exercise of oversight (Van Niekerk and Sebakamotse, 2020: 270). According to Botes (2011: 113), one way to ensure oversight is exercised with fewer challenges is that oversight committees should be independent of the executive. Botes (2011: 113) notes that the City of Cape Town (CoCT) successfully implemented an efficient operating MPAC, and the success can be attributed to the fact that the MPAC in CoCT met in public, was independent and led by an opposition party. It is crucial for oversight committees, like MPAC, to be independent and to have the necessary skills to be efficient oversight committees (Botlhoko, 2017: 308). This point draws back to the above discussion on the capacity of the municipal council.

However, Drolc and Keiser (2020) seem to suggest that it might not be enough to simply empower oversight bodies with necessary skills. Oversight, in this view, does not necessarily solve service delivery. Oversight could loosely be described as highlighting whether performance of an organisation was satisfactory or unsatisfactory. The actual provision of services requires the executive response of government agencies to the problems identified through oversight; and this remains a great issue. This is perhaps why, for Drolc and Keiser (2020), we need not only look at the capacity of oversight officials, but we need to also look into the internal capacity of these public institutions. This ties in with the findings by Van der Waldt (2015) whose research hinted at the need for capacity for both councillors and municipal (executive) officials. In other words, effective oversight is just that, effective oversight. In the absence of an executive that is able to solve the problems identified through effective oversight, the problems identified remain unsolved.

By viewing the relationship between service delivery and oversight in this manner, we are also able to establish another understanding of public institutions' responses to poor performance (Drolc and Keiser, 2020: 14). In their study, Drolc and Keiser (2020) use the case of Social Security Disability backlogs. Their study looked at the broader oversight system in the United States of America, at different levels of government (Drolc and Keiser, 2020: 15).

Amongst other findings in their study, they discovered that there was no evidence that oversight capacity alone increased responsiveness to service delivery backlogs (Drolc and Keiser, 2020: 14). Rather, there was evidence that state agencies with higher internal and oversight capacity had greater chances of changed behaviour in their response to poor performance (Drolc and Keiser, 2020: 14). This means although oversight can be effective, the government institutions may not be internally equipped or prepared to address the findings from the oversight committee. Thus, they note the importance of agency capacity in order for oversight capacity to improve performance, and they found no evidence that oversight capacity is enough to change behaviour (Drolc and Keiser, 2020: 15). As such, oversight capacity only has an impact on responsiveness to implementation problems when agency capacity is high (Drolc and Keiser, 2020: 15). This means we gain more from oversight if the agencies that are under oversight have the capacity to respond to problems identified in oversight (Drolc and Keiser, 2020: 15).

While the study was limited in its focus on one program, let alone in a different nation, it does provide us with some points to consider. As Drolc and Keiser (2020) state, the Social Security Disability program is similar to many government programs in terms of the problem of backlogs, at least in the USA. Their study is pointing to a consistent theme across literature on the issue of capacity in public institutions. This is important for this research because the research will seek to argue that oversight has an impact on service delivery in local governments. But based on their findings, this research must also acknowledge the institutional capacity of municipalities in being able to address the findings presented by oversight bodies.

2.5. Theoretical framework: The Municipal Public Resource Management model (a Mid-range theory).

2.5.1. The MPRM model

While their focus was on how performance management systems can be used to address service delivery issues in local government, Andrews and Shah (2005: xi) make a compelling suggestion that we need a model that can be used to ensure the improvement of service delivery and measuring local government performance. This was key for this research because the research sought to adopt a tool that can be used to improve service delivery.

As noted in chapter one, the MRPM model provides a framework for effective service delivery. It does this by setting out the following nine public resource management processes: **(1)** Needs assessment, **(2)** Strategic planning, **(3)** Resource mobilisation planning **(4)** Resource allocation **(5)** Revenue collection, **(6)** Expenditure management, **(7)** Performance management, **(8)** Preventive and corrective action and lastly **(9)** State oversight (Allan, 2018). Process one to four, form part of the planning phase, while process five to eight, form part of the implementation phase.

According to the model, a (1) needs assessment is the starting point for the delivery of effective public services. The relevant government agency, here, identifies the priority needs of citizens that public services should address. Once the priority needs are identified, (2) Strategic planning follows. In this process, the municipality must identify the activities that would need to be implemented to progressively realise these priority needs. These activities are grouped together into programmes and projects to produce clear strategic plans. Key performance indicators (KPIs)[7] are then attached to each planned programme, to track implementation. This is then followed by (3) revenue planning or resource mobilisation, where the municipality then ensures that it can mobilise the resources necessary for purposes of implementing its plans and for meeting its KPIs. Crucially, the municipality needs to set realistic revenue targets. Still on the planning, the agency then needs to have (4) expenditure planning or resources allocation. Here the municipality ensures that it prioritises the allocation of resources for spending on priority programmes and activities within its spending plans. Here too, the targets need to be realistic.

After planning for revenue and expenditure, what follows is the implementation of (5) revenue collection and (6) expenditure management. In revenue collection, the municipality then implements its resource mobilisation/revenue collection plans. It is required here to implement financial controls over the collection of planned revenues and to report on its revenue collection performance, as is required by legislation. Then in the expenditure management process, the municipality then implements its spending plans. Here too it implements effective financial controls over spending and to report on its spending performance, as is required by legislation. This followed by the process of (7) performance management. In this process, the municipality implements the activities listed in its operational and programme plans. It monitors performance and implements effective performance controls to ensure the realisation of KPIs for priority programmes and activities; And reports accurately on its performance (in year and at year end). As a measure of control over conflicting interests and other disciplinary issues, the agency should have (8) preventive and corrective action(s). Here the municipality takes measures to ensure that all government officials and elected representatives declare their private interests in order to limit potential conflicts of interest during the planning and implementation of services. It also takes appropriate corrective action when instances of the ineffective use or abuse of available resources. These may include poor performance by officials or corruption.

[7] Key performance indicators are financial and non-financial indicators that organisations use in order to assess their success in respect of their established long-lasting goals (Velimirovića *et al*, 2011: 63).

Lastly (9), the municipality should have mechanisms in place for oversight. This includes rigorous external auditing of the financial and non-financial performance of the government agency. The agency's performance is reviewed thoroughly by an elected oversight body and/or civil society oversight body. There should, in this process, be in-year oversight activities over financial and non-financial performance. Where oversight bodies make recommendations for improving the implementation of ineffective and/or unaccountable processes (EMPAC, 2019). These recommendations are integrated into plans for the coming financial/service delivery cycle.

According to the MPRM model, the above-mentioned processes are separate, but interdependent; and they are logically required for government institutions to successfully convert available resources into goods and services that meet the needs of citizens. The model hypothesises that effective service delivery requires the effective (and socially accountable) implementation of the nine MPRM processes (EMPAC, 2019). Each process is to be implemented effectively (in line with relevant legislative provisions) and accountably. More importantly, all the processes are to operate synergistically, to ensure available public resources are converted into services that meet municipal residents' needs. What is meant by synergistically is that the processes need to be implemented holistically and consequentially. In simple terms, process one needs to be followed by process two, three etc. The logic behind this is you cannot, for instance, be able to spend on services that the community needs if you have not for instance found out what the needs of that community are.

With this said, the MPRM model holds that failed municipal service delivery across the majority of South Africa's municipalities is a regular pattern that can be explained using the nine MPRM processes. By giving an account of each process that is meant to be followed in the municipality's cycle for providing services, the MPRM is able to help us determine an efficient way for service provision. The different accounts of service delivery failure, serve as a regular pattern that is observable. This pattern can be observed through the failure to meet outputs promised to municipal residents. Consequently, residents have to purchase private services, and if they do not have the resources to do so, they are forced to do without these services (Allan, 2021: 2).[8]

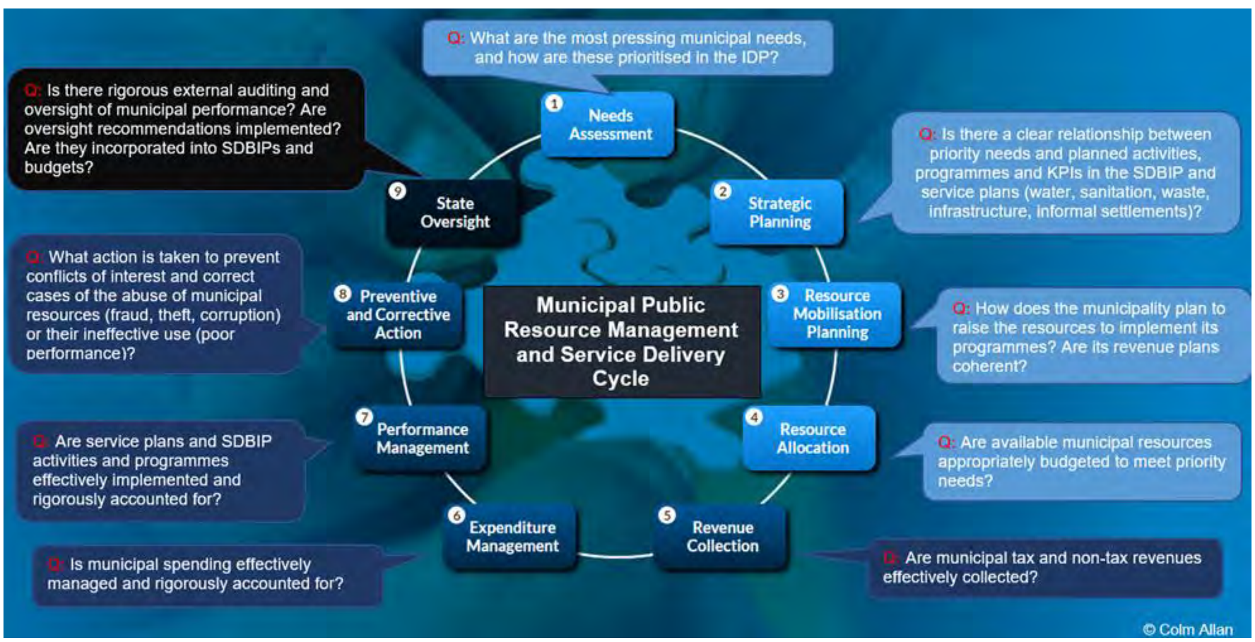
In the model's framework for effective service delivery, it also provides a framework for exercising oversight. As far as oversight is concerned, the model suggests that oversight committees like MPAC can exercise oversight over each process of the MPRM. This, according to the MPRM, would constitute as effective oversight. From an oversight point of view, in line with water and sanitation services, we can ask certain questions. From the planning phase, we can ask if the municipality had:

[8] This reinforces the link between the affordability of services and the access to those services in a state functioning under the neoliberal policy (Mathekganye *et al*., 2019: 48). This draws on the point on the impact of the neoliberal policy on service delivery. In line with critical realism, I note how the policy forms part of the structures in society that affect service delivery whether we are able to observe them (structures) or not.

- a needs assessment, in which water and sanitation were identified as needs of the community members.
- a strategic plan to ensure how those needs are to be addressed.
- a plan for how to mobilise resources to fund the strategic plans, and
- an expenditure plan for the number of resources that will be spent on programmes and activities that are going to ensure provision of water and sanitation services.

From an implementation phase, we can seek to determine and analyse:
- the revenue collected to spend on the provision of the services.
- the expenditure on the services.
- the performance of the Director of Engineering services department,[9] and lastly,
- the preventive and corrective action that needs to be/have been taken against certain officials who have not been doing their work efficiently (i.e., poor performance). This also includes officials who have not declared their private interests to avoid conflicts of interest (e.g., corruption).

The diagram below provides a guide to some questions asked in each process.



(Diagram 2)

2.5.2. The MPRM model as a mid-range theory

The MPRM will be used as a midrange theory. A midrange theory is an approach to theory-making that links theory with empirical research (Pawson, 2000: 289). In research, mid-range theories

[9] The municipal official responsible for water and sanitation services.

merge empirical details of research and the broad, grand theory (usually a unified theory that helps explain all the observed uniformities of behaviour, organisations, etc.) (Merton, 1967: 39 as cited in Pawson, 2008). The theories are able to ensure that sociological explanations gradually advance and accumulate, by being adaptive to different settings.

A mid-range theory explains observable/regular patterns of behaviour and the unobservable underlying generative mechanisms.[10] In using the MPRM as a midrange theory, the proposition made is that each process is to be seen as a 'regular pattern of events' that needs to be explained in terms of an underlying generative mechanism.[11] For instance, in the ninth process of the MPRM (state oversight), when there is effective oversight at a government institution, the oversight constitutes a regular pattern. The underlying generative mechanisms for this regular pattern of effective oversight could be the actions by the oversight officials at the government institution. These actions may include the production of oversight documents, the decisions to call on the executive to be held accountable for misconduct or other offences etc. These actions by the oversight officials are the generative mechanisms) that make up the resulting pattern of effective oversight at the institution.

2.5.3. Background of the MPRM and its relation to accountability

The MPRM model is based on the *Social Accountability Monitoring and Evaluation (SAME) framework* developed by Allan (2015).[12] For this framework, and consequently the MPRM model, social accountability is crucial and is defined as 'all citizens having a right to obtain explanations and justifications for how available public resources are being used to meet their needs, and furthermore, to insist on corrective action where the needs of the citizens are not met' (Allan, 2015).

The SAME framework asserts that socially accountable governance requires: (1) Capacity of government officials to explain and justify how available public resources are being used to meet social needs, to engage with civil society, and to take corrective action where they don't. (2) Capacity of oversight bodies (including councillors sitting on MPACs) and civil society groups to engage with the evidence for these explanations and justifications, and to ensure corrective action (Allan, 2015)

2.5.4. Emerging properties and unintended consequences in the MPRM

[10] A generative mechanism refers to the manner in which a thing or person acts (Bhaskar, 2008: 51 as cited in Archer, 2015: 3). Generative mechanisms are the choices, reasoning, motives, capacities and resources of individuals, given their ability to bring about change in the order of social order, institutions and entities such as the municipality (Archer, 2015: VI; Pawson, 200: 216).

[11] This is consistent with the critical realist metatheory underpinning this model (as will be discussed in the research design chapter).

[12] See: http://sameindicators.com/same.html

For effective municipal service delivery, the MPRM model, as posited by Allan (2018), argues that a number of separate but interdependent public resource management processes are logically required if government agencies are to successfully convert available resources into goods and services that meet citizens' needs. The model hypothesises that these conditions require the effective (and socially accountable) implementation of the nine, separate but interdependent, Public Resource Management processes (EMPAC, 2019). To say that the processes are separate but interdependent means, individually, the processes are not able to produce the desired outcome (i.e., services required) to progressively realise citizens' needs (Allan, 2021: 30). The desired outcome can only be achieved if the processes are implemented collectively. Thus, meeting the needs of residents becomes an *emergent property* of the implementation of all nine MPRM processes. In essence, 'emergent property' refers to the idea that, collectively, the processes are able to produce an outcome that they are unable to produce individually.

2.6. Chapter summary.

Amidst issues of climate change, drought and an increasing number of people that need water services, there is a serious need for efficient delivery of water and sanitation services. Though decentralisation was meant to ensure efficient service delivery, it has not been successful in doing so. This can be attributed to the neoliberal policy adopted in South Africa. The policy, among other issues, clashes with the government approach of providing free basic services. A neoliberal approach to municipal service delivery seems to require the provision of services to be paid for, either by the municipalities or municipal residents. However, the South African local government is plagued with financial issues. There are also issues of incapacity amongst municipal officials, and this results in the state of municipalities being close to dysfunctional in providing services. Despite the establishment of oversight bodies such as MPACs, there has not been much improvement. This is largely because the members of MPAC are also reported to lack the necessary skills to exercise effective oversight.

Most of the current literature on issues in service delivery in SA seems to point to two broad categories, namely: issues on capacity and financial issues within local government. What is particularly important for this research is that there does not seem to be any literature adopting a systematic approach to the issues of service delivery. This is not to suggest that it is not acceptable for authors to simply focus on single causal factors of service delivery. However, according to the MPRM model, municipal operations should be viewed as being part of a unitary municipal system. For instance, municipal planning should be seen as just as important as municipal spending. In other words, since municipalities spend in line with their plans, the two must be seen as part of the process municipalities adopt in their operations. So, in this sense, the practice of oversight of these processes becomes a crucial part of the processes that municipalities adopt to ensure service delivery. This is because the oversight process is essentially an analysis of the performance of the municipality in respect of the activities it was meant to engage in for service delivery. Where there is a failure in performance, the oversight process exposes the error so that it can be rectified or avoided in future.

So, literature has shown that issues in the financial stability of municipalities and, among other issues, the municipal officials' capacities, have an impact on service delivery. For this research, the focus should not be limited to those issues, individually. In the absence of a wholistic approach to service delivery in literature, the MRPM model is seen as offering a more compelling approach to understanding service delivery in local government.

CHAPTER THREE:
DATA PRESENTATION

This chapter presents the research findings from the Oversight report produced by the ADM MPAC.

3.1. ADM MPAC's Oversight report: A General Analysis

In the introductory part of the Oversight Report by the ADM MPAC, there was an acknowledgement that section 151(2) of the Constitution of the Republic of South Africa (1996) vests both legislative and executive authority of the Municipality on the Council (2018/19 ADM Oversight Report, 2020: 3). Thus, the ADM MPAC understands that this means that the ADM Council has the responsibility to oversee the work of the Executive and the Administration of the municipality, and this consequently ensures that there are checks and balances in the way the Municipality is governed and in the delivery of services to the community. The ADM MPAC also referred to section 152(a) of the Constitution of the Republic of South Africa (1996), which states that the object of local government is 'to provide a democratic and accountable local government for communities.' This, for the ADM MPAC, requires that all political and administrative office-bearers promote a culture of accountability within the entire municipal institution (2018/19 ADM Oversight Report, 2020: 3).

Having demonstrated the need for accountability in local government, the ADM MPAC acknowledged that 'the submission of the Annual Report and the Annual Financial Statements to the Council was a step towards the attainment of fully accountable governance'. This, in their view, enabled the Council to exercise its leadership role in ensuring an accountable local government. Of notable importance, the submission of the Annual Report and Annual Financial Statements is to be followed by the submission of the Oversight Report, which exercises oversight on the executive duties of the municipality by analysing mostly the Annual Financial Statements and the Annual Report. The Oversight Report's submission allows the Council to ensure that:

- The municipal Executive and Administration comply with the requirements of the Municipal Finance Management Act (2003) and other relevant legislation in terms of reporting (performance and malperformance).
- The Annual Report reflects that the municipality performed in accordance with its proposed service delivery plans.
- The municipality responds to national and provincial government development objectives.
- "The interests of the community are served to the extent that the municipality has the capacity and the resources to respond to the needs of the community."
- "That the municipality gives effect to the Integrated Development Plan as required in terms of section 36 of the Municipal Systems Act" (Act 32 of 2000 as amended) and the Standing Rules (2016).

- “That the resources of the Institution are applied in an efficient and economic manner to deliver services to the community” (2018/19 ADM Annual Report, 2020: 3-4).

The ADM MPAC cited the “Circular 32 of the Municipal Finance Management Act, 2003 (Act 56 of 2003)”, and then proceeded to point out that MPACs must plan their work in a way that ensures that they function ‘thoroughly’ and ‘effectively.’ To this effect, the ADM MPAC claimed that they developed a program of action for oversight on the Annual Report. The program of action was attached in Annexure A **(figure 1)**. The “Program of Action” entailed the following key components:

> **(1)** “Roll out of the Annual Report to Communities for the citizens to be afforded an opportunity to give their views and raise concerns on the performance of the Municipality on service delivery,” and
> **(2)** “Interactive sessions/interviews with the Executive and the Administration” (2018/19 ADM Annual Report, 2020: 5).

The ADM MPAC reported that “the Annual Report was advertised in the local newspapers and also placed in the libraries of the six local municipalities under ADM’s area of jurisdiction, with a view to invite communities and community organisations to provide comments on the report”. It was noted that at the time of writing of the Oversight Report, “no comments were received from the members of the public, through this mechanism” (2018/19 ADM Annual Report, 2019: 5). The ADM MPAC stated that they reviewed the Annual Report and consulted communities in the process and were “**not** satisfied that the information provided by the Executive and the Administration during the interactive sessions is a fair representation of the state of affairs within the Municipality”. Despite this, the ADM MPAC reported no reservations of the AR and the AFS (2018/19 ADM Oversight report, 2020: 9).

3.2. Financial performance.

As far as financial performance is concerned, the ADM MPAC reported that the Consolidated Annual Financial Statements were to be adopted without reservations (2018/19 ADM Annual Report, 2020: 10). The MPAC provided no material findings in respect of the municipality’s financial performance. As such, there was no justification provided for adopting the Consolidated Annual Financial Statements without reservations. There also did not appear to be any proof that the MPAC engaged with the Consolidated Annual financial statements.

3.3. Non-financial performance

On the oversight of the non-financial performance of ADM, the MPAC noted that they engaged with the public regarding the Annual Report. The ADM MPAC noted that the public hearings on the Annual Report provided “a unique opportunity for communities to analyse and give comments on how they view the performance of the Municipality” (2018/19 ADM Annual Report, 2020: 6). For the ADM MPAC, the engagement between the municipality and the community allows the municipality to be able to comply with the provisions of section 16(1)(a)(iii) of the Local Government Municipal Systems Act (2000), which encourages municipalities to allow public participation so as to ensure the monitoring and review of the municipality's performance (2018/19 ADM Annual Report, 2020: 6).

The ADM MPAC noted that during the public hearings, the Executive Mayor and the members of the Mayoral Committee addressed communities and the MPAC facilitated the sessions, to this effect, the ADM MPAC noted comments for integration in the Oversight Report. The Committee reported that public hearings took place in all local municipalities (2018/19 ADM Annual Report, 2020: 6).

For the ADM MPAC, there was a level of fair satisfaction during the public hearings from the communities wherein "the communities affirmed the existence and the impact of the projects implemented by ADM in their areas" (2018/19 ADM Annual Report, 2020: 6). The most common issues raised, happen to have also been raised in the previous financial year, indicating that the municipality has struggled to resolve the recurring issues (2018/19 ADM Annual Report, 2020: 6).

The ADM MPAC reported that "one of the issues that keep coming up is that of the unfinished VIP toilet structures which were commissioned to be built by the Siyenza Group" (2018/19 ADM Annual Report, 2020: 7). To which responses were provided. In addition, the non-availability of water in some areas was raised and was attributed to drought in the district (2018/19 ADM Oversight Report, 2020: 7). The ADM did not extensively report on the issues that were raised during the public hearing engagements. They however made reference to the Annexure with all the comments and questions from different community members from each municipality that falls under ADM's district.

3.4. Audit findings (internal and external) and other legal and regulatory requirements of Amathole District Municipality.

In the interaction with the executive and the administration, the ADM MPAC highlighted that the Oversight process on the Annual Report and the Annual Financial Statements requires that the Committee schedules meetings with the Executive to discuss the findings of the Auditor General. The ADM MPAC stated that they met with the "management of the institution" on the 28th of January 2020, to discuss the audit outcomes of the Municipality. In the discussions, the Committee raised the following matters (2018/19 ADM Annual Report, 2020: 8):

- The development of a register of Audit findings for the previous and current year with a recovery plan linked to the SDBIP.
- "What is the role of Internal Audit and have issues raised by AG in the last financial year been attended to?"
- The discrepancies between what is reflected in the financial statements and what was raised in the AG report.
- 'The report of non-compliance with legislation.'
- The cases of unauthorised, irregular, fruitless and wasteful expenditure mentioned in the Audit Report (2018/19 ADM Annual Report, 2020: 8).

The MPAC also reported that it met with the Administration to discuss matters raised by the Auditor-General. This was “to get clarity on the causal factors and an assurance that the matters are receiving the attention of the Management” (2018/19 ADM Annual Report, 2020: 8). In response, MPAC was assured that “the Management Letter and the Audit Action plan would cover all matters raised by the AG and present a systematic approach to resolving them” (2018/19 ADM Annual Report, 2020: 8).

MPAC further reported that in the meeting on the “28th January 2019,” where the Auditor-General’s report was reflected upon, the financial statements and other legal and regulatory requirements of the institution were considered. As regards finances of the municipal institution, the MPAC expressed its concern about the municipality’s regression from “a Qualified Audit Opinion to a disclaimer” (2018/19 ADM Annual Report, 2020: 9).

MPAC vaguely reported that it was assured ‘that there were various interventions being undertaken by the municipality to deal with the regression of the audit outcome’. MPAC was additionally able to report that a major contributing factor to the audit opinion received could be attributed to the limited functionality of the institution's financial system. This was because the Auditor-General had highlighted the inability of the system to produce accurate financial statements, which subsequently caused figures to be misstated. MPAC also highlighted the need for further investigations to mitigate some of the findings by the Auditor General. It is not entirely clear what is meant by this statement. Lastly, MPAC reported that it was informed that “the disclosures of procurement through limited bidding contributed to the increased figure of Irregular Expenditure” (2018/19 ADM Annual Report, 2020: 9). All in all, it appears MPAC was ‘partially satisfied with the responses to the questions they raised’ (2018/19 ADM Annual Report, 2020: 9).

3.5. Engagements with the community members.

In the engagements with the ADM executive, the community members had a number of issues to raise. Given that ADM is a district municipality, the engagements occurred across different (local) municipalities. These municipalities are Mnquma, Mbhashe, Amahlathi, Ngqushwa, Great Kei and Raymond Mhlaba. A summary of the issues that came up across these municipalities is provided and present in accordance with the services relevant for this research. It should be noted that these issues were also predominant because the municipality is responsible, as a district municipality, for the provision of these services. In this regard, it seems fair to expect the ADM MPAC to exercise oversight over the ADM Annual report with a key emphasis on these two services. This expectation can also be based on the fact that there is a water crisis in the area. So, it is important to exercise oversight over the provision of these services.

3.5.1. Water service delivery

3.5.1.1. Non-availability of water in communities.

A community member from the Mnquma local municipality queried on the unavailability of water in taps despite yard connections. The community member was informed that the free basic water supply is at standpipes only (ADM oversight report, 2020: 22). Another community member from the same municipality asserted that there was no water being provided in the area, and the response was that water is being provided (ADM oversight report, 2020: 23). Another issue similar to this was also raised but was more related to lack of water supply after the installation of a generator that was meant to aid water supply, and in this instance, no response was provided (ADM Oversight Report, 2020: 23).

In Mbhashe local municipality, it was noted that on 1 May 2019, the Jeme Community were promised that they would have water within three weeks but had not received this water. The community member queried as to whether there were any plans for the community to receive the promised services in the following financial year (2019/2020) (ADM oversight report, 2020: 29), and no answer was provided here in this regard. Another community member expressed that they do not have water, and the executive, in response, said that the matter would be investigated (ADM Oversight Report, 2020: 33).

A member from the Mnquma local municipality stated that there was no water and that the water-rationing was not helpful as people were forced to drink dirty water. The executive stated that taps were dry due to drought, and some were not working as they were stolen. As such, the institution's trucks are responsible for water carting, and councillors were in that regard asked to assist with the identification of areas in need.

In Mnquma local municipality, a community member reported that water was closed for almost three months but had been opened at the time of the community engagements. The community member was worried that the water would be closed again and asked for reasons why the water had been closed for such a long period in the first place (ADM Oversight report, 2020: 39). Adding on to this query, it was noted that some boreholes were seen that might have accessible water. In this regard, there was a question about why there were numerous boreholes but no update from the municipality on the situation (ADM Oversight Report, 2020: 24).

In the engagements with the community members from Raymond Mhlaba local municipality, one community member noted that the area has been struggling for years with water and that ADM even never really responded on time to attend to pipe bursts and leaking taps promptly (ADM Oversight Report, 2020: 41)

Some community members under the same municipality sought help with the availability of water trucks especially when there are funerals; they pointed out that such requests had continuously been made without any assistance (ADM Oversight Report, 2020: 41). It is surprising that there was another community member (under the same municipality) who pointed out that, despite the water challenges, water reservoirs were overflowing (ADM Oversight Report, 2020: 41). Despite this observation by this community member, it seems most of the community members under the Raymond Mhlaba local municipality (ward 12) have to rely on water carting which they described as 'coming once in a lifetime.' The municipal officials stated that the drought challenges were acknowledged and were a major causal factor of water scarcity. They further stated that they were however busy with interventions to deal with the (water drought) challenge (ADM Oversight Report, 2020: 42).

3.5.1.2. Issues with water board (Amatola Water).

There were issues expressed by community members from Amahlathi and Raymond Mhlaba municipalities regarding the lack of water, and the water sometimes not reaching some areas. The ADM executive was informed by the community members that these issues would need to be resolved through an engagement with Amatola Water, which is the water board in the Amathole district (ADM Oversight Report, 2020: 31 & 43). A similar response was provided to a community member from Ngqushwa. The individual raised an issue about the reservoirs having water but the water not reaching the taps. The executive responded by asserting that Amatola Water was responsible for assisting with the bulk water supply.

3.5.1.3. Maintenance and water sanitation.

In Mnquma local municipality (ward 7), an issue was raised about the Gcuwa dam not being clean, and it was queried as to whether the dam could be cleaned up. The executive's response was that the dam is not in its entirety ADM's property, and furthermore, the cleaning would be expensive for the municipality (ADM Oversight Report, 2020: 22-23). This issue about the dam not being cleaned was also brought up in the engagements between the community members of the Amahlathi Local Municipality (ADM Oversight Report, 2020: 32).

Community members from Mnquma local municipality also highlighted more issues regarding the cleanliness of the water within their area. One member asked 'where the Amathole trucks got their water from, as there were some trucks that were seen filling dirty water from the quarry (ADM Oversight Report, 2020: 36).

3.5.1.4. Interventions from the municipality

As a strategy for ensuring revenue collection from services provided, the municipality expressed that it had various interventions such as water restrictions for businesses that owed it and giving discounts to consumers that paid for municipal services. This was in response to a question asking about the municipality's plans to recover revenue from non-paying consumers (ADM Oversight Report, 2020: 26).

3.5.1.5. More issues

It was reported that the irrigation schemes in Amahlathi local municipality were using clean drinking water that was meant to be for communities (ADM Oversight Report, 2020: 31). The response here was that "the matter would be investigated." Furthermore, the municipality stated that it would strive to improve and respond promptly, as it was highlighted that technicians were not responding promptly when called for water pipe bursts (ADM Oversight Report, 2020: 27).

In Mbhashe local municipality, taps in the ward had been removed and community members then bought their own taps which the municipal employees failed to install (ADM Oversight Report, 2020: 34). Still in the municipality, electrification had to be halted at a location named Gxakagxaka. This was apparently due to a burst water pipe that ADM had failed to fix. Considering that the response of ADM was that the matter would be attended to urgently, it seems ADM was unaware of this burst pipe and the implications it had on the community's electrification (ADM Oversight Report, 2020: 34).

3.6. Recapping the research approach

It is crucial to recap the research approach before proceeding to the next chapter which will be looking at discussing the data collected. This recap is particularly important as the following chapters seek to flesh out the aims and objectives of the research.

The aim of this research is to present the problem of service delivery in South Africa and the importance of effective year-end oversight in improving water and sanitation service delivery. The research seeks to use the MPRM model to analyse whether the ADM MPAC's exercise of oversight over water and sanitation services was effective/ineffective at the end of the 2018/19 financial year. The primary objective in this regard is to assess the effectiveness of the ADM MPAC's exercise of year-end oversight. In addition to this, the other objective was to test the ability of the MPRM model to determine whether the year-end oversight at ADM was effective or ineffective (at the end of the 2018/19 financial year).

To test the explanatory ability of the MPRM model, it was stated that the research would be relying on the model's proposed approach for ensuring effective exercise of oversight over service delivery in local government. The MPRM's approach is that MPAC councillors need to be able to identify the municipality's targets for services needed in communities, track the municipal executive's performance in relation to the targets, and exercise oversight over the municipal executive's service delivery performance (MPRM model, 2018). In this sense, the MPRM helps councillors identify the targets set for service delivery and assess whether the said targets were consistent with the community needs. The primary document detailing MPAC's findings in this regard is the Oversight report. It is worth reiterating that although the focus is on oversight, for the MPRM, oversight is not a stand-alone process. It is part of the processes needed for effective service delivery. This is because oversight is exercised over municipal activities for service provision, and these include the planning and implementation activities.

CHAPTER FOUR:

FINDINGS

4.1. Introduction

The previous chapter presented the data collected. This chapter evaluates the research findings by discussing, interpreting and explaining the data collected.

The research findings suggest that the ADM MPAC made no oversight analysis on the delivery of these services on the financial and non-financial performance of water and sanitation service delivery. This suggests that the MPAC was confident in ADM's financial and non-financial performance. Despite numerous complaints by the communities on water and sanitation services, there appears to have been no attempt to report these services' financial and non-financial performance by the ADM executive. Most of the issues pertaining to water and sanitation were merely recorded in the Annexure of the OR—Where the issues of the community members and the responses provided by the ADM executive are outlined in a tabular format. There is no indication that the ADM MPAC attempted to hold the ADM executive accountable for its performance concerning the issues the community members raised.

The data collected suggests a difference between the ADM MPAC's year-end oversight and a year-end oversight that would have been informed by the MFMA circular no. 32. This difference is really at the core of the inefficiency of the ADM MPAC's year-end oversight. From a practical standpoint, this research analyses the municipality's performance using the MFMA circular no.32 and the MPRM model to demonstrate this inefficiency. The MFMA and the MPRM model will be used to analyse the efficacy of the ADM MPAC's year-end oversight. Theoretically, the intention is to show the explanatory ability of the MPRM model in addressing ineffective year-end oversight. While the discussion will be primarily theoretical, part of the intention is to show that the discussion has practical implications for year-end oversight.

The Oversight Report did not appear to be evidence-based, nor did it appear to have been guided by the MFMA circular no. 32. Without being guided by circular no.32, it was impossible to conclude that the ADM MPAC responsible for producing the 2018/19 Oversight Report was familiar with the legislative requirements for exercising year-end oversight. It was also difficult in this sense to determine whether the ADM MPAC councillors had the capacity to exercise effective year-end oversight over water and sanitation services (or oversight in general).

The discussion in this section seeks to highlight two points: (1) the year-end oversight was ineffective, and (2) the ADM MPAC councillors did not have the capacity to produce an Oversight Report that is informed by legislation. The discussion is intended to show that the ADM MPAC's year-end oversight was ineffective. The basis of this conclusion is that, firstly, despite the numerous issues on water and sanitation services raised by community members, the Oversight Report does not show any attempt by the ADM MPAC to exercise oversight over those services. Second, the Oversight Report is not evidence-based and, therefore, not efficiently produced.

Overall, this chapter seeks to delve more into the justifications for concluding that the oversight by the ADM MPAC was ineffective. The approach is to first look at the ADM MPAC's oversight by providing a general account of the ADM executive's performance on the water and sanitation services. Second, the ADM Annual report is assessed using the MFMA's circular no. 32, and lastly, the MPRM model is used to conduct year-end oversight of the performance of ADM with respect to water and sanitation.[13]

4.2. The ADM MPAC's oversight of financial and non-financial performance over water and sanitation service delivery.

On the municipality's financial performance, the ADM MPAC adopted the Consolidated Annual Financial Statements without reservations (2018/19 ADM Oversight Report, 2020: 10). There were no material findings presented concerning financial performance to justify this decision.

On the non-financial performance of ADM, the Oversight Report reports on the engagements with the communities from different wards. The MPAC here showed understanding that these engagements were crucial for non-financial performance by noting that public hearings on the Annual Report provided "a unique opportunity for communities to analyse and give comments on how they view the performance of the Municipality" (2018/19 ADM Oversight Report, 2020: 6). More crucially, the MPAC here demonstrated familiarity with the legislative provision relevant for the engagements between the municipality and the communities (2018/19 ADM Annual Report, 2020: 6).

The ADM MPAC stated that there was a level of fair satisfaction from the communities during the public hearings. The communities affirmed the impact of the projects implemented by ADM in their areas. The MPAC did not specify whether they were referring to positive or negative impact; this is important because "impact" could be positive or negative. Considering the issues the community members raised, the view adopted here is that the impact was negative.

The report notes that there were some common issues raised, which were also raised in the previous financial year. This indicated that the municipality had struggled to resolve those recurring issues (2018/19 ADM Annual Report, 2020: 6). One of these recurring issues was that of the unfinished VIP toilet structures and the issue of non-availability of water in some areas, which was attributed to drought in the district (2018/19 ADM Oversight Report, 2020: 7).

[13] The first two points are really to highlight how the year-end oversight by the ADM MPAC was ineffective. The third point seeks to also show this ineffectiveness but intends to emphasise the ability of the MPRM model to provide a more comprehensive approach to year-end oversight.

The report notes a few of the issues raised by the community members during the public engagements, and there is no indication that MPAC engaged with the issues adequately. There is no evidence of scrutiny on the issues raised in the public engagements. At the core, there is no indication that MPAC had intended to call the executive to be accountable for the issues raised. The report simply notes the issues the communities raised and the answers the executive provided during the public engagements. Considering the primary duty of MPAC, it seems reasonable to have expected the ADM MPAC to have engaged these issues in the report itself. This could have been done by reflecting on the municipality's financial and non-financial performance regarding the issues raised. MPAC only highlighted the issues without substantial engagement. The issues are not highlighted in the report; they are merely attached in the Annexure.

With the focus being water and sanitation services, the following are the following issues extracted from the public engagements: (1) availability of water, (2) provision of water by the board bulk water supplier (Amatola Water), and (3) the issues pertaining to maintenance and water sanitation.

The report notes a number of complaints about the unavailability of water in taps despite yard connections and the lack of water provision in the area. The response to the lack of water provision was that water was being provided (ADM Oversight report, 2020: 23). From an oversight perspective, this response is inadequate. Those living in the communities raised concerns about receiving water services, and their response is that ‘water services are being provided’. There was no effective engagement as there is an apparent dispute of fact. It would have been expected that the ADM MPAC take measures to ensure accountability by the municipal executive. The response does not seem satisfactory. The executive could, for instance, have been asked to provide proof that the services were indeed being provided. As in whether there were site visits by the municipal officials to ascertain that the services were indeed being provided and the dates of when these site visits were conducted. As it appears, unless the complaint by the community members is false, then the response by the executive does not appear to be helpful.

There were other issues raised that were not addressed at all. For instance, a community in Mbhashe local municipality was promised water within three weeks but had not received this water. When one community member wanted to find out if there were any plans made for the community to receive the promised services in the following financial year, there was no answer provided (2019/2020) (ADM Oversight Report, 2020: 29). Another community member highlighted the issue of not having water and the response was that the matter would be investigated (ADM Oversight Report, 2020: 33). From an oversight point of view, this should be an interesting case. A crucial question here would be for the MPAC to find out why the executives are only finding out about these issues at that stage. Considering the aforementioned issues, the unavailability of water services was crucial for the ADM MPAC to highlight in their report. Most crucially, some community members had even resorted to drinking dirty water due to the municipality's lack of water services.

Some of the water issues raised seemed to have been raised previously. An example is the complaint by community members of Raymond Mhlaba local municipality. The community members stated that they had struggled to access water for years. More community members from the same municipality (but under ward 12) state that they have had to rely on water carting which they described as 'coming once in a lifetime' (ADM Oversight Report, 2020: 42). There were also additional issues noted pertaining to the pipes bursting and taps leaking, and how these were never (promptly) attended to (ADM Oversight Report, 2020: 41). Importantly, in Raymond Mhlaba local municipality, the municipality was reported to have been billing water services without providing water to the community members (ADM Oversight Report, 2020: 44). Competing with RMM's billing of unprovided services, was Mnquma local municipality, where municipal employees were reportedly selling water that was meant to be provided freely to community members (ADM Oversight Report, 2020: 36 - 39).

Some issues regarding the provision of water seemed to be out of the ADM's control. For instance, in Amahlathi Local Municipality and Mnquma Local Municipality (Ward 7), there were issues about the uncleanliness of the dam and whether the dams could be cleaned up. Interestingly, the response given to the community members of Mnquma local municipality was that the dam was not entirely ADM's property and that the cleaning of the dam would be expensive for the municipality (ADM Oversight Report, 2020: 22-23 & ADM Oversight Report, 2020: 32). The responses indicate there is a possibility that the ADM Executive had no knowledge of the situation with dams. It is also clear from the response that there does not seem to have been any plans to allocate funds for the maintenance of the dams. Whether the dam is not the property of ADM does not stop them from ensuring that it is clean and can provide residents with clean water.

From an oversight viewpoint, the ADM MPAC could have followed up with the executive on the cleanliness of the dams. The uncleanliness of the dams is affecting the provision of water services, which is proven by the community members raising this issue with the municipality.

There were more issues regarding the cleanliness of the water as community members raised the point that they have seen the trucks responsible for providing water filling dirty water from the quarry (ADM Oversight Report, 2020: 36). It was reported in another community, from Amahlathi local municipality, that the irrigation schemes were using clean drinking water that was meant to be for communities (ADM Oversight Report, 2020: 31). This same municipality is reported to have had a lack of water, with instances where water is reported not to reach some other areas. That cleaning drinking water was being used for irrigation seemed not to have been something ADM was aware of. This was evidenced by their response: "The matter would be investigated." Had the executive been aware, they would have stated that they were aware of the matter and stated further that they were investigating the issue.

On the issues pertaining to sanitation, there were reports of people not having toilets (ADM Oversight Report, 2020: 25 & 30). In other instances, the building/provision of toilets was not completed, and the material to finish the toilets kept disappearing (ADM Oversight Report, 2020: 36). Additional to these issues are the cases of burst sewage pipes and broken toilets causing spillage in yards (ADM Oversight Report, 2020: 43-44).

The ADM MPAC appears to have not addressed nor engaged with the above-mentioned water and sanitation issues. This indicates an insufficient attempt to exercise year-end oversight on these issues and brings into question the efficacy of their year-end oversight. It could be argued that the failure to engage with the issues raised on water and sanitation services means the ADM MPAC's year-end oversight in respect of those services was ineffective. That the year-end oversight was ineffective can also be demonstrated by assessing whether the MPAC even followed the guidelines of National Treasury's (MFMA) Circular no.32. Reflecting on the information provided in the Oversight Report, MPAC does not seem to have followed Circular no.32. This could render the year-end oversight ineffective in so far as the National Treasury's guidelines are concerned.

The following section provides an analysis of the ADM Annual Report using Circular No. 32. The section provides a clear example of some of the issues that should have been reflected in the ADM MPAC's Oversight Report. As will be clear, applying Circular No.32's guidelines would result in a more substantive Oversight Report and, consequently, an effective exercise of year-end oversight.

4.3: Analysing the ADM Annual report using the MFMA's circular no. 32

4.3.1. Financial matters

4.3.1.1. The municipality's Annual Financial Statements (AFS) as submitted to the Auditor-General.

In the analysis of the AFS submitted to the AG, the AG reported that the AFS were not in the required format. According to the AG, the consolidated and separate financial statements submitted for auditing were not prepared in all material respects, as prescribed by s122(1) of the MFMA. The AG identified material misstatements in some of the categories of the submitted Annual Financial Statements, such as revenue from service charges, interest earned on outstanding debtors, revenue from government grants and subsidies, operational costs, cash flow statements, and unauthorised expenditure. According to the AG, these material misstatements were not "adequately" corrected, and it is upon these findings that the consolidated and separate financial statements received a disclaimer of opinion.

According to circular no.32, MPAC is required to check and compare the format of the AFS with MFMA Circular 18 (which sets out new accounting standards). They are also required to check the AG's audit report and the Audit Committee's (AC) report to assess compliance with reporting formats. In this sense, MPAC can look to establish whether the Annual Financial Statements (AFS) were in the required format and whether the Audit Committee or the Auditor-General raised any concerns about the format of the AFS.

4.3.1.2. Any explanations that may be necessary to clarify issues in connection with the financial statements.

Accounting standards require that notes accompany the AFS to provide explanations of issues and matters reported. The goal was to determine if there were sufficient explanations of financial issues in the Annual Financial Statements notes. It was found that the explanations of financial issues contained in the notes to the Annual Financial Statements were not sufficient (2018/19 Annual Report of ADM, 2019: 38-66). No reference was made to the aged-creditor analysis in the 2018/19 Annual Report (2019). According to the AR (2018/19 ADM Annual Report, 2019: 67), no long-term loans exist. This gives the impression that the municipality had no serious long-term debts. Yet it was reported that, at the time, ADM owed about R 398 million (National Treasury, 2018). Furthermore, ADM's 2018/19 4th quarter financial report (ADM financial statements/National Treasury, 2019) highlights the municipality's negative cash balance of R 616.2 million (ADM AFS, 2019: Table C7). Lastly, ADM has a cash coverage of zero days, as it was 56 days behind its debt payment date (ADM AFS, 2019: Table C1 & C7).

4.3.1.3. Assessment by the Municipal Manager on any arrears on municipal taxes and service charges

The intention here was to determine (1) whether there was an adequate assessment by the Municipal Manager pertaining to arrears on municipal taxes and service charges has been included in the Annual Report and (2) whether there were sufficient explanations of the causes of the arrears and of actions to be taken to remedy the situation.

No adequate assessment was included in the Annual Report by the municipal manager. According to Table A4, the planned revenue targets were R 404 million for water services and R 304 million for sanitation. According to Table C4, ADM collected R 62 000 in water services and R 0 in sanitation services. There is a clear indication that the municipality had failed to collect the revenue it had planned to collect.

The audited AR (2018/19 Annual Report of ADM, 2019: 14) reported that 'consumer debt remains a challenge and that a number of initiatives were implemented.' However, simply stating that 'a number of initiatives were implemented' does not constitute an adequate assessment. There appears to be no explanation of what these implemented initiatives were, whether these initiatives were sustainable or realistic, nor whether the municipality had enough resources to implement these initiatives. In addition, there is no indication of whether the implementation of the initiatives was successful and whether there were any alternatives if the initiatives implemented became unsuccessful.

It was also found that the explanations provided for the causes of arrears and actions to be taken to remedy the situation were insufficient. The report explains that in addition to the worsening economic situation, consumers were struggling to pay for service charges. The report also stated that the increased tariffs contributed to the struggle to pay for service charges. This explanation is inadequate. While the increased tariffs and the increasing number of outstanding debtors may indicate that consumers are struggling to meet their obligations to pay for services received, from an oversight perspective, the municipality might be making conclusions based on assumptions. The correlation between increased tariffs and the failure to pay service charges does not conclusively mean that consumers struggle to pay. There was no evidence provided by the municipality to prove that this was the case. They could have proven this by conducting a (valid, relevant, and recent) community survey to ask why consumers struggle to pay. The municipality could also verify if some consumers are struggling to pay, as some of them could simply be refusing to pay, perhaps as a protest against the municipality for poor service delivery.

4.3.1.4. Corrective action taken or to be taken in response to issues raised in the AG's audit reports.

Here, attention was given to the AG's report and whether it indicated serious or minor financial issues. Consideration was given to the schedule of activities to be taken in response to the AG's findings and whether this schedule had been included in the AR with appropriate due dates.

The AG's report indicated serious financial issues. Some of the serious financial issues are:

- The operational expenditure for PPE was overstated by 70 million (ADM 2018/19 Annual Report, 2018: 181).
- The "payables from exchange transactions and operational costs disclosed were overstated by R89,9 million" (ADM 2018/19 Annual Report, 2018: 182).
- The AG was unable to obtain sufficient and appropriate evidence that revenue due to the municipality was calculated monthly and that interest was charged on all accounts in arrears as required by s64 (2)(g) of the MFMA (ADM 2018/19 Annual Report, 2018: 192).

In light of these findings, the AR does not indicate inclusion of a schedule of action, with appropriate due dates, to be taken in response to the AG's findings (ADM 2018/19 Annual Report, 2018: 102). The AR does report that an action plan was adopted following the AG report. It, however, does not contain any appropriate due dates. It is brief and does not entirely provide a clear understanding of what action plan was adopted and how it was adopted. On the positive, it states who was responsible for its implementation.

4.3.1.5. Assessment by the MM of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and each vote in the approved budget.

Here, the idea is to analyse the performance of the municipality and whether this performance has met the expectations of the council and the community. The intention was also to look at:

- the municipal objectives and whether they have been met,
- the explanations that have been provided for any non-achievement, and

- the impact on the service delivery and expenditure objectives in the budget.

The municipality's performance has seemingly not met the expectations of the council and community. This can be proven by looking at the planned revenue targets and the municipality's performance in respect of these planned targets. According to Table A4 ADM, the planned revenue targets are R 404 million for water services and R 304 million for sanitation. According to Table C4, they actually collected R 62 000 in water services and R 0 in sanitation services. The revenue targets are different from the revenue that was collected. This clearly shows that the performance has not met the expectations of the council and the community. These findings also feed into the finding that not all objectives have been met (ADM 2018/19 Annual Report, 2018: 51). As noted in the AR, 'of the 61 key performance targets, seven key performance targets were not achieved'.

Regarding the explanations provided for non-achievement, the explanation provided in the AR is that "the slight drop in performance is due to the fact that key performance indicators that have a high impact (i.e., MTI, SDI and GGP) were achieved at an average level" (ADM 2018/19 Annual report, 2018: 51). This explanation is unsatisfactory. The revenue targets differ from the revenue collected (as indicated above in question 1 of this section). This could serve as a better explanation as to why the municipality failed to achieve the objectives that it was supposed to achieve.

It is also worth noting that the impact of the municipality's performance on the service delivery and expenditure objectives in the budget is that the performance of the municipality toward providing basic services dropped from 93% to 86% (ADM 2018/19 Annual report, 2018: 51). This could be the result of the failed revenue collection targets. As in, the under-collection of revenue may have caused the provision of basic services to decrease from 93% to 86%.

4.3.1.6. Recommendations of the audit committee in relation to the AFS and audit reports of the municipality.

On top of all the findings from the other financial matters, the recommendations of the audit committee in regard to the AFS were not adequately addressed by the municipality. Some of the recommendations were not addressed. Some unaddressed recommendations included the recommendation wherein management was supposed to ensure that the issues raised by the AG were adequately addressed and the recommendation where the management was supposed to ensure that all the AFS were submitted to the AG and council by 31 August 2019.

4.3.2. Allocations received and made

According to C32, the AFS must disclose details of allocations received from another organ of the state in the national or provincial sphere, municipal entity or another municipality, and any other allocation made to the municipality under Section 214(1) (c) of the Constitution. The council (i.e., MPAC) should comment and draw conclusions on the information and explanations provided. Regarding allocations received by and made to the municipality, the municipality received allocations from other state organs

(ADM 2018/19 Annual Report, 2018: 169). However, there does not seem to be any information in the AG's report confirming the correctness of the allocations received.

On the Information related to the use of allocations received, the AR should include information per allocation received per vote, including the current year and details of spending on all previous conditional grants for the previous two financial years. Information is to be provided per vote. (E.g., All transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent and for what projects). It should also include whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1) (c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided. Moreover, it should include whether allocations under the DORA were delayed or withheld and the reasons for this. This information is required on all allocations, excluding the municipality's portion of the equitable share (MFMA Section 123, Circular 11).

The information related to allocations received was properly disclosed, but the conditions of allocations have not been met. The AG's report makes reference to unspent conditional grants worth R64 million in notes 31 and 17 of the consolidated and separate financial statements. Failure to spend conditional grants could be classified as a failure to meet the conditions of such grants. It is, however, noted that there may be valid reasons why the conditional grant was not spent.

4.3.3. Municipal performance

4.3.3.1. The annual performance report of the municipality and entities (4.1)

Section 46 of the MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report.

The performance report has been included in the AR (ADM 2018/19 Annual report, 2018: 52). However, not all the performance targets set in the budgets, SDBIP, service agreements etc., have been included in the report (ADM 2018/19 Annual report, 2018: 112-132). The following targets were present in the SDBIP but not the AR: The target coded MTI 1/5 is omitted. The target focuses on a "human resources plan. The target coded MTI 1/6 has not been included in the AR. This target focuses on monitoring water and wastewater quality compliance on a monthly basis. The target coded MFV 1/11 has not been included in the AR. The target focuses on the percentage of billed municipal core services.

In addition, though the performance evaluation in the AR compares actual performance with targets in budgets and SDBIP, some SDBIP targets are missing (ADM 2018/19 Annual Report, 2018: 113). Considering that ADM is responsible for the provision of water services, sanitation and waste management, the AR (ADM 2018/19 Annual Report, 2018: 53-63) reports that there are huge discrepancies with regard to the information provided on the efficient provision of water services. Some of the findings that illustrate these discrepancies:

The water provision assessment was last conducted in 2014. In addition, the table on page 56 presents the levels of Water Service Delivery. The table covers formal and informal settlements, and in both categories, the number of households receiving water services from ADM does not change for the current and previous two financial years. This implies that the number of people receiving access to water has not changed in the past three financial years or that the data has not been updated for about three years.

In addition, the AR reports that per target code SDI 1/1, ADM planned to provide adequate infrastructure and safe drinking water by 2022. The target is said to have been achieved. It is difficult to say that ADM could provide services efficiently if the information on those receiving water services was hardly updated. The AR actually reports that target code SDI 1/2, where ADM planned to provide adequate infrastructure and safe drinking water by 2022, was not achieved. The failure to meet this target could also be because ADM decreased its revenue targets [see Table A4].

A customer satisfaction survey was not undertaken for the 2018/19 financial year. The most recent customer satisfaction survey was in 2015/16 (ADM 2018/19 Annual report, 2018: 49). Due to the lack of access to performance agreements between MM and each senior manager, it is difficult to determine whether the targets set in the budgets & SDBIP agree with the targets set in performance agreements of the performance contracts of MM and each senior manager.

The AR does not explicitly state whether ADM's performance was considered efficient/inefficient. However, the report's clear failure to state that ADM's performance was inefficient is enough to presume the performance was considered efficient. Secondly, in the foreword given by the mayor, it is stated that the municipality shows its commitment to efficient performance through the IDP and other strategic documents (like the SDBIP). In that regard, ADM has recommitted itself to accelerate service delivery in restoring the dignity of the people of Amathole District. In addition, the AR (ADM 2018/19 Annual Report, 2018: 51) reports that the Institutional Annual Performance was 72%. Both the Mayor’s foreword (ADM 2018/19 Annual Report, 2018: 6) and the Institutional Annual Performance Report (ADM 2018/19 Annual Report, 2018: 51) could be seen to suggest that performance was considered effective.

4.3.3.2. Audit reports on performance

The AG must audit the results of performance measurements as part of the internal auditing processes annually, in accordance with section 45 of the MSA. The Internal Audit Unit’s (IAU) recommendations were acted on during the financial year. However, not all recommendations were addressed; some recommendations that were not addressed had explanations, and some did not have any explanations

(ADM 2018/19 Annual Report, 2018: 206). An example of a recommendation that was not addressed is that management was supposed to address the issues raised by AG.

4.3.4. General information to be disclosed in the annual report.

4.3.4.1. Service delivery performance on key services provided.

This may be a high-level summary, in addition to detailed information on performance, which sets out overall performance under the municipality's strategic objectives. Overall results on the strategic functions and services should be summarised. This should cover all services provided by the municipality or external service providers.

The AR (ADM 2018/19 Annual Report, 2018: 51) does contain a high-level summary detailing the overall performance of the municipality against its strategic objectives. The overall results of the strategic functions and services have been summarised, and the overall performance has been set out. However, a detailed presentation of the information on performance and the municipality's strategic objectives does not seem to be included.

4.3.4.2. Three-year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework.

It is required that 'a summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided' (Circular no. 32, 2006: 17).

There was no summary of the long-term capital plans that had been disclosed. This made it difficult to determine whether the summary could be cross-referenced to the performance reports in the Annual Report. Moreover, the year reported (on the capital spending plans/projects) is 2017/18 (it is acknowledged that this might be a slight typographical error of dates), and the report on capital spending states that some of the projects are "awaiting approval of additional budget."

4.3.4.3. Payment of performance bonuses to municipal officials.

Section 57 MSA (as amended) requires that performance bonuses be based on performance and that these are only awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably, such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report. Conclusions and comments on the evaluation and payment of performance bonuses of the council should be included in the Oversight Report.

The AR reported that bonuses were not yet paid. Though the municipality had planned to pay the performance bonuses, it appears that doing so would be questionable given that there was no proper evaluation of performance undertaken. The AR merely outlined the categories of performance rewards for employees below s56 Managers; no evaluation was mentioned for s56 Managers. The overall evaluation of performance rewards for all employees is very brief. It consists of numbers and percentages and does not say much nor attempt to show a justification for the performance rewards.

There was no evidence in the AR to suggest that performance bonuses were deserved. So, the decision to pay rewards based on performance was not justified. With this said, an attempt was made to assess whether the performance evaluation in the AR aligned and reconciled with the performance reported in the AR. It was difficult to conduct this assessment because there was not enough information contained in the evaluation to answer this question. However, on the performance of the Municipality in its Key Performance Areas, it was found that the results reported in the Annual Report (2018/19 ADM Annual Report, 2019: 51) did not correlate with the information provided in the statements of financial position (2018/19 ADM AFS, 2019: Table A2 and Table C2).

4.4. Chapter Summary

Despite the numerous water and sanitation services issues raised by community members, the oversight report does not show any attempt by the ADM MPAC to practice oversight over the water and sanitation services provided by the ADM executive.

The Oversight report does not seem to have followed the prescribed format found in the MFMA circular no.32. The prescribed themes are clearly not included. There are issues that would have been identified and presented in the oversight report had the ADM MPAC used the circular. The council adopted the oversight report without reservations in the current oversight report (of the 2018/19 financial year). However, there are various issues noted in the analysis of the Annual report using circular no. 32. Some of these issues are serious, and because of them, it would be expected that the council would have had reservations about adopting the Annual Report. So, despite these findings, the council adopted the oversight report without reservations and provided no justification for adopting the Annual report without reservations.

Furthermore, there was no attempt by the ADM MPAC to engage the municipal executive on, *inter alia*, the billing for (water) services that were not being provided (ADM oversight report, 2020: 44). Neither was there any engagement with the selling of water to community members by municipal employees (ADM oversight report, 2020: 36 - 39). All in all, the year-end oversight by the ADM MPAC did not seem to be informed by circular no. 32. As such, using the circular no. 32 format of oversight reporting, the year-end oversight by the ADM MPAC over water and sanitation services, can be considered ineffective.

CHAPTER FIVE:
AN ANALYSIS OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE OF ADM USING THE MPRM MODEL

This chapter aims to analyse ADM's year-end oversight using the MPRM model. As has already been noted, the MPRM model sets out nine public resource management processes for effective service delivery, namely: (1) Needs assessment, (2) Strategic planning, (3) Resource mobilisation planning, (4) Resource allocation, (5) Revenue collection, (6) Expenditure management, (7) Performance management, (8) Preventive and corrective action and lastly (9) State oversight (Allan, 2018). The following section investigates each of these processes, with a focus on water and sanitation services, and the purpose is to exercise oversight over each process.

In terms of structure, the chapter is divided into three sections, namely, the MPRM's **(5.1)** planning phase, **(5.2)** implementation phase and **(5.3)** State oversight phase.

5.1. Planning phase

5.1.1. Needs assessment.

As noted, conducting a needs assessment is the starting point for effective public service delivery. The purpose of conducting a needs assessment is to identify the priority needs of citizens within ADM jurisdiction. The priority needs are usually recorded in the IDP. In this regard, the ADM IDP did report water and sanitation backlogs (ADM IDP, 2018/19: 373 & 376).

5.1.2. Strategic planning

In strategic planning, the municipality is meant to identify the activities that must be implemented in response to the identified needs. These activities are grouped into programmes and projects to produce clear strategic plans. Key performance indicators[14] are attached to each planned programme to track implementation. The entire process is driven by determining outputs and outcomes.

As part of the outcomes and outputs that ADM planned to achieve in relation to water services over the medium to long term, ADM planned:

- To provide adequate, portable, and sustainable water services infrastructure by 2022 (2018/19 ADM IDP, 2018: 363).

[14] Key performance indicators are financial and non-financial indicators that organisations use to assess their success in respect of their established long-lasting goals (Velimirovića *et al*, 2011: 63).

- Provision of sustainable and environmentally friendly sanitation and services to all communities by 2022 (2018/19 ADM IDP, 2018: 363).

These plans are consistent with those labelled “SD1” and “SD2”. In SD1**,** the municipality planned to provide adequate infrastructure and safe drinking water to water all communities by 2022 (2018/19 ADM SDBIP, 2018: 5). In SD 2, the municipality planned to provide sustainable and environmentally friendly sanitation services to all communities by 2022 (2018/19 ADM SDBIP, 2018: 5).

The indicators used to measure the outcome and output targets in respect of water and sanitation services were:

- The number of households with new water connections (2018/19 ADM IDP, 2018:373).
- The number of refurbished Water Services Infrastructure projects per the Refurbishment Plan (Water Treatment Works & Wastewater Treatment Works) (ADM IDP, 2018/19: 373-374).
- The number of households provided with interim water supply (ADM IDP, 2018/19: 374).
- The number of programs implemented according to the Water Conservation Demand Management Plan (2018/19 ADM IDP, 2018: 374-375).

As shown below, not all the indicators were coherent. Under the indicator SD1, the baseline, i.e., bare minimum performance, is that 221 159 households should have new water connections by 2022. However, the targets for 2018/19, 2019/20, 2020/21 and 2021/22 were 5000, 4500, 5000 and 5500, respectively. The coherency of the indicators in this regard needed to be clarified. With the indicators SD1/3 and SD 2/1, the baseline targets do not match the targets for each financial year until the end of the 2022 financial year.

PRIORITY AREA	OBJECTIVE	OBJ CODE	STRATEGY	INDICATOR	IND CODE	BASE-LINE	TARGET: 18/19	TARGET: 19/20	TARGET: 20/21	TARGET: 21/22	ACCOUNTABLE OFFICIAL
	adequate infrastructure and safe drinking water by 2022		Implementation of the Water Services Development Plan (WSDP)	No. of Households with new water connections	SDI 1/1	221 159 Households	5000 Households with new water connections	4500 HH with new water connections	5000 HH with new water connections	5500 HH with new water connections	Director: Engineering
				No. of refurbished Water Services Infrastructure projects as per the Refurbishment Plan (Water Treatment Works &	SDI 1/2	2 Dams completed in Dutywa; Idutywa WWTW and WTW	4 refurbished Water Services Infrastructure projects (2 WTW's & 2 WWTW's) as per the Refurbishment Plan	4 Refurbished Water Services Infrastructure Projects as per the refurbishment plan	4 Refurbished Water Services Infrastructure Projects as per the refurbishment plan	4 Refurbished Water Services Infrastructure Projects as per the refurbishment plan	Director: Engineering

INTREGRATED DEVELOPMENT PLAN FOR AMATHOLE DISTRICT MUNICIPALITY TOWARDS 2018/19 – 2018/2023

(ADM IDP, 2019)

The indicators do, however, seem consistent with the *Consolidated indicator overview*. But it was difficult to determine this consistency. ADM had not provided any columns for the output and outcome indicators. According to the *Consolidated indicator overview*, there should be means to allow indicators to be measured in terms of their outcome and output levels. The ADM IDP does not provide a clear distinction between output and outcomes. The indicators are consistent with the *Consolidate indicator overview*. However, no columns were provided for the output indicators and outcome indicators. This, in turn, makes it difficult to determine the consistency of the IDP indicators with indicators from the *Consolidate indicator overview*. In essence, the absence of output and outcome indicators makes it difficult to assess whether the municipality's outputs are consistent with its outcomes. Furthermore, no record was made for "targets per quarter" and "resources allocated per quarter".

Despite the missing columns highlighted above, all of the other required information was included, and it was possible to connect the service delivery-related outputs in the SDBIP with the outcomes set out in the IDP. However, there were coherency issues with the outcomes, outcome indicators, outputs, and output indicators for water and sanitation. The SDBIP would be expected to provide a more detailed one-year cost operational plan. However, the SDBIP only makes reference to plans for the upcoming financial years and fails to provide information on quarterly targets (ADM SDBIP, 2018/19: 18).

The municipality failed to state the outputs it aims to achieve. It was difficult to determine whether the municipality achieved its outcomes, even if the municipality was able to achieve its outputs.

5.1.3. Revenue planning/ resource mobilisation

In revenue planning, the municipality must ensure it can mobilise (financial) resources necessary to implement its (output and outcome) targets and meet its KPIs. This requires the municipality to, *inter alia,* realistically plan how much funds it will require to implement the targets set.

5.1.3.1. Operational Revenue Planning

The municipality's priority sources of revenue

ADM aimed to raise operational revenue through *inter alia* Service Charges, Transfers and Subsidies. (See Figure 2)

The planned revenue targets (considering the municipality's previous financial performance)

Regarding service charges on water and sanitation, the adjusted budgets of 2017/18 were lower than the audited outcome of 2016/17 for both services, by 54% and 74%, respectively. Compared to the 2017/18 budget, the 2018/19 budget provided a 33% and 57% increase for both service charges. The 2017/18 and 2018/19 budget years had values lower than the 2016/17 financial year. From an oversight perspective, the decrease in planned revenue collection on the revenue targets for 2017/18 and, consequently, 2018/19 was worth questioning. The evidence (from the audited outcome of 2016/17) indicates that ADM could collect more revenue. It also appears that the lowered planned targets did not acknowledge the inflation rate (See Figure 3).

5.1.3.2. Capital revenue planning.

The key sources of funding that ADM planned to rely on for purposes of paying for its infrastructure costs.

ADM planned to rely mostly on transfers and grants. Transfers and grants were meant to constitute 93% of its expected capital revenue to implement its SDBIP. Capital revenue from the municipality's internally generated funds was meant to constitute only 7%. There is an indication of an over-reliance on transfers and grants from the national government (See Figure 4).

ADM’s capital revenue targets

The discussion here was geared towards assessing ADM’s planned reliance on internally generated funds. In practice, this would be followed by an enquiry on whether there was a plausible strategy for generating funds internally. Moreover, in practice, it would also be crucial to enquire whether ADM planned to rely on funds from loans and whether these funds would be within the municipality’s financial plans regarding the repayment of loans.

Analysing these planned targets of the municipality's capital revenue in the present case was challenging. There needed to be more information disclosed to conduct a proper analysis, as the amounts audited for the 2016/17 financial year are missing (See Figure 5).

5.1.4. Expenditure planning or resource allocation

Here the municipality must ensure that it prioritises allocating resources for spending on priority programmes and activities within its spending plans. Here too, the targets need to be realistic.

5.1.4.1 Operational expenditure planning

The spending priorities in respect of water and sanitation

ADM planned to spend about 37% of its operational budget on water, 10% on water waste management and 0,4% on waste management. In the 2017/18 and 2018/19 financial years, ADM planned to spend more than 100% and 300% of what it spent in the 2016/17 financial year on water expenditure and wastewater management. The budgeted amount of water service is higher (R 546.2 million) than what was spent (R 431.5). In addition, there was a planned decrease in the purchase of bulk services (See Figures 6 and 7).

5.1.4.2. Capital expenditure planning

The spending priorities for water and sanitation infrastructure

The missing information on the first year Medium Term Revenue and Expenditure Forecast makes it hard to establish an adequate analysis here. However, we can analyse the total capital expenditure planned to be spent. For the 2018/19 financial year, ADM planned to spend R 612.98 million. This was higher than the audited outcome of 2016/17, which was only R 32.2 million. This means there was an increase of R 580.78 million.

Furthermore, there were fluctuating figures on money spent in the previous years: in the audited outcome of 2014/15, ADM spent R 726.1 million. In the following financial year (2015/16), the amount spent decreased to R 153.5 million. In 2016/17, their spending decreased to R 32.2 million (See Figure 8).

The spending priorities for the new, renewed and repairs and maintenance of water and sanitation assets

According to Budget Table A9 (ADM 2018/19 AFS, 2019:), ADM planned to spend R354.3 million on new water assets and 77.2 million on new sanitation assets. It may be unrealistic to spend such amounts for both water and sanitation. For water, the audited amount between 2016/17 is R 58.7 million. This amount increased to R 502.5 million in 2017/18. This is an increase of 756,70%. There was insufficient information to make a proper analysis of sanitation.

For repairs and maintenance, ADM planned to spend R 13.5 million on water and R 6.3 million on sanitation. It was challenging to assess water and sanitation as both do not have values for the audited outcome for the 2016/17 financial year. However, between 2017/18 and 2018/19, there were increments above inflation for water and sanitation. For water, the planned spending increased by 19,7% and for sanitation, the planned spending increased by 110,2% (See Figures 9, 10 and 11).

5.2. Implementation phase

5.2.1. Revenue collection

In revenue collection, the municipality implements its resource mobilisation/revenue collection plans. Here, the municipality must implement financial controls over planned revenue collection and report on the performance thereof.

Operational revenue: Billed revenue

The first noticeable observation in Table C4 is that for service charges on water, ADM was supposed to have billed R 248.1 million, but they only billed R 62 000. This billing discrepancy was concerning, considering this was a 4th quarter report, i.e. the financial year's final report. At this stage, the municipality was ideally supposed to have billed over 80% of the amounts it had planned to bill. Ultimately, ADM had under-billed for the financial year in question. The municipality had failed to bill: 99% of its charges on water, 100% of the charges on sanitation and 82% of its service charges on refuse (See Figure 12).

Operational revenue: Cash collected.

Not only did ADM under-bill on these crucial services, but Table C7 indicates that ADM had also under-collected about R283,7 million. The evidence of this is demonstrated by the audited outcome of 2017/18, which is R50 000, and the YTD budget value, which is R301,6 million (See Figure 13).

The difference between the amount of own-source revenue ADM has billed (in Table C4) and the cash it has collected (Table C7).

According to Table C4, ADM should have billed R248,1 million in water revenue but only billed R62 000. Table C7 does not make any reference to water revenue, but it states that ADM had under-collected about -R283 713 million in service charges. As recorded in Table C4 (R62 000), the actual revenue of services billed is far from the amount under-collected for service charges (-R283 713 million), as recorded in Table C7. Based on this information, ADM struggled to collect cash for its revenue. The unrealistic revenue collection estimates also confirm this. If the audited outcome for service charges between 2017/18 was R49 000, it seems unrealistic for ADM to have planned to collect R301 million in the 2018/19 financial year.

Percentage of billed revenue the ADM collected in cash: Debtors collection rate.

The information provided by Table C1 suggests that ADM failed to collect any billed revenue from all services. The exact figure for its debtor's collection is -70.6%. The failure to collect revenue that was billed may have affected ADM's spending on service provision. The less revenue the municipality was able to collect means the municipality may have subsequently had less to spend (on municipal services) (See Figure 14).

ADM's cash balance.

There is a net decrease in ADM's cash. The cash balance is negative and should be considered alongside the municipality's debt of R398.4 million (accessed through the aged creditor analysis). ADM's cash balance was at a negative of R117.4 billion. It would have been beneficial for the MPAC to have recommended that the ADM use some of its investments or reserves to pay off its debts (See Figures 15 and 16).

Capital revenue collection

ADM failed to collect the budgeted amounts it planned to collect from the national government and the funds it had planned to generate internally. In both categories, ADM under-collected about 40% of what it had expected to collect for capital revenue (See Figure 17).

5.2.2. Expenditure management

The municipality implements its spending plans as part of the expenditure management process. The municipality does this by implementing adequate financial controls over spending and reporting on its spending performance, as required by legislation.

The operating budget spent on water and sanitation.

Information on the budget spent shows a general trend of overspending on water, water waste management, and waste management. (See Figure 18).

Operating budget spent on bulk purchases

37,5% was underspent in bulk purchases. Under-spending on purchasing bulk services means they might have compromised the quality-of-service provision (including water provision) (See Figure 19).

What percentage of the budget for operational spending was spent?

ADM spent 98% of its operating budget (See Figure 20).

The capital budget is spent on water and sanitation services.

It is difficult to provide an analysis due to missing information in the C5 table (See Figure 21).

Capital budget spent on new assets, asset renewal and repairs and maintenance (as informed by reporting Table C9)

ADM spent R 208.5 million on water. They were supposed to have spent R 647.1 million. Analysing the renewal of assets and repairs and maintenance was impossible due to a lack of information.

Total capex budget spent

Capital spending includes infrastructure projects like municipal buildings, new water pipes, or a new water purification plant. Underspending on the capital budget can lead to under-delivery of essential services. Municipalities are required to spend at least 95% of their capital budgets. Spending less than 85% of their budget may be considered by the National Treasury as a warning sign for a possible failure to deliver those services due to the underspending.

Firstly, the audited outcome between 2017/18 was R1.4 million. The adjusted budget for the following financial year is increased from R 1.4 million to R 675.4 million. Secondly, this was a fourth-quarter report. The adjusted and year-to-date budgets were supposed to have similar values, which was not the case. Lastly, ADM had under-spent by 39,79%. (See Figure 22).

5.2.3. Performance management

In this process, the municipality implements the activities listed in its operational and programme plans. The municipality then monitors performance and implements effective performance controls to ensure the realisation of KPIs for priority programmes and activities. Lastly, the municipality reports accurately on its performance.

Regarding the municipality's performance, ADM was at a deficit of R 625.4 million. The municipality spent about R1.5 billion, more than the amount billed (R 846,2 million). This also suggests that ADM was bankrupt and unable to pay all its bills and debts, especially those envisaged in the aged creditor analysis (See Figure 23).

Under the performance management process, documents such as the performance agreements between the municipality's Municipal manager and Executive directors are analysed. The performance agreements for the 2018/19 financial year could not be obtained, as these were not published on the ADM website. Access to these documents would have made it possible to:

- Compare the performance agreement's key objectives, KPIs and annual targets with those in the SDBIP.
- Determine the similarity between the objectives, KPIs and targets, as this would help keep the relevant executive accountable for their performance regarding water and sanitation services.

Access to the documents also makes it possible to establish whether the targets and KPIs set in the SDBIP would be realisable if all the KPIs and annual targets set in the performance agreement were met. The importance of this is that, among other things, if there were targets in the performance agreement and these targets were similar to the targets set in the SDBIP, then meeting those targets in the agreement would result in the SDBIP targets being realised.

From an oversight perspective, it would be essential to establish if the municipality had reported against the KPIs and performance targets set out in the SDBIP; and whether the municipality had provided adequate justifications and explanations for its performance.

5.2.4. Preventive and corrective action(s)

This process measures control for conflicting interests and other disciplinary issues. According to the MPRM, this process requires a municipality to ensure that officials and elected representatives declare their private interests to limit potential conflicts of interest during the planning and implementation of services. The municipality is also meant to take appropriate corrective action when there is ineffective use or abuse of available resources. This includes addressing poor performance by officials or cases of corruption.

The focus here is on dealing with poor performance (incapacity) in municipalities. The senior manager's performances are assessed under stipulations from Local Government Disciplinary Regulations for Senior Managers, 2011. According to the Local Government Disciplinary Regulations for Senior Managers (2011) Section 16(1)), the following must take place: (a) "convening a meeting giving feedback to the senior manager's performance; (b) providing the senior manager with reasons for initiating the disciplinary procedure; (c) explaining the requirements, level, skills and nature of the post must be provided; evaluating the senior manager's performance in relation to the performance agreement; explaining the reasons why the performance is considered substandard, and affording the senior manager or his or her representative an opportunity to respond to the performance outcomes referred to."

The failure to collect planned revenue can be cited as poor performance, as noted in the 2018/19 Annual Financial Statements. This conduct of poor performance can be addressed by dismissing the municipal manager for failing to collect revenue that was supposed to be collected. The Municipal Finance Management Act (2003) states that the municipal manager manages the municipality's revenue.

The other focus of this process is dealing with misconduct cases in the municipality. In the event of general misconduct, this is governed by Schedule 8 of the Labour Relations Act, 1995. If the misconduct is financial, then this is governed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings (2014). The one challenge noticed from the annual report is that the proceedings for misconduct are not consistently and accurately instituted. For instance, The AG stated that the municipality failed to take the necessary effective steps to prevent fruitless and wasteful expenditure, which amounted to R739 thousand, in contravention of section 62(1) (d) of the MFMA. Regarding financial misconduct, the municipality has only reported a senior official for financial misconduct, which cost the municipality about R6 000.

5.3. State Oversight.

Here the municipality should have mechanisms in place for oversight. This includes rigorous external auditing of the financial and non-financial performance of the government agency. An elected oversight body (such as MPAC) thoroughly reviews the agency's performance. There are in-year oversight activities over financial and non-financial performance, where oversight bodies make recommendations for improving the implementation of ineffective processes (EMPAC, 2019). These recommendations are integrated into plans for the coming financial/service delivery cycle. This section does not look into using the MFMA circular no.32 here, as this has already been done. However, it must be highlighted that the circular is a relevant guideline for this process.

5.3.1. Auditor-general report

ADM received a disclaimer from the Auditor General's comment on the audit of the annual financial statements. The Auditor General was "unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements" (2018/19 ADM Annual Report, 2020: 192). In relation to the audit of the financial statements, the AG raised the following issues as key emphasis matters: restatement of corresponding figures, irregular expenditure and fruitless and wasteful expenditure (2018/19 ADM Annual Report, 2020: 192).

The outcome of the audit of the annual performance report was that the AG noted various issues with the annual performance report. There were material misstatements. These material misstatements were on the reported performance information of KPA 2: Basic service delivery and infrastructure investment (2018/19 ADM Annual Report, 2020: 190). On the performance indicators included in planning documents (like the IDP and SDBIP), the Auditor General stated that the performance indicators were not well-defined, not verifiable, and not supported by sufficient and appropriate audit evidence (2018/19 ADM Annual Report, 2020: 189). Several indicators were difficult to measure (2018/19 ADM Annual Report, 2020: 190).

As regards compliance with legislation, the outcome of the Auditor General's audit was that there were material misstatements in the annual financial statements, performance and annual report; Strategic planning and performance management; Revenue and expenditure management; asset management; consequence and Procurement and contract management.

The material findings raised in relation to the compliance audit include the following:

- **Financial statements**

  "The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA" (2018/19 ADM Annual Report, 2020: 191).

- **Strategic planning and performance management**

  "The performance management system and related controls were inadequate as the described processes of planning, monitoring, measurement and reporting were not conducted and managed as intended, as required by municipal planning and performance management regulation 7(1)" (2018/19 ADM Annual Report, 2020: 191).

- **Expenditure management**

- "Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
- Effective steps were not taken to prevent irregular expenditure, as section 62(1) (d) of the MFMA required.
- Effective steps were not taken to prevent unauthorised expenditure, as required by section 62 (1) (d) of the MFMA; and,
- Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R739 thousand, as disclosed in note 50 to the consolidated and separate financial statements, in contravention of section 62(1) (d) of the MFMA" (2018/19 ADM Annual Report, 2020: 191).

- **Revenue management**

  Under revenue management, ADM was in contravention with sections 64(2) (b), (c) and (f) of the MFMA.

- **Asset management**

  Under asset management, ADM did not have an effective internal control system for assets, as required by section 63(2) (c) of the MFMA.

- **Consequence management**

  Under the consequence management, the municipality failed to investigate the unauthorised and fruitless and wasteful expenditure to determine whether any person was liable. This is required by section 32(2) of the MFMA.

  The Auditor General raised findings concerning internal control deficiencies. Firstly, the AG noted that "there was inadequate oversight over the monitoring of monthly financial controls by management to ensure that the consolidated and separate financial statements and annual performance report are supported by accurate and complete underlying records" (2018/19 ADM Annual Report, 2020: 194). Secondly, "the municipality did not have a proper financial system to enhance adequate financial reporting." Lastly, 'the leadership of ADM was slow to respond, in terms of addressing consequence management as the cases of unauthorised and fruitless and wasteful expenditure reported in the previous year have not been investigated' (2018/19 ADM Annual Report, 2020: 194).

- **Audit action plan**

  The purpose here was to determine whether there was a coherent relationship between the audit findings listed in the plan, the recommendations made, the planned actions, and timeframes.

  There was no audit action plan (ADM Annual Report, 2018/19: 102). The AR does report that an action plan was adopted following the AG report. However, it (the AR) does not contain an appropriate action plan. The action plan contained is one from the municipal audit committee, and the paragraph intended to give an account of an adopted action plan is very brief and vague. It states that

> "*After the Audit report and management letter were issued by the Auditor General, action plans to address the matters in both these documents were compiled. The Amathole District Municipality has implemented the Operation Clean Audit template to manage the actions and timeframes. The progress on the resolution of the audit queries was monitored closely by the Executive Management and Internal Audit*."

This does not assist the exercise of oversight if the actual audit action plan is not attached to the annual report.

5.3.2. Oversight Report

Having already analysed the Oversight Report in the previous chapter, a brief account of the ADM MPAC's Oversight Report is provided.

The format of the ADM Oversight Report partially complied with the format used in Circular 32. The report did not reflect some of the prescribed themes of Annexure A in the MFMA Circular No. 32. For instance, there is information missing in the Annexures (i.e., copies of minutes of committee, Summary of written representations submitted by the public, auditor-general and other spheres of government)

It is difficult to ascertain whether the ADM MPAC used Circular No. 32. Of great concern, the oversight report recommended that the "council adopt the Consolidated Annual Financial Statements of Amathole District Municipality (ADM) for the 2018/2019 financial year without reservations". This is despite the material misstatements identified by the Auditor-General. For instance, the AG stated that the consolidated and separate financial statements submitted for auditing were not prepared in all material respects, as prescribed in s122(1) of the MFMA (ADM Annual Report, 2018/19: 102). Furthermore, the report lacks references that can be checked and verified. Thus, there is no clear link between the analysis and the evidence provided.

5.4. Chapter Summary

Despite the numerous water and sanitation services issues raised by community members, the Oversight Report does not show any attempt by the ADM MPAC to practice oversight over the water and sanitation services provided by the ADM executive.

As pointed out in the previous chapter, the failure of the Oversight Report to follow the prescribed format found in the MFMA circular no.32 is grounds to suggest that the ADM MPAC's Oversight report at the end of the 2018/19 financial year was ineffective. There are issues that would have been identified and presented in the oversight report had the ADM MPAC used the MFMA circular no 32. The usage of the MPRM model confirms that the exercise of oversight by the ADM MPAC was lacking in detail and ultimately ineffective. Overall, the MPRM model also appears to provide a more detailed exercise of year-end oversight by adopting an evidence-based approach.

CHAPTER SIX:

CONCLUDING REMARKS & RECOMMENDATIONS

6.1. Paradigm implications on research findings

In the analysis of the research findings, I argued that the year-end oversight by the ADM MPAC was ineffective. Though the research used the MFMA circular no.32 and the MPRM model to establish this, it is important to note that, in line with CR, there are other causal factors to consider.

This section underlines the other possible causal factors for the ineffective year-end oversight. I start off by restating that the research intended to study the efficacy of year-end oversight at ADM. This is in line with how CR seeks to find underlying explanations for observed social phenomena (Easton, 1999: 79-81 as cited in Sobh & Perry, 2006: 1201). To do this, I looked at the underlying causal mechanisms (capacities) of the observable ineffective year-end oversight. Using the MPRM model, I propose that the ineffective oversight resulted from the MPAC's inability to exercise oversight over the nine processes needed for effective service delivery. The practice of ineffective oversight by MPACs is an observable pattern and the capacities of MPAC are the underlying cause of that observable pattern. In this sense, the MPAC's capacities, I propose, are responsible for the observable patterns of ineffective year-end oversight at ADM.

As an attempt to explain how the capacities of the ADM MPAC generated the ineffective year-end oversight, I reflect, firstly, on how the MPAC's oversight is inconsistent with the MFMA circular no.32's guidelines[15] and, secondly, how their oversight was not consistent with the MPRM model's perspective for how effective oversight is to be conducted. Of significance, I make these points, fully acknowledging that, in line with CR, there may be other possible explanations that could have generated the observed outcomes of ineffective oversight, as suggested by Wynn Jr & Williams (2020: 52). To account for the other possible explanations for ineffective oversight at ADM, I note the possible impact of the municipal (independent) structures and the context of oversight in SA, as explored in the literature review.

For this research, the municipality exists as an independent structure, which hosts the municipal council. The municipal council is a key focus for this research, because the council is responsible for exercising oversight over the activities of the municipal executive. Importantly and relevant for the discussion here, the municipality possesses the ability to 'constrain or enable MPAC's from conducting effective oversight (Wynn Jr & Williams, 2012: 787-788). In this view, it is possible that the ineffective oversight could have resulted from the municipality constraining the abilities of MPAC from exercising effective year-end oversight. These could have been through instances where the municipal executive failed to cooperate with the MPAC, i.e., where the executive withheld information from the MPAC.

[15] These guidelines are meant to provide guidance when conducting year-end oversight through the oversight report.

This would hinder MPAC from having access to certain information from the executive. In addition to withholding information, the municipality may have instructed the MPAC to omit certain information from the Oversight Report. In which case, the political affiliations of some MPAC members may be of consideration here. The point here is not to make assumptions on the possible causes of the ineffective oversight observed at ADM but rather to acknowledge the possible causal factors that could not be discovered in this research. This is largely owing to the research's heavy reliance on the Oversight Report.

The crucial point to consider is that the MPAC's capacity to exercise year-end oversight was generated within the municipal structures, through the Oversight Report. Now from a CR point of view, although the capacity of the ADM MPAC arises from the structure of the municipality (Wynn Jr & Williams, 2020: 52), the potential of the ADM MPAC to exercise effective year-end oversight also exists outside municipal structures. With this said, the exercise of year-end oversight by ADM MPAC within the municipal entity also requires that there be right circumstances for this exercise of the year-end oversight. In this sense, the context of oversight is important to consider here. In acknowledging the context, I presuppose that the capacity of MPAC to exercise oversight was constrained by the possible context in which oversight is exercised at ADM.

With context, it must be noted that the state of local government has been reported to be deteriorating and worsening due to failures in oversight (Williams, 2012: 3). For year-end oversight in particular, provisions like the MFMA circular no.32 have been introduced to provide guidance on how oversight should be exercised. However, the research findings suggest a possible lack of awareness of such provisions. Where the committees are aware of these provisions, the findings suggest that the provisions are disregarded.

Having deemed the year-end oversight by the ADM MPAC as ineffective, I suggest that this points to the idea that exercising oversight in municipalities is challenging. This was also pointed out by Van Niekerk and Sebakamotse's (2020: 270). It seems that the challenge is the lack of independence of oversight committees from the executive, and as Botes (2011) suggests, MPAC needs to be independent of the executive to operate efficiently.

On top of this, there are issues of incapacity within oversight committees as alluded to by Van der Waldt (2015). Although oversight capacity does not translate to improved municipal performance (Drolc and Keiser, 2021), oversight seems to be an important aspect for addressing municipal service delivery failures. Addressing municipal service delivery is dependent on *inter alia* the municipal institutions' responsiveness to the oversight findings. The challenge though may be that oversight is not a welcomed practice in municipalities. So, this alone could be a contributing factor for the ineffective year-end oversight.

6.2. Analysis of research findings in relation to existing literature

This section seeks to discuss the relationship between the findings and previous studies as explored in chapter two of this research paper. The study by Cuenca (2020: 31) pointed out that there was limited evidence that the decentralisation of public services results in improved service delivery; suggesting that decentralisation does not necessarily result in improved service delivery. While there is nothing inherently incorrect with Cuenca's conclusion, considering the importance of oversight, the conclusion could be challenged on the basis that the problem with service delivery might be the lack of efficient practices of oversight and not necessarily decentralisation. In problematising the adoption of decentralisation, Cuenca's study hints at a need to have a more systematic approach to service delivery. I contend that such an approach can be found in the MPRM model.

The primary problem with Cuenca's study, and the literature explored in chapter two, is the failure to acknowledge a systematic approach to service delivery. In other words, though I have pointed to numerous issues within service delivery, such as financial mismanagement, this research sought to highlight the need for service delivery to be a systematic approach that includes all the processes for efficient service delivery. According to the MPRM, financial mismanagement should be seen in the light of problems related to, *inter alia*, preventative and corrective action and financial planning and the implementation of financial plans.

Existing literature also pointed to the issues relating to incapacity in municipalities. If we are to take capacity simply as the municipality being able to carry out its objectives, then I propose that the research findings (and the MPRM) have a crucial bearing on the capacity issues in municipalities. For this research, the MPRM addresses the need for municipalities to be capacitated for the fulfilment of their legislative objectives. This applies to the municipality's executive and oversight duties.

As noted above, Mabizela and Matsiliza (2020) found efficient service provision to be affected by issues related to capacity and resource management at the Okhahlamba Municipality. The analysis of the research findings suggests that, through the MPRM model, capacity and resource management are not separate components of service delivery. The issue of incapacity on the part of the municipal staff seems to be a problem of preventative and corrective action. That is to say, we have officials who are not qualified for the positions they occupy. This results in a failure to perform in those positions and in so doing results in a need to address such failure to perform. However, preventative and corrective action, as has been shown, is one of the nine MPRM model's processes.

So, when dealing with capacity, it is important to note that both the executives and members of the council should have the capacity to do their work. That there is an issue with the capacity of council members can be seen from the studies by Mello (2018) and Zikhali (2018). As I noted in chapter two, Mello (2018: 2) holds that municipal poor performance is caused by weak oversight and the incapacity of councillors to monitor projects and finances. Some of the issues noted by Mello were the qualifications of councillors, training, time and remuneration as contributing factors of poor oversight in municipalities. Mello's interpretation of oversight issues in local government contrasts slightly with this research. For this research, in addition to incapacity, the issue with oversight has to do with (1) the disregard for legislative guidelines for effective oversight and, (2) the lack of a systematic approach to oversight.[16]

On the first point, the study by Van der Waldt (2015) confirmed that although there was an adequate statutory and regulatory framework to ensure the efficiency of oversight structures and mechanisms, the effectiveness of oversight is continually challenged (Van der Waldt, 2015: 716). Van der Waldt also noted the lack of a comprehensive oversight framework for capacity building of councillors, especially newly elected councillors. It is not entirely clear to me what Van der Waldt meant by a comprehensive oversight framework for capacity building. However, with reference to how the MPRM model has been used in this research, I propose that the MPRM could be considered as an oversight framework. It is worth re-emphasising that the MPRM views oversight as part of the public resource management cycle which (broadly) includes the executive processes of municipal planning and implementation.

Van der Waldt (2015: 716) raised concerns on instances where councils fail to act on cases of the executive's non-compliance with statutory and regulatory requirements. The MPRM addresses this in the process of exercising oversight. In particular, the MPRM's response in this regard would be to exercise oversight over the preventative and corrective action process and provide recommendations for poor municipal performance. The limitation here is that officials appear to have the option to choose not to comply with legislative provisions— this is a practice that does not promote accountability and is therefore contrary to the MPRM's oversight. Under the MPRM, oversight calls for a framework that fosters accountability, transparency, and performance culture in municipalities; and these are the areas of focus called for by Van der Waldt (2015: 716).

Similar to the study by Mabizela and Matsiliza (2020), the earlier study by Zikhali (2018) also highlighted the capacity of councils[17] and how this affected the provision of services. However, Zikhali pointed to mismanagement of resources, and the unskilled human resources. In the MPRM model's framework, these issues of mismanagement and unskilled officials could be related to preventative and corrective action. For the MPRM, it is erroneous to attribute service provision issues on one public resource management process because service provision is effective when all the public resource management processes are implemented synergistically. In this sense, the approach that recommends an improvement in educational qualifications to improve the councillors' capacity, as seen in the study by Okafor *et* al. (2015: 67), is not an incorrect but limited approach.

While the executives are responsible for the planning and implementation of service delivery plans, the council is responsible for ensuring the executive fulfils its duties in that regard. This confirms the MPRM's proposition that municipal planning, implementation and oversight (of municipal planning and implementation) operate synergistically for efficient service delivery. The overall point being made

[16] Though Mello's study differs slightly from this study, this does not mean I do not acknowledge that, among other issues, training and remuneration are factors that could be causing the poor oversight in municipalities.
[17] Zikhali's focus was on RDCs in Zimbabwe.

is that the synergistic approach to service delivery offered by the MPRM model could be beneficial for service delivery studies.

6.3. Discussing the implication of the study on existing literature

Decentralisation

The implication of this research is that, considering how decentralisation is meant to improve service provision, effective oversight over service provision is, in this regard, important. One way to go about conducting this oversight, as suggested in this research, is to use the MPRM model.

In light of the lack of evidence that decentralisation results in improved service delivery (Cuenca, 2020: 31), the MPRM model's possible ability to ensure an improvement of oversight (and service delivery) could be worth exploring. This research agrees with Cuenca's study (2020) that decentralisation alone is not enough to ensure efficient service delivery. Moreover, given that, for Cuenca, decentralisation needs to be accompanied by a sound financial resource base. That is, when an institution adopts decentralisation, it must be able to, for instance, generate its own revenue and pay for its expenses. With this said, there is still a greater need for effective oversight, particularly because we need to keep the municipality accountable for public resources.

The implication research findings on global factors and neoliberalism

Having shown the ineffectiveness of oversight at ADM, I contend that oversight poses a serious challenge to ensuring water and sanitation services are provided for in the face of ineffective oversight. This then calls for oversight to be improved as these services are seriously in need. Especially in the face of the COVID-19 pandemic and the poor who cannot afford to purchase private water and sanitation services. The government has a duty to ensure that there are efficient means to practice oversight because, with the adoption of the neoliberal economic policy, financial mismanagement becomes detrimental to those citizens who rely heavily on the government for water and sanitation services.

Financial mismanagement

On financial mismanagement, there is a clear role that oversight needs to play in ensuring that financial mismanagement in local government is addressed. Amidst reports of municipalities being financially unsustainable and characterised by poor performance (National Treasury, 2019: 1-2), it is important for municipalities to ensure that they can account for their performance properly. This can be done through effective oversight. With effective oversight, we are also able to minimise the issue of non-reporting on financial operations and programmes implemented. Addressing these issues through oversight may result in increased accountability and where necessary corrective action. Furthermore, dealing with issues like corruption is important considering the disastrous impact corruption has on service delivery. The discussion here should not be isolated from the MPRM model's proposition for effective service delivery, that is, effective service delivery is the outcome of a synergistic implementation of the nine MPRM processes.

6.4. The MPRM model tested as a mid-range theory

The MPRM was tested as a midrange theory. As noted, a mid-range theory is an approach to theory-making that links theory with empirical research (Pawson, 2008: 5 & Pawson, 2000: 289). To link the theoretical aspects of the MPRM to empirical data, the research provided an exemplary account of how the MPRM could be used to exercise year-end oversight at ADM.

Each MPRM process was used as a regular pattern of events that needed to be explained in terms of an underlying generative mechanism, such as the activities involved in each MPRM process. For instance, in the process of oversight, the underlying generative mechanism for the pattern of ineffective year-end oversight was the failure to properly engage in the year-end oversight activities. The findings from the oversight report suggest that the ADM MPAC failed to use circular no.32 to conduct its year-end oversight. So, in this sense, the observable pattern of ineffective oversight at ADM constitutes the (observable) regular pattern of events. The underlying generative mechanisms for this pattern of ineffective oversight were the actions by ADM MPAC. These actions included the presentation of the Oversight report. The report, in part, is meant to reflect the MPAC councillors' decisions to *inter alia* call on the executive to be held accountable for misconduct or other offences etc. There is no evidence that this was done despite the municipality's poor performance. Thus, the failure to call the officials of the municipal executive to be accountable constitutes a generative mechanism that makes up the resulting pattern of ineffective year-end oversight at ADM.

CHAPTER SEVEN:

CONCLUSION

7.1. Introduction

This chapter concludes the study by summarising the key research findings in relation to the aims and questions that this research aimed to address. The chapter will discuss the study's value, contribution, limitations, and proposed recommendations for future research. The approach of the chapter is to outline the research outcomes and how these addressed the research aims. An attempt is made to justify the value and relevance of the findings and conclusions of the research.

The research aimed to present the problem of service delivery in South Africa and the importance of effective year-end oversight. The primary objective of the research was to determine whether the ADM MPAC's exercise of oversight over water and sanitation services at the end of the 2018/19 financial year was effective/ineffective. The research used the MFMA circular no.32 and the MPRM model to assess the effectiveness of the ADM MPAC's year-end oversight over water and sanitation services at the end of the 2018/19 financial year. In the assessment of the year-end oversight, it was suggested that the year-end oversight was ineffective, and the methods adopted to reach this conclusion formed the basis of the MPRM's explanatory ability. The explanatory ability of the MPRM model lies in its assessment of each of the processes for municipal public resource management. These processes include the budget planning processes and the processes dealing with the implementation of the budget plans. The processes are to be seen as being interconnected. In effect, the MPRM was able to show how and why the year-end oversight at ADM was ineffective.

The interconnectedness of the processes in municipal service delivery was key to the discussion. In essence, the idea here is to suggest that service delivery processes and oversight feed into each other. Oversight assesses whether services were delivered and any issues that need to be addressed for effective services delivery. The information from oversight assessments can in turn be used to improve service delivery as the information can be used by municipal officials to make informed decisions in the following financial year. In this sense, effective year-end oversight is important because it impacts service delivery and this stems from the interconnectedness of the processes. As such, effective year-end oversight has the potential to contribute positively to service delivery, and this ultimately ensures municipal councils fulfil their role to ensure better municipal performance (MFMA circular no.32, 2006: 1).

As should be clear, municipalities have a duty to ensure services are provided, and this duty applies to ADM as a (district) municipality. The engagements between the ADM executive and the community confirmed that there are service delivery problems at ADM, the services which are relevant to this research, are water and sanitation service delivery problems. In this respect, the assessment on the oversight over these services was crucial. The community raised water and sanitation service delivery problems, and it was important to assess the municipality's (oversight) activities in response to these problems. It was found that while there were water and sanitation service delivery issues, the ADM MPAC failed to exercise oversight over water and sanitation services at the end of the 2018/19 financial year.

Using the MFMA circular no.32 and the MPRM model, I concluded that the ADM MPAC's year-end oversight, over water and sanitation services at the end of the 2018/19 financial year, was ineffective. I used the MPRM model to show what a substantive account of year-end oversight would have looked like and used this information to demonstrate why the ADM MPAC's year-end oversight can be considered to have been ineffective. The crux of the substantive account was that there is a link between the strategic goals set by the council, through the IDP, and the budgeting and spending on these services. These municipal targets are translated into a budget and delivery programmes.' These are, in the end, meant to be reported in the Annual Report (MFMA circular no.32, 2006: 1).

7.2. Contribution to the field of local government service delivery

This research suggested the pioneering of the MPRM model as a theoretical and practical approach to understanding and explaining service delivery issues. This is valuable because despite numerous authors[18] being able to correctly identify service delivery issues in local government, for this research, these issues identified should not be viewed in isolation from each other. This is to say, for instance, the impact of poor oversight practices is not to be seen as being isolated from poor revenue and expenditure management.

From a practical point of view, the research sought to suggest that year-end oversight could be more effective if there is an assessment of all the processes involved in public service delivery. In other words, year-end oversight could be much more effective if MPACs exercise oversight on the nine (MPRM) processes that are required for the efficient delivery of services. As the MPRM model has suggested, these processes include the following processes: needs assessment, strategic planning, resource mobilisation planning, resource allocation, revenue collection, expenditure management, performance management, preventive and corrective action and state oversight (Allan, 2018).

Ultimately, the research sought to solve the problem of local government service delivery by suggesting a more effective approach for exercising year-end oversight in municipalities. The value of the research thus is that improved year-end oversight may have a consequent impact on service delivery. By exercising effective oversight, it becomes easier to keep the municipal executive accountable. That is, the MPAC is able to make substantial findings on the performance of the municipal executive. This then also allows the MPAC to determine how accountable the municipal executive is and whether there is a need for corrective action where there is a lack of accountability. In effect, this is meant to also

[18] Such as Koma (2010), Xego (2012), Okafor *et al*. (2015), Makhari (2016), Mello (2018), Mishra (2019), Mabizela & Matsiliza (2020) and Davids *et al*. (2020)

ensure that the municipal executive strives to perform better, because of the rigour that comes with such a practice of oversight.

7.3. Limitations of the study

A critical limitation of the study was that I could not access any of the ADM MPAC councillors. There was no response to my calls or emails. This limited the research from providing a substantial explanation of the research findings. For instance, if I had access to the councillors and they had consented to be interviewed, this would allow me to ask questions on how they conducted year-end oversight and why they conduct oversight in the manner identified. Without interviews, it was challenging to fully determine the capacities of MPAC councillors. The interviews would allow me to engage directly with those exercising oversight and by so doing be able to establish their oversight capacities.

I wish to also note that one of the processes of the MPRM requires exercising oversight over the performance agreement entered between the municipal manager and municipal directors. I could not access the 2018/19 performance agreement between the Municipal manager and the Director of Engineering services, who is responsible for water and sanitation services at ADM.

Lastly, considering the limitations of the study, the research did not seek to prove nor disprove the existing literature on service delivery. As a single case study, the research does not claim to be able to prove or disprove anything. This would most likely be achieved by a broader body of research, as opposed to a single study.

7.4. Recommendations for future research

Without disregarding the extensive work that has been put in in identifying and trying to solve service delivery issues, particularly in the local government context, this research has sought to suggest that we need to have a more wholistic approach to identifying service delivery issues. The claim here is not to suggest that the research has the full capability of proposing an infallible 'wholistic approach' to understanding service delivery issues. However, what the research seeks to achieve, in contrast with other research, is that the service delivery issues identified by other authors are not to be viewed in isolation with each other. This approach in this research is far from clear and needs to be tested across different contexts, case studies and methodologies.

In the light of the above, the researcher wishes to make the following recommendations:

- Future researchers could use CR and the MPRM to conduct a similar study but with interviews as one of the primary data collection tools.
- Future research could use the MPRM model but focus on using it to ensure the provision of public services (electricity, water or sanitation).
- Lastly, future research could also analyse the impact of political affiliations on oversight and/or service delivery.

These recommendations, I hold, may help develop the understanding of service delivery issues, and either disagree or agree with the approach being suggested in this research paper.

7.5. A recap of the concluding chapter

This chapter discussed the research aims and how these aims were addressed. The chapter also discussed the potential contribution the research has in the field of local government service delivery, the shortcomings and limitations of the study were. Lastly, the chapter put forwards some recommendations for future researchers in the field of local government service delivery.

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ANNEXURE A

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VOLUME II: ANNUAL FINANCIAL STATEMENTS

The completed Annual Financial Statements constitutes Volume II of the Annual Report.

(Figure 1: ADM Annual Report Financial Statements)

Eastern Cape: Amathole(DC12) - Table A4 Budgeted Financial Performance (rev and expend) (All) for 4th Quarter ended 30 June 2018 (Published Figures as at 2018/08/02)

Description	Ref	2014/15	2015/16	2016/17	Current year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Property rates - penalties and collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	145 957	595 669	404 468	186 545	186 545	186 545	-	248 189	263 080	278 865
Service charges - sanitation revenue	2	92 232	699 169	303 986	80 305	80 305	80 305	-	126 216	133 789	141 817
Service charges - refuse revenue	2	-	1 301	909	965	965	965	-	-	-	-
Service charges - other		4 230	8 892	4 474	5 093	5 093	5 093	-	9 442	10 009	10 609
Rental of facilities and equipment		316	211	242	356	356	356	-	307	337	371
Interest earned - external investments		27 382	13 568	15 596	9 324	9 324	9 324	-	2 904	2 904	2 904
Interest earned - outstanding debtors		35 223	12 915	32 915	2 585	2 585	2 585	-	2 815	2 984	3 163
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		703 329	324 819	730 772	780 373	780 373	780 373	-	819 537	858 763	925 796
Other own revenue	2	100 706	47 089	9 480	364 012	364 012	364 012	-	58 361	53 644	60 480
Gains on disposal of PPE		-	15 902	17 577	-	-	-	-	-	-	-
Total Revenue (excl. capital transfers and contributions)		**1 109 374**	**1 719 535**	**1 520 420**	**1 429 558**	**1 429 558**	**1 429 558**	-	**1 267 771**	**1 325 511**	**1 424 004**

A1-Sum | A2-FinPerf SC | A4-FinPerf RE | A5-Capex | A6-FinPos | A7-CFlow | A9-Asset | A10 ...

(Figure 2)

Eastern Cape: Amathole(DC12) - Table A4 Budgeted Financial Performance (rev and expend) (All) for 4th Quarter ended 30 June 2018 (Published Figures as at 2018/08/02)

Description	Ref	2014/15	2015/16	2016/17	Current year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Property rates - penalties and collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	145 957	595 669	404 468	186 545	186 545	186 545	-	248 189	263 080	278 865
Service charges - sanitation revenue	2	92 232	699 169	303 986	80 305	80 305	80 305	-	125 216	133 789	141 817
Service charges - refuse revenue	2	-	1 301	909	965	965	965	-	-	-	-
Service charges - other		4 230	8 892	4 474	5 093	5 093	5 093	-	9 442	10 009	10 609
Rental of facilities and equipment		316	211	242	356	356	356	-	307	337	371
Interest earned - external investments		27 382	13 568	15 596	9 324	9 324	9 324	-	2 904	2 904	2 904
Interest earned - outstanding debtors		35 223	12 915	32 915	2 585	2 585	2 585	-	2 815	2 984	3 163
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		703 329	324 819	730 772	780 373	780 373	780 373	-	819 537	858 763	925 796
Other own revenue	2	100 706	47 089	9 480	364 012	364 012	364 012	-	58 361	53 644	60 480
Gains on disposal of PPE		-	15 902	17 577	-	-	-	-	-	-	-

A1-Sum | A2-FinPerf SC | A4-FinPerf RE | A5-Capex | A6-FinPos | A7-CFlow | A9-Asset | A10 ...

(Figure 3)

Eastern Cape: Amathole(DC12) - Table A5 Budgeted capital Expenditure by Standard Classification and Funding for 4th Quarter ended 30 June 2018 (Published Figures as at 2018/0

Description	Ref	2014/15	2015/16	2016/17	Current year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Other											
Total Capital Expenditure - Standard	3	**726 134**	**153 493**	**32 180**	**537 521**	**540 727**	**540 727**	**-**	**612 983**	**537 241**	**602 954**
Funded by:											
National Government		726 134	153 493	32 180	497 893	502 465	502 465		570 930	532 241	594 939
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	**726 134**	**153 493**	**32 180**	**497 893**	**502 465**	**502 465**	**-**	**570 930**	**532 241**	**594 939**
Public contributions and donations	5										
Borrowing	6										
Internally generated funds					39 628	38 262	38 262		42 053	5 000	8 015
Total Capital Funding	7	**726 134**	**153 493**	**32 180**	**537 521**	**540 727**	**540 727**	**-**	**612 983**	**537 241**	**602 954**

References

A1-Sum | A2-FinPerf SC | A4-FinPerf RE | A5-Capex | A6-FinPos | A7-CFlow | A9-Asset | A10 ...

(Figure 4)

Eastern Cape: Amathole(DC12) - Table A5 Budgeted capital Expenditure by Standard Classification and Funding for 4th Quarter ended 30 June 2018 (Published Figures as at 2018/0

Description	Ref	2014/15	2015/16	2016/17	Current year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Other											
Total Capital Expenditure - Standard	3	**726 134**	**153 493**	**32 180**	**537 521**	**540 727**	**540 727**	-	**612 983**	**537 241**	**602 954**
Funded by:											
National Government		726 134	153 493	32 180	497 893	502 465	502 465		570 930	532 241	594 939
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	**726 134**	**153 493**	**32 180**	**497 893**	**502 465**	**502 465**	-	**570 930**	**532 241**	**594 939**
Public contributions and donations	5										
Borrowing	6										
Internally generated funds					39 628	38 262	38 262		42 053	5 000	8 015
Total Capital Funding	7	**726 134**	**153 493**	**32 180**	**537 521**	**540 727**	**540 727**	-	**612 983**	**537 241**	**602 954**

References

A1-Sum | A2-FinPerf SC | A4-FinPerf RE | A5-Capex | A6-FinPos | A7-CFlow | A9-Asset | A10 ...

(Figure 5)

Eastern Cape: Amathole(DC12) - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification) for 4th Quarter ended 30 June 2018 (

Standard Classification Description	Ref	2014/15	2015/16	2016/17	Current year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Economic and Environmental Services		**180 258**	**51 984**	**54 150**	**77 650**	**77 650**	**77 650**	**69 747**	**65 519**	**69 803**
Planning and Development		180 258	51 984	54 150	74 364	74 364	74 364	68 088	61 673	65 762
Road Transport					3 286	3 286	3 286	1 659	3 846	4 041
Environmental Protection										
Trading Services		**265 870**	**540 424**	**288 478**	**694 282**	**694 282**	**694 282**	**710 033**	**784 277**	**868 855**
Electricity										
Water		167 036	508 654	255 384	549 713	549 713	549 713	546 187	603 088	661 133
Waste Water Management		98 833	31 770	33 094	139 480	139 480	139 480	156 775	173 457	199 296
Waste Management					5 089	5 089	5 089	7 071	7 731	8 427
Other	4									
Total Expenditure - Standard	3	**1 698 928**	**1 413 725**	**1 473 325**	**1 389 929**	**1 389 929**	**1 389 929**	**1 494 216**	**1 606 187**	**1 720 135**
Surplus/(Deficit) for the year		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

A1-Sum | A2-FinPerf SC | A4-FinPerf RE | A5-Capex | A6-FinPos | A7-CFlow | A9-Asset | A10 ...

(Figure 6)

Eastern Cape: Amathole(DC12) - Table A4 Budgeted Financial Performance (rev and expend) (All) for 4th Quarter ended 30 June 2018 (Published Figures as at 2018/08/02)

	Description	Ref	2014/15	2015/16	2016/17	Current year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	R thousands	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
22	**Total Revenue (excl. capital transfers and contributions)**		**1 109 374**	**1 719 535**	**1 520 420**	**1 429 558**	**1 429 558**	**1 429 558**	**-**	**1 267 771**	**1 325 511**	**1 424 004**
24	**Expenditure By Type**											
25	Employee related costs	2	569 975	568 897	491 116	733 534	733 534	733 534	-	836 090	901 435	946 196
26	Remuneration of councillors		13 030	13 450	18 792	14 202	14 202	14 202	-	16 034	17 156	18 357
27	Debt impairment	3	154 874	-	-	105 756	105 756	105 756	-	108 195	124 100	142 343
28	Depreciation and asset impairment	2	90 856	76 747	113 142	107 594	107 594	107 594	-	106 864	112 207	117 817
29	Finance charges		31 002	-	-	22 852	22 852	22 852	-	25 139	27 650	30 412
30	Bulk purchases	2	57 573	228 966	91 620	112 000	112 000	112 000	-	100 672	110 196	120 620
31	Other Materials	8	54 079	3 465	1 732	-	-	-	-	-	-	-
32	Contracted services		28 039	34 070	40 962	31 186	31 186	31 186	-	29 561	32 376	35 613
33	Transfers and grants		-	-	-	15 080	15 080	15 080	-	22 606	10 000	10 550
34	Other expenditure	4,5	693 802	478 782	710 633	247 726	247 726	247 726	-	249 056	271 068	298 226
35	Loss on disposal of PPE		5 698	9 348	5 326	-	-	-	-	-	-	-

A1-Sum | A2-FinPerf SC | A4-FinPerf RE | A5-Capex | A6-FinPos | A7-CFlow | A9-Asset | A10 ...

(Figure 7)

Eastern Cape: Amathole(DC12) - Table A5 Budgeted capital Expenditure by Standard Classification and Funding for 4th Quarter ended 30 June 2018 (Published Figures as at 2018/08/0

	Description	Ref	2014/15	2015/16	2016/17	Current year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	R thousands	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
56	Environmental Protection											
57	*Trading Services*		**726 134**	-	**17 365**	**3 400**	**3 398**	**3 398**	-	-	-	-
58	Electricity											
59	Water		726 134		17 255	3 234	3 233	3 233				
60	Waste Water Management				110	166	166	166				
61	Waste Management											
62	*Other*											
63	**Total Capital Expenditure - Standard**	3	**726 134**	**153 493**	**32 180**	**537 521**	**540 727**	**540 727**	-	**612 983**	**537 241**	**602 954**
65	**Funded by:**											
66	National Government		726 134	153 493	32 180	497 893	502 465	502 465		570 930	532 241	594 939
67	Provincial Government											
68	District Municipality											
69	Other transfers and grants											
70	**Transfers recognised - capital**	4	**726 134**	**153 493**	**32 180**	**497 893**	**502 465**	**502 465**	-	**570 930**	**532 241**	**594 939**
71	**Public contributions and donations**	5										

A1-Sum | A2-FinPerf SC | A4-FinPerf RE | A5-Capex | A6-FinPos | A7-CFlow | A9-Asset | A10 ...

(Figure 8)

1	Eastern Cape: Amathole(DC12) - Table A9 Asset Management (All) for 4th Quarter ended 30 June 2018 (Published Figures as at 2018/08/02)										
2	Description	Ref	2014/15	2015/16	2016/17	Current year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
3	R thousands	N	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
4	CAPITAL EXPENDITURE										
5	Total New Assets	1	45 594	153 493	32 180	532 220	533 946	533 946	473 467	357 941	425 939
6	*Infrastructure - Road Transport*										
7	*Infrastructure - Electricity*										
8	*Infrastructure - Water*		11 443		58 651	3 234	502 465	502 465	354 299	233 891	297 898
9	*Infrastructure - Sanitation*				85				77 168	119 050	120 041
10	*Infrastructure - Other*		33 293								
11	Infrastructure		*44 736*	*-*	*58 736*	*3 234*	*502 465*	*502 465*	*431 467*	*352 941*	*417 939*
12	Community		858								
13	Heritage assets										
14	Investment properties										
15	Other assets	6		153 493	3 203	528 986	196	196			
16	Agricultural assets										
17	Biological assets										
18	Intangibles				(29 759)		31 285	31 285	42 000	5 000	8 000

A1-Sum A2-FinPerf SC A4-FinPerf RE A5-Capex A6-FinPos A7-CFlow A9-Asset A10 ...

(Figure 9)

1	Eastern Cape: Amathole(DC12) - Table A9 Asset Management (All) for 4th Quarter ended 30 June 2018 (Published Figures as at 2018/08/02)										
2	Description	Ref	2014/15	2015/16	2016/17	Current year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
3	R thousands	N	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
20	Total Renewal of Existing Assets	2	680 540	-	-	5 301	6 781	6 781	139 516	179 300	177 015
21	*Infrastructure - Road Transport*									2 500	
22	*Infrastructure - Electricity*										
23	*Infrastructure - Water*		680 540				1 481	1 481	96 054	83 350	99 750
24	*Infrastructure - Sanitation*								43 400	93 450	77 250
25	*Infrastructure - Other*										
26	Infrastructure		*680 540*	*-*	*-*	*-*	*1 481*	*1 481*	*139 464*	*179 300*	*177 000*
27	Community										
28	Heritage assets										
29	Investment properties										
30	Other assets	6				5 301	5 301	5 301	53		15
31	Agricultural assets										
32	Biological assets										
33	Intangibles										
35	Total Capital Expenditure	4									

A1-Sum A2-FinPerf SC A4-FinPerf RE A5-Capex A6-FinPos A7-CFlow A9-Asset A10 ...

(Figure 10)

1	Eastern Cape: Amathole(DC12) - Table A9 Asset Management (All) for 4th Quarter ended 30 June 2018 (Published Figures as at 2018/08/02)										
2	Description	Ref	2014/15	2015/16	2016/17	Current year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
3	R thousands	N	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
69	Repairs and Maintenance by Asset Class	3	-	-	-	19 100	25 664	25 664	31 242	42 512	56 198
70	*Infrastructure - Road Transport*										
71	*Infrastructure - Electricity*										
72	*Infrastructure - Water*						11 275	11 275	13 500	17 550	26 061
73	*Infrastructure - Sanitation*						2 974	2 974	6 250	8 125	18 061
74	*Infrastructure - Other*										
75	Infrastructure		-	-	-	-	*14 250*	*14 250*	*19 750*	*25 675*	*44 122*
76	Community								750	2 873	3 000
77	Heritage assets										
78	Investment properties										
79	Other assets	6,7				19 100	11 414	11 414	10 742	13 964	9 077
80	TOTAL EXPENDITURE OTHER ITEMS		90 856	76 747	113 142	126 694	133 258	133 258	138 105	154 719	174 015
82	*% of capital exp on renewal of assets*		*1492,6%*	*0,0%*	*0,0%*	*1,0%*	*1,3%*	*1,3%*	*29,5%*	*50,1%*	*41,6%*
83	*Renewal of Existing Assets as % of deprecn*		*749,0%*	*0,0%*	*0,0%*	*4,9%*	*6,3%*	*6,3%*	*130,6%*	*159,8%*	*150,2%*
84	*R&M as a % of PPE*		*0,0%*	*0,0%*	*0,0%*	*0,4%*	*0,5%*	*0,5%*	*0,5%*	*0,6%*	*0,8%*

A1-Sum A2-FinPerf SC A4-FinPerf RE A5-Capex A6-FinPos A7-CFlow A9-Asset A10 ...

(Figure 11)

Eastern Cape: Amathole(DC12) - Table C4 Quarterly Budget Statement - Financial Performance (rev and expend) (All) for 4th Quarter ended 30 June 2019 (Figures Finalised as at 2019/07/31)

Description	Ref	2017/18	2018/19	Budget year 2018/19										
R thousands	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
Revenue By Source														
Property rates		-	-	-	-	-	-	-	-	-		-	-	-
Property rates - penalties and collection charges		-	-	-	-	-	-	-	-	-		-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-		-	-	-
Service charges - water revenue		-	-	248 189	265 086	24	26	20	(8)	62	248 189	(248 127)	(99,98)	265 086
Service charges - sanitation revenue		-	-	126 216	123 642	-	-	-	-	-	126 216	(126 216)	(100,00)	123 642
Service charges - refuse revenue		-	-	2 493	1 253	-	92	184	184	461	2 493	(2 032)	(81,50)	1 253
Service charges - other		262 031	-	6 949	3 493	6 254	38 769	122 792	92 291	260 107	6 949	253 157	3 642,92	3 493
Rental of facilities and equipment		308	-	307	307	-	-	194	74	268	307	(39)	(12,73)	307
Interest earned - external investments		6 542	-	2 904	2 904	923	942	10 772	5 179	17 816	2 904	14 912	513,59	2 904
Interest earned - outstanding debtors		11 555	-	2 815	2 815	(0)	7 430	19 187	21 636	48 253	2 815	45 437	1 613,96	2 815
Dividends received		-	-	-	-	-	-	-	-	-		-	-	-
Fines		-	-	-	-	-	-	-	-	-		-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-		-	-	-
Agency services		-	-	-	-	-	-	-	-	-		-	-	-
Transfers recognised - operational		1 350 361	-	819 537	830 451	376	258 481	198 233	1 762	458 853	819 537	(360 684)	(44,01)	830 451
Other own revenue		2 021	-	58 361	351 409	494	19 492	17 039	23 173	60 197	58 361	1 836	3,15	351 409
Gains on disposal of PPE		75 525	-	-	-	-	-	92	92	184		184	-	-
Total Revenue (excl. capital transfers and contributions)		1 708 343	-	1 267 771	1 581 360	8 071	325 233	368 513	144 383	846 200	1 267 771	(421 571)	(33,25)	1 581 360

C1-Sum | C2-FinPerf SC | C4-FinPerf RE | C5-Capex | C6-FinPos | C7-CFlow | C9-Asset | SC13 ...

(Figure 12)

	Description	Ref	2017/18	2018/19	Budget year 2018/19										
3	R thousands	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
4	CASH FLOW FROM OPERATING ACTIVITIES														
5	Receipts														
6	Property rates, penalties and collection charges														
7	Service charges		49 429		268 693	301 628	(482 470)	151 906	53 789	(6 939)	(283 713)	301 628	(585 341)	(194,06)	301 628
8	Other revenue		70 066		46 934	69 294	4 816	8 434	7 253	47 800	68 302	69 294	(991)	(1,43)	69 294
9	Government - operating		1 248 709		819 537	862 913	115 036	640 258	308 911	(23 627)	1 040 578	862 913	177 665	20,59	862 913
10	Government - capital				513 005	578 562		64 439	303 884		368 323	578 562	(210 239)	(36,34)	578 562

(Figure 13)

1 Eastern Cape: Amathole(DC12) - Table C1 Schedule Quarterly Budget Statement Summary for 4th Quarter ended 30 June 2019 (Figures Finalised as at 2019/07/31)

2	Description	2017/18	2018/19	Budget year 2018/19										
3	R thousands	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
45	Cash/cash equivalents at the year end	180 244	-	(271 073)	180 244	(420 033)	44 353	(200 949)	(448 638)	(448 638)	180 244	(628 882)	(348,91)	180 244
58	Collection Rate	22,29	-	70,00	76,82	(7 684,56)	367,35	51,31	18,63	(70,61)	78,74	-	-	76,82
59	Property rates	-	-	-	-	-	-	-	-	-	-	-	-	-
60	Service charges	18,86	-	70,00	76,66	(7 684,13)	390,63	43,73	(7,50)	(108,86)	78,58	-	-	76,66
61	Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
62	Service charges - water revenue	-	-	70,00	87,76	##########	413 632,26	441 653,70	(187 046,71)	(448 827,13)	93,73	-	-	87,76
63	Service charges - sanitation revenue	-	-	70,00	51,97	-	-	-	-	-	50,91	-	-	51,97
64	Service charges - refuse revenue	-	-	70,00	100,00	-	-	-	-	-	50,27	-	-	100,00
65	Service charges - other	-	-	70,00	100,00	53,04	7,18	(54,87)	(34,25)	(35,71)	50,27	-	-	100,00
66	Interest earned - outstanding debtors	100,00	-	70,00	100,00	-	245,49	99,90	130,34	135,97	100,00	-	-	100,00

(Figure 14)

1	Eastern Cape: Amathole(DC12) - Table C7 Quarterly Budget Statement - Cash Flows for 4th Quarter ended 30 June 2019 (Figures Finalised as at 2019/07/31)														
2	Description	Ref	2017/18	2018/19	Budget year 2018/19										
3	R thousands	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
36	NET CASH FROM/(USED) FINANCING ACTIVITIES		(627)	-	-	-	(42)	(67)	56	41	(11)	-	(11)	-	-
38	NET INCREASE/(DECREASE) IN CASH HELD		12 686	-	(399 550)	0	(587 590)	464 386	15 542	(508 533)	(616 195)	0	(616 195)	##########	0
39	Cash/cash equivalents at the year begin:		167 557		128 477	180 244	167 557	(420 033)	44 353	59 895	167 557	180 244	(12 686)	(7,04)	180 244
40	Cash/cash equivalents at the year end:		180 244		(271 073)	180 244	(420 033)	44 353	(200 949)	(448 638)	(448 638)	180 244	(628 882)	(348,91)	180 244

(Figure 15)

national treasury

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Amathole, Eastern Cape

Financial year end

2019 2018 2017 2016 2015 2014 2013 2012 2011 2010 2009

Month in financial year

Entire year

Amount type

Audited Actual

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Note: A value of "-" indicates no amount has been submitted by the municipality.

		Amathole								
		Over 1 Year	181 Days - 1 Year	91 - 120 Days	121 - 150 Days	151 - 180 Days	30 Days And Below	31 - 60 Days	61 - 90 Days	Total
0100	Bulk Electricity	0	0	0	0	0	0	0	0	
0200	Bulk Water	0	0	0	0	0	0	0	0	
0300	PAYE deductions	0	0	0	0	0	0	0	0	
0400	VAT (output less input)	0	0	0	0	0	0	0	0	
0500	Pensions / Retirement deductions	0	0	0	0	0	0	0	0	
0600	Loan repayments	0	0	0	0	0	0	0	0	
0700	Trade Creditors	0	0	85 607 353	0	0	308 545 697	0	0	394 153
0800	Auditor General	0	0	0	0	0	0	0	0	
0900	Other	4 267	0	4 236 888	0	0	12 772	38 316	0	4 292
1000	Total	4 267	0	89 844 241	0	0	308 558 469	38 316	0	398 445
TP01	Top 1 Creditor									
TP02	Top 2 Creditor									
TP03	Top 3 Creditor									
TP04	Top 4 Creditor									
TP05	Top 5 Creditor									
TP06	Top 6 Creditor									
TP07	Top 7 Creditor									
TP08	Top 8 Creditor									
TP09	Top 9 Creditor									
TP10	Top 10 Creditor									
TOT	Total									

(Figure 16)

1	Eastern Cape: Amathole(DC12) - Table C5 Quarterly Budget Statement - Capital Expenditure by Standard Classification and Funding for 4th Quarter ended 30 June 2019 (Figures Finalised as at 2019/07/31)														
2	Description	Ref	2017/18	2018/19	Budget year 2018/19										
3	R thousands		Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
30	District Municipality														
31	Other transfers and grants														
32	Transfers recognised - capital		1 428	-	570 930	-	55 435	106 344	29 567	153 060	344 406	570 983	(226 577)	(39,68)	-
33	Public contributions and donations	5													
34	Borrowing	6													
35	Internally generated funds				42 053	675 433			22 133	2 558	24 690	42 000	(17 310)	(41,21)	675 433
36	Total Capital Funding		1 428	-	612 983	675 433	55 435	106 344	51 700	155 618	369 097	612 983	(243 886)	(39,79)	675 433

(Figure 17)

Eastern Cape: Amathole(DC12) - Table C2 Quarterly Budget Statement - Financial Performance (standard classification) for 4th Quarter ended 30 June 2019 (Figures Finalised as at 2019/07/31)

Standard Classification Description	Ref	2017/18	2018/19	Budget year 2018/19										
R thousands	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
Housing				1 437	1 406	525	486	330	384	1 725	1 437	288	20,03	1 406
Health				45 588	34 938	15 002	15 129	7 835	9 816	47 782	45 588	2 194	4,81	34 938
Economic and Environmental Services		–	–	**69 747**	**28 448**	**25 713**	**18 092**	**8 829**	**7 731**	**60 364**	**69 747**	**(9 383)**	**(13,45)**	**28 448**
Planning and Development				68 088	27 563	25 369	17 772	8 621	7 517	59 279	68 088	(8 809)	(12,94)	27 563
Road Transport				1 659	886	344	319	208	214	1 085	1 659	(574)	(34,62)	886
Environmental Protection													–	
Trading Services		–	–	**710 033**	**364 993**	**145 263**	**157 168**	**132 824**	**111 368**	**546 644**	**710 033**	**(163 389)**	**(23,01)**	**364 993**
Electricity													–	
Water				546 187	281 243	112 499	124 443	106 940	87 654	431 535	546 187	(114 652)	(20,99)	281 243
Waste Water Management				156 775	82 284	32 147	30 658	24 499	21 438	108 742	156 775	(48 033)	(30,64)	82 284
Waste Management				7 071	1 466	637	2 068	1 386	2 277	6 367	7 071	(704)	(9,95)	1 466
Other	4												–	
Total Expenditure - Standard	3	**1 475 152**	–	**1 494 216**	**868 839**	**391 399**	**417 185**	**315 179**	**347 838**	**1 471 601**	**1 494 216**	**(22 615)**	**(1,51)**	**868 839**
Surplus/(Deficit) for the year		**233 191**	–	**286 560**	**1 327 087**	**(376 248)**	**(52 581)**	**149 851**	**(16 875)**	**(295 853)**	**286 560**	**(582 412)**	**(203,24)**	**1 327 087**

(Figure 18)

1	Eastern Cape: Amathole(DC12) - Table C4 Quarterly Budget Statement - Financial Performance (rev and expend) (All) for 4th Quarter ended 30 June 2019 (Figures Finalised as at 2019/07/31)														
2	Description	Ref	2017/18	2018/19	Budget year 2018/19										
3	R thousands	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
24	Expenditure By Type														
25	Employee related costs		740 793	–	836 090	759 469	298 500	269 529	171 540	167 208	906 777	836 090	70 687	8,45	759 469
26	Remuneration of councillors		14 645	–	16 034	–	6 064	4 936	2 670	3 887	17 556	16 034	1 522	9,49	–
27	Debt impairment		162 267	–	108 195	–	–	–	–	–	–	108 195	(108 195)	(100,00)	–
28	Depreciation and asset impairment		116 351	–	106 864	109 370	8 941	32 515	5 234	–	46 689	106 864	(60 175)	(56,31)	109 370
29	Finance charges		27 527	–	25 139	–	–	–	–	178	178	25 139	(24 961)	(99,29)	–
30	Bulk purchases		92 359	–	100 672	–	11 454	9 226	22 760	19 460	62 899	100 672	(37 773)	(37,52)	–
31	Other Materials		–	–	–	–	1 513	1 513	–	–	3 025		3 025	–	–
32	Contracted services		39 888	–	29 561	–	7 864	6 091	16 325	10 946	41 226	29 561	11 665	39,46	–
33	Transfers and grants		43 663	–	22 606	–	10 351	5 175	221	5 175	20 922	22 606	(1 684)	(7,45)	–
34	Other expenditure		236 814	–	249 056	–	46 698	88 185	96 429	140 985	372 297	249 056	123 241	49,48	–
35	Loss on disposal of PPE		846	–	–	–	15	15	–	–	31		31	–	–
36	**Total Expenditure**		**1 475 152**	–	**1 494 216**	**868 839**	**391 399**	**417 185**	**315 179**	**347 838**	**1 471 601**	**1 494 216**	**(22 615)**	**(1,51)**	**868 839**
38	**Surplus/(Deficit)**		**233 191**	–	**(226 445)**	**712 521**	**(383 328)**	**(91 952)**	**53 334**	**(203 455)**	**(625 401)**	**(226 445)**	**(398 956)**	**176,18**	**712 521**
39	Transfers recognised - capital		–	–	513 005	614 566	7 080	39 371	118 650	186 580	351 681	513 005	(161 324)	(31,45)	614 566
40	Contributions recognised - capital		–	–	–	–	–	–	–	–	–		–	–	–
41	Contributed assets		–	–	–	–	–	–	(22 133)	–	(22 133)		(22 133)	–	–
42	**Surplus/(Deficit) after capital transfers and contributions**		**233 191**	–	**286 560**	**1 327 087**	**(376 248)**	**(52 581)**	**149 851**	**(16 875)**	**(295 853)**	**286 560**	**(582 412)**	**(203,24)**	**1 327 087**
43	Taxation		–	–	–	–	–	–	–	–	–		–	–	–

C1-Sum | C2-FinPerf SC | C4-FinPerf RE | C5-Capex | C6-FinPos | C7-CFlow | C9-Asset | SC13 ...

(Figure 19)

	Eastern Cape: Amathole(DC12) - Table C1 Schedule Quarterly Budget Statement Summary for 4th Quarter ended 30 June 2019 (Figures Finalised as at 2019/07/31)													
2	Description	2017/18	2018/19	Budget year 2018/19										
3	R thousands	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
17	Other expenditure	439 814	-	386 812	-	54 577	94 292	112 754	151 930	413 553	386 812	26 742	6,91	-
18	**Total Expenditure**	**1 475 152**	-	**1 494 216**	**868 839**	**391 399**	**417 185**	**315 179**	**347 838**	**1 471 601**	**1 494 216**	**(22 615)**	**(1,51)**	**868 839**
19	**Surplus/(Deficit)**	**233 191**	-	**(226 445)**	**712 521**	**(383 328)**	**(91 952)**	**53 334**	**(203 455)**	**(625 401)**	**(226 445)**	**(398 956)**	**176,18**	**712 521**
20	Transfers recognised - capital	-	-	513 005	614 566	7 080	39 371	118 650	186 580	351 681	513 005	(161 324)	(31,45)	614 566
21	Contributions recognised - capital & contributed assets	-	-	-	-	-	-	(22 133)	-	(22 133)		(22 133)	-	-
22	**Surplus/(Deficit) after capital transfers & contributions**	**233 191**	-	**286 560**	**1 327 087**	**(376 248)**	**(52 581)**	**149 851**	**(16 875)**	**(295 853)**	**286 560**	**(582 412)**	**(203,24)**	**1 327 087**
23	Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-		-	-	-
24	**Surplus/(Deficit) for the year**	**233 191**	-	**286 560**	**1 327 087**	**(376 248)**	**(52 581)**	**149 851**	**(16 875)**	**(295 853)**	**286 560**	**(582 412)**	**(203,24)**	**1 327 087**
26	**Capital expenditure & funds sources**													
27	**Capital expenditure**	**1 428**	-	**612 983**	**675 433**	**55 435**	**106 344**	**51 700**	**155 618**	**369 097**	**612 983**	**(243 886)**	**(39,79)**	**675 433**
28	Transfers recognised - capital	1 428	-	570 930	-	55 435	106 344	29 567	153 060	344 406	570 983	(226 577)	(39,68)	-
29	Public contributions & donations	-	-	-	-	-	-	-	-	-		-	-	-
30	Borrowing	-	-	-	-	-	-	-	-	-		-	-	-
31	Internally generated funds	-	-	42 053	675 433	-	-	22 133	2 558	24 690	42 000	(17 310)	(41,21)	675 433
32	**Total sources of capital funds**	**1 428**	-	**612 983**	**675 433**	**55 435**	**106 344**	**51 700**	**155 618**	**369 097**	**612 983**	**(243 886)**	**(39,79)**	**675 433**
34	**Financial position**													
35	Total current assets	358 784	-	254 617	306 095	40 497	559 289	911 359	797 847	797 847	306 095	491 752	160,65	306 095
36	Total non current assets	5 213 797	-	6 074 505	6 123 014	5 294 479	5 440 636	5 277 939	5 342 369	5 342 369	6 123 014	(780 644)	(12,75)	6 123 014
37	Total current liabilities	658 401	-	1 152 991	1 001 478	538 218	629 859	937 782	953 214	953 214	1 001 478	(48 264)	(4,82)	1 001 478

C1-Sum | C2-FinPerf SC | C4-FinPerf RE | C5-Capex | C6-FinPos | C7-CFlow | C9-Asset | SC13 ...

(Figure 20)

	Eastern Cape: Amathole(DC12) - Table C5 Quarterly Budget Statement - Capital Expenditure by Standard Classification and Funding for 4th Quarter ended 30 June 2019 (Figures Finalised as at 2019/07/31)														
2	Description	Ref	2017/18	2018/19	Budget year 2018/19										
3	R thousands		Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
16	Planning and Development														
17	Road Transport														
18	Environmental Protection														
19	***Trading Services***		-	-	-	**647 234**	**4 734**	-	-	**97 213**	**101 947**	-	**101 947**	-	**647 234**
20	Electricity														
21	Water					647 114	4 734			97 213	101 947		101 947		647 114
22	Waste Water Management					120									120
23	Waste Management														
24	*Other*														
25	**Total Capital Expenditure - Standard**	3	**1 428**	-	**612 983**	**675 433**	**55 435**	**106 344**	**51 700**	**155 618**	**369 097**	**612 983**	**(243 886)**	**(39,79)**	**675 433**
27	**Funded by:**														
28	National Government		1 428		570 930		55 435	106 344	29 567	153 060	344 406	570 983	(226 577)	(39,68)	
29	Provincial Government														
30	District Municipality														
31	Other transfers and grants														
32	**Transfers recognised - capital**		**1 428**	-	**570 930**	-	**55 435**	**106 344**	**29 567**	**153 060**	**344 406**	**570 983**	**(226 577)**	**(39,68)**	-
33	**Public contributions and donations**	5													
34	**Borrowing**	6													
35	**Internally generated funds**				42 053	675 433			22 133	2 558	24 690	42 000	(17 310)	(41,21)	675 433
36	**Total Capital Funding**		**1 428**	-	**612 983**	**675 433**	**55 435**	**106 344**	**51 700**	**155 618**	**369 097**	**612 983**	**(243 886)**	**(39,79)**	**675 433**

C1-Sum | C2-FinPerf SC | C4-FinPerf RE | C5-Capex | C6-FinPos | C7-CFlow | C9-Asset | SC13 ...

(Figure 21)

	Eastern Cape: Amathole(DC12) - Table C1 Schedule Quarterly Budget Statement Summary for 4th Quarter ended 30 June 2019 (Figures Finalised as at 2019/07/31)													
2	Description	2017/18	2018/19	Budget year 2018/19										
3	R thousands	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
16	Transfers and grants	43 663	-	22 606	-	10 351	5 175	221	5 175	20 922	22 606	(1 684)	(7,45)	-
17	Other expenditure	439 814	-	386 812	-	54 577	94 292	112 754	151 930	413 553	386 812	26 742	6,91	-
18	**Total Expenditure**	**1 475 152**	-	**1 494 216**	**868 839**	**391 399**	**417 185**	**315 179**	**347 838**	**1 471 601**	**1 494 216**	**(22 615)**	**(1,51)**	**868 839**
19	**Surplus/(Deficit)**	**233 191**	-	**(226 445)**	**712 521**	**(383 328)**	**(91 952)**	**53 334**	**(203 455)**	**(625 401)**	**(226 445)**	**(398 956)**	**176,18**	**712 521**
20	Transfers recognised - capital	-	-	513 005	614 566	7 080	39 371	118 650	186 580	351 681	513 005	(161 324)	(31,45)	614 566
21	Contributions recognised - capital & contributed assets	-	-	-	-	-	-	(22 133)	-	(22 133)		(22 133)	-	-
22	**Surplus/(Deficit) after capital transfers & contributions**	**233 191**	-	**286 560**	**1 327 087**	**(376 248)**	**(52 581)**	**149 851**	**(16 875)**	**(295 853)**	**286 560**	**(582 412)**	**(203,24)**	**1 327 087**
23	Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-		-	-	-
24	**Surplus/(Deficit) for the year**	**233 191**	-	**286 560**	**1 327 087**	**(376 248)**	**(52 581)**	**149 851**	**(16 875)**	**(295 853)**	**286 560**	**(582 412)**	**(203,24)**	**1 327 087**
26	**Capital expenditure & funds sources**													
27	**Capital expenditure**	**1 428**	-	**612 983**	**675 433**	**55 435**	**106 344**	**51 700**	**155 618**	**369 097**	**612 983**	**(243 886)**	**(39,79)**	**675 433**
28	Transfers recognised - capital	1 428	-	570 930	-	55 435	106 344	29 567	153 060	344 406	570 983	(226 577)	(39,68)	-
29	Public contributions & donations	-	-	-	-	-	-	-	-	-		-	-	-
30	Borrowing	-	-	-	-	-	-	-	-	-		-	-	-
31	Internally generated funds	-	-	42 053	675 433	-	-	22 133	2 558	24 690	42 000	(17 310)	(41,21)	675 433
32	**Total sources of capital funds**	**1 428**	-	**612 983**	**675 433**	**55 435**	**106 344**	**51 700**	**155 618**	**369 097**	**612 983**	**(243 886)**	**(39,79)**	**675 433**
34	**Financial position**													
35	Total current assets	358 784	-	254 617	306 095	40 497	559 289	911 359	797 847	797 847	306 095	491 752	160,65	306 095
36	Total non current assets	5 213 797	-	6 074 505	6 123 014	5 294 479	5 440 636	5 277 939	5 342 369	5 342 369	6 123 014	(780 644)	(12,75)	6 123 014

C1-Sum | C2-FinPerf SC | C4-FinPerf RE | C5-Capex | C6-FinPos | C7-CFlow | C9-Asset | SC13 ...

(Figure 22)

	Eastern Cape: Amathole(DC12) - Table C4 Quarterly Budget Statement - Financial Performance (rev and expend) (All) for 4th Quarter ended 30 June 2019 (Figures Finalised as at 2019/07/31)														
2	Description	Ref	2017/18	2018/19	Budget year 2018/19										
3	R thousands	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Q1 Sept Actual	Q2 Dec Actual	Q3 Mar Actual	Q4 June Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
20	Other own revenue		2 021	-	58 361	351 409	494	19 492	17 039	23 173	60 197	58 361	1 836	3,15	351 409
21	Gains on disposal of PPE		75 525	-	-	-	-	-	92	92	184		184	-	-
22	**Total Revenue (excl. capital transfers and contributions)**		**1 708 343**	-	**1 267 771**	**1 581 360**	**8 071**	**325 233**	**368 513**	**144 383**	**846 200**	**1 267 771**	**(421 571)**	**(33,25)**	**1 581 360**
24	**Expenditure By Type**														
25	Employee related costs		740 793	-	836 090	759 469	298 500	269 529	171 540	167 208	906 777	836 090	70 687	8,45	759 469
26	Remuneration of councillors		14 645	-	16 034	-	6 064	4 936	2 670	3 887	17 556	16 034	1 522	9,49	-
27	Debt impairment		162 267	-	108 195	-	-	-	-	-	-	108 195	(108 195)	(100,00)	-
28	Depreciation and asset impairment		116 351	-	106 864	109 370	8 941	32 515	5 234	-	46 689	106 864	(60 175)	(56,31)	109 370
29	Finance charges		27 527	-	25 139	-	-	-	-	178	178	25 139	(24 961)	(99,29)	-
30	Bulk purchases		92 359	-	100 672	-	11 454	9 226	22 760	19 460	62 899	100 672	(37 773)	(37,52)	-
31	Other Materials		-	-	-	-	1 513	1 513	-	-	3 025		3 025	-	-
32	Contracted services		39 888	-	29 561	-	7 864	6 091	16 325	10 946	41 226	29 561	11 665	39,46	-
33	Transfers and grants		43 663	-	22 606	-	10 351	5 175	221	5 175	20 922	22 606	(1 684)	(7,45)	-
34	Other expenditure		236 814	-	249 056	-	46 698	88 185	96 429	140 985	372 297	249 056	123 241	49,48	-
35	Loss on disposal of PPE		846	-	-	-	15	15	-	-	31		31	-	-
36	**Total Expenditure**		**1 475 152**	-	**1 494 216**	**868 839**	**391 399**	**417 185**	**315 179**	**347 838**	**1 471 601**	**1 494 216**	**(22 615)**	**(1,51)**	**868 839**
38	**Surplus/(Deficit)**		**233 191**	-	**(226 445)**	**712 521**	**(383 328)**	**(91 952)**	**53 334**	**(203 455)**	**(625 401)**	**(226 445)**	**(398 956)**	**176,18**	**712 521**
39	Transfers recognised - capital		-	-	513 005	614 566	7 080	39 371	118 650	186 580	351 681	513 005	(161 324)	(31,45)	614 566
40	Contributions recognised - capital		-	-	-	-	-	-	-	-	-		-	-	-

C1-Sum | C2-FinPerf SC | C4-FinPerf RE | C5-Capex | C6-FinPos | C7-CFlow | C9-Asset | SC13 ...

(Figure 23)

ANNEXURE B

Figure 24: ADM AR

SIYAKUKHONZA

AMATHOLE

DISTRICT MUNICIPALITY

OVERSIGHT REPORT ON THE ANNUAL REPORT OF AMATHOLE DISTRICT MUNICIPALITY AND AMATHOLE ECONOMIC DEVELOPMENT AGENCY (ASPIRE) FOR THE 2018/2019 FINANCIAL YEAR.

Figure 25: RUHREC letter

RHODES UNIVERSITY
Where leaders learn

Rhodes University
Human Research Ethics Committee
PO Box 94, Makhanda, 6149 South Africa
Email: ethics-committee@ru.ac.za

www.ru.ac.za/research/research/ethics
NHREC Registration No. REC-241114-045

13th August 2021

Mr Colm Allen
Governance & Development Unit
Department of Sociology
Rhodes University

Dear Colm

Re: Review Reference: 2019-0275-376 "MPAC Strengthening Programme"

Approval has been granted for another 1 year from to date. An annual progress report will be required in order to renew the approval for an additional period. You will receive an email notifying when the annual report is due.

Please ensure that the Ethical Standards Committee is notified should any substantive change(s) be made, for whatever reason, during the research process. This includes changes in investigators. Please also ensure that a brief report is submitted to the Ethics Committee on completion of the research. The purpose of this report is to indicate whether the research was conducted successfully, if any aspects could not be completed, or if any problems arose that

Sincerely,

Arthur Webb

Prof Arthur Webb
Chair: Rhodes University Human Research Ethics Committee

Figure 26:ADM IDP

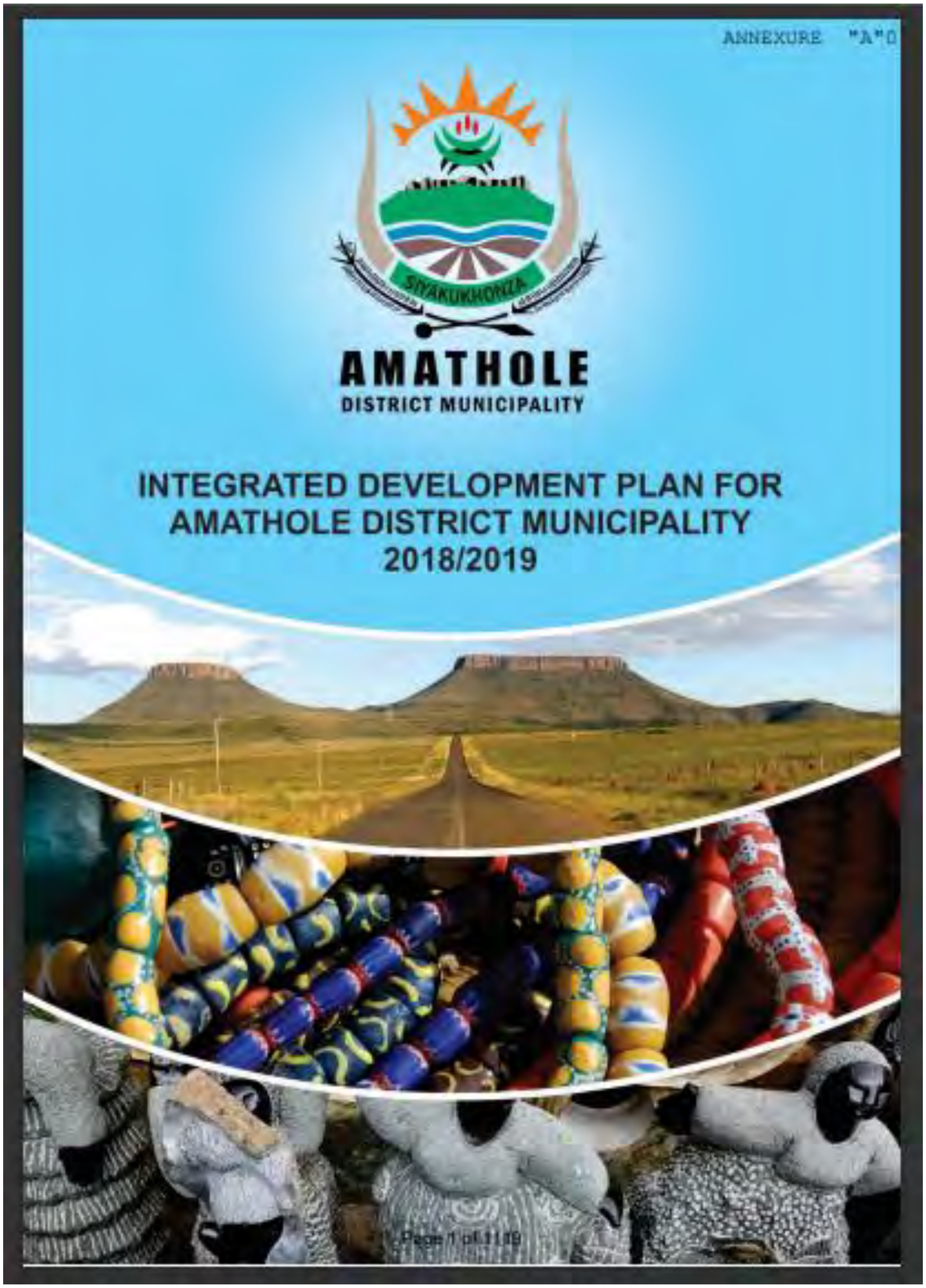
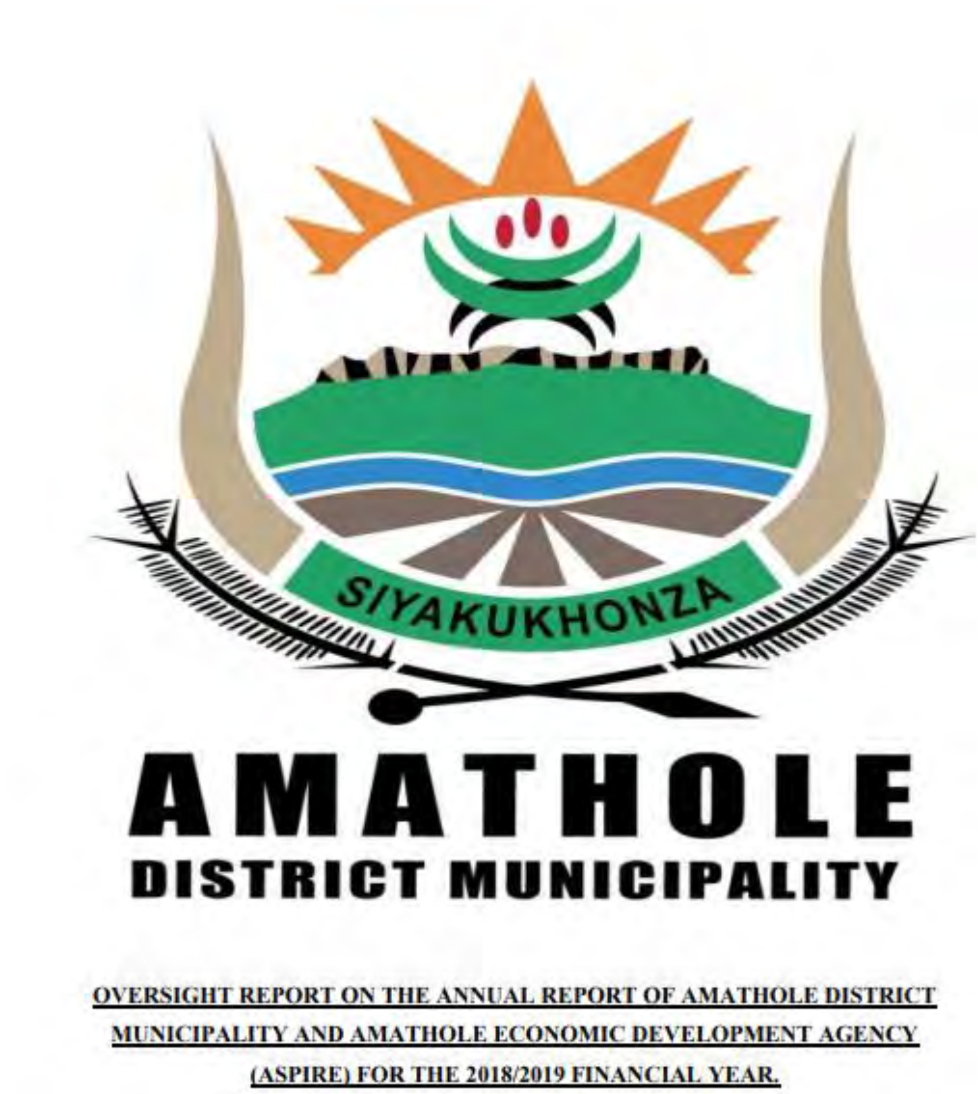


Figure 27:



SIYAKUKHONZA

AMATHOLE

DISTRICT MUNICIPALITY

OVERSIGHT REPORT ON THE ANNUAL REPORT OF AMATHOLE DISTRICT MUNICIPALITY AND AMATHOLE ECONOMIC DEVELOPMENT AGENCY (ASPIRE) FOR THE 2018/2019 FINANCIAL YEAR.

Figure 28:

ANNEXURE 1A

PROGRAM OF ACTION FOR THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE 2019

DATE	LM	Town	Ward	Venue/village	Time
18 September 2019	Amahlathi LM	Keiskammahoek	2	Mnyameni Village Community Hall	10H00
	Great Kei LM	Komga	5	Morgan Bay Community Hall	10H00
19 September 2019	Mnquma LM	Centane Ngqamakhwe Butterworth	23 20 7	Qoboqobo community hall Mtebele A/A - Linzi JPS Zazulwana-Ibika AA –Church Hall	10H00
27 September 2019	Raymond Mhlaba LM	Fort Beaufort Alice	20 12	Hillside Community Hall Melani Community Hall	10H00
	Ngqushwa LM	Ngqushwa	1	Gobozane Community Hall	10H00
04 October 2019	Mbhashe LM	Elliotdale Willowvale Dutywa	 21 4	Lower Desi Hall Fort Malan Hall Xeni Community hall	10H00

Figure 29:

Figure 30: ADM SDBIP

AMATHOLE
DISTRICT MUNICIPALITY

SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN

2018/2019

ANNEXURE C

Figure 31: Analysis of ADM OR (Extracts from my Circular no. 32 analysis)

AMATHOLE DISTRICT MUNICIPALITY

Annual Report Checklist (Based on MFMA Circular No. 32)

MPAC should use this checklist to organise its Oversight Report and manage requests for additional information. MPAC councillors should use checklist questions to gain clarification and to verify compliance with the MFMA and Municipal Systems Act. While using this checklist, MPAC should treat the views of the Audit Committee (AC) and the Auditor General (AG) as primary sources of information to assist it in making its decision about whether to accept the Annual Report (AR) or not.

Item	Requirements	Key Questions	Response	Recommended corrective action
1. FINANCIAL MATTERS				
1.1 The annual financial statements (AFS) for the municipality as submitted to the Auditor-General	MPAC must compare the format of the AFS with MFMA Circular 18 (which sets out new accounting standards and specimen AFS). Now replaced by MSCOA formats. Check the AGs audit report and the AC report for their assessment of compliance with reporting formats.	1. Are the Annual Financial Statements (AFS) in the required format? 2. Have the AC or AG raised any concerns about the format of the AFS	1. No. The statements of financial performance (on page 8 & 9 of the consolidated AFS) are not in the required format, as prescribed in s122 (1) of the MFMA. 2. Yes. The AG has stated that the consolidated and separate financial statements submitted for auditing were not prepared in all material respects, as prescribed in s122(1) of the MFMA. The AG identified material misstatements in the following categories of the submitted annual financial statements: ➢ property, plant and equipment ➢ VAT payable, payables from exchange ➢ Inventories ➢ Revenue from service charges ➢ Interest earned on outstanding debtors ➢ Revenue from government grants and subsidies ➢ Operational costs ➢ Cash flow statement ➢ Unauthorised expenditure. According to the AG, these material misstatements (incorrect information) were (was)	1. In accordance with s81 of the MFMA, MPAC recommends that the MM (or Chief Financial Officer) must ensure that the annual financial statements are correct and in the prescribed MBRR format. 2. MPAC recommends that the CFO ensure that annual financial statements are prepared efficiently and in accordance with s122 (1) of the MFMA. The MM must ensure that all material misstatements are adequately addressed and that these misstatements are prevented from recurring in subsequent financial year(s).

1

Figure 32.: Analysis of ADM OR (Extracts from my Circular no. 32 analysis)

			not "adequately" corrected and it is upon these findings that the consolidated and separate financial statements received a disclaimer of opinion.	
1.2 The Auditor-General's reports on the financial statements of the municipality.	The AG must audit the AFS to ensure compliance with required reporting formats	1. Is the audit report included in the tabled Annual Report? 2. If not, when will the audit report be tabled? 3. What are causes of the delays? 4. What action is being taken to expedite the report?	1. Yes. Chapter 6 contains the previous year's audit report (pg. 178) and the current year's audit report (pg. 181). 2. N/A 3. N/A 4. N/A	1. N/A 2. N/A 3. N/A 4. N/A
1.3 Any explanations that may be necessary to clarify issues in connection with the financial statements	Accounting standards require that notes accompany the AFS to provide explanations of issues and matters reported Must look at Audit Report and Audit Committee comments	1. Is sufficient explanation of financial issues contained in the notes to the AFS?	1. No. (pg. 38 - pg.66) Below are some examples: - Firstly, the 4th quarter (s71 report) highlights that ADM has a negative cash balance of R 616.2 million (Table C7). - Secondly, ADM has a cash coverage of zero days. It is 56 days behind its debt payment date. (Table C1 & C7).	1. MPAC Recommendations: the MM should ensure the provision of detailed and sufficient notes of financial issues. Moreover, when discussing these financial issues in the annual financial statements, reference should be made to the aged-creditor analysis. MPAC further recommends presentation of adequate plans by the MM to address the negative cash balance found in Table C7. MPAC also recommends that the MM present strategies to address the lack of cash coverage and the failed revenue collection targets of ADM.

Figure 33: Analysis of ADM OR (Extracts from my OR)

4.2.1. Financial Matters

4.2.1.1. <u>Format of the AFS</u>

The annual financial statements are not (all) in the required format. It was found that the statements of financial performance on page 8 & 9 of the consolidated AFS are in an incorrect format. Section 122 (1) of the MFMA requires that financial statements be in the required format. As a supplementary reference on this point, it was found that the Auditor General's report has also raised concerns about the format of the AFS. On page 191 of the annual report, the Auditor General (see below, AG's report, note 49) has stated that the consolidated and separate financial statements submitted for auditing were not prepared in all material respects, as prescribed in s122(1) of the MFMA.

The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements, performance and annual report

[illegible]

(AG's report, note 49)

<u>Recommendation for Format of the AFS.</u>

In response to this, MPAC recommends that, in accordance with s81 of the MFMA, the MM (or CFO) must ensure that the annual financial statements are correct and in the **Municipal Budget and Reporting Regulations (MBRR)** prescribed format.

6.2.1.2 <u>Material misstatements.</u>

According to the Auditor General's report there are material misstatements found in the following categories of the submitted annual financial statements:

- property, plant and equipment

Figure 34: Analysis of ADM OR (Extracts from my OR)

- **Under KPA 2: Basic service delivery an infrastructure investment**
  The target coded MTI 1 /6 has not been included in the AR. This target focuses on monitoring water and wastewater quality compliance on a monthly basis.
- **Under KPA 4: Municipal financial viability and management.**
  The target coded MFV 1/11 has not been included in the AR. The target focuses on the percentage on billed municipal fore services

4.2.4.3. <u>Performance evaluation and actual performance targets.</u>

Inasmuch as there are SDBIP targets missing in the AR, the AR does have a performance evaluation which compares actual performance with targets in budgets and SDBIP (AR, 2018/19: pg.113).

4.2.4.4. <u>Performance of key service.</u>[7]

(Reference→ AR, 2018/19: pg. 53-63 of AR).

ADM is responsible for provision of water services, sanitation and waste management. It was found that there are huge discrepancies with regard to the information provided on the efficient provision of water services. Below are the findings that illustrate these discrepancies:

- First, the water provision assessment was last conducted in 2014. In addition to this, the table on page 56 presents the levels of Water Service Delivery. The table covers formal and informal settlements and in both categories, the number of households receiving water services from ADM does not change for the current and previous two financial years.
- This implies that the number of people receiving access to water has not changed in the past three financial years or that the data has not been updated for about 3 years.
- In addition to this, the AR reports that, in accordance with target code SDI 1/1, ADM planned to provide adequate infrastructure and safe drinking water by 2022. The target is said to have been achieved.
- It is difficult to say that ADM was able to provide services efficiently, if the information on those receiving water services was hardly updated.
- The AR actually reports that target code SDI 1/2, where ADM planned to provide adequate infrastructure and safe drinking water by 2022, was not achieved.
- The failure to meet this target could also be because ADM decreased its revenue targets.[8]

6.3. The Community

The community's responses on the Draft Annual Report **WILL** be tallied and grouped to align with the municipality's Annual Report Indicators. This will be done when the community's responses are acquired.

7. RECOMMENDATIONS

It is recommended that the:

7.1. Having considered the 2018/19 Audited Annual Report of Amathole District Municipality, Council adopts the Oversight Report in terms of Section 129 of the Municipal Finance Management Act;

7.2. The 2018/19 Audited Annual Report of Amathole District Municipality be approved **WITH RESERVATIONS;**

7.3. The 2018/19 Oversight Report of Amathole District Municipality be made public in terms of Section 129(3) of the MFMA and be submitted to the Eastern Cape Legislature in terms of Section 132(2) of the MFMA.

7.4. The Executive Mayor must ensure in the future that the limitations and challenges as encountered by MPAC be eliminated to smoothen the operations of this committee.

7.5. The MM is to ensure that that the recommendations and findings by MPAC are addressed and are prepared in writing.

7.6. Issues unable to be addressed in the current financial year are to be included in the plans of the following financial year and MPAC recommends presentation by a report detailing progress on the said issues.

Figure 35: Memorandum of Understanding between Rhodes(Governance and Development Unit) and Amathole District Municipality.

GDU Governance & Development Unit

RHODES UNIVERSITY

In partnership with GIZ and in collaboration with National Treasury and CoGTA

german cooperation

giz

Memorandum of Understanding

Between Amatole District Municipality (ADM)

and

Rhodes University

"A public higher education institution and juristic person in terms of the Higher Education Act No. 101 of 1997 as amended and existing under the laws of the Republic of South Africa." concerned with Governance and Development Unit (GDU), Department of Sociology.

PREAMBLE

ANNEXURE D: CORRESPONDENCES WITH ADM OFFICIALS

DS Duncan Seoke 4 Jun 2020 at 18:59

Managed to receive the contact details of the chairperson.

I'm yet contact the chairperson.

I have been busy working on the documents to be submitted to ADM.

- Reply

DS Duncan Seoke 2 Jun 2020 at 00:51

Emailed Reverend today, indicating that I have not received any response from anyone with a way forward. I suggested he give me the details of the chairperson. Which I have been asking almost 10 days ago.

- Reply

DS Duncan Seoke 24 May 2020 at 13:10

Response from Reverend:

"Hi Ndirah can you kindly assist Duncan with the information. He was to work with MPAC as research assistant but due to lockdown he has not started yet.

Rev"

(Received on 22 May 2020, 13:25)

- Reply

DS Duncan Seoke 22 May 2020 at 09:31

I called Reverend yesterday (4:19 PM) regarding the email, and he said he's caught up with other things but he'll get back to me.

- Reply

DS Duncan Seoke 20 May 2020 at 14:10 (edited)

There has been no response from Reverend.

- Reply

DS Duncan Seoke 19 May 2020 at 12:28

Hi, **@colmallan**

I have just emailed Reverend asking him to help me get in touch with the MPAC chairperson. I am hoping that once this is done, I will request the documents through the MPAC chairperson.

I will make a follow-up tomorrow, indicating the urgency of this document. Since we are all on lockdown, I think responses to emails should be timeous.

Regards,

- Reply

Lenhard Hamza 3 Jul 2020 at 18:43

@duncanseoke It is good news that you finally reached the MPAC chair. It looks very suspicious on why she wasn't informed that you are an intern. It looks like Reverend is the actual boss there when it comes to MPAC. But let see if we can create a direct communication line with the chair. All the best.

1 Reply

Duncan Seoke 3 Jul 2020 at 16:20

Hi, **@lenhardhamza** please see an update on my communication with ADM's MPAC chairperson.

Reply

Duncan Seoke 3 Jul 2020 at 16:19

She claims she knows nothing about the arrangement to have an MPAC Research intern stationed at the municipality. She also stated that she knew nothing about the meeting we had earlier this year (in February).

I have asked her that we arrange a meeting to discuss:
- My duties, responsibilities and the work I have been working on.
- How I can be introduced to the rest of the MPAC members and included in the upcoming MPAC-related activities.

I furthermore stated that she might need to have a discussion with **@colmallan**, given that she was not informed about the crucial meeting we had earlier this year.

I did state that I would speak to **@colmallan** first and find out we would go about it.

We agreed that i would call her on Tuesday to schedule the meeting. She says she still needs to speak to Reverend. (I do not know why)

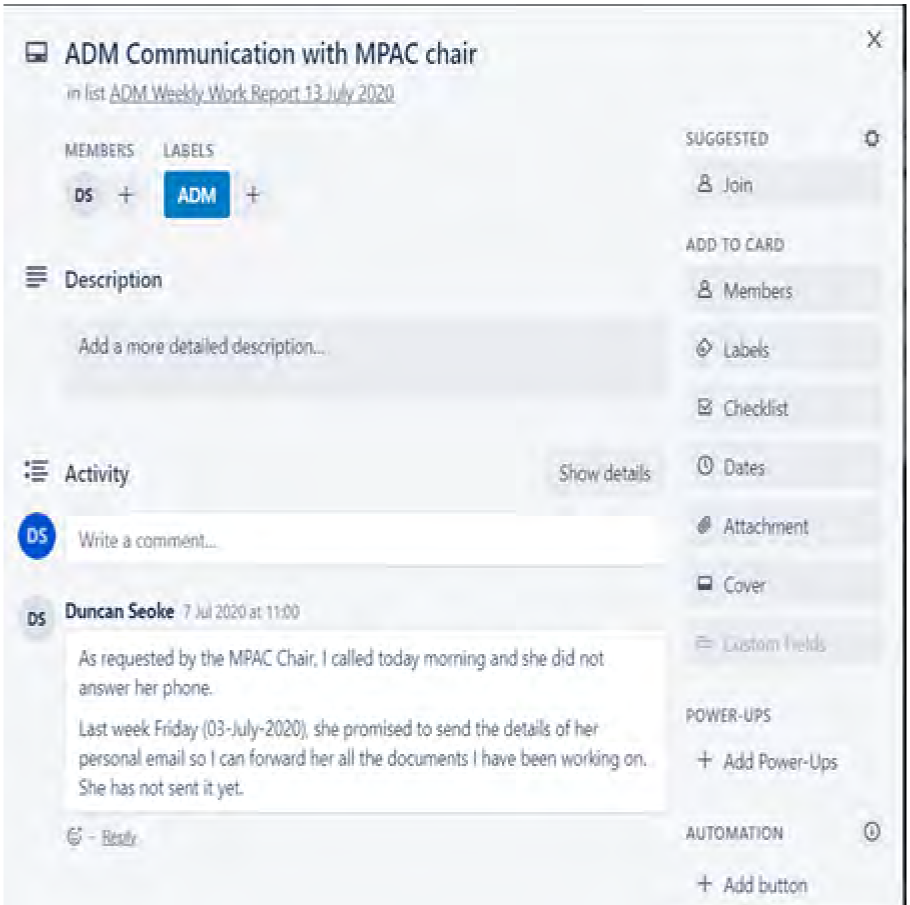
Overall she seemed keen to have me on board. But I sense some scepticism on her part. She promised to send me her personal email address but she has not sent it through.

Reply

Duncan Seoke 3 Jul 2020 at 15:47

Managed to acquire (valid) contact details of the MPAC chair and contacted with her.

Reply


ADM Communication with MPAC chair
in list ADM Weekly Work Report 13 July 2020
MEMBERS
LABELS
DS
ADM
Description
Add a more detailed description...
Activity
Show details
DS
Write a comment...
DS
Duncan Seoke 7 Jul 2020 at 11:00
As requested by the MPAC Chair, I called today morning and she did not answer her phone.
Last week Friday (03-July-2020), she promised to send the details of her personal email so I can forward her all the documents I have been working on. She has not sent it yet.
Reply
SUGGESTED
Join
ADD TO CARD
Members
Labels
Checklist
Dates
Attachment
Cover
Custom Fields
POWER-UPS
Add Power-Ups
AUTOMATION
Add button

DS **Duncan Seoke** 3 Aug 2020 at 11:32

UPDATE from 31 July 2020: A certain MEC who Mr Caga was in contact with has offered to help with the contact details of the MPAC members of ADM.

Reply

DS **Duncan Seoke** 27 Jul 2020 at 23:55

Mr Caga also said ADM might have gone through some reshuffling in the previous weeks. I suppose this would explain their silence.

Reply

DS **Duncan Seoke** 27 Jul 2020 at 23:52

Both gentleman have responded and said they'll get back to me.

Had a brief discussion with Mr Caga on how work is going on his side. he expressed some good remarks on the course. He highlighted that their MPAC released a report that brought the current manager under fire. He acknowledged that being in the course helped them ask the 'right' questions. And serious action is being taken because of their work.

Here is an article shedding some light on the story. Buffalo City admin boss in firing line

"The daggers are out for Buffalo City Metro administration boss Andile Sihlahla, with the ANC caucus in the council deeply divided on his future. Some in the ruling party's caucus want to see the city manager suspended... This came after a damning *municipal public accounts committee (Mpac) report* which painted a dismal picture of operations in the metro under Sihlahla's care... "

I think this is a positive impact. **@colmallan @lenhardhamza**

Reply - Add link as attachment

DS **Duncan Seoke** 27 Jul 2020 at 11:05

Sis. Unathi forwarded me the contact details of Mr Caga from B. City Metro and Bongani Hanise from Ngqushwa.

I've sent both of them messages asking if they might have any contact details of members of the ADM MPAC. I am still waiting for their responses and will post an update when they respond.

Reply

DS **Duncan Seoke** 22 Jul 2020 at 15:01

I've asked Sis Unathi to help me find out if there has been anyone from ADM who has attended training and to please send me their contact details.

Reply

Custom Fields

POWER-UPS

+ Add Power-Ups

AUTOMATION

+ Add button

ACTIONS

→ Move

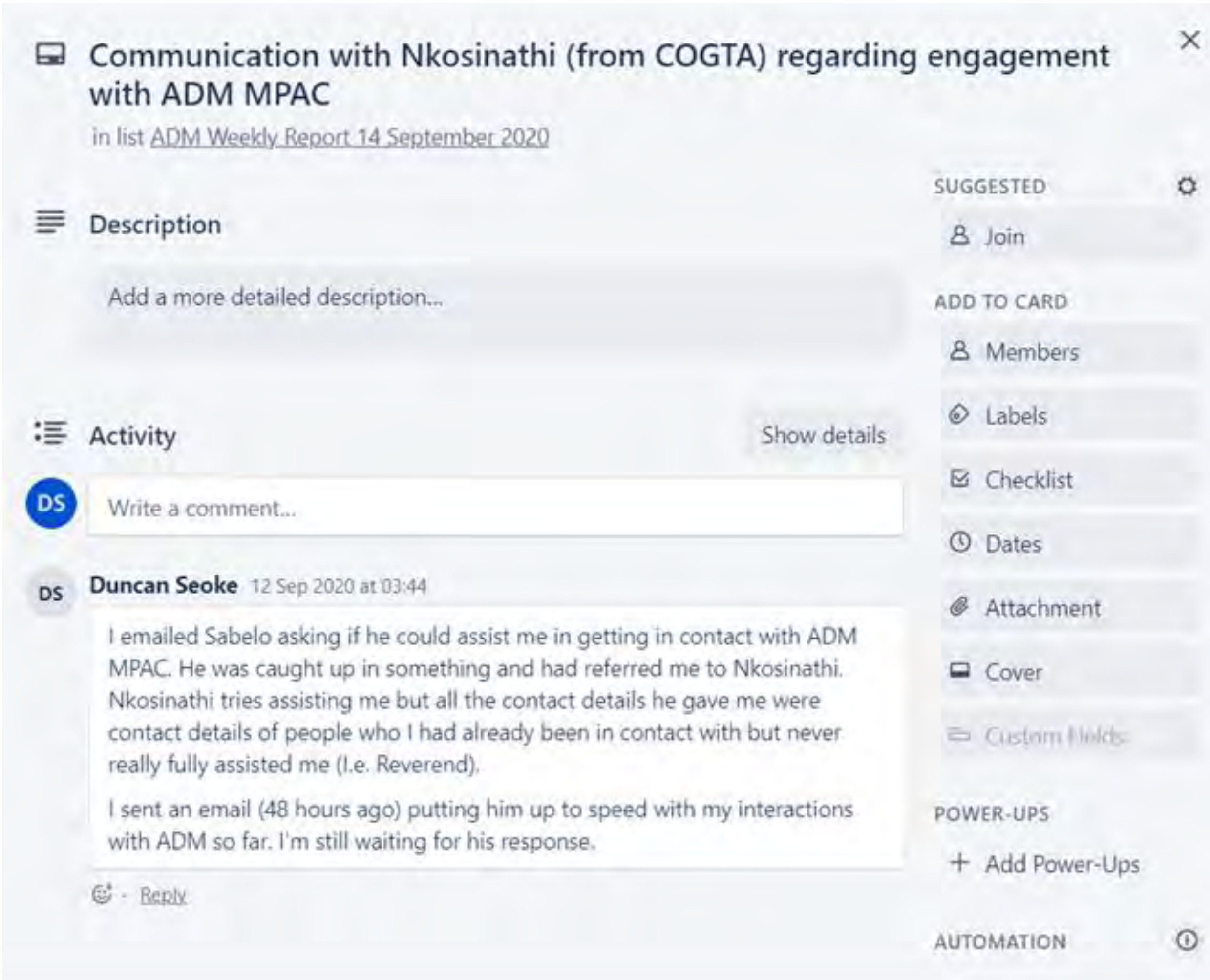
Copy

Make template

Watch

Archive

Share


Communication with Nkosinathi (from COGTA) regarding engagement with ADM MPAC
in list ADM Weekly Report 14 September 2020
Description
Add a more detailed description...
Activity
Show details
DS
Write a comment...
DS
Duncan Seoke 12 Sep 2020 at 03:44
I emailed Sabelo asking if he could assist me in getting in contact with ADM MPAC. He was caught up in something and had referred me to Nkosinathi. Nkosinathi tries assisting me but all the contact details he gave me were contact details of people who I had already been in contact with but never really fully assisted me (I.e. Reverend).
I sent an email (48 hours ago) putting him up to speed with my interactions with ADM so far. I'm still waiting for his response.
Reply
SUGGESTED
Join
ADD TO CARD
Members
Labels
Checklist
Dates
Attachment
Cover
Custom Fields
POWER-UPS
Add Power-Ups
AUTOMATION

ANNEXURE E: INTERNSHIP WORK REPORT (JULY 2020 - DECEMBER 2020)

Report on MPAC Research Internship in Amathole District Municipality.

O

Activities

2020 (July to December)

- After the end of the first part of the internship (January to June), I, the Intern assigned to Amathole District Municipality, continued to conduct all of the outputs of the internship at the GDU offices (situated at Rhodes University's campus). Given the national approach to adopt a stay-at-home policy, I completed tasks at home for the remainder of the year.
- I reported on the progress of work I was doing and my plans for the week, at the start of each week. This was written (on Trello) and verbal (during the weekly meetings)
- Quite a number of (telephonic) discussions were held with EC Cogta regarding the state of affairs between the MPAC at Amathole and myself.
- I managed to complete the 3rd module of the EMPAC certificate course.
- I undertook key research-related activities, such as:
  - Analysis of Section 71 Reports.
  - Introduction of a reporting system for the Financial Performance Analyses, i.e. Financial Performance Analysis (summary questions and answers of the analysis) and executive summary (a synopsis of key findings). All of which were sent to ADM MPAC.
  - Commenced on a study analysing the impact of placing municipalities under administration.

Outputs

The following are the outputs produced during 2020 (1 July - 31 December):

- Completed and sent ADM's Financial Performance Analysis report for the 2019/20 4th Quarter report and the 2020/21 1st Quarter FPA. The 2020/21 2nd Quarter report could not be completed because it was due to be released a month after the end of the quarter which would be around January 2021.
- Completed the 4th Quarter FPA report for Sundays River Local Municipality. EC Cogta had asked that the GDU assist in providing an FPA report for the municipality.
- Submitted data for the research project analysing the impact of placing municipalities under administration.
- Provided feedback on the performance management template.
- Presented my preliminary approach to the MA proposal.

Outcomes

- Increased improvement on in-year oversight using Section 71 reports in ADM. I completed FPA reports on the 4th Quarter (2019/20) and 1st Quarter (2020/21) Section 71 reports.
- Working remotely for ADM made it difficult to assess the level of engagement of the reports by the ADM MPAC. ADM MPAC still did not invite me to any virtual meetings they might have had. Neither did they make any attempt to communicate about anything pertaining to the reports I would send. In fact, there was no acknowledgement of receipt for the reports sent. Despite this, I continued to conduct my oversight work and sent all tasks completed.

Challenges encountered by Interns

- No sense of interest in the GDU internship program. This is seen by the MPAC's poor communication in a time where work was conducted virtually. The MPAC chair spoke to me once (around July) and never returned nor accepted my calls. At the first call, she stated that she was never aware of this internship program, neither had she ever heard of me. EC Cogta had attempted to intervene to ensure that the communication improves. However, nothing changed.

ANNEXURE F: NOTES FROM MPAC COURSE IMPACT (07 FEBRUARY 2020)

Participant Notes.

Module 1 (Group 2)

Key Challenges from MPAC

- There is a difficulty in monitoring the implementation of the audit action plan.
- Auditor-general opinions usually show that there is an increased for knowledge dissemination.
  - I.e. correct tables need to be used.
  - MPAC, by practising oversight on in-year reports, could ensure that the right tables are used before AR is submitted to AG.
- There is a difficulty in accessing progress report and furthermore implementing the audit action plan.
- Difficult to attain respect from senior officials.
- MPAC's powers limited.
  - Thus, it is difficult to enforce compliance.
  - Local government as a political space also hinders MPAC from being an effective committee. (Deployment of cadres contributes largely to this).
  - In addition, there are no consequences for non-compliance with MPAC.
- Too much workload, coupled with over-involvement and a general inability to perform duties (not 100% competent to perform designated tasks).

- No opportunity to identify risks.
- Difficult to attain information (time, accessibility of information)
- Lack of proper skills, budget, staff shortage. (resulting in poor performance)
- Full-time staff (just pushed).
- Patronage-positions.
- Intra and inter political wars.

Module 2 (Group 1)

"We will no longer be confused by the finance (department) with their complicated tables."

"This is a very important course"

- Generally, no one seems to know much about the AFS tables.
- Some municipalities are not compliant with MSCOA tables. Some are *partially* compliant.

"There are no rules at the municipality. It's highly bureaucratic."

Members have never been able to access the schedule A & C tables.

CFO and budget manager have to set out a timetable.

- This does not usually happen in municipalities.
- Incompetence in deployment.
- Issues on fruitless and wasteful expenditure
  - MPAC has issues with proper procedure when it comes to fruitless expenditure.

Highs and lows from MPAC members in module two (seeing whether there was an impact of module 1).

- Highs (since module 1)
  - Improved committee on the submission of quarterly reports
  - Better understanding of AG reports
  - We are able to draw make MPAC year program.
  - Importance of monthly report which is section 71 that informs quarterly reports
  - First time yearly plan implemented
  - MPAC work plan and terms of reference approved and improved.
  - Improved oversight mechanisms.
  - Revenue collection improved.
  - Improved oversight mechanisms

currently not happening.

- Inefficient responses from office-bearers.
- Change in staff makes passing down of knowledge difficult.
- Internal audit not being effective.
- Annual audit Plan is (partially) produced and (partially) received.
- It is a challenge that there is no database to track implementation of AG report.
  - This database would ensure that data on AG opinions are captured.

- Chairperson do most work.
- Some municipalities do not have proper needs assessment. As seen in their IDPs where they fail to provide figures for indigent people.

- Lows
  - Lack of staff to support the office of the MPAC in doing MPAC oversight.
  - Court ruling and dissolving
  - Non- sitting of MPAC
  - Delay on final audit opinion
  - Rollovers.
  - Disclaimer
  - Adoption of annual report not reflection
  - Sitting of MPAC
  - Roll over
  - Audit report
  - Restricted access to information
  - Regression on audit opinion from unqualified to

  - Lack of consequence management
  - Weak and inadequate internal control measures
  - Non-expenditure of grants to national treasury, MIG etc.
  - No monthly reports
  - Failed to oversee financial statements and performance of management.
  - Lack of MPAC staff.
  - SCM processes were poorly followed.
  - Lack of oversight by council
  - Lack of HR in MPAC
  - No improvement in challenges raised by AG.