

**MUNICIPAL BUDGET OVERSIGHT BY MULTIPLE
PRINCIPALS:
A CASE STUDY OF THE WESTERN CAPE
PROVINCE**

Submitted in fulfillment of the requirement for a Doctor of Philosophy at the
University of the Western Cape.



School of Government
Faculty of Economic and Management Sciences

DECLARATION

I, **Samuel Thabo Khaile**, declare that the contents of this thesis represent my own unaided work. I further declare that this thesis has not been submitted for any degree or examination in any other university, and that the opinions expressed in this thesis are my own and do not necessarily represent those of the University of the Western Cape.

Signed

Date



DEDICATION

This thesis is dedicated to my mother, Agnes Khaile, as well as my daughter, Mookgo, who sadly passed away just as I began my doctoral studies.



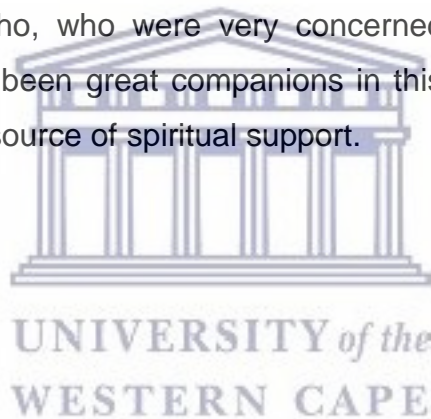
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ACKNOWLEDGEMENTS

First and foremost, I thank my supervisor, Professor Gregory Ruiters, for his insightful guidance throughout this challenging academic project. I am eternally grateful for his endless patience and many constructive engagements in overseeing my work on this thesis.

I am immensely grateful to the various municipal managers, municipal councillors and the Provincial Treasury official who participated in this study. Their willingness to share their rare and extensive experiences and perceptions benefited this study immeasurably.

Finally, I would like to express my deepest gratitude to my wife, Fundiswa Khaile, for her sacrifices and support during the vexing periods of this PhD; and my sons, Kuhle, Lebo and Lutho, who were very concerned about when I would be finishing. They have been great companions in this strenuous chapter of our lives, and a constant source of spiritual support.



KEY WORDS

Municipal Financial Accountability

Municipal Council

Municipal Budget Oversight

Principal-Agent Theory

Municipal Manager

Legislative Oversight

Multiple Principals

Supervision of Municipalities

Municipal Financial Reporting



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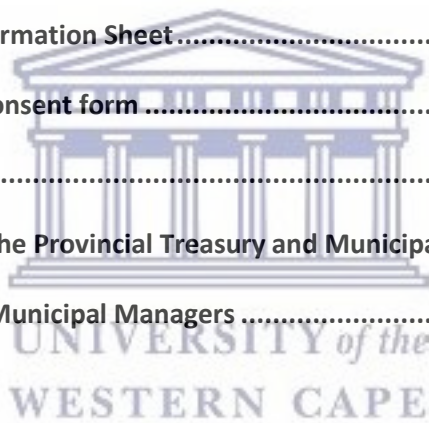
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ABSTRACT

The transformation of local government in South Africa has established a complex model of multiple principals exercising municipal budget oversight on municipal managers. However, earlier research has not sufficiently focused on the phenomenon of the multiplicity of principals and its wider institutional architecture, relationship dynamics and effects in order to understand the institutional constellations of oversight principals, their behaviour and their interactions on the municipal budget process. Particularly, an empirical exploration focusing on understanding the experiences and perceptions of municipal managers and oversight principals on oversight through the multiple principal model remains elusive.

The aim of this study was to explore and describe the experiences and perceptions of municipal managers, municipal councillors and the Provincial Treasury on the multiple oversight principals' model, its manifestations, dynamics and effects on municipal budget oversight. The study utilised principal-agent theory to develop a conceptual and theoretical framework, and utilised the interpretive qualitative case study of the Western Cape to guide the research process. A sample of respondents consisting five (5) municipal managers, one (1) Provincial Treasury representative and ten (10) municipal councillors from municipalities in the Western Cape were interviewed for the study. The transcribed data from the 16 interviews were analysed, using a qualitative analysis method.

The study findings reaffirmed the existence of multiple principals bequeathed with authority to exercise of municipal budget oversight in the Western Cape Province. Strong evidence emerged that application of the multiple principal model manifests independent, conflicting and fragmented budget oversight relationships and behaviour between the Provincial Treasury and municipal councillors during different stages of the municipal budget process. While the study acknowledges that the model and its application generates both positive and negative effects resulting in too complex, onerous and conflict-prone oversight relationships, it also highlighted these effects as necessary intrinsic

attributes that do not necessarily have to manifest adverse consequences on the municipal budget oversight.

These findings contradict the common-sense advocates for a collective model that emphasises coordination to improve cohesiveness among oversight principals, especially between the Provincial Treasury and the municipal councillors. The findings confirm that the Municipal Finance Management Act has consciously established a responsive system that distributes oversight among autonomous political structures in order to comprehensively eclipse the discretion of the municipal manager with varied and complementary oversight expertise, energy and diversity.



LIST OF ABBREVIATIONS AND ACRONYMS

PAT	Principal-Agent Theory
MPA	Multiple Principal-Agent Theory
FFC	Finance and Fiscal Commission
MM	Municipal Manager
SALGA	South African Local Government Association
MPAC	Municipal Public Accounts Committee
ANC	African National Congress
DA	Democratic Alliance
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act
SDBIP	Service Delivery and Budget Implementation Plan
WCPT	Western Cape Provincial Treasury



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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

This chapter outlines the background against which the study is undertaken, as well as the context for the research problem. It also describes the research aim, questions and objectives emanating from the shortcomings of the current research and literature. In addition, this chapter presents the significance of the study and its intended contribution within the articulated scope and limitations. A brief overview of the research methodology utilised by the study is explained. This chapter concludes with an overview of the structure of the thesis.

1.2 BACKGROUND AND CONTEXT OF THE STUDY

Accountability for municipal finances is widely regarded as a critical requirement for the consolidation of municipalities into democratic developmental, viable and sustainable government structures. Thus, the new system of municipal governance establishes processes and mechanisms geared towards accountable management of municipal finances (Ababio, 2007; Munzhedzi, 2016). These processes and mechanisms are institutionalised through various laws, policies and regulations to promote accountability, fiscal discipline and effective stewardship in the management of municipal finances.

Undoubtedly, municipal financial accountability constitutes one of the central concerns of the post-1994 order for South Africa's 257 municipalities. Several scholars have alluded to municipal financial accountability as fundamental to the existence and effective functioning of municipalities. Dalton-Brits and Van Niekerk (2016: 118) highlight municipal financial accountability as an essential requirement for promoting "effective service delivery". Khalo (2013) suggests that municipal financial accountability improves performance, safeguards against unethical practices and mismanagement of resources and abuse of power, as well as improves integrity and trust in local government. Similarly, Laubscher (2012: 63) suggests that "municipal financial accountability and control are of utmost importance when it comes to determining the success or failure of local

government in South Africa". Therefore, the need to ensure that the municipal administration accounts for the use of municipal finance is considered essential for the system of democratic municipal governance.

However, and despite the widely-articulated benefits for municipal financial accountability, it is documented extensively that many of South Africa's municipalities fail to effectively manage and account for their finances. Govender and Reddy (2012) articulate this failure, stating that "there is ample evidence showing deleterious collection of failures that are attributed to among other things, poor financial management and accountability". This failure is also captured in municipal audit reports dating as far back as 2000 which have consistently shown the lack of effective municipal financial accountability in the majority of municipalities in South Africa.

The lack of effective municipal financial accountability in South Africa is regarded as one of the root causes of municipalities' inability to fulfill their constitutional mandate. The Cooperative Governance and Traditional Affairs (COGTA) Ministry (COGTA 2014: 6) found that due to persistent failure to ensure effective financial accountability "of all South African municipalities only 7% of municipalities were fully functional, 30% were doing reasonably well, 32% were almost dysfunctional and 31% were totally dysfunctional". Concurring, the Auditor-General (2017) maintains that the prevalence of lack of effective financial accountability is one of the root causes of the disastrous state of most of South Africa's municipalities. In the same way, Govender and Reddy (2012); Mantzaris and Pillay (2014); Van der Waldt (2015); Pillay (2016); and Sidanda (2017) highlight the lack of effective municipal financial accountability as contributing towards municipalities slipping into distress, with many of them becoming dysfunctional and technically bankrupt.

Astonishingly, this gloomy state of municipal financial accountability has persisted despite the existence of a comprehensive municipal budget oversight architecture (Khalo, 2013; Mantzaris, 2014). This architecture, which is a creation of the Municipal Finance Management Act 56 of 2003 (hereafter referred to as the MFMA), establishes a model that involves multiple structures for

exercising municipal budget oversight. Ababio (2007); Steytler and De Visser (2009); Khalo (2013); Ajam and Fourie (2014); Mathenjwa (2014a); Ncube and Tullock (2017) and Hanabe, Taylor and Mclean (2017) list municipal councils, provincial public accounts committees, oversight committees and the Auditor-General, Provincial and National Treasury departments, National and Provincial Local Government departments, as structures empowered by the MFMA to exercise oversight on the municipal budget.

Notably, the MFMA creates a model of municipal budget oversight that involves multiple structures, which consist of the political structures from the municipal, provincial and national governments. Fundamentally, the model of municipal budget oversight by multiple structures institutionalises a quantitative stacking of political structures to exercise individual budget oversight on the municipal manager. Thus, a multiplicity of structures has become the defining feature of the model and practice of municipal budget oversight in South Africa (Ababio, 2007; Mathenjwa, 2014a; Ncube and Tullock, 2017). Equally intrinsic in the model is that these multiple principals are endowed with concurrent legislative authority to oversee the behaviour of municipal managers during drafting, approval, implementation, and auditing of the municipal budget (National Treasury, 2011; Van der Waldt, 2015).

The concurrency of the oversight authority has resulted in multiple structures individually institutionalising different budget oversight measures, which they variously deploy and enforce on the municipal manager during the budget process. According to Ababio (2007: 5), the institutionalisation of the budget oversight authority has resulted in different oversight structures utilising different “legislative instruments, such as hearings through the institutions of provincial and municipal public accounts committees, audit and oversight committee, the municipal council and of course, whistle-blowers and the public”.

Though the model of municipal budget by multiple oversight structures has gained significant traction and widespread veneration as an innovation for promoting municipal fiscal accountability, it has also become the focus of a persistent debate regarding its appropriateness, practicality and effectiveness.

This raging debate is polarised between the proponents and critics of the municipal budget oversight by multiply structures. The debate has become progressively sharper given the persistent incidents of high financial accountability failures of many municipalities.

Those not averse to the model of municipal budget oversight by multiple structures, generally highlight its ability to harness the intergovernmental capacity in order to address municipal financial accountability challenges. Authors such as Ababio (2007) and Van der Waldt (2015) describe the proliferation of budget oversight structures as one of the fundamental aspects of the transformation of municipal finance as well as appropriate to responding to the complexities of the system of municipal fiscal governance in South Africa. Similarly, Makhado, Masehela, Mamogale and Motimele (2012) state that this model represents a significant milestone in the modernisation of municipal financial management and accountability.

The National Treasury (2011), as the custodian of public finances in the country, highlights the multiplicity of budget oversight structures as a significant novelty for promoting appropriate municipal financial accountability. In addition to addressing the deficiencies of internal control systems of municipalities that tend to be grossly flawed, the spreading of oversight roles and responsibilities across the multiple structures is often deemed necessary to ensure 360-degree vision buttressed by the vigilance and expertise of more than a single political oversight structure (Ababio, 2007; National Treasury, 2011). Therefore, those in support of municipal budget oversight by multiple principal model perceive it as a necessary complement for the intergovernmental issues and dynamics shaping the municipal budget.

On the contrary, those critical to the multiple oversight structure perceive it as inherently too complex, fragmenting, duplicating, and overlapping the oversight efforts. Cameron (2014: 84) argues that though the MFMA and its regulations regarding oversight are “well-intended, the implications of a design that involves intergovernmental structures have proved to be problematic in practice”. Likewise, Mathenjwa (2014a) finds that the model that consists of many players

with conflated and conflicting responsibilities tend to be complex and destructive due to potential overlaps and competing oversight measures and approaches. The multiplicity of oversight structures has implications to the municipal managers. Ababio (2007: 3) refers to the multiple structures and their numerous oversight measures as “bloodhounds that smell and bite harder”, while paralysing municipal officials. Equally, Fourie, Opperman and Scott (2007) regard the model of municipal budget oversight by multiple structures as subjecting municipal managers to excessive and burdensome oversight environment. Likewise, Steytler (2008: 5) describes this type of oversight arrangements that produces a plethora of legal structures and measures, resulting in a compliance environment that induce “over-regulation that leads to greater lawlessness rather than securing the desired accountability outcomes”. Therefore, Steytler (2008) argues that such arrangements are costly and inevitably result in the strangulation of the municipal administration.

The above views are consistent with the findings of an assessment on the State of Local Government in South Africa which found that the multiplicity of oversight structures has led to “functional overreach and complexity that has forced many municipalities into distress mode” (COGTA, 2009: 3). Similarly, a review conducted by the Department of Planning, Monitoring, and Evaluation, found that the challenges facing local government include “complex reporting demands that have weakened the institutional ability of many municipalities” (2014: 10).

At the heart of the criticism for the multiplicity of oversight structures is the intergovernmental nature of the model. This is because the intergovernmental relationship between the national, provincial and local government in South Africa has remained is still developing, not hermetically sealed – and thus, fraught with challenges. Evidence suggests that intergovernmental relations and political climate has proved to be potentially combustive and conflict-prone (Cameron, 2010). Fuo (2017: 327) states that the intergovernmental supervision relationship between municipalities and other spheres of government is “often misconceived, doubted and contested”. Therefore, the municipal budget oversight model that effectuated through multijurisdictional supervision relationship is likely to encounter problems (Mathenjwa, 2014a).

1.3 THE RESEARCH PROBLEM

While the formal existence and legitimacy of the municipal budget oversight model is not in contention, there is, however, a problem of inadequate knowledge of the nature, issues, dynamics, and complexities related to the interrelationships among the multiple principals involved. This lack of knowledge of municipal budget oversight by multiple principals can in the main be attributed to earlier research that did not sufficiently focus on the phenomenon of the multiplicity of principals. Evidently, topics such as mechanisms for municipal budget oversight, the role of public accounts committees in municipal finance and budget oversight have received some attention in research and literature (Botes, 2011) Khalo, 2013; Dalton-Brits and Van Niekerk, 2016). However, few scholars have written about the involvement of multiple jurisdictions in municipal budget oversight (Ababio, 2007; Mathenjwa, 2014). Consequently, the phenomenon of municipal budget oversight by multiple principals, its wider institutional architecture, relationships, dynamics and effects have largely remained unexplored, empirically speaking.

Notably, the polarised debates and contestation on the multiplicity of municipal budget oversight principals is mainly based on common-sense views. In this regard, the support or criticism of the multiple-principal model for municipal budget oversight is informed mainly by self-evident truth and assumptions that are not based on solid empirical and theoretical foundations. Consequently, there is a tendency in the literature to overgeneralise across all provinces and to neglect provincial variations and politically mediated processes in how municipal budget oversight occurs. Accordingly, this often leads to an assumption that despite being variously located in different spheres of government, there is a mutually constitutive behaviour and approach among the municipal budget oversight principals.

Therefore, there is a general lack of understanding of the issues, dynamics, and complexities existing among the budget oversight actors. In addition, there is a lack of understanding the impact of simultaneous and parallel relationships and

interactivity emanating among the oversight principals. As I will show later in a more extensive literature review, there is a clear research gap and a deficit of literature on the perspectives of municipal managers and the oversight principals on the multiple-principal model and the practice of municipal budget oversight.

Glaringly, the available literature does not adequately illuminate and describe the critical peculiarities and complexities of the multiple-principal model phenomenon as it relates to municipal managers, Provincial Treasury and municipal councillors when exercising budget oversight on the municipal budget process. Evidently, the institutional constellation of municipal budget oversight principals and their interactions in a specific province requires empirical investigation. Thus, an exploratory study investigating the meaning, interplay, tensions and effects emanating from the multiplicity of municipal budget oversight principals is justified. In particular, there is a glaring need to focus an empirical investigation on how municipal managers and political principals as key municipal budget oversight actors experience and perceive the multiple-principal model, its manifestations, dynamics and effects of municipal budget oversight by multiple principals.

1.4 RESEARCH QUESTIONS

The central aim of the study is to understand the experiences and perceptions of key budget actors of municipal budget oversight by multiple principals. This central aim is guided by the following research questions:

1. How do municipal managers in the Western Cape Province understand and perceive the multiple-principal model, its application and effects on the municipal budget process?
2. What do municipal councillors and Provincial Treasury in the Western Cape experience and perceive as manifestations and dynamics of oversight by multiple principals during the municipal budget process?
3. What do Provincial Treasury and municipal councillors' identify as the positive and negative effects of municipal budget oversight by multiple principals in the Western Cape?

The three research questions above were structured to guide and focus the process of developing an in-depth and critical understanding of the nature, practice, and effects of municipal budget oversight by multiple principals. Likewise, the research questions were used to unearth what the municipal budget oversight themselves perceive as the manifestations and dynamics of the model of municipal budget oversight by multiple principals.

Finally, exploring the experiences and perceptions of municipal managers, Provincial Treasury and municipal councillors on the effects of multiple principals on municipal budget oversight provides clarity on their possible impact on the multiple-principal model and the principals' constitutive behaviour on the municipal budget oversight. Together, these three aspects may provide a comprehensive and in-depth understanding of the phenomenon being studied. The exploration and description of the effects was thought to be relevant to enable the surfacing of descriptions that support and or oppose the model and practice of municipal budget oversight by multiple principals.

1.5 RESEARCH AIM AND OBJECTIVES

The aim of this study is to contribute towards developing a deeper understanding of municipal budget oversight by multiple principals. The following objectives will guide the study:

- To review the literature on the concept of oversight by multiple principals and to develop a rigorous conceptual and theoretical framework for understanding issues around budget oversight.
- To conduct an analytical legislative review with the aim of exploring the assumptions behind the relevant legislative provisions that establish and facilitate the multiple principals for municipal budget oversight in South Africa.
- To describe the governance context and peculiarities that influence municipal budget oversight in the Western Cape Province.
- Conduct interviews to shed light on how municipal managers and oversight principals in selected municipalities in the Western Cape

experience and perceive the multiple-principal model, its manifestations, dynamics and effects when exercising municipal budget oversight on the municipal budget process.

- To identify areas of further research on municipal budget oversight by multiple principals.

The experiences and perceptions of the municipal managers, Provincial Treasury, and municipal councillors do not occur in a political vacuum – hence the study will explore the peculiarities of the Western Cape. This means that particular views of what the Provincial Treasury, individual municipal managers, and municipal councillors know and think have to be considered since this will illuminate salient aspects that could contribute toward a better understanding of the municipal budget oversight by multiple principals.

It is, however, worth noting that the experiences and perceptions of the municipal managers and oversight principals may not necessarily be truthful and not reflect objective reality. This is because the subjectivity can take on an objective reality of its own. The social constructionist theory has long held that reality is not simply external (Berger and Luckmann, 1991). As Black and Street (2014) infer, the exploration of perceptions in a research project assists in developing insights into a complex phenomenon. In this regard, these perceptions serve as a starting point to understand better the subjective opinions, beliefs, and attitudes of the municipal managers and principals involved regarding the municipal budget oversight by multiple principals.

1.6 SIGNIFICANCE OF THE STUDY

The institutional integrity of municipalities in South Africa has attracted sustained negative focus 1995. In particular, the failure to ensure effective budget oversight has received sustained media and academic attention. Reports of high prevalence of corruption, financial maladministration incidents and widespread regulatory compliance failures, have become a common feature in newspapers as well as academic reports (Laubscher, 2012; Oberholzer, 2012).

In terms of the above, there are clear reasons for South Africa to be concerned about the state of municipal financial management and accountability. However, future attempts to initiate new ways of exercising municipal budget oversight must be based on the understanding of the current theories and experiences. Any investigation of the current model and its manifestations on the municipal budget oversight has the potential to be highly significant. It is, therefore, within this context of a lack of effective municipal budget oversight that this study investigates the nature, dynamics and effect of the multiple principals on the municipal budget oversight.

This study contributes to the understanding of municipal budget oversight by multiple principals in the following ways. Firstly, this study provides a conceptual and theoretical description of the municipal budget oversight processes by multiple principals. Secondly, the study makes an empirical contribution by establishing greater understanding and advanced knowledge on the phenomenon of multiple-principal model. The National Treasury (2011: 19) underscores the need for such an understanding as a

“...necessary prerequisite in clarify the roles and responsibilities of national and provincial departments and of other stakeholders in order to strengthen systems to monitor local government compliance, finances and performance”

Thirdly, given that oversight structures are constantly reforming and strengthening the municipal budget oversight and accountability framework, this study is timely and relevant. Fourthly, the findings of the study will contribute towards understanding how the Western Cape Province and municipalities are handling the complex relationships and interactions between the stakeholders involved in municipal budget oversight. Quite fundamentally, the study will highlight how the stakeholders in the Western Cape experience, deal with the conflation of municipal autonomy and provincial supervision in the exercise of municipal budget oversight.

Fifthly, the study will contribute towards answering questions such as the one asked by the Western Cape Minister of Finance, Dr Ivan Meyer, during the welcoming address of the Conference on the “Development of the National Anti-Corruption Strategy” on 26 April 2018, where he inquired:

“Why is it that, despite a Constitution with a comprehensive fundamental framework for creating good governance and promoting ethics and integrity in the public service, and despite many laws that regulate public financial management and procurement, that criminalises corruption and that establishes multiple institutions to fight corruption, it however still thrives?”

1.7 SCOPE AND LIMITATIONS OF THE STUDY

The study focused on the Western Cape Province, and is confined to the municipal managers, Provincial Treasury and municipal councillors as key structures involved in the municipal budget oversight in the Western Cape. The study did not include the Western Cape provincial department of Cooperative Governance and Traditional Affairs due to the focus of the study being on the budget.

The legislative framework for municipal budget oversight was used to anchor the study. This is because the system of municipal budget oversight is stringently prescribed by various legislation. Thus, any investigation that ignores the legislative and policy instruments governing the municipal budget oversight is likely to be significantly defective. However, this study does not attempt to provide an extensive legal analysis of the municipal budget oversight by multiple principals. Equally, the study does not focus directly on the political issues and activities that could be relevant to municipal budget oversight. I am mindful of the fact that the political dynamics are important and have an impact on the relationship between the municipal manager and the budget oversight principals, however, it is not the focus of this study.

It was also not the focus of this study to do a comparison of different models of oversight (single oversight principal or the collective oversight principals). Similarly, the study does not attempt to evaluate the quality and the effectiveness of the model and its oversight mechanisms. While the study intends to highlight

the positive and negative effects of municipal budget oversight by multiple principals, it is not the focus of study to recommend a detailed plan for the possible mitigation of the negative effects. Therefore, it is not the objective of this study to offer any recommendation on how to improve the municipal budget oversight.

1.8 OVERVIEW OF RESEARCH METHODOLOGY

The study utilised an interpretive and a qualitative design to explore and describe the experiences and perceptions of municipal managers and oversight principals on the multiple-principal model, the principals' constitutive behaviour and effects on the municipal budget process. In addition, the study employed an exploratory qualitative case study in order to assist in exploring a contemporary phenomenon, which is inseparable from the context in which it exists (Yin, 2003). Furthermore, the ability of an exploratory qualitative research approach to engender deep insight of municipal budget oversight actors made it suitable for this study.

Thus, the utilisation of exploratory and interpretative qualitative approach along with triangulation of evidence enabled me to investigate the participants' understanding of the world and their lived experiences. It allowed participants to reflect and express their beliefs, opinions, and attitudes regarding the multiple-principal model, the principals' constitutive behaviour and effects. Significantly, the qualitative research paradigm, strategy, and approach facilitate the elevation of the complexity of multiple-principal model, the principals' constitutive behaviour and effects on the oversight of the municipal budget process.

This exploratory qualitative case study draws mainly from semi-structured interviews with municipal managers and oversight principals from municipalities in the Western Cape. The participants were not identified on the statistical and representative basis, but primarily due to their experience and knowledge on the topic of the study. Accordingly, I considered both the municipal managers, municipal councillors and the Provincial Treasury unit responsible for municipal budgets as having specialised and valuable information on the phenomenon

being investigated. As Luborsky and Rubinstein (1995) cautioned, if the research is not conducting a comparative study, it is often unjustifiable to include participants who do not have experience of the phenomenon being investigated. In this regard, a purposive sampling of participants was used to enable an appropriate selection participants that ensure the quality of the research process.

1.9 STRUCTURE OF THE THESIS

The thesis has nine chapters.

Chapter One of this thesis provides the background for the study. It introduces the context and rationale for exploring the perceptions of municipal managers on municipal budget oversight by multiple principals. In addition, the chapter presents the research problem, research questions and the significance of the study. The scope of the study is also explained.

Chapter Two presents the conceptual and theoretical framework for the study. This chapter uses a theoretical framework as a normative anchor, which will be used to explore and explain the relationship between the multiplicity of the principal and single agent in government.

This is followed by Chapter Three, which provides a review of the literature on municipal budget oversight by multiple principals in South Africa. The chapter will highlight the legislative framework and assumptions governing the model of principals exercising municipal budget oversight in South Africa.

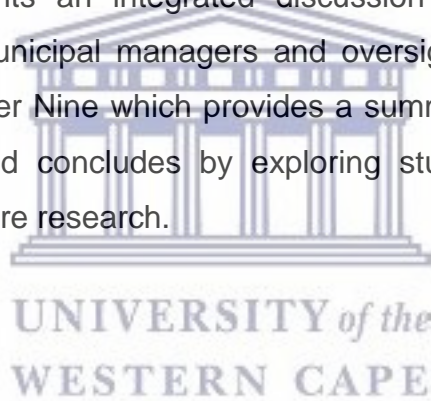
Chapter Four discusses the research paradigm, design, and methodology used in conducting data collection. This chapter also presents the processes followed to conduct data analysis, and outlines the process undertaken to ensure and comply with the ethical consideration.

Chapter Five provides an overview of the Western Cape Province. The governance context and peculiarities of the Western Cape are discussed with the aim of highlighting the provincial structures and processes shaping the municipal budget oversight in the Western Cape.

Chapter Six presents the results of interviews conducted with municipal managers. The main themes emerging from data analysis are reported. The experiences and perceptions of the municipal manager on the multiple-principal model, the principals' behaviour and effects on municipal budget process are presented.

Chapter Seven focuses on the results of interviews conducted with the Provincial Treasury and the municipal councillors. This chapter presents the experiences and perceptions of municipal budget oversight principals on the multiple-principal model, its manifestations, dynamics and effects during the municipal budget process.

Chapter Eight presents an integrated discussion on the experiences and perceptions of the municipal managers and oversight principals. The thesis concludes with Chapter Nine which provides a summary and discussion of the research findings; and concludes by exploring study limitations as well as possible areas for future research.



CHAPTER 2: REVIEW OF CONCEPTUAL AND THEORETICAL FRAMEWORK OF OVERSIGHT

2.1 INTRODUCTION

The aim of this chapter is to critically review the literature on oversight in order to identify an appropriate conceptual and theoretical framework for the study. This chapter consists of five sections. The first section reviews the literature on the concept of oversight and distinguishes it from that of accountability. This section also provides insight into the concept of oversight in contemporary governance. While the debates around the definition of oversight are important, it is not the objective of this study to veer into an extensive explanation for the diverse conceptual and theoretical complexities of the meaning of oversight. Rather, this section focuses on developing an appropriate conceptual framework of oversight for use in this thesis.

The second section identifies the theoretical frameworks for understanding oversight. The third section describes the key features of the theory and how oversight relationships manifest. The fourth section provides an understanding of how a multiple-principal model is constructed, as well as its advantages and disadvantages. And the fifth and final section outlines the limits of the principal-agent theory.

2.2 CONCEPT OF OVERSIGHT

A logical starting point for an exploration of the concept of *oversight* is to establish how it is embedded in different theories of governance, and to distinguish it from a related term, *accountability*. This is necessary because the terms are commonly confused or erroneously used interchangeably (Newell and Bellour, 2002:2). Thus, failure to distinguish between oversight and accountability has the potential to affect the reliability and analytical cogency of a study under review.

The commonly-accepted concept and the meaning of accountability underscore the obligation of someone to explain him/herself to somebody or some structure. This meaning of accountability is evident in Bovens' (2007) definition, which refers to accountability as an institutionalised relationship for account-giving. This definition highlights an obligation to account, to answer and justify conduct (Bovens, 2007). Thus, a key distinguishing feature of accountability is that information flows from the account-giver to its respective authority.

Oversight, on the other hand, is a concept that focuses on the behaviour of the overseer in its quest to watch over the overseen (Lane, 2007). It explains what overseers do in order to secure the responsiveness of the account-giver (Gailmard, 2010). Therefore, oversight is primarily about demanding and enforcing account-giving. Pelizzo, Kinyondo, Umar (2015: 5) articulate the difference between accountability and oversight as follows:

“While the process through which the overseer oversees the overseen is called oversight, the converse process through which the overseen body accounts for its choices, actions, and decisions generates what is defined as accountability.”

Notwithstanding the conceptual differences between oversight and accountability, there is considerable complementarity between them. Arguably, oversight is an essential requirement to ensure the efficacy of accountability. Thus, Prado and Carson (2014) suggest that effective accountability is largely dependent on effective oversight. If oversight is flawed or weak, then accountability will be significantly deficient (Santiso, 2015). This means that efforts to achieve accountability must also harness and enhance oversight.

2.2.1 DEFINITION OF OVERSIGHT

Different authors variously define oversight. Authors such as Rockman (1984); Larsen (1997); and Oleszek (2010) have observed that oversight has diverse meanings and interpretations. The diversity of the definitions of oversight is usually ascribed to it being variously appropriated by many authors from diverse disciplines adopting theoretical approaches. In addition, definitions spanning different fields such as politics, public administration, finance, management, and

law (Larsen, 1997) have subjected oversight to multiple usages (Rockman, 1984).

A survey of definitions of oversight in the context of governance, both public and private, reveals references to oversight as supervision; monitoring; watchfulness; and surveillance (Oleszek 2010; Pelizzo, et al, 2015). Other definitions portray oversight as limiting and constraining discretion and ensuring compliance with rules (Steenhuisen, 2009; Lemos, 2010). For example, political scientists commonly prefix oversight with either legislative or parliamentary oversight, thereby emphasising oversight as a purview of elected public representatives (Schick, 2002; Bala and Deering, 2013).

In the South African context, there is an inclination to define oversight as legislative oversight. Senay and Besdziek (1999: 3) define oversight within the South Africa context as “the proactive interactions initiated by a legislature to enforce compliance with the constitutional mandates and legal obligations”. Likewise, Van der Waldt’s (2015) definition of oversight emphasises the watchful and structured scrutiny exercised by elected public representatives in monitoring the implementation of policy, utilisation of resources, and the general compliance with regulations.

2.2.2 OVERSIGHT IN CONTEMPORARY GOVERNANCE

A literature survey shows that an inquiry on the topic on oversight of the bureaucracy has been an enduring historical concern of public administration. Particularly, oversight of the bureaucracy has for a long time remained a subject of academic inquiry and public commentary. Public policy literature is replete with chronicles of politics-administrative dichotomy. Brennan (2015: 16) states that the conflictual relationship between “political authority and administrative professional discretion has been the centrepiece of public administration”.

This is evident in “Governing in the Absence of Angels”, an article in which Johnson (2003: 1) quotes James Madison (Federalist Paper, 1787, No. 51) stating that:

“If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government, which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed, and in the next place oblige it to control itself. A dependence on the people is, no doubt, the primary control of government; but experience has taught mankind the necessity of auxiliary precautions.”

The above statement indicates that the need to oversee government, and in particular, its appointed officials, has always been a concern of public administration. It shows that the necessity for “rituals of verification” of the actions of the bureaucracy has always been a “syndrome of a distrusting society” (Power, 1997: 29). Similarly, Aberbach, Putnam, and Rockman (1981) describe the inevitable tension between the elected politicians and the appointed government officials as having been a constant theme of public administration studies and a subject of considerable debate throughout history.

Progressively, the notion of oversight has developed into a distinct and widely-recognised governance and management concept. Furthermore, oversight has attained global prominence as part of the efforts to make governments and their bureaucracies accountable. Thus, oversight has gradually come to be regarded as having equal status as planning, monitoring, and evaluation (Grigorescu, 2010). As a system that ensures political oversight of the bureaucracy, oversight has particularly become a concept that is intrinsic to a system of good governance and is widely heralded as a way of addressing the ever-present veil of suspicion of government officials (Steenhuisen, 2009). According to Grigorescu (2010), the proliferation of processes such as audits, protection of whistleblowers and financial reporting, attests to the increasing significance and relevance of oversight in contemporary governance.

Most fundamentally, oversight has also received constitutional recognition in some countries, which could be interpreted as an explicit acknowledgement of the value of oversight. In the context of South Africa, oversight is a constitutional imperative. Van der Waldt (2015) states that oversight is one of the essential elements of South Africa’s constitutional democracy, which enables the

systematic monitoring of the executive and appointed government officials. As Fessha (2008) indicates, legislatures in South Africa are vested with explicit constitutional authority to oversee the administration in order to detect arbitrary behaviour or unconstitutional conduct.

2.3 OVERSIGHT APPROACHES AND MECHANISMS

Oversight is pursued to influence the behaviour of the appointed government officials. It provides politicians with the authority and opportunity to exercise “preventive and corrective review measures” on the specific policy or programme of government (Larsen, 1997: 4). In this regard, oversight ensures that the politicians, individually or collectively, control the behaviour of officials in the performance of specific policy objectives. Police-patrol and fire-alarm are approaches used by political structures to exercise oversight over the bureaucracy.

2.3.2 POLICE PATROL OVERSIGHT APPROACH

The police patrol oversight approach describes the behaviour and activities that entail active monitoring of the behaviour of officials (Bala and Deering; 2013) Shelton, 2013). Nolan (2010: 22) states that the police patrol oversight approach “resembles policemen on the beat patrolling in a systematic, proactive, regular way”. Therefore, the police-patrol oversight approach is often used in situations where there is a trust deficit between the legislature and appointed government officials. According to Bala and Deering (2013), the legislature uses the police patrol method to exercise direct surveillance to detect, remedy and discourage violations by officials.

2.3.2 FIRE-ALARM OVERSIGHT APPROACH

Fire-alarm oversight approach, on the other hand, is described as remote observation from the legislature Bala and Deering (2013). Fire-alarm oversight approaches are utilised in an instance where the legislature relies on more indirect measures of oversight, rather than on visible and direct measures. Fire-alarm oversight approaches can be understood as being exercised through arms-length rules and procedures. They are also regarded as episodic, problem-

focused, less intrusive but more reactive, often responding or triggered by something or somebody. This is only evident when the legislature reacts (Bala and Deering (2013). These approaches require related oversight mechanisms to induce a compliant behaviour from the officials. James and Alley (2002) identify ex-ante oversight, concurrent (or on-going) oversight and ex-post oversight as mechanisms used by legislatures to exercise oversight on the officials.

Ex-ante oversight mechanisms are defined as beforehand, forward-looking or prior scrutiny mechanisms, which include laws, policies, regulations, resolutions and contract as some of the ex-ante mechanisms used to set out the ex-ante parameters for officials (Hill and Jones, 1992). These mechanisms enable political structures to influence the policy processes before granting authorisation. Specifically, ex-ante oversight mechanisms ensure the approval of proposals by political structures to constrain the behaviour of officials during the implementation (Busuioc, 2007). It prescribes and orders the future behaviour of the executive and government administration. Therefore, ex-ante oversight mechanisms can simply be regarded as a systematic way of defining the scope determined before-hand within which an official can operate and make decisions.

Political structures utilise the ex-ante scrutiny to insert measures in policy and programme proposals from the executive and administrative structures. Busuioc (2007: 11) states that ex-ante oversight mechanisms create a “zone of discretion for the official”. As a result, these measures are useful for predetermining the future behaviour of the officials. Behn (2001: 7) underscores this assertion by stating:

“If you want to exercise oversight, you have to be able to specify what you expect officials to do and not do and how to do what is required. Failure to specify the terms of the bargain with some clarity at the beginning almost inevitably leads to trouble.”

In this regard, through ex-ante approval, political structures are able to prescribe binding procedural rules of the bureaucracy to assist in defining the object of policy and setting requirements for administrative behaviour. Accordingly, the

legislature utilises the ex-ante mechanisms to manipulate and construct a narrow path to which the officials must adhere. Therefore, ex-ante oversight mechanisms provide an effective way of minimising utility loss, as well as providing some kind of a warranty that specifies the future behaviour of the officials (Hill and Jones, 1992).

Concurrent or on-going oversight mechanisms are referred to as those conducted after the approval to ensure that the officials adhere to its directives during implementation (Santiso, 2005). Political structures utilise on-going monitoring for continuous observation, investigation, analyses of reports with a view to immediately control the behaviour and performance of the officials (Santiso, 2005). Therefore, these mechanisms enable political structures to have relevant information on the execution of the approved decisions. In this regard, concurrent oversight allows the political structures to limit information asymmetry and to track the implementation activities in order to activate timeously corrective measures when there are deviations

Ex-post oversight mechanisms are mainly reviews conducted after the fact or at the end of the programme implementation. The most common forms of ex-post oversight include reviews and financial audits reports, conducted in order to ascertain the outcome of a process or product to determine its success or failure. According to Johnston (2009) ex-post oversight enables retrospective interrogation of how policies and programmes have been implemented as well as the direct outcomes and impact. Therefore, ex-post measures provide the political structures with relevant information to enable them to assess how and to what extent the official adhered to its legislative directives.

2.4 THEORETICAL FRAMEWORK

Having outlined the conceptual definitions, approaches and mechanisms of oversight in the above sections, this section presents the theoretical framework for the study. According to Nilsen (2015: 1), a theoretical framework is critical in enabling the researcher to interact with the phenomenon, and aids the process of analysis and discussion of the findings of the study. Scholars in political

science and public administration regularly confront the challenge of identifying an appropriate theory to explain the political-bureaucratic oversight and accountability relationship. A theoretical framework is required to guide the analysis of the relationship between the municipal budget oversight actors and highlight the factors that are likely to support or act as impediments in the municipal budget oversight environment. Authors such as Van Slyke (2006) and Schillemans (2013) have identified stewardship and principal-agent theories to understand oversight.

2.4.1 STEWARDSHIP THEORY

Stewardship theory describes a relationship between the management and leadership in an organisation. Donaldson and Davis (1991) present stewardship as a relationship between the principal and the manager. Within this relationship, the principal, as the ultimate authority, delegates tasks and responsibilities to the manager as the steward (Donaldson and Davis, 1991). Fundamentally, the stewardship theory presents the manager's behaviour as aligned to its leadership (Davis, Schoorman and Donaldson, 1997). Therefore, stewardship theory explains a relationship between a principal and the manager that is based on a contract characterised by moral commitment, mutual benefit and common goal (Caldwell, Bischoff, & Karri, 2002).

Stewardship theory outlines a contractual relationship in which the manager aligns its behaviour in congruence with the principals and the ideals of the organisation (Davis et al, 1997). In particular, stewardship theory describes a manager's behaviour as promoting common good and "pro-organisational and collectivistic and has higher utility than individualistic self-serving behaviour" (Davis et al., 1997, 24). Most importantly, in a stewardship theory, a manager and its leaders share a common agenda therefore, the principal trust the steward and is willing take risks on how he/she manages the resources of the organisation.

However, there is doubt regarding the appropriateness of the use of stewardship theory in describing the oversight relationship involving municipal managers and political structures in the municipal budget process in South Africa. As indicated

in Chapter One of this study, there is a perennial problem of lack of municipal financial accountability in municipalities. Regular reports indicate high levels of irregular, wasteful and unauthorised spending in municipalities, thus, indicating that municipal managers have different objectives to those their principals. In this regard, there is heightened lack of trust and, accordingly, political structures deploy a considerable amount of time and resources to conduct surveillance and sanctioning municipal managers for deviation and other non-compliant behaviour. Thus, stewardship theory does not appropriately explain the oversight and accountability relationship between municipal managers and the political principals.

2.4.2 PRINCIPAL-AGENT THEORY

The principal-agent theory (PAT) is widely regarded as the foremost theoretical framework for explaining the regulatory, political and bureaucratic relationships between the official and the elected political principals (Gailmard, 2010). Several authors recognise and attest to the applicability and usefulness of the principal-agent theory in studying political oversight (Moe, 1984; Lane, 2007; Yuen, 2013). In addition, many authors argue that the principal-agent theory has become the leading theoretical and analytical device in accountability and oversight studies, particularly in public administration (Schillemans and Busuioac, 2014).

In its simplest or basic conception, the principal-agent theory (also known as agency theory) is defined as “the relationship between two or more parties, in which one party, designated as the principal, engages another party, the agent, to perform some task on behalf of the principal” (Moe, 1984: 757). The principal-agent theory derives from the rational choice theory, which assumes that actors always behave in a manner that elevates their self-interests (Andersson, 2016). In this regard, rational choice theory portrays agents as “rationally choosing alternatives that satisfy their own desires and beliefs better than any other alternatives presented” (Andersson, 2016: 15).

An agency relationship presupposes some form of a relationship between the consenting principal and its agent in order for the agent to perform certain

functions and duties for which the agent is incentivised by the principal (Eisenhardt, 1998). A political-bureaucratic relationship is often embodied in a contract, mandate or some form of legal directives. Sobol (2015) identifies the contract as a prerequisite to the institutional design of the principal-agent relationship between the political authority and the bureaucracy. Thus, the contract has emerged in the literature as one of the fundamental aspects of the principal-agent theory. In fact, the significance of the contract in the agency relationship resulted in it being referred to as a “contractual relationship” (Jensen and Meckling, 1976: 306).

A contract facilitates an official and binding delegation between the principal and the agent. Shelton (2013) defines delegation as an expression of the functional arrangement between a principal and the agent. Therefore, delegation is a fundamental feature inherent in the principal-agent relationship (Hawkins, Lake, Nielson and Tierney, 2006). The emphasis on the binding nature of delegation is intended to distinguish it from a mere hortatory arrangement or informal relationship.

Authors such as McCubbins (2000); and Huber and Shipan (2011) describe delegation in government as necessary and express doubt that modern government structures can function effectively without delegation. In fact, McCubbins (2000: 304) unequivocally state that, “no modern democratic government depends exclusively on elected public representatives”. This means that delegation from the political authority to the appointed officials is an essential process for the functioning of government. This is because, delegation in an agency relationship grants and empowers the agent with the necessary discretion to act independently without undue interference from the intrusive principal (Stanbury, 2003).

2.4.3 THE STRUCTURING OF THE PRINCIPAL-AGENT RELATIONSHIP

In most governance contexts, the delegation between the principal and the agent is structured to respond to organisational objectives, dynamics and challenges. Waterman and Meier (1998) identify three ways in which delegation and its resultant models are structured: single-principal and single-agent model; collective principals and single-agent model; and multiple principals and single-agent model (Waterman and Meier, 1998). These models of delegation are discussed below.

2.4.3.1 SINGLE-PRINCIPAL AND SINGLE-AGENT MODEL

The most basic and simplest model of delegation takes place between the single principal and the single agent (Shelton, 2013). Ong (2006) describes this model as when the legislature delegates to the single agent. In government, this model establishes and confines the agency relationship between the legislature and a single specific agent. As a result, the agent receives instructions from a single principal.

2.4.3.2 COLLECTIVE-PRINCIPALS AND SINGLE-AGENT MODEL

While the basic delegation relationship involves one principal with a single agent, there are organisational designs whereby the agent receives delegations from more than one principals acting as a collective. Nielson and Tierney (2003); and Ong (2006) describe this model of delegation as the collective principals. In a collective-principals model, the agent receives delegations from a group of principals that work collectively in concert and in a coordinated manner with the single agent (Moe, 1984).

2.4.3.3 MULTIPLE PRINCIPALS AND SINGLE-AGENT MODEL

In terms of the above, the collective-principals model involves more than one principal. Similarly, the multiple principal model consists of more than one principal, but according to Nielson and Tierney (2003) these two models must not be confused as they have an important difference. Unlike the collective-principals model, which entails a cooperative relationship among principals, the multiple-principal model, on the other hand, consists of principals that are independent of one another, each having a discrete and separate relationship

with the same agent (Nielson and Tierney, 2003). Ong (2006: 186) describes multiple principals as follows:

“Firstly, given that each principal has his/her own distinct goals and preferences, the nature of the delegation relationship with the agent is different from that with another principal. Secondly, each principal can negotiate a different delegation arrangement with the agent independently and without consultation with the other principals.”

Importantly, the multiple-principal model is certainly not an anomaly. According to Shapiro (2005: 278), it is “only rarely that the agent has the luxury of aligning its interests with a single principal”. Commonly, the multiple-principal model of delegation is a prevalent institutional architecture of many governments (Dehousse, 2008). In this regard, the multiple-principal model of delegation has become a critical form of political delegation that is fundamental to effective governance.

2.4.4 DELEGATION AS CATALYST FOR OVERSIGHT

Delegation to the agent establishes an oversight relationship that allows the principal to conscript the behaviour of the agent. Busuioc (2007: 12) refers to delegation as “a zone of discretion conceptualised as the sum of delegated powers granted by the principal to the agent, minus the sum of oversight instruments, available for use by the principals”. Therefore, it can be concluded that the duty to exercise oversight is a structural corollary of a delegation of discretionary powers, which bequeaths the principal with the authority and the obligation to ensure that the agent adheres to the terms of the delegation.

Fundamentally, the principals’ obligation and responsibility to constrain the behaviour of the agent is essentially about addressing the agency problem. Armour, Hansmann, and Kraakman (2009) define the agency problem as:

“[A]n incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate or otherwise confuse. It is self-interest seeking with guile, which includes but is scarcely limited to more blatant forms, such as lying, stealing, and cheating.”

Such information asymmetry requires the principal to exercise oversight (Lane, 2000). In fact, much of the literature explains the principal-agent (PA) relationship as essentially, about how the principal minimises the agency problem emanating from information asymmetry and goal conflict (Moe 1984; Waterman and Meier, 1998; Lane, 2007). Gailmard (2010) defines information asymmetry as a situation where the agent has more information than the principal does. Understandably, information is critical in oversight and without its availability, it is doubtful whether the political principal will be able to exercise meaningful control over and influence on the agent. According to Morgan (1997), the principals rely on the relevant, reliable and accurate information to exercise meaningful oversight on the agent. Thus, the principal needs information from the agent in order to ensure that the perennial problem of information asymmetry between the principal and the agent is minimised.

In addition, the agent's self-interested, utility maximising and opportunistic behaviour requires the principal to guard its delegation by being vigilant. (Stiglitz, 2004). Thus, oversight serves as a way of reigning in the discretionary power of the agent. Kim (2011) also finds that oversight addresses the perennial issue of a deviant agent by imposing and reinforcing a duty of loyalty from a straying agent. This was long realised by Weber as cited by Huber and Shipan (2002):

“[T]he power position of the government administration is always over-towering. The political master finds himself in the position of a dilettante who stands opposite the expert, facing the trained official who stands within the management of administration.”

A thorough examination of the above quote shows that delegation is a significant feature of the oversight relationship. Both the agent and the principal need power to function effectively. It is for this reason that power is often referred to as a conundrum because as the agent needs the power to execute the principal's mandate, so does that principal need to ensure that the agent exercises that power responsibly (Stanbury, 2003).

2.4.5 DIFFERENT OVERSIGHT MODELS

It is clear that the institutional design of delegation requires a corresponding institutional architecture to underpin oversight. Hill and Jones (1992) describe the institutional architecture as consisting of oversight models that include a single principal model, collective-principals model and multiple-principal model. These models for oversight are discussed below.

2.4.4.1 SINGLE PRINCIPAL MODEL

Oversight in a single principal model describes the agency relationship that involves one principal and an agent (Biber, 2009). Pelizzo and Staphenurst (2004) describe a single political principal structure as that which usually involves the legislature as the only principal exercising oversight. In this model, the delegation and oversight is straightforward, in the sense that the agent is directed and accounts to a single principal.

However, such a simple principal-agent dyadic relationship has become significantly limited. According to Biber (2009), such a simple principal-agent relationship is rarely reflective of reality in even the simplest sector or organisation. Moe (1987) also add that the though one principal and one agent relationship is simple and convenient, it is grossly unrealistic considering the complexity of the government.

2.4.4.2 COLLECTIVE-PRINCIPALS MODEL

As indicated earlier, the collective-principals model has more than one cooperating principal. Freeman and Rossi (2012) perceive the collective principals as consisting of principals with concurrent assignments. According to Freeman and Rossi (2012), the fundamental feature of the collective-principals model is consensus among principals. Thus, the principals agree on the objectives, methods and other measures through which to exercise oversight on the agent. It can therefore, be argued that complementarity, collaboration and synergy of oversight objectives and strategies are high in the collective-principals model.

2.4.4.3 MULTIPLE-PRINCIPAL MODEL (MPM)

MPM like collective principals involves a number of oversight principals. The difference is that MPM involves institutional layering of principals without eliminating existing ones (Prado, et al 2015). Hooghe and Marks (2003: 10) describe the MPM as “multi- or poly-centred, something akin to a marble cake” in which the activities and decisions of a single entity are structured in such a way that each has its own independent life and existence. In terms of this illustration, the MPM formalises the sovereignty of decision-making among the principals. Therefore, oversight by MPM entails independent and non-cooperating principals which “compete with each other by designing independent oversight mechanisms” which they individually employ against the agent (Yamashita, 2010: 79).

While the notion of a multiplicity of principals highlights the element of concurrency as a key characteristic of how oversight principals perform oversight, it also represents a reconfiguration of the basic PAT to MPM. Gailmard (2010) asserts that the PAT is capable of the necessary flexibility to accommodate variations in institutional arrangements. Likewise, Lane (2007: 621) asserts that the PAT “is flexible and adaptable to studying the arrays of political relationships. This reconfiguration becomes necessary to accommodate the obtaining institutional reality and enables proper analyses of the complex institutional dynamics inherent in multilevel or multijurisdictional engagements (Benz, 20007).

In particular, the emerging system of multi-level or polycentric governance system has elevated the MPM (Dehousse, 2008). In this regard, the practice of oversight by multiple principals is no longer an anomaly but an institutional reality of the architecture of modern governance. Notably, most studies now recognise that bureaucratic actions are influenced by multiple institutions that often compete with one another for the role of principal. However, the utilisation of the MPM must be carefully considered in order to avoid the “risk of stretching the PAT further and reaching a point where the core of the principal-agent framework becomes indistinct and elusive, with the consequence of the analytical leverage being lost” (Maggetti and Papadopoulos, 2016: 7).

2.5 KEY FEATURES OF OVERSIGHT BY MULTIPLE PRINCIPALS

The key features of oversight by multiple principals include independence, heterogeneity, competition, complexity and redundancy (Martimort, 1999; Linstead and Thanem, 2007; Raynard, 2016). These features are discussed below.

2.5.1 INDEPENDENT PRINCIPALS

The co-existence of independent principals defines the institutional interactions of principals within the MPM. Martimort (1999) refers to oversight by multiple principals as involving multiple principals utilising independent measures and processes to monitor the behaviour of the common agent. Consequently, independence in terms of oversight action and behaviour is the cornerstone of the MPM.

2.5.2 HETEROGENEITY

Heterogeneity of oversight means different and alternative ways of exercising oversight are used. It promotes and elevates conscious divergence and contrast between and among the oversight principals. Linstead and Thanem (2007) suggest that heterogeneity disrupts the relative stability and unicity model of oversight. Accordingly, “heterogeneity of actions” are critical in how the principals behave towards their common agent (Prado, Carson and Correa, 2015: 128).

2.5.3 COMPETING OVERSIGHT PRINCIPALS

In a more complex environment involving multiple principals, the exercise of oversight is non-cooperative and competitive. According to Martimort (1999), political oversight model involving multiple principals promotes competition among them. Political scientists such as Moe (1994); and Martimort (1996) support the independence of oversight as a way of promoting competition among them. This can be considered to promote commitment and the ability to address oversight deficit among the oversight principals. The coexistence of fragmented and overlapping oversight authority between the principals is in itself a

competition-inducing space. But even so, it does not mean that competition in oversight is bad.

2.5.4 COMPLEXITY

Institutional arrangements consisting of heterogeneous and competitive oversight principals are likely to be complex. Raynard (2016) defines complexity as an organisational arrangement in which the same function is undertaken by non-hierarchical, non-cooperating multiple structures with divergent and overlapping values and objective. Therefore, complexity is inevitable in an arrangement that structures different oversight principals with divergent oversight goals and processes.

According to Raynard (2016), jurisdictional overlap occurs when the prescriptive decisions target the same jurisdictional space and behaviour. Consequently, overlaps produce and possibly create competition among the oversight principals. It is important to note that the resultant overlaps and possible competition should not necessarily be construed as negative outcomes.

2.5.5 REDUNDANCY

In the context of oversight, particularly oversight by multiple principals, the term redundancy means having several oversight principals that “work simultaneously but are capable of carrying the load by themselves if required” (Downer, 2009: 4). This means that the MPM can facilitate a multiplicity of different oversight approaches and measures in order to respond to the behavioural mutation of the agent.

It is conceivable that single or collective oversight principals can experience failure. However, multiple principals fragment oversight between independent oversight principals, in order to prevent total oversight system failure. Thus, redundancy serves as a feature, which facilitates the reliability within the complex system of the MPM. Beck (1992) refers to redundancy as a foundation stone at the heart of the permutations to respond effectively to complex oversight.

2. 6 ADVANTAGES OF THE MPM

Oversight by multiple principals holds great advantages and has comparatively more benefits than a single principal (McGovern, 2009). The sheer number of the oversight principals will undoubtedly have a positive effect on the behaviour of the administrative agent. As Ehrhardt (2009: 631) remarks, “in much the same way as the grain of sands irritates an oyster into producing a pearl, multiple principals create an irritation that stimulates a response from the agent”. Therefore, the multiplicity of oversight principals has the potential to produce what Ivanova and Roy (2007: 1) refer to as “productive overlaps”. The productive overlaps as occasioned by the diversity and plurality of oversight principals and their respective measures galvanise and harness the relative expertise and commitments of the principals. These insights crucially inform this PhD.

The multiplicity of oversight principals can also create alternative oversight opportunities. Prado et al (2015: 129) shows that these alternatives oversight measures have the potential to contribute towards the change in the behaviour of some principals. The effectiveness of one or some principals can infect or expose the other principal. Similarly, principals can learn and copy the behaviour and attitude of those principals that are effective in their oversight roles and responsibilities.



Oversight by multiple principals is generally regarded as an effective way of preventing possible capture of one or some principals by the administrative agent (Romzek and Ingraham, 2000). This is because the multiplicity of oversight principals model does not require the consent of the collective to engage individually with the agent. Furthermore, individual principals are not encumbered by the prevailing institutional environment binding the single or the collective.

Widmalm (2016: 127) states that “in reality, there are some places where corruption is so widespread that it may be hard to find a single principled principal, and then the MPM is more useful”. This argument is consistent with Kooiman’s (1993) observation that in public administration, no single principal

has all the requisite capacity to solve the complex, dynamic and diversified oversight problems of contemporary governance. Similarly, Mulgan (2003: 189) argues that the proliferation of oversight principals has become indispensable due to the emerging complex “multifaceted, pluralist” multi-level system of governance.

Equally important is the view that the exercise of oversight by multiple principals has the potential to offer the required 360-degree surveillance on the administrative agent. Lane (2007: 627) clearly articulates this view as follows:

“[A] web that comprises dozens of individual strands, each representing a component of the oversight system. A single strand by itself is able to capture very few attempts at potential violations of legislative goals but intertwined with all of the other oversight mechanisms, the strands create a system of allowing few institutional activities to go unnoticed.”

Therefore, oversight by multiple principals contains quantitative oversight instruments that promote what (Amodu, 2008) refers to as the compliance continuum which establishes a multiplicity of oversight measures that have the potential to contribute toward influencing the compliance behaviour of the administrative agent. Equally, a multiplicity of oversight principals is said to serve as fire-alarm that triggers the attention of other principals to the problem. In this regard, the signal from one principal compels other principals to act. This is because it becomes difficult for other principals to ignore the signal once one principal has highlighted it.

2.7 THE NEGATIVE IMPLICATIONS OF OVERSIGHT BY MULTIPLE PRINCIPALS

Primarily, oversight by multiple principals creates a problem of “multiple accountability disorder” (Schillemans and Busuioc, 2014: 2). This is considered a pathology that creates confusion and negatively affects both the principals and the agent. In addition, oversight by multiple principals results in the collective action problem. The collective action problem is defined as an occurrence whereby individuals in the group pursue their own interests which result in the failure of a group (Ostrom, 2010; Prado, 2016). The notion of a collective action

problem is reflected in an everyday saying: “Too much of a good thing is bad.” This also holds true for too much oversight resulting from the multiplicity of principals with multiple oversight measures. Logically, challenges are inevitable among multiple principals that are competing and have overlapping and concurrent authority over the same agent.

2.7.1 EXCESSIVE OVERSIGHT

Excessive oversight is a manifestation of overlapping, parallel and uncoordinated oversight measures from the multiple principals. Equally, excessive oversight results from competing political principals with sharply conflicting preferences (Whitford, 2005). This ostensibly results from many conflicting eyes from multiple principals on a common oversight conflicting overlooking the agent. Bovens (2005) refers to this scenario as too much oversight that is likely to turn the agent into a bureaucrat that is rule-obsessed, proceduralist and risk-averse.

Notably, excessive oversight resulting from the multiplicity of principals can contribute towards oversight fatigue. This will result in the agent's selective response to various oversight demands. Dehousse (2008: 795) found that a situation where “there are several principals, each with their own preferences and each anxious to exert some degree of oversight over the agent” is likely to result in an atypical and problematic interaction. Lyne, Nielson and Tierney (2003: 13) describe this problem as follows:

“If some principal X offer the agent more benefits than principal Y, then the agent will tend to produce results that are proportionately more consistent with the preferences of X. Principals with more power and resources have a greater impact on the agent behaviour.”

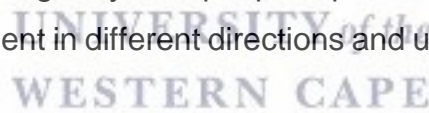
2.7.2 COMPLIANCE OVERLOAD

MPM of oversight subjects the agent to multiple demands for answers, explanations and justifications. The multiple efforts of the principals result in layers of compliance requirements. Evidently, these multiple efforts of oversight create compliance overload for the administrative agent. Compliance overload refers to the excessive obligations and requirements to respond to oversight demands (Haywood and Green, 2008). This compliance overload results from

the obligation to simultaneously satisfy a multiplicity of compliance oversight demands.

The effort expended to produce multiple compliance reports for different oversight principals is often onerous. To respond fully to these demands, a bureaucrat is required to deploy extensive human resources, finances and time in order to comply. Inevitably, the unmitigated avalanche of oversight demands on the administrative agent is likely to overload. This arduous oversight involving multiple principals is undoubtedly confusing and burdensome to the administrative agent and has the potential to significantly paralyse small entities, units or departments (Koppell, 2005; Olson, 2013).

In other words, too much oversight is likely to cause more problems than good. Given that the principals have different preferences, expectations and demands for the same administrative agency, the performance of oversight becomes significantly complex and onerous. According to Silverberg (2006: 25), the multiplicity of oversight “is like a magnifying glass: hold it one way and you can examine an object closely; hold it another way and you can burn that object to a crisp”. Therefore, oversight by multiple principals creates a situation where the principals direct the agent in different directions and ultimately defocus the agent.



2.7.3 ADMINISTRATIVE BURDEN

The above discussion indicates that administrative agents spend a considerable amount of time and effort complying. These efforts expended on compliance are referred to as an administrative burden. Administrative burden is defined as an individual’s experience of policy implementation as onerous (Burden, Canon, Meyer and Moynihan, 2012). Administrative burden implies excessive overlap and duplication, resulting in the multiplicity of oversight demands (Burden, et al, 2012). Likewise, OECD (2014) refers to administrative burden as the cost of complying with information obligations stemming from oversight.

Similar to compliance overload, the administrative burden is exaggerated by the multiple principals arrangement. Thus, while the multiplicity of oversight principals and approaches are regarded as best behaviour, it, unfortunately,

requires the administrative agent to respond with what is regarded as “high level of resources” (Burden et al, 2012: 742). Equally, the literature indicates that oversight by multiple principals leads to an undesirable effect on the administrative agent, especially those within small entities with limited capacity (Haywood and Greene, 2008).

In this regard, administrative burden does not only impact on the effectiveness of administrations to perform general functions related to policy implementation, but it also significantly impedes the administrative agent to comply with compliance demands themselves. According to Kilhof (2014), the concern is that the efforts of the administrative agent to respond to the oversight demands far outweigh the benefit of oversight. In this regard, oversight by multiple principals can cause unintended effects.

2.7.4 COMPLIANCE COSTS

Compliance overload and administrative burden are closely associated with an increase in monitoring. Thus, even if compliance is desirable, it comes at a huge cost for government officials. A substantial amount of compliance costs arises out of the multiple efforts to exercise oversight on the administrative agent. Compliance costs are also the cost of control or regulatory costs which are commonly attributable to the adoption and implementation of requirements whether direct or indirect in nature and whether borne by the principals and administrative agents (OECD, 2014).

Therefore, compliance costs are essentially costs of enforcement incurred by both the principals and the administrative agent. According to the OECD (2014), compliance costs result from numerous and complex reporting requirements. The time, labour and equipment spend on responding to compliance demands from oversight principals are progressively substantial. In this regard, the process of responding to numerous oversight obligations is a financial cost for both the administrative agent and the principals. More significant compliance costs are experienced when sanctions are imposed on the administrative agent, as these could result in budget resources being suspended or employees being dismissed.

The above indicates that the MPM can reduce the administrative agent's ability to be responsive, compliant and ultimately accountable. Equally, indications are that there some unintended consequences that are likely to specifically effect on the administrative agent negatively. In particular, the overlapping and multiplicity of oversight demands are generating a set of factors that produce unintended consequences and well perverse and undesirable behaviours (Behn, 2001).

2.7.5 FRAGMENTATION OF OVERSIGHT

Fragmentation in the context of oversight is present in a situation where the oversight authority is distributed to multiple principals. According to Olson (2013: 7), fragmentation is defined as the “complex layers and combinations of coexisting institutions” exercising independent oversight. Similarly, Mayer (2016) suggests that fragmentation is when the “actions of one principal are likely to interact with those of another principal”. Therefore, fragmentation occurs due to the independence and non-cooperative interaction between the principals.

Arguably, fragmentation results in silos and competitive relationships between the principals. The “siloisation” of oversight is widely considered as resulting from a situation where each principal becomes narrowly confined to its oversight boundaries and activities and inadvertently, either duplicate, contradicts or compete with other oversight principals (Rommel and Verhoest, 2009). It also possible that, even if one principal is effectively exercising oversight on the agent, other principals will be dissatisfied with the performance of the principal and/or the agent.

Fragmentation and overlapping responsibilities between the different principals have the potential to create a destructive bickering and the blame game between multiple principals. This makes oversight complex and challenging. Inevitably, an oversight environment that involves different sets of rules, often contradictory, coexisting in the same territory, creates tension among the oversight principals (Di John, 2008). Similarly, it creates the possibility of disagreements, goal conflict and divergence among the multiple principals themselves (Waterman,

1998). Shelton (2013) also states that in an environment characterised by multiple principals, each principal pursues an independent agenda and has different expectations, preference and mandates for the same agent. Inevitably, divergent interests between the principals create possibilities for the administrative agent to deviate from the principal's preferences and goal-conflict to occur. Consequently, these principals are likely to engage in a destructive conflict among themselves.

In addition, multiple principals are likely to require different information and may have different expectations from the agent. Worsham (2003: 2) describes this tension between the principals as “resulting in mixed and often contradicting expectations on the bureaucratic agent”. Quite often, the dominant principal is likely to impose its own norms and preferences, and therefore, create conflict among the oversight principals.

Furthermore, fragmentation of oversight measures enables bureaucratic drift. Political drift, on the other hand, occurs when the principal is either captured by the agent or fails to perform its oversight functions. Understandably, the dispersion of oversight authority among multiple principals creates a situation where one principal is likely to rely passively on other principals to exercise oversight on the agent. (Hill and Jones, 1992). Accordingly, the multiplicity of principals can result in a principal – or some principals – abdicating their oversight obligations to other principals.

2.8 LIMITATIONS OF THE PAT

While it is clear from the above that the PAT has acquired currency as the framework to study oversight, Schillemans and Busuioc (2014) caution against the uncritical and indiscriminate use of the principal-agent theory to analyse. According to Schillemans and Busuioc (2014), the PAT has inherent limitations due it not accurately taking into account some complexities and dynamics of the inter-institutional relationships. According to Schillemans and Busuioc (2014), the principal-agent theory is more suitable in an institutional design where there

are direct hierarchical lines of command between the different actors in the policy process.

The other critical limitation of the PAT is the assumption that the agent is inherently disloyal, opportunistic and driven by self-interest. Persson, Rothstein, and Teorell (2013) state that lack of effective oversight over public finance is a collective action problem rather than just one of opportunistic agents as espoused by PAT. This means that there are situations where the principals themselves lack the will and often are complicit in the lack of accountability of the agent. Brinkerhoff (2000: 240) states that in some instances, the principal and not the agent, “passively maintains the corrupt system”.

Similarly, Persson et al (2013) highlighted that “since the supposed principled principal(s) are also corrupt and not acting in the interest of the society but instead pursuing their own narrow self-interests”, the analysis of the oversight relationships based on the principal-agent framework will invariably be problematic. Therefore, the inability of PAT to acknowledge that the principals are equally capable of drifting – and sometimes complicit in the divergent behaviour of the agent – imposes a limitation on a strict utilisation of this theory.

2.9 CONCLUSION

This chapter developed a conceptual framework of oversight. A literature review was conducted to indicate how oversight is conceptually adjacent to accountability. The heart of the difference between accountability and oversight was highlighted: accountability focuses on the behaviour of the agent, while oversight is about the behaviour of the principal.

It was also highlighted that the concept of oversight has gained significant traction in modern democracies. Its relevance and application in contemporary governance were explained as the reason why countries such as South Africa have included oversight in their constitutions. Furthermore, the chapter described oversight approaches and measures used to exercise oversight.

This chapter utilised the PAT to describe the oversight relationship between the elected political structures and the appointed officials. Delegation and contracting inherent in the principal-agent relationship were identified as instigating the oversight obligation between the principal and the agent. Most importantly, this chapter outlined how the principal-agent framework could be reconfigured to MPM.

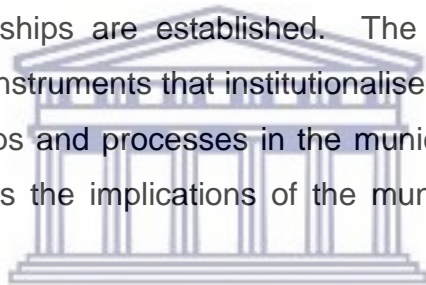


CHAPTER 3: ARCHITECTURE OF THE MULTIPLE-PRINCIPAL MODEL FOR MUNICIPAL BUDGET OVERSIGHT IN SOUTH AFRICA

3.1 INTRODUCTION

The previous chapter described the nature of oversight relationships between the principal and the agent. This chapter describes the legislative architecture establishing the principal-agent relationship in the municipal budget oversight in South Africa.

This chapter consists of three main sections. The first section identifies the legislative provisions that create an environment within which the oversight and accountability relationships are established. The second section describes applicable legislative instruments that institutionalise the multiplicity of oversight structures, relationships and processes in the municipal budget process. The third section discusses the implications of the municipal budget oversight by multiple principals.



3.2 THE LEGISLATIVE ARCHITECTURE FOR MUNICIPAL BUDGET OVERSIGHT

Generally, municipal oversight, including municipal budget oversight, is entrenched in South Africa's constitutional dispensation and its emerging systems of governance. The South Africa Constitution Act 108 of 1996 (hereafter referred to as the Constitution) is replete with provisions that promote oversight. In addition, there are various other legislative provisions that implicitly create or facilitate oversight in municipalities. While these provisions are not specific to municipal budget oversight, they do promote an environment and mechanisms which facilitate municipal budget oversight. These legislative provisions are identified below.

3.2.1 CONSTITUTIONAL VALUES

The South African Constitution enshrines accountability as one of its founding values (Section 1 of the Constitution). This constitutional value obliges all organs of state, including both the public representatives and administrators in all spheres of government, to be accountable, open and responsive (Section 1(d) of the Constitution). This constitutional value creates a culture of justification in which the organs of state have an enduring duty and obligation to provide answers, explanation, and justification for decisions. Arguably, this culture of justification facilitates and promotes oversight in all spheres of government, including local government.

3.2.2 SEPARATION OF POWERS

The separation of powers doctrine is synonymous with the principle of checks and balances. It is frequently invoked to justify the assignment of power to independent institutions. Mojapelo (2013) describes separation of powers as the facilitating the division of roles, obligations to distinct but related institutions with a defined competence and authority. Separation of powers is considered to facilitate the ability to curtail excessive concentration of state power in one branch of government, either the legislature, executive, and judiciary, is widely acknowledged as promoting accountability

While separation of powers is not explicitly enshrined in the South African Constitution, it is a core element in the structure of the state. Several provisions of the Constitution expressly imply checks and balances between the different branches and institutions of government. This view is consistent with O'Regan's (2005) argument that under constitutional democracy all power of the state is constrained, in order to limit the potentially corrupting effect of unconstrained power.

3.2.3 BASIC VALUES AND PRINCIPLES GOVERNING PUBLIC ADMINISTRATION

Section 195 of the Constitution constitutionalises public administration. This can be considered as a decisive way of formalising the concomitant delegation and administrative discretion. As indicated in Chapter Two, the appointment of the administrative agent presupposes the intention to cede some authority and allow

it to exercise discretion. However, Section 195 (1) (a) to (i) of the Constitution expects those in the public administration to behave in a manner that ensures:

- “A high standard of professional ethics;
- Efficient, economic and effective use of resources;
- Service must provide impartially, fairly, equitably without bias;
- The public must be encouraged to participate in policy-making;
- Public administration must be accountable; and
- Transparency must be fostered by providing the public with timely, accessible and accurate information.”

3.2.4 INTERGOVERNMENTAL AND COOPERATIVE GOVERNANCE

South Africa’s constitutional framework has contrived a multifarious collaborative and cooperative system of governance with a national government, nine provinces, and 257 municipalities. The cooperative and collaborative system of governance is a direct result of the conflation of both decentralisation and cooperative intergovernmental relations as contemplated by constitutional principles of distinctive, interdependent and interrelated spheres of government (Steytler and De Visser, 2009). The constitutionally envisaged system of cooperative government has structures and mechanisms to facilitate, coordination, support, cooperation and resolve intergovernmental disputes (Section 3 of the Municipal System Act; the Intergovernmental Relations Framework Act 13 of 2005).

Therefore, this system of governance reflects the hallmarks of a design embedded within a system that facilitates non-hierarchical collaborative multi-sphere relations with both autonomy and supervision of municipalities. With this system, national and provincial governments have the responsibility to ensure that municipalities are supported to fulfill their constitutional mandate. This constitutional obligation is actualised through the principles of subsidiarity and supervision of municipalities. These are discussed below.

3.2.4.1 Principle of Institutional Subsidiarity

A municipality derives its powers and functions directly from the Constitution (Section 151 of the Constitution). Specifically, the Constitution allocates original

functions and powers directly to the municipalities in terms of section 156 of the Constitution and are considered as the fundamental source of power for local government (De Visser, 2006). The original powers are listed in Section 156 (1) and (2) functional areas in Schedule 4B and 5B.

In addition to original powers, the Constitution envisages that national and provincial government may assign or transfer powers and functions to local government (Section 44(a) (ii) and 104 (i) (c) of the Constitution). De Visser (2006) indicates that the decision to assign powers and functions to local government is not arbitrary; hence, it is made compulsory by the Constitution (Section 156 (4) of the Constitution). The assignment of powers, authority and duties to municipalities is commonly referred to the principle of subsidiarity. The principle of subsidiarity refers to the transfer or delegation of powers, authorities, and duties to as the “smallest or closest jurisdiction that can effectively perform them” (Black, 2010: 533). It is regarded as way of harnessing and enhancing physical proximity or local distinctiveness to facilitate effective service delivery.

The concept of subsidiarity is relatively new in South Africa legal and political vocabulary. De Visser (2010) claims that those advocating for federalism propagated the concept of institutional subsidiarity during the constitutional negotiations. (Du Plessis, 2006). In addition, it is important to note that just like its related concepts such as decentralisation, federalism, and autonomy, subsidiarity is not explicitly stated in the South African Constitution. Whilst it was included as part of the constitutional principles (XX1) of the 1993 Constitution, it is, however, not explicitly mentioned in the 1996 Constitution.

The most fundamental aspect of the principle of institutional subsidiarity is that appropriate finances must be transferred to enable the municipality to implement the assigned functions or duties (Barber, 2005). The inability to transfer appropriate finances will result in a phenomenon commonly referred to as an unfunded mandate. The National Treasury (2011) provides that when national and provincial government transfer or assign a function to a municipality through agency agreement, the function must be exercised under the authority of the

transferring authority. Therefore, the accounting officer of the municipalities has an obligation to comply with the conditions of the transfer.

The accounting officer of the municipality is also required to report to the transferring principal, the Provincial and National Treasury as part of section 71 and 72 of the MFMA (Section 11(b) of the Division of Revenue Act 2016). In particular, section 71 (5) of the MFMA instructs the accounting office of the municipality to, by no later than ten working days after the end of the month, submit a statement reflecting the particular for the transferred finances to the transferring organ of state. In addition, Section 123 of the MFMA instructs the annual financial statements of the municipalities to disclose information on the allocations received and how the allocation was spent. The municipal manager is further required to indicate whether the municipality has complied with the conditions of the allocation (Section 123 (1) (d) of the MFMA). Likewise, the municipal manager is required to provide information on explaining the reasons for non-compliance.

Arguably, the transfer of finances to the municipality creates an oversight relationship between a national government department and a municipality, in particular, the accounting officer of the municipality. In this regard, the municipal manager is required to account for the financial transferred made to the municipality. Thus, institutional subsidiarity imposes accountability requirements on the municipal manager, whilst obligating the transferring political authority to exercise oversight on the municipal manager.

3.2.4.2 SUPERVISION OF MUNICIPALITIES

It has been established that South Africa constitutional architecture has configured a system in which municipal autonomy is supervised by national and provincial spheres of government. Within this scheme, the autonomy of municipalities is not unqualified or exercised in an unencumbered manner but is supervised by other spheres of government (Steytler and De Visser, 2009). Likewise, Van Wyk (2013: 306) argues that “municipalities cannot operate entirely independently and their powers are curtailed by the constitutional provisions”. According to Mathenjwa (2014b) the supervision of municipalities is

a constitutional imperative that facilitates oversight of municipalities by national and provincial spheres of government.

This notion of municipal supervision by national and provincial spheres of government is constitutionally designed to be exercised at arms-length from the municipality. In other words, it is designed and exercised in a manner that recognises and respects the autonomy of the municipalities as contemplated in section 151 of the Constitution. For this purpose, municipal supervision must be characterised by a high degree of respect for the constitutional constraints that protect municipalities against unjustified annexation by other spheres of government (Steytler and De Visser, 2009). As result, the national and provincial government are prevented from using their municipal supervision powers to justify unwarranted intervention in municipalities' affairs.

An important aspect of the authority of national and provincial government to supervise municipalities is that it constitutionalises oversight by external principals. Constitutionalised municipal supervision by external oversight principals' underscores the legal authority of national and provincial exercise oversight on municipalities. It signifies the formal and binding nature of rules, mechanisms and processes adopted by both the national and provincial government in overseeing the behaviour of the municipality. Most significantly, the constitutionalisation of municipal supervision protects the municipality by ensuring that oversight measures and processes by national and provincial spheres of government are consistent with the Constitution (Steytler and De Visser, 2009).

The national and provincial supervision of municipalities is exercised by a number of principals which include the Minister and Member of the Executive Council (MEC) of Local Government (now referred to as Cooperative Governance and Traditional Affairs) (Steytler and De Visser, 2009: 15-11). However, both the Minister and MEC for Local Government are required to adopt appropriate measures to monitor local government as outlined in Section 105 of the Municipal System Act 32 of 2000. While both the national Ministers and provincial MECs constitute the oversight principals, the provincial MECs are

“duty-bound” in terms of the Constitution to exercise monitoring on municipalities (Steytler and De Visser, 2009: 15: 9).

Thus, the role of the provincial MECs in supporting and exercising supervision over municipalities is legal requirement rather than the political one. Specifically, the nature of supervision by national and provincial governments is highly regulated by the law to ensure that they are consistent with the values and principals of the Constitution. In this regard, oversight mechanisms by national and provincial spheres of government are only exercised through regulations, monitoring and intervention (Mathenjwa, 2014b).

3.2.4.2.1 REGULATION

The concept of **regulation** is defined as a uniform set of binding legal rules to regulate or provide guidelines. In the context of supervision, regulations generally refer to a legal process intended to achieve compliance. Mathenjwa (2014b) describes regulations as legal instruments established mainly by the executive for implementing legislation. According to Steytler and De Visser, (2009) regulations provide for a binding framework within which municipal autonomy can be responsibly exercised within a system of cooperative governance, in order to ensure that different spheres of government harmonise their efforts towards national goals.

Municipal regulations originate from various local government laws such as the Municipal Finance Management Act and Municipal System Act. The Financial and Fiscal Commission (2014: 9) lists the following municipal regulations:

- Municipal Regulations on a Standard Chart of Accounts (SCOA);
- Municipal Budget and Reporting Regulations;
- Municipal Finance Misconduct Regulations;
- Municipal Investment and Municipal Public-Private Partnership regulations;
- Municipal Supply Chain Management Regulations;
- Municipal Regulations on Debt Disclosure;
- Municipal Regulations and Guidelines on Minimum Competency Levels;

- Municipal Asset Transfer Regulations

3.2.4.2.2 MONITORING

Monitoring in the context of municipal supervision by the national and provincial government is described as the periodic checking of an activity with the purpose of determining to what extent the objectives are achieved (Malan, 2005). Likewise, Mathenjwa (2014b) defines monitoring as the act of observing or keeping something under review. In the context of supervision of local government, monitoring is a process of periodically ascertaining local government's compliance with the Constitution (Mathenjwa, 2014b). Steytler and De Visser (2009) state that monitoring is necessary as part of the signal management process designed to activate early and adequate responses.

The monitoring role of the provincial MECs is strengthened by provisions of the Municipal Systems Act which establish mechanisms, processes and procedures to monitor municipalities' ability to perform their powers and functions (Section 105 of the Municipal System Act). Steytler and De Visser (2009: 15:10) add that these processes, mechanisms, and procedure must enable the MEC to exercise monitoring as well as intervene when a municipality does not fulfill its statutory obligation.



3.2.4.2.3 INTERVENTION

Intervention in a municipality is prescribed by section 139 of the Constitution. Steytler and De Visser (2009) state that intervention comprises the most powerful and intrusive form of supervision of local government. The main aim of intervention in local government is essentially about exercising corrective measures. Therefore, intervention is a constitutionally prescribed process of interfering with an entrenched behaviour by imposing a paternalistic relationship between local and other spheres of government.

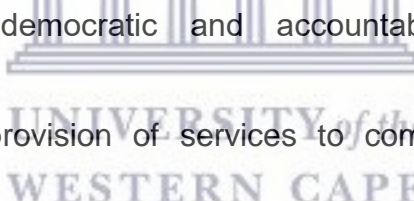
In terms of the MFMA, intervention in municipalities is not an arbitrary act to be used by other spheres of government – it can only be exercised within the framework of the spirit of the principles of cooperative government. This is to ensure that the institutional integrity of the municipality is neither impaired nor

compromised by other spheres of government. Accordingly, intervention in the municipality is conditional and permissible if various support measures have failed to yield positive results (Steytler and De Visser, 2009).

As indicated, intervention in the municipality becomes necessary when there is an absolute need for a more drastic process of correcting an untenable situation in a municipality. Section 139 of the Constitution provides the need to intervene become necessary when there are serious financial problems in the municipality. The thrust of section 139 of the Constitution is to enable a provincial government to intervene and utilise whatever steps are necessary to get the municipality on its feet and fulfilling its obligations.

3.2.5 CONSTITUTIONAL OBJECTS OF LOCAL GOVERNMENT

Another constitutional provision that establishes an oversight and accountability environment is the object of local government as outlined in section 152 of the Constitution. Section 152 (1) (a) to (e) of the Constitution provides that local government is obligated to:

- 
- “Provide a democratic and accountable government to local communities.
 - Ensure the provision of services to communities in a sustainable manner.
 - Promote social and economic development; promote a safe and a healthy environment;
 - Ensure the involvement of communities and community organisation in matters of local government”.

A careful reading of the above objects of local government shows that the municipality has an obligation to promote accountability. These objects of local government obligate the municipality to establish appropriate mechanisms and processes in order to promote accountability. Similarly, the constitutional requirement for democratic and participatory democracy can be regarded as creating an oversight environment. Such democracy is necessarily agnostic and based on pluralism (Mouffe, 2000).

3.3 INSTITUTIONALISATION OF MUNICIPAL BUDGET OVERSIGHT

A municipal budget is at the heart of municipal governance and related service delivery. The municipal budget serves as an instrument through which the finances of the municipality are collected, spent and accounted for. It serves as a key instrument of policy, planning, and performance management for the municipality as well as fundamental process of fiscal discipline, viability, and sustainability (National Treasury, 2011). Although seemingly technical, a municipal budget reflects the dominant political ideology and social priorities pursued by the leading political party in the municipality (Steytler and De Visser, 2009). Equally, it serves as a legal and policy instrument, and upon adoption by the municipal council, a municipal budget has a binding effect. Thus, the legality of the municipal budget imposes legal obligations severally on all actors as well as manifests formal oversight relationships between the administrative agent and the political structures.

The legal obligations and relationships in the municipal budget oversight process are highly institutionalised. The process of institutionalisation of municipal oversight has formalised processes, mechanisms, and structures as well as obligations for the political principals to shape the behaviour of the municipal administrators. In other words, the institutionalisation has been realised through “regulative and normative pillars embedded in rules, structures, behaviour and norms” to influence the behaviour of municipal administrators (Scott, 1995: 35). This view is consistent with Van Niekerk and Dalton-Brits (2016: 118) assertion that “the statutory and regulatory framework has established the legal basis for accountability and oversight in the three spheres of government”.

Fundamentally, the Municipal Systems Act 32 of 2000 (MSA) and the Municipal Finance Management Act 56 of 2003 (MFMA) are considered as key statutory instruments that facilitate the institutionalisation of municipal budget oversight. For example, section 6 (1) of the MSA instructs the administration of the municipality to facilitate a culture of public service and accountability among staff. The MFMA, on the other hand, provides for the establishment of norms and

standards for ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of the municipality.

These statutory instruments impose obligations and a formal duty to the municipality to institutionalise oversight as a fundamental objective of municipal governance. However, the MFMA is acknowledged as being the most authoritative legislative instrument facilitating municipal budget oversight (Steytler and De Visser, 2009). The MFMA is particularly widely credited for establishing the rules, roles and responsibilities of different structures involved in the municipal budget oversight process. These structures are identified and discussed below.

3.4.1 MUNICIPAL MANAGER (MM)

The municipal administration is an invaluable organ of municipal governance. It is a strategic structure appointed to enable the municipal council and its structures to perform their constitutional authority, duties and functions. Municipal administration provides the most effective way of implementing municipal council resolutions. The MM is the administrative agent and not a political structure of the municipality. Accordingly, the centrality of the position of a MM is very important to the governance of the municipality. Hence, municipal managers are regarded as the key structure as opposed to mere personnel of a municipality (Steytler and De Visser, 2009). The significance of this position is evidenced by the manner in which it is regulated by various legislative instruments.

All municipalities are obliged to appoint the municipal manager as the head of the administration of the municipality (Section 83 of the Municipal Structures Act). The MM, also referred to as the accounting officer, is appointed in terms of section 56 of the Municipal System Act, 32 of 2000. Upon appointment, the MM becomes the agent of the municipal council. Consequently, an agency relationship is established between the between the municipal council and the MM. The agency relationship between the municipal council and the MM is established through an appointment contract. Section 57 (1) (a) of the Municipal System Act makes a written contract and a performance agreement legal

requirements for the appointment of the MM. In other words, the municipal council utilises the contract and the performance agreement to specify its preferences to the MM.

Section 59 of the Municipal System Act and Section 79 of the Municipal Finance Management Act delegate statutory functions to the MM (National Treasury, 2013: 62). Likewise, section 60 to 66 of the Municipal Systems Act delegates financial roles and responsibilities to the municipal manager. In addition to the general financial roles and responsibilities delegated to the municipal manager, section 68 and 69 of the MFMA prescribes the activities of the MM manager on the municipal budget processes. Furthermore, section 60 of the MFMA provides that the municipal manager is required to “provide guidance and advice on compliance with the political structures, political office bearers, and officials of the municipality”.

The MM is personally responsible for the management financial affairs of the municipality (Local Government Budgets and Expenditure Review, 2011). The Auditor-General (2015: 23) indicates that in the 2014-2015 financial year, the municipal managers were responsible for the municipal budget totalling “R347 billion, of which R281 billion was for operating expenditure and R66 billion was for capital expenditure”.

The delegation of financial responsibilities to the MM is accorded protection by the law. Section 119 of the Municipal Systems Act reads:

“A councillor who attempts to influence the municipal manager not to enforce an obligation in terms of this act, any other applicable legislation or any by-law or decision of the municipality, is guilty of an offence and on conviction liable to a fine or to imprisonment for a period not exceeding two years.”

However, the MM does not have the right to not account when called upon to do so. Similarly, the MM is instructed by the MFMA “to act with fidelity, honesty and in the best interest of the municipality in managing its financial affairs” (Section 61 of the MFMA). The MM is required to manage the financial administration of the municipality in a manner that ensures that the resources of the municipality

are used effectively, efficiently and economically” (Section 62 of the MFMA). Lastly, the MM is required to ensure that “unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented” (Section 62 of the MFMA). Therefore, the MM is the primary administrative agent and the accounting officer is integral to all the activities of the various stages of the budget process. As indicated, the MM’s role in the budget process is both legislated by the MFMA and delegated by the municipal council. The MMs’ roles and responsibilities in the various stages of the budget process are discussed below.

3.4.1.1 BUDGET PREPARATION

The MM plays a key technical role of assisting the mayor to prepare the annual budget of the municipality. In terms of Section 68 of the MFMA, the mayor must be provided with the necessary administrative support, resources and information when discharging the responsibility of coordinating the municipal budget preparation. Section 7 of the Municipal Budget and Reporting Regulations (MBRR) provides that the MM must:

“...prepare, or take all reasonable steps to ensure the preparation of budget-related policies of the municipality in accordance with the legislation applicable to those policies for tabling in the municipal council and by the applicable deadline specified by the mayor in terms of section 21 (1) (b) of the Act. In addition, section 7 (1) (m) of the MBRR specifies that the tabling must include policy related to budget implementation and monitoring specifically dealing with management and oversight”.

3.4.1.2 BUDGET IMPLEMENTATION

The implementation of the approved municipal budget signals the beginning of the financial year, which is prescribed by the MFMA, as 1 July of the year. The MM has the obligation to ensure that the municipal budget is implemented coherently and consistently as approved by the municipal council (Steytler and De Visser, 2009: 8-22). As Section 69 of the MFMA stipulates, the MM is legally responsible for the implementation of the approved budget. The MFMA states that the MM must take all reasonable steps to ensure that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected.

The MM is also responsible for complying with the annual Division of the Revenue Act. The MFMA (MFMA Circular No 67: 16) states that the municipal manager, as the receiving officer is responsible for tabling monthly reports. When tabling these reports, the MM is required to inform the municipal council on the progress and problems experienced in complying with the annual Division of the Revenue Act. The MFMA (MFMA Circular No 67: 16) instructs the MM to provide a comprehensive report to the National Treasury indicating the explanation and motivations for non-compliance.

Lastly, the MM is also instructed to ensure that the general revenue and expenditure activities of the municipality are properly monitored and when necessary, prepare for adjustments. Also as part of ensuring that the approved municipal budget is implemented properly, the MM is required to provide regular reports and relevant information that will help stakeholders analyse performance, address shortcomings, and improve internal and external control (National Treasury, 2004: 49). These reports are an integral part of in-year monitoring.

3.4.1.3 BUDGET AUDIT

The MM is required to assist the Auditor-General in conducting an audit of the finances of the municipality by preparing the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submitting the statements to the Auditor-General for auditing (Section 126 of the MFMA). In addition, the MM must prepare a consolidated annual financial statement and submit the statements to the Auditor-General for auditing (Section 126 of the MFMA). Section 127 (5) of the MFMA instructs the MM to, immediately after the annual report is tabled in the MM, submit the annual report to the Auditor-General, Provincial Treasury and other provincial departments responsible for local government. In addition, section 219 of the MFMA instructs the MM to attend council and council committee meetings where the annual report is discussed, for the purpose of responding to questions concerning the report.

The MM is also required to submit copies of the minutes of those meetings to the Auditor-General, the relevant Provincial Treasury and the provincial department responsible for local government in the province. Lastly, the MM has an obligation to make public an oversight report referred to in subsection (1) within seven days of its adoption. Online publication of this report is compulsory.

TABLE 1: Duties and Function of the Municipal Manager

Duties and Functions	Key Dates
Submit the annual performance report to the Auditor-General	31 August
Submit the annual report including the annual financial statements to the Auditor-General	30 September
Submission of annual report to the Municipal Public Accounts Committee for oversight	31 January
Publication of final annual report	31 March

Source: National Treasury: MFMA Circular No. 58

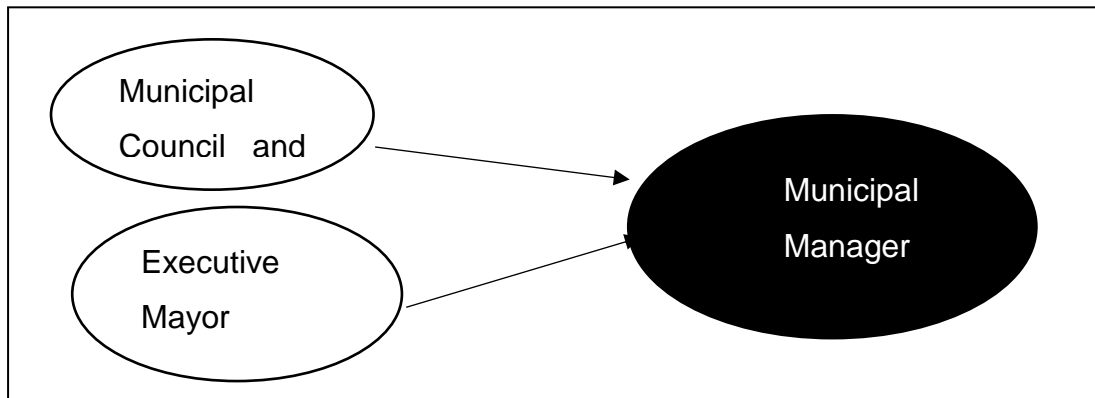
3.4.2 THE MUNICIPAL BUDGET OVERSIGHT PRINCIPALS

The MM has multiple budget oversight principals. Many of these principals are located internally in the municipality, whilst others are outside the municipality. The section below identifies internal and external political principals exercising oversight on the municipal budget.

3.4.2.1 INTERNAL OVERSIGHT PRINCIPALS

Internal oversight principals are those located within the municipality. The internal political principals are identified in Section 2 of the Municipal System Act as political structures and the community of the municipality. The community and political parties are essentially the main principals who delegate power to the municipal council. However, both the community and the political parties are represented by their representatives in the municipal council. The budget oversight role of the municipal council is discussed below.

Figure 1: Internal Municipal Budget Oversight



Source: Adapted from Fourie, Opperman, and Scott (2007).

3.4.2.1.1 MUNICIPAL COUNCIL

The municipal council is the primary political authority of the municipality (Section 151 (2) of the Constitution). Its political authority derives from being the direct outcome of the democratic local electoral process. As the legitimate representative of local citizens, it serves as the voice of the citizens. Equally, the municipal council is the legal authority of the municipality. Section 151 of the Constitution vests both the legislative and executive authority of the municipality in the municipal council. This provision reinforces the legal and political status of the municipal council. Most significantly, the Constitution elevates the municipal council as the decisive deliberative legislative body of the municipality. Likewise, this constitutional provision identifies the municipal council as the primary seat of authority in the municipality and within its domain.

The municipal council has exclusive power to appoint and contract the municipal manager. In line with the principle of separation of powers enshrined in the Constitution, legislatures such as the municipal council are also vested with the budget authority. As the budget authority of the municipality, the municipal council is empowered to approve the annual budget through a formal meeting called in terms of the rules and regulations for quorum, and voting procedures. The process can be delayed through a number of ways.

Furthermore, as the budget authority, the municipal council is obliged to oversee the municipal manager. The MFMA Circular No 32 of 2006 provides clues about the process confirming that the municipal council is “vested with the responsibility to oversee the performance of their municipal manager”. The municipal council in the first instance utilises non-executive councillors and its various committees to exercise budget oversight. These committees are widely regarded as the pillars of the work of a municipal council. De Visser, Steytler and May (2009:11) state that “the functionality of the internal governance arrangements is to a large extent dependent on the functioning of the committee system”. Thus, the council delegates the oversight functions to the committees. These committees, as a rule, include the Municipal Public Accounts Committee (MPAC), Oversight Committee, and the Audit Committees. MPACs are relative new and were introduced by Treasury to improve oversight.

3.4.2.1.2 THE EXECUTIVE MAYOR

The municipal council in terms of the section 54 of the Municipal Structures Act elects the executive mayor. The executive mayor is elected to serve as the executive head of the municipality (Steytler and De Visser, 2009: 3-39). Steytler and De Visser (2009) state that while the executive mayor has functions that are prescribed by legislation, most of its functions those delegated by the municipal council.

Consequently, the executive mayor has very important functions in the governance of the municipality. Core to these functions is acting as the political leader of the budget and integrated development plans of the municipality (Steytler and De Visser, 2009: 3-39). Thus, the executive mayor has the authority to provide guidance over the fiscal and financial affairs of the municipality. The executive mayor is also required to take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality’s approved budget (Section 52 of the MFMA). However, the executive mayor may not interfere in the administration of the finances of the municipality, such as the procurement process (Section 52 of the MFMA).

With regard to the municipal budget oversight, the executive mayor's roles and responsibilities are clearly spelled out in section 52 to 54 of the MFMA. Specifically, section 52 of the MFMA instructs the executive mayor to oversee the preparation of the annual budget. The executive mayor is also mandated to monitor and oversee the municipal manager in the exercise of his/her financial responsibilities (Section 52 of the MFMA). Section 54 of the MFMA obligates the executive mayor to:

- a) receive monthly budget reports submitted by the municipal manager in order a. consider them;
- b) check whether the budget is implemented in accordance with the budget and service delivery agreements;
- c) give instructions to the municipal manager to ensure that the budget is implemented in term terms of the budget implementation and service delivery plan and that spending of funds and revenue collection proceed in accordance with the budget.

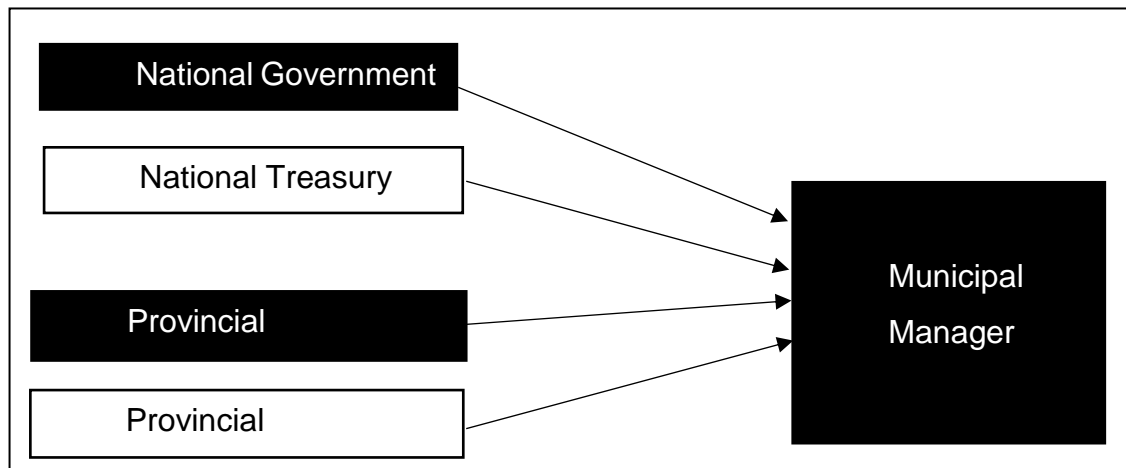
3.4.2.2 EXTERNAL OVERSIGHT

External oversight refers to the relationship between a municipality and other oversight located in provincial and national spheres of government. Oversight of the municipality by other external government jurisdictions is mainly conceived and exercised through the system of cooperative government. The system of cooperative government facilitates the constitutional supervision and monitoring of municipalities by national and provincial spheres of government (Mathenjwa (2014b).

It has already been established that national and provincial spheres of governments have the constitutional authority to supervise municipalities. Mathenjwa (2014b) refers to this constitutional design as having established an intrusive constitutional authority for other spheres of governments to oversee on municipalities. Consequently, external oversight principals emerge from the multiplicity of nexuses that municipalities have with national and provincial government departments. Particularly – and more fundamentally – these relationships create a fiscal and budgetary oversight arrangement between the

municipality and national government departments. These external budget oversight principals are discussed below.

Figure 2: External Municipal Budget Oversight



Source: Own table.

3.4.2.2.1 NATIONAL AND PROVINCIAL TREASURY DEPARTMENTS

The supervision roles of the national and provincial government departments create multiple oversight obligations on municipalities. In particular, it obligates municipal managers to comply with a multiplicity of oversight requirements. For instance, the municipal manager is obligated to submit monthly, quarterly and annual deadline reports to a multiply of principals (Section 132 of the MFMA). In this regard, the provincial and national departments have a constitutional duty to provide supervision and exercise general budget oversight on municipalities.

The authority of the National Treasury to “enforce compliance” and “to stop transfers of funds to an organ of state if that organ of state commits a serious or persistent material breach of compliance measures” (Section 216 of the Constitution). In addition, the MFMA also elevates the National Treasury by enjoining it to supervise municipal finance and budgets. Steytler and De Visser (2009: 15-6) claim that in addition to the constitutional provision, the MFMA also buttress the supervisory authority and function of the National Treasury. In this respect, section 2 of the MFMA instructs the National Treasury to monitor the budget of municipalities in order to ensure that they are consistent with national government’s fiscal and macro-economic policy.

Therefore, the National Treasury is also empowered to promote good budget and fiscal management by municipalities, and for this purpose monitor the implementation of municipal budgets, including their expenditure, revenue collection and borrowing (Section 2 (b) of the MFMA). In addition, section 5 of the Municipal Finance Management Act 56 of 2003 prescribes for the provincial treasuries to monitor compliance and the preparation of municipal budgets, their monthly outcomes of those budgets, receive reports from municipalities and also take appropriate steps if a municipality fails to adhere or comply with the relevant provisions of the Municipal Finance Management Act 56 of 2003.

Accordingly, both the National Treasury and Provincial Treasury are duly authorised to investigate any system of financial management and internal control in any municipality and in necessary take any other appropriate steps required to perform their financial and budgetary control authority and functions (Section 2 (d) and (e) of the MFMA. Given the authority and centrality of National Treasury on fiscal and budgetary matters of municipalities, it is important to note that the Provincial Treasury is equally very active in exercising municipal budget oversight. Due to this role, the Provincial Treasury is added to the long list of the multiplicity of oversight principals exercising municipal budget oversight. In addition, the Provincial Treasury is equally mandated by the section 56 of the MFMA, to

“...monitor the budget of municipalities in order to establish whether they promote good budget and fiscal management. For this purpose, the Provincial Treasury exercises oversight on the development and monitors and for this purpose monitor the implementation of municipal budgets, including their expenditure, revenue collection and borrowing.”

3.4.2.3 INDEPENDENT STRUCTURES SUPPORTING POLITICAL OVERSIGHT

PRINCIPALS

While it is expected that both internal and external political principals must exercise oversight on the municipal budget process, it is also acknowledged and accepted that these principals might not have the necessary capacity or political objectivity to ensure that the municipal manager is compliant. For this purpose, the institutional design of oversight makes provisions for independent structures to assist political oversight principals. A key independent institution involved in

providing objective information regarding the financial and budget activities of municipalities is the Auditor-General.

Therefore, the Auditor-General is external and independent of the municipality. It is considered to provide the most objective, legitimate and authoritative ex-post oversight on the municipal budget. Accordingly, the Auditor-General serves as the key mechanism of ex-post oversight of the budget. The review and audit conducted by the Auditor-General is also considered to constitute the most reliable, independent and external review and evaluation of the municipality's finances and financial system (Steytler and De Visser, 2009: 11-44).

The audit is conducted after the end of the financial year. It is a key aspect of the ex-post oversight. It is undertaken to assess the compliance of the budget with the approved budget and evaluate whether the budget objectives were achieved. Thus, section 122 of the MFMA provides that:

“Every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.”

3.5 THE NATURE OF MULTIPLE MUNICIPAL BUDGET OVERSIGHT PROCESSES

The above section identified who is exercising budget oversight on the municipal manager. This section draws on the literature to highlight how municipal budget oversight is exercised by internal and external oversight principals. This section explores ex-ante, on-going and ex-post budget oversight.

3.5.1 EX-ANTE BUDGET OVERSIGHT

Ex-ante oversight was defined in Chapter Two of this thesis as a form of preliminary scrutiny or control mechanism to limit the boundaries within which an agent can exercise its discretion. It was highlighted that ex-ante oversight is a prescription that is made by the principal beforehand. Ex-ante oversight is embodied in the approval before in order to minimising and or prevent

bureaucratic drift. On the municipal budget oversight, ex-ante measures are applied by the principals during the drafting or preparatory stage of the municipal budget process. These measures are aimed at inducing compliance of the municipal manager during the budget drafting stage of the municipal budget process. As indicated earlier in this chapter, the measures used by principals are mostly prescribed by legislation in order to prevent possible encroachment and the necessary discretion of the municipal manager.

The municipal council exercises ex-ante oversight through the adoption of the IDP and the approval of the annual budget (Section 160 of the Constitution). The municipal IDP “forms the policy framework and general basis on which the budget is based” (Steytler and De Visser (2009: 7-4). Once approved by the municipal council, both the IDP and the annual budget imposes strict compliance obligations and requirements for the municipal manager. Consequently, the municipal manager is expected to adhere to the preferences of the principals as reflected in the approved IDP and the annual budget.

Similarly, the executive mayor has own ex-ante budget oversight measures. The executive mayor also utilises the IDP to exercise ex-ante oversight on the budget. As the key political executive structure of the municipality, the executive mayor provides general political guidance over the budget process and the priorities that must guide the preparation of a budget (Section 53 of the MFMA). Section 53 of the MFMA further instructs the executive mayor to “take all reasonable steps to ensure that the municipality approves its annual budget before the start of the budget year”.

With regard to the Provincial Treasury, various legislative provisions enjoin the Provincial Treasury to exercise ex-ante measures on the municipal budget. Section 26(1) of the MFMA places a responsibility on the Provincial Treasury to ensure that the municipal council approves the annual before the start of the budget year. Similarly, the Section 139 of the Constitution empowers the provincial executive to “intervene by taking any appropriate step to ensure that the budget or those revenue-raising measures are approved”. This section

provides that the provincial government can dissolve the municipal council should it fail to approve the annual budget.

Lastly, the National Treasury has its own ex-ante budget oversight measures. The National Treasury utilises the national budget and the national fiscal and macroeconomic policy as part of its ex-ante measures on the municipal budget (National Treasury, 2004: 45). These legal instruments and policies serve to effectively constrain the scope and the content of the municipal manager during the preparation of the budget. In particular, section 20 (1) (b) (1) of the MFMA states that the Minister of Finance with concurrence with the Minister responsible for Local Government may prescribe for the regulations, and other supporting documents relating to the annual budget. Also, the MFMA Circular No 58 (2011: 14) states that regulations are compulsory and that all municipalities “must prepare the budget in accordance with the regulations”. The prescriptions can also include the uniform norms and standards concerning the budget of the municipality (Section 20 (1) (b) (v) of the MFMA).

Notably, the National Treasury’s ex-ante measures impose rigid and stringent prescriptions regarding the format of the annual budget. It in terms of the Municipal Budget and Reporting Regulations, the “annual budget and supporting documentation of a municipality must be in the format specified by the national treasury and must include tables, charts, and explanatory information, taking into account any guidelines issues by the Minister of Finance”. To this effect, the national treasury (MFMA Circular No 67 of 2013: 20) stresses that “for all practical purposes, a municipal budget that is not tabled and adopted by municipal council in any other format than the prescriptions of the Municipal Budget and Reporting Regulations does not legally constitute a municipal budget”. In addition, this circular states that deviation from national treasury format constitutes “gross financial negligence on the part of the municipal manager” (MFMA Circular No 67: 20).

3.5.2 ON-GOING BUDGET OVERSIGHT

The municipal council exercises on-going oversight mainly through the Service Delivery and Budget Implementation Plan (SDBIP) developed and adopted in terms of section 69 of the MFMA. The SDBIP is a monitoring instrument that contains detailed monthly projections of revenue and expenditure and performance indicators for each quarter. The SDBIP obligates the MM to submit to the mayor no later than 14 days after the approval of an annual budget a draft service delivery and budget implementation plan for the budget year; and the drafts of the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act for the MM and all senior managers.

Just like the municipal council, both the National and Provincial treasuries exercise on-going or in-year oversight on the municipal budget execution through various reports. These reports are monthly, quarterly and mid-year (Section 71 and 72 of the MFMA). The municipal manager of the municipality is required to submit financial performance reports to the National Treasury. The first report must be submitted within 45 days after the end of each quarter while the other report is due four months after the end of the financial year of the municipality (Section 9 (e) of the Division of Revenue Act of 2016).

The National Treasury (2016) states that in-year reporting is a highly strategic budget oversight tool that serves as a valuable management tool for early warning mechanisms to assist municipal councils to improve their budget oversight. Hence, the National Treasury publicises the municipalities' in-year financial performance information in order to "enable better in-year management of and oversight of the municipal budgets" (2016: 24). Evidently, the concurrent oversight imposes stringent compliance demands on the municipal manager. This seriousness of the compliance demands is reflected in section 74 of the MFMA which states that the MM has an obligation to submit reports to the executive mayor, national and Provincial Treasury and failure to comply with the compliance demands, he/she must "promptly report the inability and provide reasons to the Provincial Treasury (Section 74 of the MFMA).

3.5.3 Ex-Post Oversight

Ex-post oversight has been described in Chapter Two of this thesis as the review or evaluation of how the approved budget has been implemented. Ex-post oversight is exercised to determine whether the implementation of the budget was consistent with the approved budget. The key activities for exercising ex-post oversight are auditing and annual report. The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127 of the MFMA. Additionally, the municipal council is required to adopt an oversight report containing the council's comments on the annual report.

The Executive Mayor has the legislated responsibility to ensure that the MM complies with the auditing process of the municipality. In this regard, the political leadership role of the executive extends to ensuring that the municipal manager prepares and submit the required financial statements to the Auditor-General (Steytler and De Visser, 2009: 11-48). Section 133 of the MFMA instructs the Executive Mayor to promptly report to the municipal council the failure of the municipal manager to submit financial statement to Auditor-General, the National Treasury and the provincial departments of treasury and local government. Section 127 (5) of the MFMA instructs the MM to, immediately after the annual report is tabled in the municipal council, submit the annual report to the Auditor-General, Provincial Treasury and other provincial departments responsible for local government.

3.6 THE IMPLICATION OF MUNICIPAL BUDGET OVERSIGHT

It is clear from the above that municipal budget oversight involves multiple principals. Equally apparent is that more or less the same budget oversight authority is dispersed to different oversight principals. Furthermore, these principals employ oversight measures that reflect considerable areas of overlap and duplications among oversight principals. Consequently, these overlaps and duplications have inevitable implications for the municipal manager. These implications are discussed below.

The multiplicity of oversight principals with multiple and diverse oversight mandates have the possibility of overregulation. Steytler (2008) identifies overregulation as an implication of the multiplicity of municipal budget oversight principals. According to Steytler (2008), overregulation has made municipal budget oversight excessive with debilitating strangulation on municipal managers. Furthermore, Steytler (2008) indicates that the overregulation of budget oversight unnecessarily exaggerates compliance.

Various authors and institutions highlight the excessiveness of compliance requirements for the municipal manager as a manifestation of the multiplicity of municipal budget oversight principals. According to the FFC (2014), these multiple municipal budget oversight principals require the municipal manager to produce a plethora of financial and non-financial reports. These onerous reporting requirements have a cumulative impact on the financial burden and human resources capacity of the municipality (FFC, 2014). In particular, FFC (2014) states that some municipalities incur an expenditure of up to a total of about R6.8 million to comply with the compliance demands resulting from reporting to the multiplicity of oversight principals.

The FFC, (2014: 4) quantifies the compliance obligations of municipal managers as follows:

- Approximately over 75 legislative reporting requirements with monthly, quarterly, mid-year and annual deadlines;
- MFMA reporting requirements - approximately over 40 reporting requirements;
- DORA reporting requirement - reporting on transfers.

Furthermore, the FFC (2014: 7) describes the compliance requirements as “authoritative, complex, intrusive, and inflexible”. Likewise, Business Media Live (2009: 3) states that the municipal oversight regime imposes a compliance burden on the municipal administration. In addition, Business Media Live indicates that “duplication and different monitoring levels take up valuable time that could have been used for service delivery”. Similarly, the FFC (2014)

cautions that municipal budget oversight compliance regime is not only burdensome but can also “contribute towards moral hazard, and be difficult to implement and enforce”.

Furthermore, the FFC (2014) highlights that the compliance burden has resulted in a vicious cycle, resulting in more non-compliance and poor service delivery. Arguably, these onerous compliance demands are likely to produce negative consequences. As indicated in Chapter Two, this compliance atmosphere can lead to perverse and undesirable behaviour on the part of the municipal manager. Failure to comply with these compliance requirements invokes legally prescribed sanctions for the individual municipal manager, which can include criminal and administrative procedures against the municipal manager (FFC, 2013).

Some of the above implications could be explained as stemming from defective intergovernmental relations. According to Edwards (2008), there is generally a lack of co-operative governance across all three spheres of government. Similarly, Du Plessis (2008) asserts that the intergovernmental relations are characterised by tension and conflicts among the national, provincial and local government spheres of government. Consequently, there is ineffective communication and a lack of coordination between the three spheres of government.

In relation to the challenges of intergovernmental relations, the SALGA (2011: 9) states that municipalities are frustrated because of “monopolistic tendencies of the other spheres of government”. SALGA (2011: 9) also claims that the “failures of national and provincial policies and processes undermine the ability, credibility and effectiveness of municipalities”. In addition, SALGA (2011: 9) indicates that the “system of intergovernmental relations is not effective in strengthening accountability towards achieving critical and targeted development outcomes”. Some of the frustrations experienced by SALGA (2011: 9) include:

- “The lack of clarity of the roles of different spheres of government across various sectors;
- The conflict and competition over powers and functions between provinces and local government.

- A perception of exclusion from planning and budgeting;
- The hegemony of party structures within the provincial government.”

The above list indicates and attests to the absence of an environment required to facilitate the multiplicity of oversight principals. It can be deduced from the above-listed frustrations that the prevailing tensions and conflict are likely to impact on the relationship between the municipality and the other spheres of government. As a result, municipalities, and particularly the municipal councillors, likely feel marginalised and undermined to a point where they can become disgruntled and disengaged.

3.7 CONCLUSION

This section described the municipal budget oversight relationships in South Africa. The chapter utilised legislative provisions to explore and described the oversight relationship between the municipal manager and the political principals on during the municipal budget process. Most importantly, this chapter highlighted the nature of delegation between the municipal manager and the political principals.

Importantly, it was established that the municipal manager is the key administrative agent in the municipality appointed by the municipal council. In this regard, the municipal manager is not a political actor budget an administrative agent delegated with administrative roles and responsibilities. Most significantly, the role of the municipal manager was in the municipal budget was explained. It was further established that the various legal provisions create multiple principals that exercise oversight on the municipal budget. Particularly, the chapter discussed the legal provisions that prescribe for national and provincial supervision, assignment and transfer of powers to municipalities and explicit budget oversight powers of national and Provincial Treasury. It was clarified that these legal provisions have created multiple principals. In particular, this detailed how these various principals exercise ex-ante, concurrent and ex-post oversight on the municipal budget. In addition, it was established that these

municipalities of principals hold implication for both the municipal manager and the other oversight principals.

It also becomes evident that the institutionalisation of the multiplicity of oversight principals is significantly challenged by the nature of the intergovernmental relations. It was revealed that the required cooperative governance is defective. Similarly, it was highlighted that the interaction between the municipalities and other spheres of government does not facilitate a desirable environment for the multiplicity of political oversight principals to ensure effective municipal budget oversight.



CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter explains the design and methodology used to collect data and conduct analysis for the study. This chapter has five key sections. The first section restates the purpose of the study. The second section presents the research design and approach, discussing the qualitative design, interpretive paradigm, exploratory and descriptive approaches. The third section explains the data collection method employed for the study. The fourth outlines the data analysis processes. And the final section of the study will explain the ethical considerations applied in the study.

4.2 PURPOSE OF THE STUDY

The purpose of this study was to gain understanding of municipal budget oversight by multiple principals. In endeavouring to achieve this purpose, the study explored the following research questions:

1. How do municipal managers in the Western Cape Province understand and perceive the multiple-principal model, its application and effects on the municipal budget process?
2. What do municipal councillors and Provincial Treasury officials in the Western Cape experience and perceive as manifestations and dynamics of oversight by multiple principals during the municipal budget process?
3. What do the Western Cape Provincial Treasury officials and municipal councillors identify as the positive and negative effects of municipal budget oversight by multiple principals?

4.3 RESEARCH DESIGN AND APPROACH

Burns (2000) cautions that the process of conducting research must be pursued and guided through a systematic research design. According to Burns (2000), a research design is a systematic plan, structure and strategy of inquiry in order to obtain answers to the research questions and problems. For this study, a qualitative design was used to explore the experiences of the participants, and to navigate data collection, analysis, and interpretation.

4.3.1 QUALITATIVE DESIGN

A qualitative research method was employed for this study to enable the process of gathering in-depth primary data that is rich in meaning (Babbie, 2007: 24). The qualitative research methodology for this study was suitable and relevant because of its inherent ability to produce a holistic understanding of the rich, contextual and generally unstructured, non-numeric data held by municipal managers, Provincial Treasury and municipal councillors. In addition, a qualitative methodology was preferred due to its competency for facilitating meaningful and constructive conversations, as well as capturing the meaning that Provincial Treasury, municipal managers and the municipal councillors assign to their experience and perceptions.

Furthermore, the qualitative research method was used due to its potential to allow in-depth explore of little-known and poorly-understood issues or phenomena on which no studies have been conducted before (Lincoln and Guba, 1999: 141). As indicated in Chapter One of this study, very little is known about the experiences and perceptions of municipal managers, Provincial Treasury and municipal councillors regarding the nature, meanings, issues and dynamics of municipal budget oversight by multiple principals.

4.3.2 INTERPRETIVE PARADIGM

This study utilised the interpretive paradigm due to its focus on understanding the views and meaning from the perspective of municipal managers, Provincial Treasury and municipal councillors and their municipal budget oversight environments (Neuman, 2000). According to Neuman (2000) an interpretive paradigm is concerned with understanding the lived experiences of people through interpreting, creating, give meaning, defining and justifying, in order to make sense of their worlds. Fundamentally, interpretive paradigm guided the process of drawing the participants' subjective experiences and perceptions through listening to narration.

Understanding the complexity of municipal budget oversight by multiple principals requires an interpretive investigation in order to respond to the context and obtaining dynamics. Similarly, an interpretive approach was considered

relevant and suitable to enable the elevation of detail and unique information possessed by the participants. This approach was considered useful to allow for a constructive engagement with structures of consciousness as lived and experienced by the participants in the Western Cape Province.

4.3.3 EXPLORATORY AND DESCRIPTIVE APPROACH

As already indicated, the study sought to inquire about a phenomenon that is little understood and is characterised by little knowledge or information regarding its effects (Creswell, 2009). Consequently, there was a need to explore the phenomenon in order to understand it better. An exploratory approach is often undertaken when studying a phenomenon in order to gain understanding about its nature and problems (Babbie, 2007). Equally, an exploratory approach is commonly suitable for conducting preliminary investigation of a process, event or phenomenon (Babbie, 2007). According to Babbie (2007), an exploratory approach is used in situation where the research problem has not been clearly defined.

Similarly, a descriptive approach was used to enable participants to reflect on their understanding of the topic. In particular, a descriptive approach was used to enable the participants to describe the phenomenon of municipal budget oversight by multiple principals, its issues, dynamics and complexities. The research questions for this study also required that a documentation and description of the phenomenon in a manner that take its natural context into consideration (Burns and Grove, 2005).

4.3.5 CASE STUDY

This study adopted a case study design for its ability to gain in-depth understanding of the phenomenon. A case study is used to investigate a bounded system or a specific person or group of people (Merriam, 2002). According to Yin (2003) a case study can be employed as an empirical inquiry for investigating a contemporary phenomenon within its real-life context in order to interrogate what, how, and why questions and where an investigator has little control over the events.

The exploratory and descriptive approach was combined with a case study strategy. Yin (2003) states that case study refers to a comprehensive research strategy with an all-encompassing method, which includes the logic of design, data collection techniques, and specific approach to data analysis. As a comprehensive research method commonly used to explore a phenomenon. According to Thomas (2011) a case study is one of several ways of doing research aimed at understanding human beings in a social context by interpreting their actions as a single group or community or a single event. Thomas (2011: 513) states:

“Case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The case that is the subject of the inquiry will be an instance of a class of phenomena that provides an analytical frame—an object—within which the study is conducted and which the case illuminates and explicates”.

Despite the potential strengths of the case study design to contribute to the aim of this study, I also took into account its possible limitations. In particular, as the researcher, I was acutely aware of the inability case study to enable a generalisable conclusion due to its intrinsic small set of data. Consequently, it will be methodologically inappropriate to conclude that the findings from the Western Cape municipalities would be the same as in other provinces with different social and political context.

4.4 DATA COLLECTION METHOD

As indicated above, an empirical investigation was pursued through qualitative data collection methods. This was to ensure that data collection was conducted in a manner that will reinforce the validity and trustworthiness of the study. Primary data was collected from participants in the study through in-depth interviews.

4.4.1 INTERVIEWS

In this study, in-depth interviews with participants were considered appropriate given the qualitative and exploratory nature of the study. This inference is consistent with Fontana and Frey (1994: 361) assertion that “interviewing is one

of the most common and most powerful techniques researchers use to try and understand fellow human beings”. Given that, the phenomenon of municipal budget oversight by multiple principals is a complex and not easy to observe, it was deemed appropriate to utilise interviews to collect primary data.

As interaction with participants occurred at different intervals and through different methods, and degree of focus of the study was historical (Yin, 2003), it was not possible to conduct a direct observation of the practice of municipal budget oversight by multiple principals. Thus, I relied on qualitative interviewing in order to draw the perspectives of the participants being interviewed. In addition, interviews made the data generation “meaningful, and explicit” (Patton, 2002: 341). In Patton’s (2002: 342) view, qualitative interview technique seeks to “know what is on and in the mind of interviewees and to gather their stories”. Therefore, the qualitative interview techniques were very useful in unearthing views, experiences and perceptions of the participants. In addition, interviews helped to obtain targeted and insightful information on the model, manifestations and effects of municipal budget oversight by multiple principals (Yin 2003).

In this regard, qualitative interviews were the most appropriate means of collecting data for this study. In fact, the ability to draw comprehensive and useful experience and perception of municipal managers and oversight principals on municipal budget oversight can be attributed to qualitative interviewing (Holstein and Gubrium, 1995: 78). These interviews established a structured process to understand the municipal budget oversight through the eyes of the municipal managers and political oversight principals as the actors centrally involved the municipal budget oversight relationship.

Furthermore, semi-structured interviews were used as the primary method to gather data. Semi-structured qualitative interviews are preferred when the researcher intends to seek more than yes or no answers. According to Scapens (2004: 267), semi-structured interviews provide the necessary flexibility to “explore the issues in depth, and to follow up the responses that are given by the interviewee”. Thus, meaningful face-to face semi-structured interviews were the most suitable method to investigate how municipal managers and oversight

principal experience and perceive the municipal budget oversight and its associated architecture and complexity. Interview questions were structured as open-ended to allow for further probing of answers and issues raised. Open-ended data gathering or interviewing allows social phenomena to be explored in considerable depth (Hartley, 1999: 211). This is possible as open-ended questions, that have not encouraged “predetermined” responses from interviewees, allow researchers to explore, “probe”, capture and understand “the world as seen by respondents” (Patton, 2002: 21).

To ensure that semi-structured interviews were effective, I used an interview guide. Walter (2013: 238) describes the interview guide as a “just a short list of the main topics or themes you want to address during the interview”. An interview guide is an instrument used to structure the interview questions and engagement. Similarly, it is used to help the researcher be meticulous and coherent, and to ensure that key areas of the study are adequately covered. I was also fully aware that it is sometimes difficult to discern the truthfulness of what transpires in the interview. However, since the focus of this study was on the understanding and perceptions of the participants rather than the truth, this issue was not an impediment. In this regard, I was more interested in what the participants perceived, believed and thought about the design, behaviour and effects of multiple principals on municipal budget oversight.

All interviews were conducted in English. The interview questions were designed to be open-ended rather than closed, making sure that the interviewees were not restricted to certain questions and answers. Thus, the three research questions of this study were used to guide the interviews. This approach was considered appropriate to provide participants with the ability to reflect on their views, beliefs and opinions. As Aberbach and Rockman (2002: 674) have advised, face-to face open-ended interviews allow for participants to “articulate their views, explaining why they think what they think”.

These interviews were structured and handled in a manner that allows for a conversation and controlled the dialogue with municipal managers and political oversight principals as participants for the study. Likewise, the interview process

and questions were handled in a manner that that could best enable responses and a follow up. Exploratory key qualitative questions were framed as follows: “What is your view?”; “What is your impression?”; “From your perspective?”; “How would you describe?”; “What is your view and attitude?” Naturally, follow-up questions explored in detail responses from the participants.

As indicated, the above interview approach and questioning facilitated a conversation between me and the participants. Particularly, it allowed the interview process to focus on the participant’s experience and perceptions expressed in their own words (Minichiello, Aroni, Timewell, and Alexander, 1990). As a result, the interviews not only provided a space to explore and describe the experience and perceptions of participants on the phenomenon but also allowed for further interrogation of the descriptions provided by the participants.

While the interview questions were planned beforehand, it became necessary for me to make changes. The need to make changes to the initial or planned changes is supported by Creswell (2007: 107) who notes that “qualitative questions are evolving and that the first iterations of questions are tentative and exploratory but give researchers a tool for articulating the primary focus of the study”. In this regard, when I realised that an interview question was too narrow to prompt or generate more data from the participants, additional or new interview questions were introduced.

All sixteen interviews were conducted with both municipal managers and the oversight principals during the months of October 2016 and September 2017. The interviews with oversight principals were intermittently held from December 2016 to September 2017. All the interviews were held at the participants’ workplaces, and were recorded on a digital recording device. More importantly, the interviews were interactive and conversational.

Interviews with municipal managers were less complex because they had a general understanding of the questions and concepts. I therefore had to provide minimal explanations of issues. However, interviews with principals (councillors

and WC treasury) often required me to explain the some terminology and issues. While the constant explanations took more time, it also enabled participants to develop an understanding and participate meaningfully.

After the fifth interview with the municipal managers and 11th interview with the oversight principals, I felt that adequate data had been collected to answer the research questions. My observation was that the participants were frequently repeating the same issues, describing issues and sharing similar experiences and perceptions in a similar way. This was despite my effort in asking and probing questions differently. At this point, I felt that the interviews have reached a saturation point. The saturation point is when no new insights or new descriptive code, categories or themes are emerging from the interviews (Charmaz, 2006). Charmaz (2006) defines saturation in the context of a study sample as indicating that adequate data has been received and that useful questions have been exhausted. Likewise, Strauss and Corbin (1998: 42) describe “saturation as a matter of degree, when pursuing additional data becomes counterproductive and new discoveries do not add value to the ongoing research project”.

I then discussed the issue of saturation with my supervisor, who advised that the qualitative nature of study and the problem is not concerned with quantity, but that there is adequate data to answer the questions about the study. Accordingly, it was decided that the amount of data generated from the five municipal managers and ten principals was adequate for the purposes of the responding the questions of the study.

It was therefore my considered view that these participants contributed in exploring and describing the phenomenon of municipal budget oversight by multiple principals. For this purpose, I ensured that the majority of participants were those who have been in the municipality for at for more than a year. It must be noted that that the interviews took place a few months after the municipal elections.

4.4.2 SAMPLING

Participants for the study were selected in a purposive manner. Black (2010) defines purposive sampling as a technique in which the “researcher relies on his or her own judgment when choosing members of the population to participate in the study”. Similarly, Berger and Luckmann (1966) describe purposive sampling as a method, which the researcher deliberately chooses who to include as participants in the study based on their ability to provide necessary and relevant data.

Purposeful sampling is common in qualitative research and seeks cases rich in information. There are various benefits of purposive sampling. Firstly, it facilitates access to participants who can provide relevant details about issues of central importance to the purpose of the research. Purposive sampling is also often used when only limited numbers of people can serve as primary data sources due to the nature of research structure and aims and objectives (Saunders, Lewis and Thornhill, 2012).

Municipal managers, councillors and Provincial Treasury officials in the Western Cape Province were ideal participants for this study due to their deep knowledge of the municipal budget oversight processes. Being centrally involved in municipal budget oversight processes, the municipal managers, Provincial Treasury official and municipal councillors are also familiar with the associated complexities and challenges. They are key knowledge reservoirs from which to obtain descriptive and exploratory views, insights, opinions, perspective and picture of municipal budget oversight by multiple principals.

Black (2010) lists the following advantages of purposive sampling:

- Purposive sampling is one of the most cost-effective and time-effective sampling methods available
- Purposive sampling may be the only appropriate method available if there are only a limited number of primary data sources who can contribute to the study

- This sampling technique can be effective in exploring anthropological situations where the discovery of meaning can benefit from an intuitive approach.

This above inference is supported by Berger and Luckmann (1966: 61) who state that “experienced reality is a result of social construction”. It is also important to keep in mind that the objectivity of the institutional world, however massive it may appear to the individual, is a humanly produced, constructed objectivity. Although constructed, reality can thus still be conceived as objective reality by humans, but this objectivity is a social product build in relationships.

Table 2: Municipal Managers who Participated in the Study

Interviewees	Gender	Experi ence	Category of Municipality
Participant 1: MM 1 Date: 28/10/2016 Interview Duration: 1:50:08	Male	>10 years	Local Municipality
Participant 2: MM2 Date: 12/11/2016 Interview Duration: 1:30:15	Male	>10 years	Local
Participant 3: MM3 Date: 17/11/2016 Interview Duration: 1:45:07	Male	9 years	District
Participant 4: MM4 Date: 06/12/2016 Interview Duration: 1:37:24	Male	7 years	Local
Participant 5: MM 5 Date: 19/07/2017 Interview Duration: 1:34:14	Male	>10 years	Local

Of the 11 budget oversight principals who participated in the study, 10 were municipal councillors from different municipalities and 1 participant was an official from the Provincial Treasury. These councillors were mainly recruited from the same municipalities as participating municipal managers. The Provincial Treasury official is located in the Local Government Budget Office, in the Western Cape Provincial Treasury.

Table 3: An Interview List of Oversight Principals

Interviewees	Gender	Experience	From
Principal 1: PT Date: 06/12/2016 Interview Duration: 1:35:02	Male	> 5 Years	Provincial Treasury
Principal 2: CL 1 Date: 26/06/2017 Interview Duration: 1:08:04	Male	> 6 years	Local Municipality
Principal 3: CL 2 Date: 26/06/2017 Interview Duration: 1:04:20	Male	> 6 years	Local Municipality
Principal 4: CL 3 Date: 27/06/2017 Interview Duration: 1:04:40	Female	>7 years	District Municipality
Principal 5: CL 4 Date: 27/06/2017 Interview Duration: 45:08	Male	>5 years	District Municipality
Principal 6: CL 5 Date: 27/06/2017 Interview Duration: 1:21:17	Male	>5 years	Local Municipality
Principal 7: CL 6 Date: 27/06/2017 Interview Duration: 1:05:12	Male	>5 years	Local Municipality
Principal 8: CL 7 Date: 06/07/2017 Interview Duration: 1:32:12	Male	>5 years	Metro Municipality
Principal 9: CL 8 Date: 07/07/2017 Interview Duration: 1:08:46	Male	> 15 years	Local Municipality
Principal 10: CL 9 Date: 07/07/2017 Interview Duration: 1:14:38	Male	> 15 years	Local Municipality
Principal 11: CL 10 Date: 05/09/2017 Interview Duration: 1:40:14	Male	>5 years	Local Municipality

4.4.4 RECRUITMENT OF PARTICIPANTS

The participation of municipal managers, Provincial Treasury and the municipal councillors was solicited through a telephone call and an email stating the purpose of the interview and requesting their consent to be interviewed. Those participants who agreed to participate were sent a consent form and the interview participation sheet prior to the interview session. All participants were allowed to decide on the time and venue for the interviews.

The municipal councillors proved difficult to recruit for the study. This is because, unlike municipal managers, councillors were required to obtain permission from their political parties to participate in the study. Thus, it took a while for councillors to agree and make themselves available for the study. It is also important to note that the high level of turnover of municipalities made it difficult to get relevant and appropriate councillors in some municipalities.

4.5 DATA ANALYSIS

I utilised the qualitative data analysis approach to analyse data from the interviews. Qualitative data analysis is defined as “an approach that emphasises the role of the investigator in the construction of meaning of texts” (Kohlbacher: 2006: 11). Bryman (2012: 542), on the other hand, refers to qualitative data analysis as an approach that allows categories and themes to “emerge out of data and on recognising the significance of understanding the meaning of the context in which an item being analysed appeared”. Therefore, I utilised qualitative data analysis approach to deal with complex social phenomena such as municipal budget oversight by multiple principals (Kohlbacher, 2006). Similarly, the qualitative content analysis was used to its inclination to be a theory-guided approach or methods of analysing interview scripts.

Qualitative data analysis involves “organising, categorising and identifying recurrent patterns presented in the data to explore the meaning and processes associated with the categories of behaviour” (Kelly, 1995: 287). Accordingly, effective analysis of data requires a structured interpretation of data in order to understand the underlying meaning from the point of view of the participants who

live, feel and experience it. An important aspect of data analysis in a qualitative case study is the search for meaning through direct interpretation of what is experienced and reported by the subjects.

This study followed the six data analysis steps as provided for by Creswell (2012: 236):

- a) Organising the data;
- b) Exploring and coding the data;
- c) Describing findings and forming themes;
- d) Representing and reporting findings;
- e) Interpreting the meaning of the findings; and
- f) Validating the accuracy of the findings.

These above-mentioned steps were followed to enable the process of generating a meaning. In terms of the steps outlined above, the analysis process started with transcribing, coding and development of themes and sub-themes. Therefore, this process of analysing data was guided by qualitative data analysis techniques and procedures. These techniques and procedures are part of the data analysis process that includes transcribing, coding and developing themes from the data.

I followed these techniques and processes to analyse the data collected from the interviews. This process intended to listen, interpret and understanding the meaning, subtleties and the ambiguities expressed during the interviews. The process is discussed below.

4.5.1 TRANSCRIPTION OF DATA

On completion of the interviews for this study, I commenced the data analysis process with the tedious exercise of transcribing multitudes of data from interviews. The transcribing exercises entailed the transferring of audio material as well as field notes taken during the interview into a comprehensible written text. To this end, I undertook a verbatim transcription of data to reduce, interpret and present what was originally unorganised data into visual, useable and complete data (Bailey, 2008).

The exercise of transcription required me to listen to the audio recordings and painstakingly type the conversations. Accordingly, a considerable amount of time and effort was expended in this activity. A total amount of forty five hours was spent listening and transcribing data from the sixteen interviews. In some instances, it became difficult to hear clearly some words due to the background noise or the interviewee lowering the voice. In these instances, I utilised the field notes to make sense of the missing dialogue.

The completed transcripts were sent to the participants as per a prior arrangement. In terms of this arrangement, the participants undertook to go through the transcripts and where necessary correct any misrepresentation. Follow-up telephone discussions were held with the three participants as the other thirteen participants indicated that satisfaction with the transcripts. These participants made minor corrections to the transcripts.

4.5.2 DATA CODING PROCESS

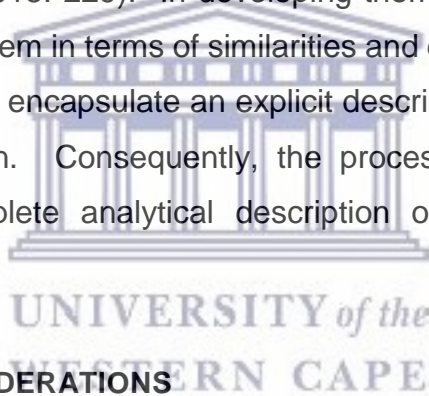
Once the transcribing exercise was completed, I began with the coding. Sutton and Austin (2015: 228) refer to coding as the “identification of topics, issues, similarities, and the differences that are revealed by the researcher”. Data coding was conducted manually, as the transcribed interviews generated huge volumes of data to be analysed. Thus, a simple coding was conducted classifying the data into a matrix table. The flowchart below provides a sketch of the data coding process. The development of the matrix table, an important aspect of coding in qualitative analysis, enabled me to reduce data (Sutton and Austin, 2015).

I also conducted a descriptive coding stage entailed the utilisation of objective characteristics of the phenomenon to classify data. Interpretive coding contributed a detailed layer of meaning to the descriptive analysis. The interpretive exercise provided concepts as well as created pattern and themes. Accordingly, the themes arising from qualitative analysis of interview data provided insight into participant experiences and perceptions of critical issues relating to the municipal budget oversight by multiple principals.

4.5.3 Thematic Analysis

As indicated above, qualitative data analysis involved the processes of developing themes. A theme refers to an “attribute, descriptor or element” (Vaismoradi, Jones, Turunen and Snelgrove, 2016: 101). Themes are created or emerge when the researcher seeks to interrogate the underlying meaning of the participants’ words. (Gray, 1998). It is also important to note that some of the key themes have ordinarily emerged from exploring the literature on oversight and multiple principals.

Accordingly, I developed themes in order to establish the meaning embedded in the participants’ experiences and perceptions. The development of themes is defined as a process of “drawing together codes from one or more transcripts to present the finding of the qualitative research in a coherent and meaningful way” (Sutton and Austin, 2015: 229). In developing themes, I was able to organise codes and compare them in terms of similarities and differences. These themes were as considered to encapsulate an explicit description and representation of the research question. Consequently, the process of constructing themes resulted in the complete analytical description of the phenomenon being investigated.



4.6 ETHICAL CONSIDERATIONS

A qualitative research design is often intrusive. The conducting of a qualitative study means that the researcher interacts deeply with the participants, thus entering their personal domains of values and weaknesses, when collecting data using interviews. For this reason, I was mindful of the fact that I was entering the private spaces of the participants. In addition, I took very seriously the obligation to respect the rights, needs and values of the participants (Creswell, 2009).

In an effort to adhere to the ethical considerations, I dutifully informed all participants that their participation was voluntary. I diligently informed the participants of the protocols and relevant ethical issues. These were discussed with the participants, and all participants signed the consent forms. I also requested that this part of the interviews be recorded on the audio tape with the

permission of the participants. In addition to the audio recordings, I duly informed the participants that he will be taking notes on important issues as they were mentioned by the participants.

The participation information sheet containing the purpose of the study and related information was provided to the participants prior to the interviews. The sample of the participation information sheet is presented as **Appendix 1**. In addition, informed consent was obtained from all the individual participants who participated in the study. A sample of the consent form has been presented in **Appendix 2**. In addition, both the participation information sheet and the consent form guaranteed the participants anonymity during the interview. Furthermore, all possible identifiers were either disguised by using pseudonyms or completely protected with the strictest level. In this way, confidentiality was maintained at all time.

4.6.1 RELIABILITY AND VALIDITY

Reliability was a prime concern throughout the different activities on the thesis. In this regard, utmost care was exercised in ensuring that appropriate measurements and processes were applied consistently. This means that whether the same results would be achieved if the measure was applied repeatedly (Creswell, 2009). On the other hand, I ensured that relevant, reliable data were collected. In particular, I made sure that the data collected addressed the research questions (Creswell, 2009). Equally, in an effort to ensure that the study results are valid, I ensured that the interview questions were clear and comprehensible.

4.6.2 TRUSTWORTHINESS

According to Holloway (1997:161), “trustworthiness is the truth value of a piece of research”. A research project is trustworthy when it reflects the reality and ideas of the participants (Creswell, 2009). Creswell (2009) adds that the trustworthiness of the research depends on the extent to which it delves into the participants’ experience. In this study, trustworthiness was ensured by through laying aside my preconceived ideas about the phenomenon under investigation and by returning to participants to

The following chapter (Chapter Five) presents the results of the data collected for the municipal managers. These results will enable me to develop appropriate findings on the perceptions of municipal managers on municipal budget oversight by multiple principals.

4.7 CONCLUSION

This chapter presented the research paradigm, design, and methods that were undertaken to the answer the research questions of this study. More fundamentally, the chapter provided justification for adopting the interpretive paradigm. Likewise, the chapter highlighted the reasons why I adopted in the qualitative exploratory and descriptive research approach. In addition, the chapter indicated why the case study methodology was considered the most appropriate approach to employ because it provides a systematic way to collect data, analyse information.

In a significant way, the chapter highlighted how I engaged in the qualitative interviews with the participants when collecting the primary data. The participants in the study provided rich, invaluable data on their experiences and perceptions on municipal budget oversight by multiple principals. In addition, themes were constructed in order to present descriptions of participants’ experiences and perceptions in a manner that managed to reduce, organise and cluster data into themes generated from the interviews.

CHAPTER 5: MUNICIPAL BUDGET OVERSIGHT IN THE WESTERN CAPE

5.1 INTRODUCTION

This chapter presents a descriptive overview of the governance of the municipal budget oversight in the Western Cape Province. To understand and appreciate the experiences and perceptions of municipal managers, municipal councillors and Provincial Treasury on the multiple oversight principals model, and its manifestations, dynamics and effects on the municipal budget oversight, it was essential to develop a picture of the municipal budget governance environment of the Western Cape and participating municipalities.

This chapter has two sections. The first section provides an overview of the governance environment of the Western Cape Province. The second section identifies the municipal budget oversight principals. This section will not repeat information already covered in Chapter Three of this thesis, but rather focuses more on the budget oversight role of provincial government departments.

5.2 GOVERNANCE CONTEXT OF MUNICIPAL BUDGET OVERSIGHT IN THE WESTERN CAPE PROVINCE

The Western Cape is one of the nine provinces of South Africa established in terms of Section 103 of the Constitution. Like other provincial governments, the Constitution grants the provincial government of the Western Cape both legislative and executive authority (Section 104 and 125 of the Constitution). Consequently, the Western Cape derives its existence, powers and functions directly from the Constitution, and accordingly enjoys constitutional protection.

The establishment of the provincial governments, like the Western Cape government, represents a fundamental transformation of the institutional architecture of the post-apartheid constitutional dispensation (Maré, 1991). Notably, provincial governments emerged during the negotiations to end apartheid in South Africa as a peace-making compromise to conciliate the divergent political and ideological positions (Maré, 1991). In particular, provincial

governments represent one of the deal-breakers between the African National Congress centralist and unitary ideological inclination and obstinate federalists like the National Party and Democratic Party (Maré, 1991; De Villiers, (2007) as well as ethnic-based groupings from right-wing Afrikaners and Zulu nationalists (Steytler and Mettler, 2001). De Villiers (2007: 3) argues that the issue of provinces was “the most contentious part of the negotiating process and had it not included the Interim Constitution, the negotiation process would have collapsed”.

Currently, the Western Cape Province has a population of 6,510,300, which is 11.5% of the total population of South Africa (Statistics SA, 2017). The Provincial Treasury (2017) attributes the growth of the population to net in-migration. In its Provincial Economic Review and Outlook 2017, the Western Cape Provincial Treasury (WCPT) (2017a: 12) highlights that “almost two-thirds (64.1 per cent) of the provincial population resides in the City of Cape Town”. The population consists of a Coloured majority (3,174,269), followed by Black (1,796,247), White (1,071,087) and Indian (41,246) (Statistics SA, 2017). The official languages of the province are Afrikaans, IsiXhosa and English.

According to Statistics SA (2017), the Western Cape Province is the third largest province in South Africa, and contributes about 14.4% to the national gross domestic product. It has a strong economic mix, predominantly involving the agriculture, fishing and tourism sectors (Rakabe, 2017). According to Rakabe (2017), the Western Cape is an urban province, despite being the second highest in agricultural output after KwaZulu-Natal.

5.2.1 DISTINCTIVE GOVERNANCE FEATURES OF THE WESTERN CAPE PROVINCE

The governance context and dynamics of the Western Cape Province and its municipalities have distinct circumstances, capacities and challenges. These are largely influenced by the fact that the Western Cape, like other provinces of South Africa, has unique “political variables, inherited institutional legacies and patterns of political contestations” (Levy, Cameron, Hoadly and Naidoo: 2016: 10). Similarly, the Western Cape has inherited distinctive institutional legacies and arrangements shaped along both “ethnic and geographical locales” (Levy, et al, 2016). These distinctive features are discussed below.

5.2.1.1 THE WESTERN CAPE CONSTITUTION

The first distinctive feature of the Western Cape is that it is the only province which has its own provincial Constitution. Though the KwaZulu–Natal province, dominated by the Inkatha Freedom Party provincial legislature, attempted to get its provincial Constitution certified, this was rejected by the Constitutional Court on 6 September 1996 (Simeon and Murray, 2001). The Western Cape, on the other hand, persisted with the adoption of its provincial Constitution and ultimately managed to get it to pass the certification test by the Constitutional Court on 21 February 1997 (Murray, 2001).

This Constitution of the Western Cape applies only to the Western Cape Province (Section 9 of the Constitution of the Western Cape). It is important to note that though the Constitution of the Western Cape is “the highest law in the Western Cape Province, it is still subordinate to the Constitution of the Republic of South Africa and accordingly, the obligations imposed by it must be performed diligently and without delay” (Section 9 of the Constitution of the Western Cape). The significance of the Western Cape Constitution is that it enables the provincial government to institute minor contextual additions and innovations rather than rely completely on the default provisions prescribed for the provincial governments by the Constitution of the Republic of South Africa (Murray, 2001). Other than the benign difference with the Constitution of the Republic, the Western Cape Constitution is characterised by many verbatim quotes copied directly from the South African Constitution (Murray, 2001). Authors differ regarding whether the Western Cape Constitution establishes a federal or a

unitary state (Malherbe, 2008). It is, however, important to note that both the New National Party, as erstwhile governing party after 1994, and the Democratic Alliance, the current governing party, have displayed tendencies that elevate provincial identity (Bekker, Leildé, Cornelissen and Horstmeier, 2000). Literature is replete with examples of constant conflict between the Democratic Alliance and national government regarding the devolution of powers to the Western Cape government.

A noticeable but minor difference is that the Western Cape Constitution does not use titles such as the Executive Council and Member of the Executive Council (MEC) as provided in section 15 of the Constitution. Rather, Section 35 of the Western Cape Constitution refers to Executive Council as the Cabinet and the MECs as Provincial Ministers. Likewise, Section 104 of the Constitution refers to Provincial Legislatures while the Western Cape refers to it as a Provincial Parliament (Section 9 of the Western Cape Constitution).

The Western Cape Constitution gives effect to the intergovernmental relationship between the provincial government and the municipalities. Specifically, the provincial governments enjoy the authority to pass framework legislation dealing with national standards, minimum requirements and monitoring procedures for municipalities (Constitutional Court Judgement, 2010). Accordingly, the oversight relationship between the province and the municipalities finds adequate expression in the Western Cape Constitution. Words such as “support” (Section 52), “monitoring” (Section 54) and “supervision” (Section 59), and ‘ensure effective performance’ (Section 54 (2)) describe the oversight relationship between the provincial government and municipalities. Arguably, the Western Cape Constitution is bequeathed with both legislative and executive authority to exercise oversight on municipalities in the province.

The Western Cape Constitution empowers the provincial government to provide for a framework and guidelines for how the provincial government should exercise monitoring of municipalities in the province (Section 54 of the Western Cape Constitution). However, Mathenjwa (2015: 180) cautions that:

“The power of provincial government to supervise local government does not entitle provincial government to compete with local government for the exercise of such power; instead, it requires a provincial government to coordinate its activities with local government in addressing any and all deficiencies that may exist in the functioning of local government.”

In particular section 54 (1) of the Western Cape Constitution provides that;

“Western Cape government must, by legislative or other measures, provide for the monitoring and support of local government in the Western Cape; and promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs.”

In addition, the Western Cape Constitution provides conditions under which the provincial government can intervene in a municipality. In terms of Section 49 (1) of the Western Cape Constitution:

“When a municipality in the Western Cape cannot or does not fulfil an executive obligation in terms of legislation, the Provincial Cabinet may intervene by taking any appropriate steps to ensure fulfilment of that obligation, including:
issuing a directive to the Municipal Council, describing the extent of the failure to fulfil its obligations and stating any steps required to meet its obligations; and
assuming responsibility for the relevant obligation in that municipality to the extent necessary -
to maintain essential national standards or meet established minimum standards for the rendering of a service;
(ii) to prevent that Municipal Council from taking unreasonable action that is prejudicial to the interests of another municipality or to the Western Cape as a whole; or (iii) to maintain economic unit.”

5.2.1.2 WESTERN CAPE MONITORING AND SUPPORT OF MUNICIPALITIES

The second governance feature of the Western Cape is the specific provincial legislation regulating oversight between the provincial government and municipalities in the Western Cape. Evidently, the Western Cape is the only province which has domesticated Section 154(1) and 155(6) of the Constitution of the Republic of South Africa, which provide for provincial support and monitoring of municipalities. Therefore, in addition to its provincial Constitution, the Western Cape government enacted the Western Cape Monitoring and Support of Municipalities Act of 2014 to provide for specific measures to support

municipalities, develop and strengthen the capacity of municipalities and to improve their performance.

The Western Cape Monitoring and Support of Municipalities Act No 4 of 2014 (2014) has been enacted to:

“...further provide measures to support municipalities, to develop and strengthen the capacity of municipalities and to improve their performance in accordance with section 106(1) of the Municipal Systems Act, 2000. In addition, the Western Cape Monitoring and Support of Municipalities Act also provides clarity and details for how the provincial government should implement the monitoring of suspected non-performance and maladministration in municipalities.”

Fundamentally, Section 2 of the Western Cape Monitoring and Support of Municipalities Act empowers the Provincial Minister to:

“...create opportunities for direct contact between municipalities and officials of the departments; and to at regular intervals convene meetings, workshops and information sessions where information, knowledge and views relating to the exercise of municipal powers and the performance of municipal functions can be shared.”

Section 4 of the Western Cape Monitoring and Support of Municipalities Act also empowers any Provincial Minister to issue practice notes and circulars to municipalities in order to regularise support and monitoring system. This provision allows the Provincial Minister to develop systems, standards, processes and activities for municipalities. In terms of Section 4 (2) of the Western Cape Monitoring and Support of Municipalities Act, the “practice note must pertain to systems, processes, procedures or activities in general or best-practice standards, as determined by the Provincial Minister”.

The Western Cape Monitoring and Support of Municipalities Act provides guidelines on how the Provincial Minister may intervene in a municipality. It is important to note that the power of the provincial government to intervene in a municipality is governed by Section 139 of the Constitution and the section 160 of the Municipal Systems Act. Accordingly, intervention should be based on objective assessment and investigations as contemplated by section 5 and 6 of

the Western Cape Monitoring and Support of Municipalities Act. Consequently, the Western Cape Monitoring and Support of Municipalities Act does not allow for unilateral and arbitrary intervention in the municipality in terms of section 160 of the Constitution. Similar to section 139 of the Constitution, the Western Cape Monitoring and Support of Municipalities Act outlines stringent measures that must be adhered to before the Provincial Minister intervenes in a municipality.

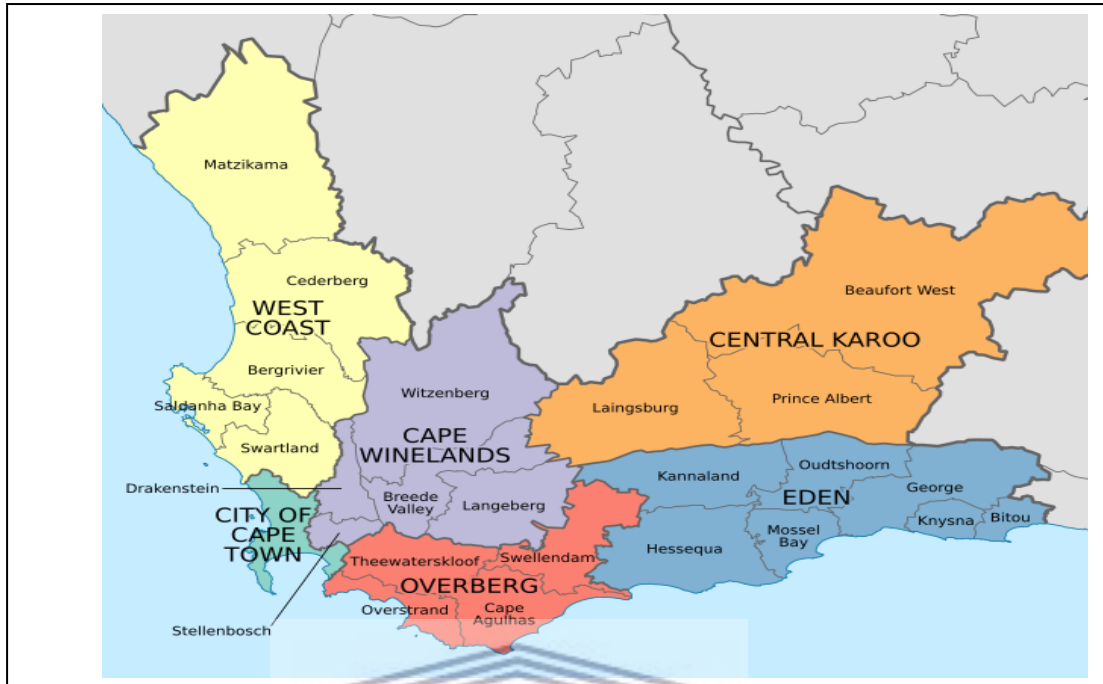
Accordingly, the interface between the provincial government and municipalities in the Western Cape is governed and regulated by an explicit provincial act. It is worth noting that while other provinces rely on the Constitution and other national legislation to interact with their respective municipalities, the Western Cape Government has passed a provincial act, the Western Cape Monitoring and Support of Municipalities Act 4 of 2014, for this purpose. Therefore, the Western Cape is unique in terms of using a provincial law to institutionalise the monitoring of municipalities by the provincial government.

5.2.1.3 MUNICIPALITIES IN THE WESTERN CAPE

South Africa's constitutional architecture and its transformation process has established district, metro and local municipalities in the Western Cape. These jurisdictions are all constitutional creations vested with constitutional legislative and executive authority (section 151 of the Constitution; Section 8 of the Municipal Structures Act). Each jurisdiction has its own municipal council, which serves as the legislative and executive authority of municipality, whilst the Executive Mayors have council-delegated executive functions to lead the executive structures of the municipalities.

The Western Cape Province has 30 municipalities: 1 Metro; 5 District Municipalities; and 24 Local Municipalities. These municipalities are depicted below:

Figure: 3: Map of Municipalities



Source: Muncipal Demarcation Board

(<http://www.demarcation.org.za/site/western-cape-2-2-2-2-3/>)

The Western Cape municipalities, like other municipalities across the country, are commonly classified according to a set of criteria. In this classification, “municipalities are placed into one of the seven categories, namely, A; B1; B2; B3; B4; C1; C2” (Powell and O’Donovan (2015: 4). Powell and O’Donovan (2015: 12) state that the “significance of this classification is that it highlights the population size, settlement, type administrative burden, service burden and well as the resource capacity of the municipalities”. Powell and O’Donovan (2015: 12) list the classification as follows:

- **A:** Metropolitan Municipalities.
- **B1:** Secondary cities; these are the local municipalities with the largest budgets.
- **B2:** Local municipalities with a large town as core.
- **B3:** Local municipalities with small towns, a significant urban population but no large town as a core.
- **B4:** Local municipalities which are mainly rural with communal land tenure.

- **C1:** District municipalities which are not water service authorities.
- **C2:** District municipalities which are water services authority.

In terms of the above classification, all 5 district municipalities in the Western Cape are classified as C1 (Statistics South Africa, 2016: 2). Furthermore, the Western Cape has 3 B1 local municipalities: Drakenstein Local Municipality, Stellenbosch Local Municipality and George Local Municipality (Statistics South Africa, 2016: 2). The Western Cape also has 6 B2 and 13 B3 municipalities (Statistics South Africa, 2016: 2). Evidently, and quite interestingly, the Western Cape does not have a B4 municipality, meaning that there are no rural municipalities in the Western Cape.

It is also important to note that Western Cape municipalities do not have a legacy of homeland and Bantustan areas. Therefore, the Western Cape, like the Gauteng Province, does not have organised traditional authority structures (Du Plessis and Scheepers, 1999). Consequently, the Western Cape municipalities do not compete for leadership roles and responsibilities with traditional authorities (Lehman, 2007). Likewise, municipalities in the Western Cape do not have the problem of divided affinity and loyalty between a democratically elected local municipalities and traditional institutions.

Similarly, the Western Cape municipalities did not inherit the legacy of underdeveloped Bantustan areas (Levy, et al, 2016). For this reason, Western Cape municipalities do not have “spatially dispersed populations with limited opportunities for revenue mobilisation due to a non-existent tax base” (Tulloch, 2017: 198). Furthermore, Western Cape municipalities inherited adequate economic and social infrastructures, unlike municipalities under the former Bantustan areas.

5.2.1.4 FINANCIAL VIABILITY OF MUNICIPALITIES IN THE WESTERN CAPE

Western Cape municipalities are widely reported to score the highest in terms of financial viability and their governance practice is regarded as sound. This means the majority of municipalities in the Western Cape do not have a liquidity

problem and have substantial assets that make them solvent. Khan (2017) states that six of the Western Cape municipalities are ranked top in the financial health index (Khan, 2017):

“The financial health index] allocates each municipality a score out of 100 points based on five indicators: its audit outcome for 2014-15; whether it had a permanent or acting municipal manager and chief financial officer; how strictly it managed its debtors; whether it under- or overspent its 2015-16 operational budget; and whether it spent its conditional infrastructure grants that fiscal year.”

The table below indicates the nature and levels of budget revenue collected by individual municipalities in the Western Cape. The budget revenue collected is an indicator of the level of financial viability of municipalities.

Table 4: Sources of Revenue for Western Cape Municipalities

R Thousands	Classification	Operating Revenue		Capital	
		Own	Transfer	Own	Transfers
West Cost District	C1	264,449	90,115	7,515	1,450
Saldanha LM	B2	876,184	85,553	154,527	34,626
Swartland LM	B3	530,200	117,773	46,167	35,076
Cederberg LM	B3	216,895	58,056	70,635	59,494
Matzikama LM	B3	234,267	57,074	9,190	34,819
Cape Winelands DM	C1	170,986	230,657	22,822	4,821
Breede Valley L M	B2	800,673	148,473	67,821	131,633
Stellenbosch LM	B1	1,299,704	128,242	197,920	60,137
Drakenstein LM	B1	1,887,845	219,262	40,000	84,347
Langeberg	B3	527,661	116,406	22,286	33,598
Witzenberg	B3	414,926	97,846	20,889	58,858
Central Karoo District	C1	45,572	26,705	253	1,155
Beaufort West LM	B3	204,107	91,621	1,230	14,640
Laingsburg LM	B3	55,997	17,853	794	8,321
Prince Albert LM	B3	32,602	36,050	-	8,528
Eden D M	C1	192,284	152,945	2,459	-
Knysna LM	B2	672,561	140,596	40,842	58,101
Bitou LM	B3	489,384	130,876	28,263	45,480
Oudtshoorn LM	B2	437,183	180,062	7,349	29,887
George LM	B2	1,317,926	417,341	90,717	320,315
Kannaland LM	B3		-		30,804
Mosselbay LM	B2	800,626	117,012	-	33,464
Hassequa	B3				
Overberg DM	C1	29,785	142,799	421	800
Theewaterskloof	B3	350,085	129,26	14,887	61,805
Overstand	B2	879,529	113,688	19,808	47,840
Swellendam	B3	179,060	37,461	4,000	14,810
Cape Agulhas	B3	293,765	55,134	9,034	12,969
Cape Town Metro		31,836,600	6,455,942	1,774,986	2,268,835

Source: National Treasury - <http://mfma.treasury.gov.za/Documents/Forms/AllItems.aspx>

In terms of the above table, B3 municipalities in the Western Cape raise considerable amounts of revenue from their own revenue streams. Arguably, though these municipalities still receive grants and transfers, they can however be considered financially viable. A presentation by the National Treasury at the Municipal Managers' Forum on 31 August 2017, titled "State of Municipal Finances and Expenditure as at 30 June 2017", describes the financial viability and sustainability of the municipal budget in terms of its ability to meet its expenditure obligations from its revenue and transfers (National Treasury 2017).

5.2.1.5 ELECTORAL DYNAMICS OF THE WESTERN CAPE MUNICIPALITIES

The Western Cape has unique electoral politics. Africa (2010: 5) states that "the Western Cape is a political unique province where electoral trends stand in sharp contrast to those in the rest of South Africa". Similarly, Levy et al (2016) state that "Western Cape electoral politics has been characterised by robust inter-party political competition". Africa (2010: 7) argues that the uniqueness of the Western Cape electoral dynamics are as result in its higher voter turnout compared to national patterns as well as the "extreme competitive elections notably in an attempt to capture the coloured vote" which forms the majority of the voter base in the Western Cape (Africa, 2010: 7).

Notably, this intense electoral competition has often resulted in a number of municipalities being governed through coalitions. This phenomenon of coalition governments was more prevalent during the 2006 municipal elections (Russon 2011). According to Russon (2011), the 2006 local government elections resulted in only four out of 30 municipalities in the Western Cape securing an outright majority, while the other 26 municipalities were governed by a coalition involving one two or more parties.

Notably, the period between 2006 and 2011 was characterised by a destabilising political environment emanating from the expedient coalition agreements and trade-offs between political parties and/or individuals. These coalitions were frequently changing, resulting in constant regime changes in the political leadership of municipalities. Consequently, the senior administrations of many municipalities were also subjected to frequent changes. Russon (2011: 80)

depicts the electoral contestation between the Democratic Alliance (DA) and the African Congress (ANC) as follows:

Table 5: Percentage of Votes Won by the DA and ANC

Elections	ANC	DA
Year - 2000	39.7%	49.9%
Year - 2006	40.2%	39.3%
Year – 2011	34.07%	57.08%
Year – 2016	26.22%	63.33%

Sources: IEC - <https://www.elections.org.za/lgedashboard2016/leaderboard.aspx#>

The Electoral Commission of South Africa (IEC) (2016) shows the results of the 2016 local government elections as follows: The Independent Electoral Commission of South Africa (2016: 74) reports that “voter turnout in the 2016 Local Government Elections was highest in the Western Cape at nearly 64%”. As indicated in the above table, the Democratic Alliance (DA) dominates the political landscape of the Western Cape. Having won outright 19 municipalities and governing through coalitions another six municipalities, during the 2016 municipal elections, the DA controls most of the municipalities in the Western Cape (Independent Electoral Commission of South Africa, 2016). This victory has also resulted in the DA governing all the district municipalities and the City of Cape Town, the only metro in the Western Cape.

5.2.1.6 PERFORMANCE OF WESTERN CAPE MUNICIPALITIES

Another important feature of the Western Cape is the culture of performance in the municipalities. Municipalities in the Western Cape are widely reported as performing relatively better than other provinces. According to the Yende (2016), the Government Performance Index has found that nine out of the top performing 10 municipalities in the country are in the Western Cape Province. This report further indicates that the Western Cape municipalities generally performed well with regard to service delivery, municipal administrative capacity and financial soundness. Similarly, the Western Cape Local Government Annual Report -

2015/16 (2017) cites reports such by Municipal IQ and Stats SA as indicating that municipalities in the Western Cape Province are functional and in the main fulfil their constitutional obligations of providing basic service delivery.

With regard to audit performance, the Auditor-General – MFMA (2016: 13) indicates that the Western Cape continued to produce the best results with 85% and 52% clean audits, respectively. The Auditor-General –MFMA (2016) attributes this achievement of both to the role of leadership, in particular by executive council, provincial treasuries and premiers in instilling a culture of accountability and the promoting sound administration. Similarly, there are high levels of consistent financial compliance by most municipalities in the Western Cape. In this regard, the Auditor-General – MFMA report (2012-13: 8) indicates that the Western Cape has experienced a continuous positive trend towards clean administration.

Furthermore, the Auditor-General indicates that “it is pleasing to note a steady improvement in the systems and skills required for planning, collating and reporting of annual performance, which continued to contribute to the improved quality of annual performance reports” (Auditor-General MFMA report, 2012-13: 8). With regard to the capacity of municipalities in the Western Cape, the Auditor-General–MFMA (2017: 79) notes that the Western Cape is “the only province where 100% of the auditees produce financial statements without material misstatements”.

In addition, Auditor-General MFMA, (2012-13: 8) report further states that the Western Cape has displayed basic:

“...financial disciplines and monthly processing and reconciling of transactions, regular preparation of credible financial and performance reports, as well as the effective implementation of checklists to ensure compliance with laws and regulations, was implemented at the municipalities that attained and maintained clean audit outcomes”

The recent audit reports indicate that the municipalities in the Western Cape were receiving better audit opinions as compared with other provinces (Auditor-

General, MFMA - 2015/2015 (2016). This report indicates that the “Western Cape province is the highest at 73% of the proportion of municipalities receiving clean audits”. This means that 22 out of 30 municipalities in the Western Cape received a clean audit for the 2014-2015 financial year (Auditor-General – MFMA (2016: 16). In addition, the latest report highlights that “the Western Cape continued with setting the pace by increasing their clean audit opinions to 80% of their municipalities” (Auditor-General –MFMA (2017:10).

Though the above-stated performance could be attributed to various provincial and municipal factors, it is worth noting that the Auditor-General MFMA-2015/2016 (2017) singles out the Western Cape as the only province that deals decisively with municipal officials for deviation, non-adherence and non-compliance with financial discipline. The Auditor-General MFMA-2015/2016 (2017: 175) states specifically that;

“In the Western Cape, many municipalities have demonstrated accountability and good governance, which has led to an overall outcome of clean audits for the majority of municipalities. A further indication of accountability is the implementation of consequences for transgressions. Many municipalities have instituted disciplinary action, resulting in the dismissal of employees and recovery of losses, thereby setting the tone from the top that action will be taken where transgressions occur.”

5.2.1.7 MUNICIPAL BUDGET GOVERNANCE

It was indicated in Chapter Three of this thesis that the governance of the municipal budget is critical for promoting effective resource mobilisation, sound fiscal management, transparency and accountability. While the framework for the municipal budget process is generally regulated by the MFMA, the WPCT (2017b) through its Local Government Budget Overview has institutionalised within the provincial budgeted governance Provincial Strategic Goal (PSG) 5.

The budget governance of the Western Cape municipalities is one of the key aspects of the Provincial Strategic Goal (PSG) 5 (WC Department of the Premier, 2016). The Provincial Strategic Goal (PSG) 5 is intended to “embed good governance and integrated service delivery through partnership and spatial alignment” (WC Department of the Premier 2016: 55). Essentially, the PSG 5

constitutes a response to lack of coordination between provincial department and municipalities as well as reduce “fragmentation, wastage and duplication” (WC Department of the Premier (2016: 56) by “institutionalising joined-up governance and approach which constantly strives to improve the alignment of policy making, planning and budgeting between the provincial and local spheres of government”. In addition, this institutionalisation facilitates collaboration in the accountability of the municipal budget process (WC Department of the Premier, 2016).

Evidently, the PSG 5 emphasises intergovernmental integration, alignment and coordination between the municipalities and different provincial government departments in the municipal budgeting process. The Auditor-General-MFMA (2016: 116) states that the Premier of the Western Cape continued to use the Premier’s Coordinating Forum to coordinate and monitor the municipal governance review and outlook. As the custodian of the PSG 5, the Premier of the Western Cape ensures coordination, alignment and complementarity of efforts of the provincial government department in order to promote effective oversight on municipalities (Auditor-General MFMA, 2016). Fundamentally, this strategy creates an environment in which the governance of the municipal budget promotes intergovernmental political steering and coherence.

As part of this coordination, Provincial Treasury convenes the Local Government Medium-Term Expenditure Committee (LG MTEC), which consist of a high profile provincial departmental delegation from the Provincial Treasury, Department of Local Government, Department of Environmental Affairs Planning and the Department of Economic Development (WCPT -Circular MUN No 40/2015). The LG MTEC is essentially a consultative forum that precedes the municipal budget process in order to enable the provincial government to assess the municipal planning and budgeting (WCPT–Circular No 78/2016 (2016). Furthermore, the WCPT - Circular No 8.26 (2016: 7) highlights that the LG MTEC is facilitates a “technical engagements that are pitched at a strategic level” hence, the representation consist of senior officials from various government department while municipalities are represented by municipal managers and senior managers from the budget, treasury offices.

5.3 MUNICIPAL BUDGET OVERSIGHT PRINCIPALS IN THE WESTERN CAPE

Chapter Three of this thesis highlighted that the authority to exercise municipal budget oversight derives directly from various laws, which include MFMA, Municipal System Act and Municipal Budget Reporting Regulations. Individually, these laws instruct different political structures to exercise oversight on drafting, approval, implementation and auditing of the municipal budget. In terms of these laws, the municipal council and host of other principals exercise municipal budget oversight. The WC Department of Local Government annual report (2017c) states that that in the Western Cape provincial departments, such as the Provincial Premier, Treasury and Local Government departments are active in municipal budget oversight.

5.3.1.2 WESTERN CAPE DEPARTMENT OF LOCAL GOVERNMENT

The role of the Western Cape department of Local Government in municipalities is two-fold, namely, oversight and support. Both the oversight and support roles are general, and therefore, not confined to the municipal budget. With regard to the oversight role, the annual report of the Western Cape Local Government' 2015/2016 (2016) describes its role as to regulate the performance of the municipalities in the terms of their functions listed in schedule 4 and 5 of the Constitution. In addition, the department states that it has the responsibility to intervene where there is non-fulfilment of legislative, executive or financial obligation (Western Cape Local Government, 2016).

The department is very active in supporting the municipalities with the Integrated Development Plan. The Western Cape Local Government (2016) reports that it is leading the process of ensuring that municipalities comply with the legislative requirement regarding Integrated Development Plans (IDPs) and that IDPS are aligned to service delivery. The department also ensures that the IDP processes are participative by hosting a series of strategic engagements between provincial departments and municipalities as a way of strengthening municipal planning and budgeting.

5.3.1.2 WESTERN CAPE PROVINCIAL TREASURY

It was highlighted in Chapter Three of this thesis that Section 216 of the Constitution entrusts the National Treasury to introduce measures to ensure transparency and compliance. Thus, constitutionally, the National Treasury as the ultimate custodian of fiscus is required to monitor the budget of municipalities to promote good budget and fiscal management and prevent deviation from the treasury's established uniform norms and standards (Section 5 of the MFMA). It was indicated that Section 5 (3) of the MFMA instructs provincial treasuries to assist the National Treasury in enforcing compliance within nationally established measures, norms and standards. Therefore, the authority of provincial treasuries to exercise budget oversight derives mainly from the MFMA which empower the Provincial Treasury to exercise oversight on the drafting, approval, implementation and auditing of the municipal budget process.

The relevant data on the municipal budget oversight role and activities of the Western Cape Provincial Treasury (WCPT) is contained in its Annual Reports, Annual and Performance Plans and Circulars. These documents constitute the authoritative representation of municipal budget oversight activities of the Western Cape Provincial Treasury. The municipal budget oversight role of the WCPT is clearly articulated in its annual report WCPT (2017c: 19) which states:

“The Provincial Treasury must inter alia monitor compliance with the MFMA by municipalities and municipal entities in the province, monitor the preparation of the municipal budgets, the monthly outcomes of these budget and submission of reports by municipalities as required in terms of the MFMA. It may also assist municipalities in the preparation of their budgets; further exercise any powers, perform any duties delegated to it by National Treasury in terms of the MWFMA and may take appropriate steps if a municipality in the province commits a breach of the MFMA.”

In terms of the above statement, the WCPT exercises different measures of oversight on the stages of the municipal budget process in order to mitigate non-compliance. At the core of these measures, is the ability of the WCPT to compel municipalities to provide relevant, appropriate and timeous information on the stages of the municipal budget. It was illustrated in Chapter Three that access

to appropriate, relevant and timeous information is critical in oversight in order to address information asymmetry.

In addition, the WCPT utilises circulars to provide budget information, instructions and binding guidelines to municipalities. Notably, the wording of the circulars is obligatory and peremptory. In addition to being prescriptive, circulars are non-negotiable and reflect a predisposition to unconditional compliance. Consequently, the requirements are also stringent and do not offer opportunities for municipalities to deviate or not comply. In terms of mitigating non-compliance, the WCPT (2017d: 29) regularly issues:

“...clear guidelines for the tabling, adoption, submission and reporting guidelines for development of municipal budgets, SDBIPs, In-year reports and Annual Reports, training and advice to municipalities and processes to be followed in the event of non-compliance”.

In terms of the oversight on the draft budget, the WCPT assist municipalities in the budget preparation during the annual planning and budget process. For instance, the WCPT (2017d) instructs municipalities to align their planning priorities and development strategies with those of the provincial departments. The requirement to align the planning of the municipalities to that of the provincial government is effectively a way of exercising ex-ante oversight on the municipality. It has the ability to prescribe and shape the behaviour of the municipal manager beforehand.

For example, the WCPT Provincial Treasury Circular MUN No 7-2011 (2011:12) instructs all municipalities to “accurately complete the required list of A-Schedules in full and failure to do so will constitute non-compliance with the Municipal Budget Reporting Regulations”. In addition, the circular makes it compulsory for all municipalities in the Western Cape Province to utilise a specific format and form to prepare their annual budgets.

The WCPT Circular MUN No 7-2011 (2011:12) further provides that:

“Municipalities are required to utilise the A1-Budget Summary and A10-Basic Service Delivery Measurement Schedules to enable the Provincial Treasury to analyse the extent to which municipalities

utilise the allocated equitable share funding towards the provision of free basic services. Incorrect or unavailable information reported by municipalities in these schedules consequently prohibits the Provincial Treasury from conducting credible and accurate analysis.”

As part of the WCPT assisting municipalities with the preparation and monitoring of the efficient and effective implementation of the budget, the WCPT Circular MUN NO. 13/201 (2018: 20) states that the WCPT

“...receives budget documents during their tabling in a municipal council meeting in order to start with the assessment process. In order to facilitate this, the Provincial Treasury deploys officials to attend the budget tabling proceedings and collect the tabled budget documents.”

Equally, the WCPT is actively involved in the oversight of the implementation the municipal budget. According to the WCPT (2017c) monthly, quarterly financial statement as well as mid-year reports are analysed by a specific unit within the WCPT. These reports are used by the WCPT to determine compliance and integrity of reports, as well as structure their engagement with municipalities. With regard to auditing, the WCPT ensures that the financial reporting of municipalities and compliance with financial norms and standards. The WCPT ensures the quality and integrity of financial accounting and reporting to fully reflect all transactions (WCPT, 2017c). The Auditor-General–MFMA (2016) states that the success of the municipal budget oversight and accountability of the Western Cape municipalities can be attributed to the nature and level of support provided by the WCPT during the auditing stage. In terms of this report, the WCPT “ensures the credibility of the province financial statements’ and performance reports and compliance with legislation” (Auditor-General MFMA, 2016: 66).

5.4 CONCLUSION

This chapter presented the particularities of the Western Cape Province with the aim of outlining the factors that have the potential to influence the oversight and accountability environment in the Western Cape. In particular, the governance context and legislative environment was briefly described. The chapter also

identified the role and activities of principals involved in exercising municipal budget oversight.

Notably, the chapter established the municipal council and the WCPT as key principals exercising oversight on the municipal budget. Essentially, the chapter illustrated the oversight role of the WCPT in the drafting, implementation and auditing of the municipal budget process. In this regard, the chapter managed to answer the question regarding the quantitative aspect of the municipal budget oversight principals in the Western Cape.

The next chapter explores the experience and perceptions of municipal managers of the multiple principals exercising municipal budget oversight in the Western Cape Province.



CHAPTER 6: MUNICIPAL MANAGERS' PERCEPTIONS AND EXPERIENCES OF BUDGET OVERSIGHT BY MULTIPLE PRINCIPALS

6.1 INTRODUCTION

The chapter presents the results of the interviews conducted with municipal managers who participated in the study. This chapter has three key sections. The first section provides a brief description of the specific environment in which interviews with municipal managers were undertaken. The description of the environment, especially in relation to the timing of the interviews, is significant for understanding the possible psychological state of the municipal manager during the interviews.

The second section provides a brief description of municipal managers who participated in this study, developing profiles from information gathered from them during the interviews. The third section presents the analysis of data from the interviews with municipal managers.

6.2 DESCRIPTION OF INTERVIEW ENVIRONMENT

Five municipal managers (MMs) were interviewed individually. The first four interviews were held from 28 October to 6 December 2016. The last interview was held on 19 July 2017. It is worth noting that the first four interviews were conducted within four months of municipal elections held on 3 August 2016. Thus, the first four interviews took place during a busy transition period that imposed additional responsibilities for municipal managers.

Municipal managers play a critical role in managing this transition process after the municipal elections – including conducting hand-over reports from the previous structures of the municipality, as well as presiding over the election of the speaker of the municipality during the first sitting of the municipal council (Steytler and De Visser, 2009). SALGA (2016) states that, immediately after the first meeting of the council, the MMs are required to arrange the induction of

incoming councillors. The induction should familiarise incoming councillors with council meeting rules, key institutional processes and priorities for their term of office (SALGA (2016)). In terms of human resources-related duties, MMs are required to also assist with information pertaining to remuneration, tax declaration of interest and office accommodation (SALGA, 2016).

Chapter 3 of this thesis stated that MMs are career administrative appointments contracted by the municipal council for a period aligned with its term of office. Procedurally, the new political leadership of municipalities after the elections embarks on a process of appointing new municipal managers. Consequently, this period is very stressful for MMs who are experiencing uncertainty and anxiety about their future as employees of municipalities.

All the MMs were concerned about the ideological orientation and political agenda of the new political leadership in the municipality. In particular, MMs highlighted doubts regarding the commitment of the new councillors to the budget adopted by the previous municipal council. In addition, they also highlighted their fears around the attitudes of the new councillors, especially leadership of political parties to MMs and the administration in general. The MMs raised their uneasiness about the political atmosphere that would prevail in the municipal council between the DA and the ANC.

6.3 PROFILES OF MUNICIPAL MANAGERS

As indicated in Chapter Four of the study, interview participants requested anonymity. Thus, any information that was likely to identify them was either concealed or totally avoided. In keeping with the request to grant municipal managers anonymity, codes were used to identify the participants. The numbers on the codes indicate the sequence in which the municipal managers were interviewed. The codes were MM1; MM2; MM3; MM4; MM5).

The first municipal manager interviewed (**MM1**) was from a local municipality in the Western Cape. He manages a municipality with a substantial tax base and a rapidly-expanding economy. MM1 has served as the municipal manager in several municipalities within and outside the Western Cape Province. MM1 considers himself more than adequately experienced in the management of a municipality since he has been in the current municipality for ten years, and previously served as an administrator in two municipalities that were placed under Section 139 of the Constitution.

MM1 indicated that under his leadership of the municipal administration, the municipality has received an unqualified audit opinion for six consecutive years and a clean audit status two years in a row. MM1 indicated that he served under both the ANC and DA thereby indicating his ability to serve professionally. Given his long experience and deep knowledge, his views on oversight are especially pertinent to this thesis.

Although **MM2** has been with his current local municipality for three years, and previously served as a municipal manager in another for seven years. MM2 considered himself both adequately qualified and experienced. Moreover, he has been a municipal manager of municipalities led by the ANC as well as the DA, and thus has much experience in navigating political conflicts and dynamics. MM2 highlighted that he is leading a grade two municipality which, unlike MM1, has a much smaller tax base (the municipality is listed as a B3 municipality). Because of this limited tax base, the municipality receives extensive grants and other transfers from a number of government departments within the national and provincial spheres of government. He highlighted that his municipality has received an unqualified audit report for the 2015/2016 financial year. This is the third consecutive clean audit for the municipality. MM2 attributed this success to effective internal controls and his ability to lead a highly-qualified senior management team. This MM was generally very positive about his role and relationship with his political oversight structures.

The third municipal manager interviewed (**MM3**) was from the district municipality. MM3 has been in the employ of the current municipality for nine

years. MM3 comes from a municipality that is highly grant-dependent. Its revenue consists of 55% grants, with a further 32% coming from other intergovernmental transfers. MM3 indicated that because she is managing a grant-dependent entity, she is accountable to a number of grant-transferring authorities.

MM3 considered himself both adequately qualified and experienced and this municipality has received an unqualified audit report for the 2015/2016 financial year. He attributed this achievement to leading a politically stable municipality with a well-functioning administration. MM3 claimed to have managed to steer the district municipality and develop an environment in which good governance, sound financial management and internal controls are non-negotiable and entrenched pillars.

MM4 has been in the employ of his municipality for the past 28 years. He has been a municipal manager for 7 years. MM4 indicated that under his administrative leadership, the municipality has received a clean audit for the 2015/2016 financial year. MM4 emphasised that he has instilled a culture of compliance with Municipal Finance Management within the municipality. He also highlighted his experience and knowledge of municipal governance as one of his most valuable assets. He worked under the ANC during the previous term, but is currently serving under the DA.

MM5 has been a municipal manager of the local municipality for fifteen years. In his years of experience, the municipal manager highlighted that he has ensured that the municipality was financially viable and sustainable. MM5 highlighted his outstanding achievements as consecutive clean audit reports. Additionally, MM5 indicated that he has been instrumental in establishing structures, processes and mechanisms for effective accountability of municipal financial resources. MM5 claimed that he has managed to maintain a good relationship with the municipal council, the provincial government and some national government departments.

6.3 PRESENTATION OF RESULTS FROM INTERVIEWS WITH MUNICIPAL MANAGERS

This section presents an analysis of the data from the interviews conducted with the five participating municipal managers. The data are presented according to the three research questions of the study and their related key themes.

6.4.1 QUESTION 1:

The first question was divided into two parts. The first part explored the participants' understanding of the municipal budget oversight while the second part focused on their experiences and perceptions of municipal budget oversight.

Part One

The first part of the question was: What is the Municipal Managers' understanding of municipal budget oversight?

All the participants had a similar understanding of budget oversight. Key themes that emerged from their responses were: (1) monitoring of the budget decisions and activities; (2) control of the budget; and (3) compliance.

6.4.1.1 MONITORING OF BUDGET ACTIVITIES

All MMs described municipal budget oversight as monitoring. Such monitoring, they believed, was exercised by political structures to assess budget decisions and activities of the municipal managers. MM1 in particular understood and perceived municipal budget oversight in the following terms:

"The political structures have the responsibility to monitor me as the municipal manager. I make budget decisions or implement resolutions of the council, Executive Mayor and mayoral committee, and therefore, they monitor me to assure themselves that these decisions are implemented according to their instructions."

MM2, MM3 and MM5 described their understanding in a similar manner as all of them emphasised monitoring as what is textually mentioned in the MFMA. According to them, budget oversight is monitoring to ensure good fiscal stewardship and value for money.

MM2 articulated his views on monitoring much more starkly:

“Municipal budget oversight is about the political structures monitoring what we do as the administration. It is about being vigilant and watching us like hawks. They do oversight in order to know how every cent belonging to the municipality is being spent.”

In more or less the same way, MM3 used the word “monitoring” and ‘verification’ to describe budget oversight. MM3 explained his thinking in the following manner:

“Budget oversight in my municipality is essentially monitoring by leadership in order to verify my effectiveness. They cannot just hope that my activities are correct, they have an obligation to verify the appropriateness of my activities.”

6.4.1.2 CONTROL OF THE BUDGET

MM1, MM2, MM3 and MM4 also described budget oversight as *control*. The MMs indicated that the political leadership in the municipality have the legislative authority to control the budgeting process of the municipality in order to addresses their legal and political agenda. MM1 put it simply:

“Budget oversight is about controlling the resource mobilisation and distribution process and outcomes. It is about directing the municipal budget process and controlling the purse.”

MM2 explained the issue of control in a more practical way. According to MM2 the budgeting process in a municipality is a political, democratic and legal process that requires steering and control from the Executive Mayor. MM2 explained that:

“Municipal budget oversight is fundamentally about how the Executive Mayor provides leadership by aligning and controlling the collective efforts of both the councillors and the administration to realise the municipality’s aspirations and the objectives.”

6.4.1.3 COMPLIANCE

All five MMs stated that they also understand municipal budget oversight as compliance. In more or less the same way, MMs highlighted budget oversight as a way of ensuring conformance with norms and standards regarding reporting.

Expressing his view, MM2 said:

“Municipal budget oversight is too legalistic and compliance-oriented. Every process and activity is strictly prescribed by law or regulations. All we must do is to comply or risk being declared offside”.

MM1, MM3 and MM4 uttered similar views regarding budget oversight as a way of adhering to the rules and regulations. These MMs indicated that their activities are determined by laws, regulations and guidelines, therefore, oversight is to ensure that they comply with these laws.

MM4 described budget oversight as an aspect of the performance contract that he signed with the municipality. MM4 explained his views as follows:

“My political masters have the responsibility to make me behave and respect according to my employment contract. They also need to ensure that there is consistency between my decisions and their instructions-and/or expectations, at least.”

When asked about their perceptions of municipal budget oversight, all the MMs highlighted the prescriptive nature of the laws and regulations governing the municipal budget oversight. MM1 remarked:

“You must adhere to the circulars, formats and guidelines. Municipal budget oversight is too legalistic and compliance-oriented. There are many laws and regulations prescribing reporting procedures in a rigid manner, what must be in the report and how information should be presented.”

In their explanation, MM2, MM3 and MM5 indicated that they perceive budget oversight as being about compliance. MM2 stated:

“To me budget oversight is compliance. Budget oversight is compliance; it is a Western Cape syndrome. We do not exercise

budget oversight in order to comply, we do it as the most important thing so that we can claim good governance.”

Similarly, MM5 claimed that the orientation of municipal budget oversight in the Western Cape is “obsessively” about compliance. He expressed his perception as follows:

“Budget oversight is compliance-driven and has become so inflexible and oblivious of the peculiarities of my municipality. You must adhere to the circulars, formats and guidelines. Otherwise, you get into trouble for non-compliance.”

MM5 was very critical and described the fixation with compliance as the “Western Cape syndrome”. He expressed his frustration as follows:

“In the Western Cape, budget oversight is about coercing municipal managers into conformity that is inflexible and oblivious of the peculiarities of my municipalities.”

Part Two

The second part of the research question asked the MMs to *describe [their] experiences and perceptions on the design of municipal budget oversight*. Responses to this question produced two: (1) several political structures; (2) authority of budget oversight structures.

6.4.1.4 SEVERAL POLITICAL STRUCTURES

All the participants indicated that municipal budget oversight is designed to involve several political structures. MMs identified the following as political structures exercising municipal budget oversight:

- a) The municipal council.
- b) Section 79 council committees. It was indicated in Chapter Three of this thesis that Section 79 committees are council committees constituted mainly by non-executive councillors. The municipal council to strengthen its oversight role on the different processes of the municipality establishes these committees.
- c) The Executive Mayor, Mayoral Committees and Section 80 committees.

- d) National and provincial government departments, especially, Cooperative Governance and Treasury.

When asked to describe the different municipal budget oversight structures, participants differentiated them in terms of their relationship with the municipal managers. MM2 was of the opinion that:

“These oversight structures are essentially political structures and interact with me without the assistance and support of government officials. Another category of oversight structures are those at the provincial and national government departments which utilise the expertise of government officials to exercise oversight with the municipal budget.”

All the MMs mentioned the Executive Mayor as enjoying a close oversight relationship with the municipal manager on the municipal budget. Unlike, councillors whose engagement with the municipal manager is through the council or committees of council, the Executive Mayor directly oversees the municipal manager. According to the MMs the proximity of the Executive Mayor to the municipal manager was a way of ensuring that the budget process does not deviate from the approved integrated and development plan (IDP) and the ruling party's manifesto.

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MMs also mentioned that the municipal councillors as exercising the budget oversight through the council and their respective Section 79 committees. They emphasised the key role of the municipal council in municipal budget oversight. MMs in different ways articulated the fact that the municipal council is the ultimate budget authority of the municipality. All the participants explained that the municipal council without which these decisions are irregular and invalid must make all budget decisions.

MMs also highlighted that the Provincial Treasury exercises budget oversight over the municipality, but mainly over the municipal manager. Participants described this budget oversight arrangement as legislatively prescribed. MM1 describes the involvement of the Provincial Treasury as follows:

“Various laws and regulations require the Provincial Treasury to exercise oversight on the municipal budget. I am compelled by the law to account to the provincial department by providing regular reports.”

All the MMs indicate that within the Provincial Treasury there are at least three units dealing with different areas of the municipal finance: the budget unit, which focuses on the compliance of the budget rules; accounting unit, which deals with the Annual Financial Statements; and the supply chain unit that ensures that municipalities adhere to the procurement processes.

When asked about their perceptions regarding these several oversight structures that are involved in the municipal budget oversight, four participants described the model as creating diverse centres of power. MM2’s description below aptly articulates this sentiment.

“There are different oversight structures within the Provincial Treasury. They all interact with me as separate stovepipes, though they are from the same provincial departments. The same thing happens with the provincial COGTA, where there are different officials demanding different information and reports from me.”

MM5 described this model of multiple oversight principals as complex. He articulated this complexity in the following manner:

“I honestly feel like these budget oversight structures perform the same function. The difference between the oversight role of the council and that of Provincial Treasury is artificial. It is not as if the municipal council is prevented from doing what the other oversight structures are doing. I really do not understand the rationale between for having so many oversight structures.”

All participants expressed a concern that the multiplicity of oversight structures does not necessarily result in quality oversight. Some participants suggested that effective municipal budget oversight could be achieved with fewer oversight structures. However, MM4 appeared to support the variety of the oversight structures: His logic was follows:

“I do not see anything wrong with the many oversight structures, especially the Provincial Treasury. I think the Provincial Treasury contributes towards ensuring a comprehensive view of the municipal

budget process. It would have otherwise been too much for a municipal council.”

6.4.1.5 SHARED OVERSIGHT AUTHORITY BY DIFFERENT POLITICAL STRUCTURES

All the MMs indicated that the Municipal Finance Management Act grants the same municipal budget oversight authority to different structures. MM3 shared his experience:

“It is actually difficult to distinguish between the oversight authority of different oversight structures. I am not aware of the differences. It is as if all these structures are vested with the same authority to ensure I do not incur fruitless, irregular and unauthorised expenditure.”

Likewise, MM4 expressed this issue of same budget oversight authority as follows:

“In my observation, the budget oversight authority of the municipal council and the Provincial Treasury is the same. The laws and regulations grant both the municipal council and the Provincial Treasury the same authority to demand budget reports, investigate and call the municipal managers to account for budget-related matters.”

MM3 remarked:

“I serve too many masters. I have a contract with the municipal council, which must be respected. I also worked very closely with the Executive Mayor. Equally, the provincial and national departments have some authority over me.”

From the responses, it became evident that most of the participants perceived the Provincial Treasury to have too much power on municipal budget oversight. In describing their perceptions of the relationship among the oversight structures, some participants indicated that the provincial government is too dominant. MM1 described this issue through the following sentiments:

“The Provincial Treasury has completely annexed all the municipal budget oversight authority. When the officials from the Provincial Treasury engage with you, there is no appreciation that the municipality is a sphere of government on its own. They do not engage with you as equals. They prescribe to you what to do. The same can be said about the National Treasury.”

All participants indicated that the political dynamics in the Western Cape have made the provincial government a dominant oversight structure. According to MM1:

“The Executive Mayor and the municipal council consider themselves subservient to the provincial government department. You must remember that the oversight structures at the provincial level are also their leaders within the political party. Therefore, there is no distinction made when it comes to governance issues. The structures in the municipality do not want to be seen defying the provincial leadership.”

MM1 utilised words such as ‘asymmetry’ and “benign dictatorship” to describe the distribution of oversight among the structures overseeing the municipal manager during the municipal budget process.

“I think the Constitution and MFMA have created asymmetry in the allocation of budget oversight authority. For some unexplained reasons, the authority between the municipal council and the Provincial Treasury is unequal. The Provincial Treasury has more powers. The Provincial Treasury utilises its oversight authority to exercise benign dictatorship. You will not see it easily, it is concealed as supervision or monitoring, but is ultimately about control.”

All the participants expressed a concern about the oversight arrangement that has tilted the oversight authority in favour of the provincial government departments. All participants mentioned that the intervention powers of the provincial government to dissolve the municipal council makes provincial government too powerful. MM5 described the ferociousness of the powers to dissolve the municipality as follows:

“When there is a budget activity problem in the municipality the municipal council can take a decision about the municipal manager. However, when the province intervenes, it may dissolve the entire municipality and appoint the administrator to exercise executive responsibilities of the municipal council.”

MM5 described the Provincial Treasury as “authoritative”. He stated:

“The Provincial Treasury has too much authority. In my view, the Provincial Treasury does not respect the autonomy of the municipality. If you do not do as they wish, irrespective of what you believe is right, you get a non-compliance letter. We do things even

if we do not understand them or agree with them. It is their way, you must follow the command.”

When asked to describe how they feel about the number of oversight structures who have more or less the same budget oversight authority, participants indicated that it is confusing and unnecessary.

MM5 expressed his views in the following way:

“It is very distressing to report to these different oversight authorities. It is a complete scramble for attention and influence on me. Each of these oversight structures wants me to feel their authority. I am being tossed around like a headless chicken.”

Some participants highlighted that these oversight structures with the same authority over the single municipal manager were promoting multiple centres of power and entrenching the individualistic mindset of different oversight structures – especially the Provincial Treasury. MM3 expressed his view in the following manner:

“These oversight structures are many but individualistic. Each oversight structure develops and implements its own oversight authority. Meaning, it is a replication of the same thing.”

6.4.2 RESEARCH QUESTION 2

The second research of the study is: What are the experiences of municipal managers regarding the multiplicity of oversight principals during the different stages of the municipal budget process? The individual responses of the participants were clustered into three themes: (1) distinct oversight measures; (2) overlapping oversight measures; (3) relationship among oversight principals.

6.4.2.1 DISTINCT OVERSIGHT MEASURES

All the MMs indicated that each oversight structure is driven by their own partial objectives and standpoint. The MMs highlighted that it is difficult to find a common purpose among the oversight principals. MM1 articulates his views on this matter as follows:

“I deal with principals pursuing different oversight objectives and agendas during the drafting, approval, implementation and auditing of the municipal budget process. For example, the objectives and

focus of my oversight structures during the drafting of the budget are so many. I am expected to adhere to the National Treasury instructions during the preparation of the annual budget. I am required to adhere strictly to National Treasury budget forms, schedules, guidelines and formats. The municipal council does not care about these things. In fact, municipal councillors are not even aware of some of these requirements from the National Treasury. As a result, I have never been asked by my council if I have used the formats and guidelines from the National Treasury.”

Similarly, MM3 provided a long narration of distinct oversight measures as follows:

“Some municipal councillors are more concerned with service delivery. Other councillors are only obsessed with what their political parties want. Some councillors focus more on the services for communities and their specific wards. When they exercise oversight on the draft budget, they want to know about how much is budgeted for which projects in their wards. On the other hand, the Provincial Treasury just focuses on compliance. When they exercise oversight during the implementation of the budget, they are more interested in knowing when the budgeted projects are commencing in their wards”.

Two participants indicated that oversight principals have different *political* intentions; hence they focus on different issues during the different stages of the municipal budget. MM4 described different political intentions as follows:

“My principals have different and conflicting objectives. The Executive Mayor and the municipal council are more concerned about the output of the budget. These principals want to see us utilising the money to perform what they promised to the community. On the other hand, the Provincial Treasury is more concerned with compliance. To them, compliance is at the top of the list of priorities.
”

All the participants explained that the Democratic Alliance at the provincial level has a goal of ensuring that all municipalities in the Western Cape achieve clean audits. According to the participants, this objective features strongly on its election campaign strategy. Therefore, the Provincial Treasury puts pressure on the municipal managers to focus more on clean audits.

All five participants indicated that the Provincial Treasury is primarily concerned with compliance for a clean audit. MM1 explained the Provincial Treasury's "fascination" with compliance in the following manner:

"Most of the responses that I receive from the Provincial Treasury on the draft budget are related to compliance. Firstly, the province spent a considerable amount of effort in ensuring that the audit queries from the previous financial year are addressed. Secondly, the Provincial Treasury gets nervous on anything that is likely to attract a non-compliance query from the Auditor-General."

6.4.2.2 OVERLAPPING OVERSIGHT MEASURES

Participating MMs emphasised that the oversight structures do not engage with the municipal manager in a coordinated manner. All the participants identified overlapping measures as one of the key experience during the different stages of the municipal budget process. All participants indicated that the municipal council and the Executive Mayor do not work together on how to exercise budget oversight on the municipal manager.

MM2 explained:

"What I have observed is that the Executive Mayor and the municipal council work at cross purposes when it comes to oversight of the municipal budget. Immediately after the approval of the budget, the Executive Mayor only deals with me on the budget issue. In fact, the Executive Mayor tends to perceive the budget oversight questions as directed at or an attack on him."

Participants revealed that even within the Provincial Treasury department, each of the units focuses on its own oversight measures. MM1 cited an example with the Provincial Treasury:

"Within the Provincial Treasury, there are different units that regularly engage with me. There were instances whereby a unit from the provincial budget unit will meet with my team and me. Then the following day, another unit from the financial accounting unit also comes to meet with us."

When asked to describe their perceptions of the overlap, participants voiced their frustration with big delegations from the provincial government during the

drafting, implementation and auditing of the budget process. MM2 described the regular visits from the province as:

“Feeling under siege. You have this big delegation engaging with you all at once. Though on the surface, these visits are projected as consultative, in essence, they are compliance driven. You are expected to reconsider what has been debated and approved by the municipal council. This means that the inputs from the provincial delegation must be adhered to and implemented.”

Another interesting comment was provided by MM2:

“I feel like I am being watched by people who do not know each other. The manner in which the province, especially the Provincial Treasury exercises its budget oversight activities, it does not appreciate that the municipal council also has oversight obligations in the budget. I sometimes feel like the province does not even recognise the municipal council.”

6.4.2.3 *RELATIONSHIPS AMONG THE BUDGET OVERSIGHT STRUCTURES*

All the participants indicated that they were not aware of interactions among the oversight structures. MM1 was more vehement when highlighting that:

“There is no relationship between the oversight structures. In fact, I am not aware of a practice whereby the municipal council engages the Executive Mayor on how to exercise budget oversight on any of the budget stages. I am also yet to experience the interaction between the National Treasury and the municipal council on issues concerning the oversight of the oversight of the municipal budget.”

MM2 observed the unstructured, siloes and individualism of the oversight structures as follows:

“These guys exercising oversight on me have never been in a single meeting together. Yes, I sometimes invite the Executive Mayor when the province convenes a meeting with me. But there is no gathering of political oversight structures to discuss how they exercise oversight of the municipal budget. Each of the structures is not aware of the engagements between the municipal manager and each of them.”

6.4.3 RESEARCH QUESTION 3

Research question 3 of the study was divided into two parts. The first part of the question was: What do municipal managers experience and perceive as the possible positive effects of multiple principals on municipal budget oversight?

The data from the participants' responses generated one key theme, namely, complementing the oversight capacity.

6.4.3.1 COMPLEMENTING THE OVERSIGHT CAPACITY

A common issue that emerged in all the interviews with municipal managers was the capacity of the oversight municipal councillors. Participants also highlighted that municipal oversight is too complex to expect political structures to perform it without any assistance from the officials. Participants also indicate that they are not expected to assist councillors to exercise oversight due to their potential subjectivity and conflicts of interests.

MM1 captured this sentiment, stating:

"The municipal councillors as well as the Executive Mayor do not know what oversight questions to ask, what information to demand and how to critically interpret the reports provided. This problem results in a situation where the political structures within the municipality are less informed about the actual nature of the issues in order to exercise oversight on the budget of the municipality. Therefore, councillors need support from other structures."

MM4 expressed his views regarding the capacity of the oversight principal in the following manner:

"The system of municipal budget oversight by multiple principals is based on an assumption that these many political principals will add value to the drafting, implementing and accounting of the municipal budget. The fact of the matter is that not all of these structures and committees have either the requisite capacity or the motivation to exercise oversight on the budget process."

All the participants stated the municipal councillors do not have an understanding of what constitutes satisfactory conduct by the municipal manager during the various stages of the municipal budget process. MM4 stated:

“The municipal council is very obscure. In fact, I can say that the municipal council is not only invisible but also ineffective in exercising meaningful budget oversight. Very little in terms of input or objections are received from the municipal council during the budget drafting processes. Therefore, the other principals, mainly the Provincial Treasury Department, complement and address the oversight deficit on the municipal level.”

Participants indicated that most municipal councillors were dormant in the oversight role during the implementation of the budget. According to the participants, municipal councillors lack interest in engaging with the monthly and quarterly financial reports. MM4 remarked:

“It is very rare that you encounter municipal councillors interrogating the report and doing some research to verify the content of the report. I actually doubt that municipal councillors read the financial reports that are presented in council.”

It was also clear from the municipal managers that even other municipal council committees such as the Municipal Public Accounts Committees are displaying very little interest and ability to scrutinise the financial reports. MM1 stated:

“I have noticed high absenteeism on the meetings of the Municipal Public Accounts Committee. On several occasions, the committee does not meet because it fails to quorate. Even when reports are presented to the committee, there is usually very little follow-up.”

MM1 also felt:

“The municipal council does not have the same level of capacity, skills and commitment as the Provincial Treasury for effective oversight. In particular, the municipal council and in some instances, the Executive Mayor have limited capacity to exercise oversight on the different stages of the budget process. It is unfair to expect the municipal council and the Executive Mayor to exercise extensive oversight of the budget because they do not have the necessary technical skills to do that. In addition, these principals would have to rely on the municipal manager to provide with information which they use to exercise oversight.”

MM4 explained:

The Provincial Treasury has the necessary political distance from the municipality. In addition, they have at their disposal technical expertise from

officials in their department to enable them to interrogate the legal and technical aspects related to budget oversight.

NEGATIVE EFFECTS

The second part of the research question focused on what municipal managers experience and perceive as the negative effects of multiple principals on the municipal budget oversight. Participants' views were clustered in the following six main themes: (a) duplication of oversight measures; (b) too much oversight; (c) confusing; (d) time-consuming; (e) costs; and (f) conflicting oversight mechanisms.

6.4.3.2 DUPLICATION OF OVERSIGHT MEASURES

Three participants indicated that budget municipal budget oversight by multiple principals causes duplication and overlap of oversight efforts. MM1 explained:

"Lack of coordination among the principals results in many unrelated oversight activities. Each principal is doing its one little thing and completely oblivious to what the other principals are doing. During the different stages of the budget, you provide the different principals with the same information."

6.4.3.3 Too Much Oversight

All the participants expressed a common view that the multiplicity of principals entails an increase in the scope, the number of reports and oversight meetings. All municipal managers highlighted their concerns regarding the over-regulation of the municipal budget. According to the municipal managers, this level of over-regulation is too much, onerous and cumbersome. MM3 indicated:

"When your municipality is grant dependent, the number of principals also increase and this increases the number of oversight reports to various principals. As the municipal manager, the increase in the number of the report to different oversight principals becomes excessive".

MMs indicated that the many oversight principals force the municipal manager to manage diverse oversight relationships. Participants emphasised that the numerous initiatives and engagements between the various oversight principals

lead to the oversight fatigue, confusion and inevitably contribute towards non-compliance rather than compliance. MM2 stated:

"For a small municipality like mine, the oversight demands are very costly and unaffordable. The resources that are spent on compliance are exorbitant. I am now also using consultants because of the internal capacity constraints to address the excessive oversight requirements. You must remember that this is not only excessive but also highly inflexible. The oversight requirements do not correspond with available capacity in the municipality."

Participants perceived the paradox that excessiveness of the oversight measures causes inefficiency of the municipal managers. Participants emphasised that the multiplicity of reports results in them not producing quality reports. MM1 said:

"I often produce poor reports due to the frequency and number of reports demanded by oversight structures. I find that the number of reports creates a conflict between me and the Chief Financial Officer of the municipality."

MM3 expressed his frustration as follows:

"As municipal managers, we have endured a protracted period of municipal financial accountability reforms that have substantially increased the complexity of accounting for the financial transactions of the municipality. Since the adoption of the MFMA in 2003, municipal managers have found themselves under the tremendous burden of many reporting regulations that have made our work unbearable."

When asked about their perceptions of the nature of oversight mechanisms related to multiple principals, all participants mentioned that is too complex. Participants emphasised that as municipal managers they are being made to respond to different requests from different principals at the same time. They argue that despite oversight measures becoming progressively more complex, this has not improved budget discipline in municipalities.

MM3 described this complexity as:

"Juggling different balls at the same time. You must remember that at any given time, you have both stages of the budget process happening parallel to each other. So as you try to respond and address oversight requests related to the draft budget, you are also expected to deal with queries and issues pertaining to

implementation of the current budget. Similarly, as you are engaged in the budget audit queries, you are also dealing simultaneously with the budget implementation issues requiring submission of different reports to different principals.”

All the participants raised and emphasised the issue of the complexity of the multiplicity of principals exercising municipal budget oversight. These participants claim that for the municipal manager, dealing with multiple principals effectively means being responsive and compliant with diverse and conflicting principals. The principals indicated that this is too demanding and tends to put a lot of pressure on them.

MM1 emphasised that:

“The budget process itself is complex. The complexity is compounded further by having these many oversight principals. While every effort is made to respond to each and every demand made by these principals, it is often not possible to satisfy all of them. One of them is likely to be very aggrieved if there is a perception that more respect or attention is given to the other principals.”

Similarly, MM4 explained:

“Serving multiple principals is very demanding and complex. It is impossible to keep all the principals happy. Oftentimes their instructions contradict.”

All the participants agreed that the principals’ behaviour is very complex for the municipal manager. In particular, the participants commented that the multiplicity of principals has made the exercise of municipal budget oversight more complex.

MM1 articulated the complexity as follows:

“With many principals come many monitoring mechanisms and reports. I report to the Executive Mayor, but I am accountable to the Municipal Council. Yet I get more questions, responses and requests for more information from the Provincial Treasury. The nature and level of scrutiny from the Municipal Council and the Mayor is extremely weak.”

The participants also agreed when explaining the degree of complexity involved in being a municipal manager in the Western Cape Province, as they often find themselves in the middle of conflicting priorities between the provincial and national government. MM2 explained:

“You sometimes feel like you are right in the middle of two bull elephants fighting for the supremacy of municipal budget oversight the authority.”

Participants highlighted the issue of oversight relationship with all these principals as complex. Participants expressed an unpleasant position of the municipal manager within the multiplicity of principals exercising oversight of the municipal budget. They described the principals’ behaviour as having trapped the municipal manager between principals with too many divergent objectives MM1 stated:

“You can be in the good books of the Provincial Treasury because you have managed to obtain a clean audit for the municipality. But, at the same time, you can be fired or get suspended for a minor violation concerning the budget implementation. Most alarming is that you get a terrible audit opinion from the Auditor-General for non-compliance, irregular or unauthorised expenditure but still receive no sanction from either municipal council or the Executive Mayor”.

Participants indicated that their satisfactory engagement and compliance with the Provincial Treasury instructions does not guarantee their employment as the municipal managers. The participants highlighted that if the municipal council or the ruling political party is not happy with the municipal manager, irrespective their ability to tick all the boxes regarding the budget and financial regulations, the municipal council can employ different norms or contradictory criteria to dismiss the municipal manager.

Participants indicated that the instructions and prescription from National and Provincial treasuries and municipal council cause confusion. It is not clear who has the responsibility to ask for what information. Most participants indicated that different principals introduce changes to the reporting requirement frequently. MM1 gave an example:

“I have lost track of the changes made in the different budget documents. The National Treasury is constantly and unilaterally prescribing new format and guidelines for budget and reporting. As we speak, the National Treasury has introduced one called MSCOA.”

Participants indicated that they found it difficult to respond to the oversight demand of the principals. All participants indicated that the National Treasury regulations, rules, circulars, guidelines, and formats are confusing and burdensome. Moreover, participants highlighted that the interpretation of these prescriptions is confusing. MM1 stated:

“Too much of a good thing is bad. Instead of the oversight measures promoting good governance and financial accountability, they are becoming confusing and burdensome. In fact, I despise all these oversight measures from principals during the budget process. I am becoming inefficient as the municipal manager because of this oversight.”

MMs indicated that oversight structures have the ability and tendency to veto each other. Most participants indicated that both internal and external oversight structures do not often agree among themselves.

MM4 explained that:

“The Executive Mayor hardly agreed with what the individual councillors, municipal council or its committees demand from the municipal manager in terms of oversight of the budget-related matters. The Executive Mayor will tell you to let him handle the matter.”

Frustrated by the multiplicity of principals exercising oversight during different stages of the municipal budget process, all participants highlighted that paperwork, prescriptions and demands by the oversight principals take them away from the delivering services to the community.

Four participants stressed that municipal budget oversight by multiple principals contributed towards unfunded costs and constitute a significant financial burden for municipalities. According to most participants, the principals do not factor or consider the burden of oversight requirements placed on the municipal manager. The principals just directly request information, data, reports, visits and oversight imbizos without considering the impact of these oversight activities.

All participants unanimously expressed frustration with multiple principals involved in the exercising oversight on the different stages of the municipal budget process. The oversight requirements are unclear, overlapping and often ambiguous.

6.4.3.5 TIME CONSUMING

All participants also indicated that they spend too much time producing reports. They emphasised that the reporting obligations are time-consuming and taxing on human resources. When asked to quantify in percentage terms the amount of time per month spent on producing a report or ensuring that reports are produced. Participants responded as follows:

- MM1: 30% of the senior staff.
- MM2 35% of senior staff.
- MM3: 30% of senior staff.
- MM4: 25 of senior staff.

MM1 stated:

"Myself and my team must prepare volumes of documents in order to develop periodic (monthly, quarterly and annual financial) reports. In addition, their other reports and visits from different principals that must be prepared and submitted in different formats. Qualitatively, these reporting requirements are lengthy are complicated and often resulting in costly and unsustainable workloads. Staff members are not being utilised effectively due to oversight demands from different principals. The sheer number of reports, consultations and meetings has resulted in staff devoting less time to issues of service delivery."

Most participants claimed that reporting requirements are very rigid. According to these participants, any attempt to be innovative in presenting reports in a manner that saves time and human resources results in a negative opinion from the Auditor-General. Participants explained that every action and deviation required complex and time-consuming reports. According to the participants, the time spent on preparing reports shifts the focus of the administrative staff. They emphasised that they spend more time on these reports and less time on other important service delivery matters.

6.4.3.6 COSTLY

All participants indicated that municipal budget oversight by multiple principals is costly for their municipalities. The number of oversight reports, the expertise required to prepare the reports is very costly for the municipality. Accordingly,

all participants perceive the municipal budget oversight by multiple principals as draining their human and financial resources.

MM2 expressed a concern:

"The high costs of procuring assistance for preparing the many different oversight reports. I spend a lot of money just to get a consultant to prepare the annual financial statement. This report is highly technical and the required capacity is not available in my municipality."

MM4 indicated that

"The oversight and compliance costs are excessive for his municipality. The hours spent on preparing reports can easily be quantified into a substantial monetary loss for the municipality. If were to factor this issue in our financial accounting it would reflect huge losses for the municipality."

MM3 indicated that the municipal budget by multiple principals is not only costly in term of monetary terms but also emotionally draining.

"This nature and type of oversight affects your confidence. The number of likely errors and misstatements in the reports affects your self-confidence and credibility."

6.4.3.7 CONFLICTING OVERSIGHT MECHANISMS

All five participants mentioned that they experience conflicting oversight mechanisms during the different stages of the municipal budget process are conflicting. MM3 described the contestation dramatically as follows:

"Can you imagine being sandwiched between bulls that are very combative and openly hostile? There is absolutely no consensus among these bulls. These bulls do not like each other. Each of these bulls is not entirely happy with how other bulls influence and control me as the municipal manager."

Two MMs indicated that the contestation is greater during the budget approval stages. This is because the Provincial Treasury looks at different things before they approve the municipal budget. For instance, the municipal council tends to focus on policy issues linked to service delivery. On the other hand, the Provincial Treasury is more interested in amounts and financials in the budget.

MM2 explained the tension between the principals as follows:

"You can be in the good books of the Provincial Treasury because you have managed to achieve a clean audit. But at the same time, you get suspended or even dismissed by your municipal council for a violation related to the budget. Similarly, you can get a bonus from the municipal council even though you have numerous non-compliance letters from the Provincial Treasury."

MM1 presented his experience as follows:

"There is often a subtle war going on between the municipal council and the Executive Mayor concerning the draft budget. The municipal council considers itself the constitutional authority of the municipal budget and a primary source of budget authority of the municipality, whilst the Executive Mayor has a mandate by the MFMA to coordinate the budget process. When the municipal council exercise oversight on the draft budget, the executive feels undermined. When other council members do not want to approve the budget, the Executive Mayor perceives that as protest directed against him."

MM1 highlighted that despite codified financial ratios used to analyse and interpret the budget report, the municipal councillors and the Provincial Treasury do not agree on these ratios. For example, the municipal councillors do not agree with the Provincial Treasury on the norm for the liquidity ratio. Participants mentioned that the municipal council considers the ratios as being unreasonable and "anti-developmental". MM1 explained:

"When I prepare financial reports in terms of the Provincial Treasury instructions, I get into trouble with the Executive Mayor and the municipal councillors. For example, when you respond to the Provincial Treasury by moderating your budget, the municipal councillors get very upset with you. When you take instructions from the Provincial Treasury on being decisive on the collection of rates and taxes, the local principals do not necessarily provide the required support."

MM2 identified another source of contestation between the Executive Mayor and the provincial structures in the following manner:

"Ever wonder why there are no consequences of the findings of the Auditor-General on the municipal finances? It is because both the Executive Mayor and the municipal council are averse to taking instructions from the other principals – more so if they were not consulted."

6.5 CONCLUSION

The chapter explored the experiences and perceptions of municipal managers regarding the key aspects of the municipal budget oversight. The exploration was guided by the study's three research questions. With regard to the first research question, participants described the municipal budget oversight as monitoring and compliance. In addition, participants highlighted municipal budget oversight as exercised by a number of political structures. It also emerged that these structures are vested within the authority, which they individually exercise.

The second research question addressed what the participants understand and perceive concerning the multiplicity of municipal budget oversight principals on the different stages of the municipal budget. This section highlighted that though the oversight principals are many they operate individually during the different stages of the municipal budget. Further, participants described the multiplicity of principals as deliberately creating overlaps. Lastly, this section identified lack of relationship as an important and defining feature of the multiplicity of principals during the stages of the municipal budget.

The third research question demonstrated what the municipal managers understand and perceive as the positive and negative effects of multiple principals in the municipal budget oversight. While complementarity was highlighted as a positive effect, participants listed a litany of negative effects of the municipal budget oversight by multiple principals. Participants listed duplication, too much oversight, confusion and costly time consuming as the key negative effects of municipal budget oversight by multiple principals.

CHAPTER 7: PRINCIPALS' EXPERIENCES AND PERCEPTIONS OF THE MANIFESTATIONS AND DYNAMICS OF MUNICIPAL BUDGET OVERSIGHT BY MULTIPLE PRINCIPALS: DEFLATING BASIC ASSUMPTIONS

7.1 INTRODUCTION

This chapter explores the Provincial Treasury and the municipal councillors' perceptions of oversight by multiple principals during the municipal budget process. This chapter has three key sections: the first provides a brief description of the interview environment; the second presents the profiles of oversight principals who participated in this study; and the third section presents an analysis of data from the interviews with the Provincial Treasury and municipal councillors.

7.2 DESCRIPTION OF THE INTERVIEW ENVIRONMENT

The interviews with the Provincial Treasury official and the municipal councillors were conducted between December 2016 and September 2017. It is important to note that the interview with the participant from the Provincial Treasury was held on 2 December 2016, while the interviews with municipal councillors were held after 27 June 2017, after councillors had served at least a year in office.

It is also important to highlight that the high turnover of municipal councillors during the municipal elections presented a recruitment challenge in selecting suitable participants for this study, as per the purposive sampling strategy outlined in Chapter Four of this study. This challenge was highlighted in Chapter Five of this thesis, quoting the Auditor-General MFMA 2015/2016 (2017: 172):

“After the local government elections in August 2016, there was significant movement in the political leadership at the municipalities in the Western Cape province, with new speakers at 25 municipalities, new mayors at 22 municipalities, and 55% newly elected councillors overall.”

Secondly, the practice of municipal councillors having to first secure permission from their political parties before availing themselves for an interview, caused considerable delays. In some instance, invited municipal councillors serving on Finance Portfolio Committees or Municipal Public Accounts Committees were unable to get permission from their respective political parties in time to participate in the planned interviews.

Thirdly, a number of municipal councillors were reluctant to participate in the interviews due to what they referred to as limited knowledge of and an aversion for municipal finance and accounting. Thus, it took a considerable amount of time to convince the potential participants to participate in the study. Some municipal councillors also requested that a list of questions be sent to them first before deciding to participate in the study.

7.3 BUDGET OVERSIGHT PRINCIPALS

Oversight principals who participated in the interviews were granted anonymity and allocated codes from P1 to P11. The allocation of codes was in keeping with the ethical decision of not disclosing the names of participants; possible identifiers of participants were carefully concealed. A table detailing these participants is in Chapter Four of this study.

Principal 1 (P1): Participant 1 is a senior official in the Provincial Treasury department responsible for providing municipal budget support and monitoring. This official has been with the department for more than five years, and is actively involved in the support and monitoring of municipalities throughout the Western Cape Province.

Principal 2 (P2): Participant 2 is from the same municipality as **MM4**. He was a municipal official from 2006 and subsequently become the ANC councillor in 2011. Principal 2 has served in various municipal committees and positions, including being a chief whip of the ANC in the District Municipality. This participant served as the chairperson of the Municipal Standing Committee on Public Accounts of the local municipality.

Principal 3 (P3): This participant is also from the same municipality as **MM4**. He is an ANC councillor. He has been a municipal councillor of the ANC since 2011. The councillor has served in different municipal council committees. He has also represented the municipality in the District Municipality.

Principal 4 (P4): Participant 4 is from the same municipality as **MM3**. She was first an ANC councillor in 2011. She is currently a DA councillor for the District Municipality. She also serves as chief whip of the DA in the District Municipality.

Principal 5 (P5): This participant is from the local municipality that falls under the District Municipality of **MM3**. He is a DA municipal councillor. He has only been a municipal councillor since 2014, and described himself as still learning about municipal finances. He has attended training for Municipal Public Accounts Committees.

Principal 6 (P6): This participant has been a municipal councillor in the local municipality under the District Municipality managed by the **MM3**. He has been an ANC municipal councillor since 2015, and has served on two portfolio committees.

Principal 7 (P7): Principal 7 is an ANC municipal councillor. He has been a municipal councillor since 2007, and has served in various positions. This councillor described himself as interested in municipal finance.

Principal 8 (P8): This participant has been a municipal councillor since 1996. He has served as an ANC councillor in different positions including being the Executive Mayor, chairperson of MPAC and chief whip. He is currently the chief whip of the ANC as the main opposition in the municipality. This participant comes from municipality that has 13 councillors, of which at the time of the interview 4 were ANC and 9 were DA.

Principal 9 (P9): This councillor comes from the same municipality as **P8**. He has been a municipal councillor since 2000. He has served as the deputy mayor

and speaker. In 2007, he resigned from the ANC and become a councillor for the Congress of the People. In 2016, he was appointed as the mayoral committee member for the DA. He is currently a DA member serving on the Mayoral Committee.

Principal 10 (P10): This participant was the only participant from the Metro Municipality. He has been with the municipal councillor for 6 years, of which the first five years he was an ANC councillor. He is currently a DA councillor serving as the chairperson of the Municipal Scopa.

Principal 11 (P11): This participant is a DA municipal councillor for the local municipality. He is from the same municipality as **MM2**. The principal serves as the chairperson of the finance committee of the municipality.

7.4 Presentation of Results from Budget Oversight Principals

This section presents the results from the interviews conducted with the Provincial Treasury official and the municipal councillors. The results are subjective experiences and perceptions of the representative from the Provincial Treasury and the municipal councillors interviewed for this study.

7.5.1 QUESTION 1: MUNICIPAL BUDGET OVERSIGHT

Participants were asked to describe their understanding of “municipal budget oversight”. The aim of this interview question was to introduce the topic and focus the interview. This question was also used to develop a rapport with the participants. Responses to the question generated two main themes: (1) tool for monitoring service delivery; (2) compliance.

7.5.1.2 TOOL TO MONITOR SERVICE DELIVERY

Three municipal councillors stated very clearly that they understand municipal budget oversight as a tool to monitor service delivery. Four municipal councillors indicated that budget oversight enables them to keep track of what is being achieved with the municipal finance in order for them to report back to communities. P10 noted:

“We need information in order to make decisions about service delivery. We have made promises and commitments to our

communities, we need to go back regularly to inform them about progress. We can only do that if we exercise oversight on where and how the money is spent.”

These councillors indicated that budget oversight is what helps them to compare what is in the budget to what municipal services and projects are delivered to communities.

P6 stated:

“I have been working with sports bodies in my ward. We look at what is in the budget for sports facilities in my ward and physically go and check if services such as irrigation of fields, lighting and maintenance of these fields are done. If not done, then I demand responsible people be brought to account.”

7.5.1.2 COMPLIANCE

Seven municipal councillors and the Provincial Treasury stated that they understand the municipal budget oversight as primarily about legal compliance. Municipal councillors stated municipal budget oversight is what they are required to do to enforce compliance. These councillors were clear that budget oversight is about making the municipal manager adhere to the specified financial and budget rules.

When asked about their perceptions of the elevation of compliance in the municipal budget oversight, municipal councils raised concerns and reservations. These councillors stressed that service delivery to communities is conceptually different from legal compliance. P8 stated:

“Our municipal budget oversight efforts and effectiveness are determined by how well we enforce compliance with the laws and regulations. The issue is to us that the legal compliance on its own does not address the social-economic challenges of communities. Our communities are poor and need services; not just effective compliance”.

Five municipal councillors expressed a concern that the critical governance issues were being overlooked in favour legal compliance. P2 expressed his concern as follows:

“Municipal budget oversight is about compliance. Compliance is alpha and omega of municipal budget oversight. It is the ultimate thing. This overemphasis on compliance with the law and numbers

is limiting and liquidating our political influence. We are politicians and not financial accountants. It has come to the point that if you cannot count, you cannot monitor.”

One municipal councillor explained his displeasure about the compliance as legal requirements that are centrally determined and imposed on the municipality. P2 expressed his frustration with compliance as follows:

“From what I have seen, the National Treasury has the authority to prescribe financial and budgetary processes for all the spheres of government. This has made the Minister of Finance very dominant in issues including the municipal budget oversight.”

The Provincial Treasury gave a more technical response to the question regarding its understanding of municipal budget oversight. The Provincial Treasury focused on being informed about the diligently the municipality is complying with the provisions of the law. P1 stated:

“My understanding of the municipal budget oversight is to see to it that the municipality complies with the law and budget instructions through the budget process.”

The Provincial Treasury also indicated that it understands budget oversight as accessing and reviewing financial information and reports in order to assist municipalities to comply with the law and regulations. The Provincial Treasury insisted that compliance is an objective way of improving municipal financial management and accountability. P1 stated:

“There are a common set of compliance requirements for municipal budget oversight. These are helpful determining to what is right and what is wrong. Compliance helps to ensure and enforce conformity with rules and regulations.”

P1 emphasised compliance with the law as a guiding principle informing the purpose of the Provincial Treasury. He highlighted that the Provincial Treasury conducts its municipal budget oversight to assist municipalities to get clean audit reports. He also indicated that the purpose of the Provincial Treasury is “to contribute towards making municipalities in the Western Cape the top-performing, and corruption free.”

7.5.2 MUNICIPAL BUDGET OVERSIGHT ENVIRONMENT

When asked to describe their experiences and perceptions of municipal budget oversight environment, participants' responses produced three themes. These themes are: (1) multiplicity of oversight principals; (2) authority of oversight principals; and (3) the relationship between the oversight principals.

7.5.2.1 MULTIPLICITY OF PRINCIPALS

This theme described the understanding and perceptions of both the Provincial Treasury and municipal councillors of the model for the municipal budget oversight. This theme relates to the social architecture of municipal budget oversight and provided a description of the oversight principals.

The Provincial Treasury official indicated that there a number of government structures that oversee the municipal budget. P1 provided a long list which included: the portfolio committees and opposition parties; councillors; Section 79 committees; Municipal Standing Committee of Public Accounts (MSCOPA); the Premier, Provincial and National Treasury; National and Provincial departments of Local Government and Cooperative Governance. P1 also included the Auditor-General as municipal budget oversight principal.

When asked about how he feels about the multiplicity of municipal budget oversight principals, P1 said:

“The budget oversight issues in municipalities require a range of support from different government structures. I think it is understandable and necessary to deploy diverse resources to address oversight and accountability challenges faced by municipalities. I do not think that one oversight principal is enough for these challenges.”

The majority of the municipal councillors listed the municipal council, the Executive Mayor and the Provincial Treasury as the municipal budget oversight principals. Two councillors included the national departments of Cooperative Governance and Traditional Affairs and National Treasury. Only one councillor said insisted that the municipal council is the only oversight principal.

When asked how they felt about the number of municipal budget oversight by multiple principals, municipal councillors were divided. Five municipal councillors – interestingly, all from the Democratic Alliance – expressed appreciation for the involvement of the Provincial Treasury. These councillors stated that they value the involvement of the Provincial Treasury as it contributes towards restoring the credibility of the municipal budget oversight system.

However, five municipal councillors – mostly from the African National Congress (ANC) – expressed discomfort with the involvement of the Provincial Treasury in local government matters. These municipal councillors felt that the involvement of the Provincial Treasury creates unnecessary parallel processes and duplication.

7.5.2.2 AUTHORITY OF THE OVERSIGHT PRINCIPALS

Participants used the word “authority” regularly. In describing their authority, both the representative of the Provincial Treasury and municipal councillors indicated that they have authority to exercise budget oversight over the municipal manager.

P1 stated that the Provincial Treasury has the legal authority to exercise municipal budget oversight. He expressed his view in the following manner:

“The Provincial Treasury through its various units conducts municipal budget oversight as directed by the MFMA and various National Treasury regulations. These legislative provisions grant us the legal authority to monitor the municipal finances. We interrogate their financial and budget reports, advise and support them. When they fail to correct or change their non-compliant decisions, we apply sanctions against them.”

When asked to describe the budget oversight authority of the municipal council, P1 stated:

“I do not really know what municipal councillors are supposed to do regarding budget oversight. I know that they have authority to oversee the budget. I am also not sure about the authority of the portfolio committees and Municipal Scopa concerning municipal budget oversight.”

When describing their municipal budget oversight authority, three municipal councillors stated that they have political as well as legal authority to exercise budget oversight on the municipal manager. These councillors were of the opinion that only the municipal council has the authority to appoint the municipal manager and therefore is required to ensure that municipal managers exercise municipal council resolutions on the budget. P10 expressed his understanding of the budget oversight authority of municipal councillors as follows:

“We adopt resolutions. These must be implemented by the municipal manager. Our [duty] is to ensure that the municipal manager implements our resolutions. If he fails to implement these resolutions we make him account by demanding answers and explanations. If the answers are not acceptable to us, we have the authority and obligation to impose consequences.”

In much the same way, three municipal councillors mentioned that they have a contract with the municipal manager to perform financial management functions. These municipal councillors indicated that the performance contract signed by the municipal manager facilitates an oversight authority between the municipal manager and municipal council.

When asked about their perceptions regarding the dispersion of municipal budget oversight authority to different principals, six municipal councillors expressed frustration at the multiple-principal model. P7 stated

“It is very difficult to understand who has power to monitor the municipal manager on municipal budget processes. In fact, I do not know where our oversight authority starts and ends. The Provincial Treasury seemed to have the same if not more budget oversight authority than us.”

Three councillors expressed a concern that the Provincial Treasury has the authority to refuse to approve the municipal budget even though the municipal council has approved it. These municipal councillors seemed to be troubled by the impression that Provincial Treasury does not acknowledge and respect the autonomy of municipalities. P2 articulated this frustration as follows:

“I do not have a problem with the multiple budget oversight principals – as long as they respect the autonomy of the municipal council and stop second-guessing its budget decisions.”

These councillors were mostly aggrieved by the ability of the Provincial Treasury to make adverse decisions on the municipal budget without even engaging with the municipal council or the Executive Mayor. Two municipal councillors expressed displeasure about the authority that allows the provincial government departments to veto and undermine their budget oversight decisions of the municipal council.

Two municipal councillors stated that the arrangement of different government departments having budget oversight authority creates an environment in which the oversight structures are contending over the control of the municipal budget and municipal manager. According to these participants, granting all the structures the same authority promotes a competitive spirit among the oversight principals

P5 stated:

“The municipal manager is accountable to many of us. I do not think the Provincial Treasury recognises us. The Executive Mayor and the provincial government want to overwhelm us and push us to the periphery of the municipal budget process.”

These participants commented that the dominance of the Provincial Treasury has wrestled the budget oversight authority out of the requisite control municipal councils. A widely shared view from the participants was that the dispersion of the oversight authority to many oversight structures undermines the authority of the municipal council. P6 explained this view in the following manner:

“In fact, the Provincial Treasury is hiving off the powers of municipal councils to exercise municipal budget oversight on the municipal manager. I feel like our budget oversight role has been liquidated.”

Likewise, P8 stated:

“I feel like the Provincial Treasury has annexed to itself the authority to exercise municipal budget oversight. The Provincial Treasury has monopolised the process. It has defined itself as the center and we as municipal councillors have been relegated to the margins. Our views and inputs are insignificant.”

All principals articulated very strongly the fear of losing legitimacy to their constituency for not exercising oversight on the municipal budget. According to the councillors, the design of municipal budget oversight by multiple principals is such that, should a principal not exercise its budget oversight authority, it runs the risk losing its credibility.

7.5.2.3 RELATIONSHIPS BETWEEN THE OVERSIGHT PRINCIPALS

This theme describes the nature of relationships between the various political oversight principals. All the principals described in more or less the same way that the nature of the relationship among the oversight principals is usually very hostile. These councillors indicated that the political relationships between parties have a tendency to shape how parties view and engage with the municipal managers.

Three councillors explained that politically the DA recruits the municipal manager, and that the municipal manager works closely with the Executive Mayor. These councillors described the nature of budget oversight relationship between the ruling party and the municipal manager as very relaxed. These councillors claimed that the municipal manager performs the instructions of the DA-run municipality. These councillors explained that in most instances the DA and the municipal manager are involved in a corrupt relationship. P2 described the relationship between the municipal manager and the DA as follows:

“These people have generally corrupt relationship with the municipal manager. I am telling you, this relationship is incestuous. It is so wrong and defeats the efforts of budget oversight.”

Two of the DA councillors stated that the caucus of the DA interprets oversight on the municipal manager as exercising oversight on them.

P4 explained:

“We as the ruling [DA] party see and interact with the municipal manager as our employee. According to us, it is the role of the opposition parties to scrutinise and monitor the municipal manager. It is not our role to assist them. In fact, where possible, we frustrate them.”

P4 added:

“We cannot work with opposition. We see them as opponents, opportunist and sensationalists. We have a duty as a caucus not to give opposition credibility and profile.”

When describing the relationship between the Provincial Treasury and the municipal councillors, the Provincial Treasury was supportive and understanding of the relationship. The P1 described the relationship between the Provincial Treasury and the municipal manager as a professional relationship. According to this participant, the relationship between Provincial Treasury and the municipal manager is characterised by respect. This participant emphasised that the Provincial Treasury does not act like a big brother to municipal managers. P1 stated:

“Though we are considerate and willing to engage, it does not mean that we are not decisive. When we feel that the municipal manager is not willing to correct wrong decisions, we act by sending a non-compliance letter and reporting them to the committees of the provincial legislature and the National Treasury. We also recommend to the Provincial Department of Local Government that action must be taken against failure to comply.”

P1 also remarked that the municipal council and its various structures have their own oversight arrangements that have nothing to do with the Provincial Treasury. This participant stressed that the municipal councillors have their own processes and their own boxes to tick.

The majority of the municipal councillors indicated that there is no relationship between them and the Provincial Treasury. The councillors stated that they have never been in meeting with the Provincial Treasury. P2 expressed his views as follows:

“There is no institutional relationship between us as municipal councillors and the Provincial Treasury. These folks from the Provincial Treasury come here to our municipality regularly, but have never met with us.”

P5 stated:

“The Provincial Treasury does not even have basic collegiality for us as the municipal councillors. It is as if we do not exist. I do not think that they even consider the reciprocity of oversight activities.”

Two municipal councillors alluded to the Provincial Treasury insisting too much on its autonomy. These councillors felt that the Provincial Treasury have an exaggerated view of its institutional identities. P2 remarked: “The Provincial Treasury is unavailable to us as municipal councillors. It is very disconnected.”

7.5.3 QUESTION 2: THE BEHAVIOUR OF MULTIPLE PRINCIPALS ON THE MUNICIPAL BUDGET OVERSIGHT

The P1 was asked to reflect and share his experiences and perceptions of the manifestation and dynamics of municipal budget oversight by multiple principals during the municipal budget process. The responses to the question produced five thematic issues. These thematic patterns are: (1) different political agenda; (2) different cultures; (3) different oversight approaches; (4) different municipal budget oversight mechanisms and activities; and (5) capacity of oversight principals.

7.5.2.1 DIFFERENT POLITICAL AGENDA

The majority of the participants mentioned that oversight structures do not share the same political agenda for exercising oversight on the different stages of the municipal budget. The majority of the municipal councillors were of the opinion that each political party has its own reasons for exercising municipal budget oversight.

P3 remarked:

“There is no common political purpose for municipal budget oversight in the municipal council. We as councillors do what is prescribed by our different political parties.”

P4 shared her views by stating the following:

“The agenda of the DA regarding municipal budget oversight aligned to the manifesto of their political party. Our manifesto states that where we govern there must be clean government attaining clean audit reports.”

The municipal councillors seemed to be not in favour of an arrangement that require them to have a shared oversight purpose during different stages of the municipal budget process. P7 explained his experience as follows:

“We have different agenda as political parties. What the other party see as a problem, we see that as advancing our agenda. Therefore, it is impossible to have a common oversight purpose on the municipal budget process.”

When asked about the oversight agenda of the Provincial Treasury, most municipal councillors stated they do not know. P4 stated:

“I do not know but I think the agenda of the Provincial Treasury is to make sure that municipalities do not abuse the finances of the municipality. You must remember that there is a perception out there that municipalities are corrupt. Therefore, my view is that Provincial Treasury is making sure that we do not abuse the finances of the municipality.”

When two municipal councillors were asked about their perceptions regarding budget oversight agenda of the Provincial Treasury, they responded that they do not know about it, and are therefore unable to express an opinion.

The Provincial Treasury admitted to not knowing what the political agenda municipal councillors on the municipal budget oversight. P1 expressed his perceptions as follows:

“Knowing or not knowing the budget oversight agenda of the municipal council does not impact on my work. Yes, I respect them, but the Provincial Treasury has its own agenda for exercise budget oversight.”

Both the Provincial Treasury and the municipal councillors appear nonchalant about not knowing of each other’s political agenda for exercising budget oversight. All the participants were unconcerned by the fact that they operate as political principals in the same space but do not know what each as doing. In fact, some councillors stated that it does not worry them to know that what the Provincial Treasury is doing.

Five municipal councillors commented that the DA’s political agenda influences the nature of municipal budget oversight. These councillors protested that the political power of the DA is limiting the ANC’s influence on the municipal budget oversight process. P2 expressed his frustration as following:

“The DA councillors use their majority to dictate what budget oversight issues receiving attention from the municipal council.

Issues that make them uncomfortable are not supported by the DA majority even if these issues require investigation”.

7.5.2.2 Different Cultures

Municipal councillors described cultural differences between them and the provincial government, especially, the Provincial Treasury as a dynamic that must be managed. Four municipal councillors mentioned cultural difference as presenting a challenge in terms of how councillors and provincial treasuries exercise oversight on the different stages of the municipal budget process. P2 related:

“The Provincial Treasury uses the officials to exercise oversight on the different stages of the municipal budget process. Their attitudes and norms are very different from how we do our own oversight. The manner in which these Provincial Treasury officials relate to the municipal officials is also different from how us.”

P4’s experience of different culture was related to political parties in the municipality:

“I have been a member of both the ANC and DA. I have experience how as member of these political organisations we behave in relation to others when exercising budget oversight. What I have observed is that we were very relaxed and did not care much about what is happening in different stages of municipal budget oversight. Currently, as a DA member and Member of the Mayoral Committee, I have a different experience. There is eagerness to know what is happening with the finances of the municipality. We question the municipal manager.”

P6 shared his experiences of racialisation of oversight and deemed corruption:

“You see, the DA is a white party. They do things differently. They have their own way of doing things and want things done their way. We never agree with these people. If the municipal manager is white they trust the MM, but if he is black they relate to him as a potential criminal. They are always scratching and searching to prove that he is stealing the money.”

Most municipal councillors admitted that cultural incompatibility exists among the principals exercising oversight on the municipal budget. Three municipal councillors related instances of behaviour difference between the way the

municipal councillors exercise oversight and the manner in which Provincial Treasury conducts its oversight business.

When describing his experiences of how principals behave during the different stages of the municipal budget process, P3 stated:

“These guys mean business. They do not come here to the municipality for nothing. If the municipal manager does not adhere to their advice, they take action. We are always bickering amongst ourselves. Something is right to some and wrong to others. That’s why the officials do not respect us. We encourage wrongdoing by the way we behave.”

P7 stated:

“We as councillors are not proactive. We react when we hear that something is wrong. Half or most of the time we do not know what is happening. We do not have a shared and institutional culture of oversight. Do not get me wrong, each political party represented in the municipal council has its own culture and behaves in accordance with that culture, but there are no shared and overarching values and norms guiding us on how to exercise municipal budget oversight.”

The majority of the municipal councillors hinted that the culture that existed between the oversight principals was that of mutual distrust. The councillors indicated that not working together had become a way of doing things like oversight. Some of these councillors stated that there is no such thing as collaboration culture. They emphasised that they would rather fight amongst themselves than work together.

7.5.2.2 DIFFERENT MUNICIPAL BUDGET OVERSIGHT APPROACHES

Both the Provincial Treasury and the municipal councillors revealed they follow different approaches to exercise oversight on the municipal manager during the different stages of the municipal budget process. The approach refers to how the principals pursue oversight on the municipal manager during the stages of the budget process.

P1 stated that the approach of the Provincial Treasury to municipal budget oversight was to ensure compliance. P1 articulated the following description of the Provincial Treasury’s approach to municipal budget oversight:

“We look for non-compliance in the draft municipal budget. When non-compliance is detected, we engage the municipal manager and correct it. We also monitor compliance with the approved municipal

budget. We utilise periodic financial reports from municipalities to ensure that collection and spending of municipal finances do not deviate from the approved municipal budget. We are also very active in ensuring that municipalities comply with the concerns and recommendations of the annual audit reports issued by the Auditor-General.”

The Provincial Treasury indicated that its approach is geared more towards supporting municipalities. P1 described the support approach during the budget process as follow:

“We support municipalities by helping them to prevent non-compliance. We detect problems and deviations early and help municipalities to correct in time. If a municipality does not cooperate, we reinforce our support by increasing visits and demanding additional reports.”

P1 commented further:

“We have mechanisms to ensure non-compliance is detected and corrected early. Starting with draft budget, we provide a professional and depoliticised feedback to municipal managers. I can say that, throughout the budget process, we prevent political parties in municipalities from abusing their political dominance by approving and implementing irregular and illegal budgetary decisions.”

The P1 mentioned that the Provincial Treasury focuses on financial data and information contained in various reports. He emphasised that his Provincial Treasury focuses on getting timely and accurate information on the municipal budget on all stages of the municipal budget process. P1 emphasised that because the Provincial Treasury wants to be objective, it focuses on the content of draft municipal budgets, the information contained in Section 71; 72 and annual financial reports.

When asked about the type of information the Provincial Treasury demands from the municipal manager, the P1 explained as follows:

“As the Provincial Treasury, we focus on the numbers in the budget. Our work is aimed at ensuring that the numbers in the draft budget, budget implementation reports and annual financial statements comply with financial management standards and rules, and other National Treasury norms.”

The P1 stated that the focus of the Provincial Treasury concentrates more on financial decisions and behaviours during the drafting, implementing and auditing of the municipal budget process. P1 explained:

“We at the Provincial Treasury focuses on ensuring that the municipal manager complies with the budget guidelines from the National Treasury and the general accounting norms and standards.”

The municipal councillors admitted that oversight structures do not have a uniform and clearly articulated approach to municipal budget oversight. Municipal councillors indicated that in terms of their experiences, the oversight approach is mainly about influencing the budget allocations during the preparatory or planning stage of the municipal budget process. P6 stated:

“Our approach is mainly about controlling the municipal budget before it is approved by the municipal council. As municipal councillors, we fight to ensure that our issues and needs are catered for in the municipal budget. My experience is that once the budget is approved, there is a decline of interest and activity on the municipal budget oversight.”

Six municipal councillors acknowledged that they were not active in terms of exercising meaningful oversight during the budget implementation. When probed further on lack of active oversight during the implementation of the budget, municipal councillors stated that this issue does not receive attention from the caucuses. P7 commented as follows:

“As councillors, we do not pursue individual issues. Our caucuses strictly prescribe for everything that we do, individual as well as the party. Even our oversight activities must be endorsed by the party first. It has come to the point where even what you say in council meetings and committees must first be sanctioned by the party. Even if I want to raise concerns about any budget issue, I need to get the approval of my political party.”

The municipal councillors highlighted that each political party, especially, the opposition, focuses more on exposing corruption by the majority party. P9 explained this issue in the following manner:

“The opposition parties in the municipal council compete about exposing the corruption of the ruling party. These parties see the municipal manager as part of the ruling party.”

Most municipal councillors acknowledged that the focus of their oversight is more political. These councillors indicated budget oversight is used for political conflict. P8 explained:

“We often refuse to vote for the approval of the budget as a way of intensifying our political agenda against the ruling party. We do oversight in order to get information that we can expose and attack the ruling party.”

Municipal councillors conceded that their oversight approach is unstructured and largely influenced by external pressures such as media reports alleging corruption in their municipality. P8 expressed his thoughts as follows:

“Our Section 79 committees such as Oversight Committees and Municipal Public Accounts Committees do not have structured way of exercising municipal budget oversight. I have seen these committees summon the Executive Mayor, municipal manager to a hearing. I have also not seen a report from these committees to council.”

Municipal councillors expressed conflicting perceptions of the budget oversight approach of the Provincial Treasury. Some councillors were of the opinion that the oversight approach of the Provincial Treasury is different from theirs. However, other councillors claimed to not know the specific approach followed by the Provincial Treasury.

When asked about the focus of their oversight approach, it became clear that the oversight principals (both the Provincial Treasury and municipal councillors) focus on different things when exercising oversight on the municipal budget process.

7.5.2.3 DIFFERENT MUNICIPAL BUDGET OVERSIGHT MEASURES AND ACTIVITIES

The question: “How do principals exercise oversight during the stages of the municipal budget process?” generated interesting responses. In the main, the responses demonstrate that each oversight principal has its own oversight activities that they use during the different stages of the municipal budget. I will begin with the drafting stage and then move to implementation.

The P1 stated that the Provincial Treasury is implementing its own oversight activities during the draft municipal budget, budget implementing and budget auditing processes. This participant expressed ignorance about what the internal oversight principals were doing concerning budget oversight. P1 explained:

“To be truthful, we as the unit within the Provincial Treasury that is responsible for municipal budgets, do not know what the municipal council, its committees do regarding oversight the different stages of the municipal budget process. In fact, I doubt if they do proper scrutiny of the draft budget and the Section 71 and 72 reports because if we do not intervene, municipalities will experience high levels of non-compliance.”

The Provincial Treasury was more detailed in responding to the question regarding its oversight measures and activities during the different stages of the municipal budget process. One such detail, which emerged during the interview with the Provincial Treasury official, was that of monitoring. P1 described monitoring as:

“A system of tracking budget documents; financial transactions; procurement documentation; periodic reports. The monitoring provides the Provincial Treasury unit with current data regarding the draft budget; budget implementation and response to audit queries and recommendations.”

In responding to the question of what municipal councillors do to exercise budget oversight during the drafting stage of the municipal budget process, most councillors indicate that during the drafting stage they participate in the imbizos, municipal councillors’ workshops and part caucuses to influence the draft budget. Most councillors also mentioned that they use the Integrated Development Planning (IDP) processes to influence the draft budget.

On the other hand, during the budget implementation, municipal councillors mentioned that they use the SDBIP to monitor budget activities. P8 stated:

“We conduct budget oversight during the budget implementation though considering the monthly and quarterly reports. To be honest with you, these reports are just presented to in our municipal council meetings for noting. It is a ritual that has made us passive.”

When asked to describe their oversight activities, most councillors indicated that the respective portfolio committee and Municipal SCOPA do engage in some oversight activities. Some councillors indicated that some budget oversight related questions and issues are raised during the plenary meeting of council. However, all councillors indicated that there are formal process where they are able to field budget oversight questions directly to the municipal manager during the different stages of the municipal process.

Most councillors explained that they construe their oversight activities in their own particular ways. In particular, councillors stated that they structure their respective oversight activities not to be necessarily in conflict with other principals but according to their own “culture”, capacity, rules and processes.

Most participants admitted not knowing what the other principals are doing in exercising oversight on the budget preparation, implementation and auditing. Principals indicated that the oversight activities of different principals during the different stages of the budget process are directed at municipal managers. The majority of the participants indicated that what each principal is doing with the municipal manager is a private activity between them. P10 offered an example:

“Only the municipal manager knows the oversight mechanisms and related communications utilised by the Executive Mayor. Equally, the oversight mechanisms used by the Provincial Treasury are known only by it and the municipal manager.”

P2 used the metaphor of someone visiting your house explaining that:

“The Provincial Treasury is like people who come to your house and talk to your tenant about the problems of your house. If you are lucky, the tenant will inform you about his discussion and instructions from the external people.”

Most councillors appeared ignorant of what the Provincial Treasury did during their regular visits to the municipality. They indicated that they were not aware of meetings where the Provincial Treasury and other oversight structures of the municipality negotiate processes and mechanisms to exercise oversight during the budget process. P11 commented that:

“I will be lying if I say I know what exactly what the Executive Mayor and the Provincial Treasury are doing regarding oversight on the budget process. Since being a councillor in my municipality, I have

never been in meeting with the Executive Mayor in discussion of budget oversight. I have also not seen a report from the Executive Mayor or the Provincial Treasury talking to what oversight activities they are performing against the municipal manager”.

When asked about how they felt about the municipal budget oversight activities of the oversight principals in general, most of the participants felt that the Provincial Treasury was serious about rigorously conducting its oversight activities. These participants used terms such as the Provincial Treasury was “process-driven” “coercive” and “results-oriented” when exercising its budget oversight activities.

When asked to provide their perceptions of the budget oversight activities of the municipal councillors, most municipal councillors themselves expressed dissatisfaction with their own budget oversight activities on municipal budget process. P6 stated:

“We lack the political will to develop and implement meaningful municipal budget oversight activities. We are not serious about exercising municipal budget oversight.”

The majority of the councillors felt that the stringent behaviour of Provincial Treasury relegates them as subordinate to the Provincial Treasury despite the intergovernmental system that speaks of local government as a sphere of the state. P2 explained:

“The Provincial Treasury has the authority to reject and nullify our decisions regarding the budget. We are expected to change and align our oversight strategies in terms of what the Provincial Treasury deemed appropriate. The design does not allow us to disagree with the Provincial Treasury.”

7.5.2.4 DIFFERENT LEVELS OF CAPACITY FOR OVERSIGHT

P1 indicated that, as the Provincial Treasury is well versed with the treasury norms, rules and laws regarding municipal budget oversight.

“We make an effort to read and understand the National Treasury circulars, regulations, notes and guidelines regarding municipal budget oversight. In some instances, we enlist the support of other organisations to train us on how to properly understand the law and regulations prescribe as our role in exercising municipal budget oversight.”

However, many municipal councillors admitted to having limited skill and/or no capacity to do financial oversight. Some councillors indicated that they do not have an idea of what they are supposed to know. P3 commented:

“Though I have an idea regarding municipal budget oversight, I cannot recite the specific laws and regulations for municipal budget oversight. All I know is that we need to comply with the Municipal Finance Management.”

Some councillors mentioned that they were provided with a booklet from the South Africa Local Government Association explaining the role of municipal councillors on municipal budget oversight. These councillors indicated that they could not understand the information provided in the booklet, as it was not written in simple English.

Municipal councillors who serve on the Municipal Public Accounts Committee indicated that though they attended a three-day training programme, it did not adequately equip them with all the relevant information on how budget oversight is exercised. No continuous learning/coaching approaches were provided. P4 – a councillor serving on the committee – explained that:

“I am not a stupid person. I have a matric qualification, but the training that was provided was just too complicated for me. I am not a financial person and will accordingly just need someone to explain some of the financial terminologies for me. These GRAPs and financial ratios were too high for me.”

Most councillors say their inability to exercise budget oversight forces them to shy away from responsibility. For example, P5 expressed his decision to not participate in municipal budget oversight processes.

“I do not get the support and I do not have the required skills. That is why I have been thinking that I should not waste my time trying. I do not even try do report on municipal financial issues to my ward. I stay away from financial matters at all costs.”

This honest admission is exceptionally important in deflating the assumptions of our entire democratic system and especially the often exaggerated expectations of South Africa’s “local participatory democracy. It speaks to a broader argument of lack of capacity to exercise effective budget oversight made in this thesis which I will revisit in the final chapters.

Participants indicated that they had come to terms with the fact that municipal councillors are unable to hold officials to account; therefore, the Provincial Treasury must take that responsibility. Participants emphasised that because of the possibly inherent lack of capacity and continuous learning support to exercise effective budget oversight during the implementation and auditing of the municipal budget, the authority of the municipal council would always be significantly undermined.

Furthermore, participants, especially, municipal councillors, take a conspiratorial view that they believe that the lack of capacity and support for municipal councillors is deliberately and “strategically” being used to allow the province to ultimately prescribe and govern municipalities. Several participants indicated that they feel like they have lost authority to the provincial government. According to these participants, the provincial government is remotely controlling municipalities.

Moreover, some councillors also indicated that the dominance of the Provincial Treasury in the municipal budget oversight has made them “feel useless.” These councillors strongly believe that the lack of capacity and support to exercise effective budget oversight is affecting their credibility as elected representatives. In addition, these councillors stated that the dominance of the Provincial Treasury has a demoralising effect and diminishes their commitment to municipal budget oversight.

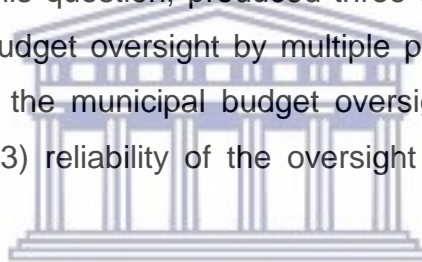
All participants recognised that municipal budget oversight is generally a complex exercise. Participants felt that the involvement of multiple principals was worsening it and making them “confused.” Therefore, confusion was considered by many participants as one of the abiding realities and features of the governance system of a multiplicity of principals. This confusion is systemic and amply reflected in participants’ description and statements. The principals were unanimous in explaining the multiple-principal model and their behaviour as creating an oversight space where it is not clear who has the authority to do what. P10 explained the confusion as follows:

“We are expected to be effective in implementing something that is so unclear to most of us. There is no clarity regarding how we as councillors must relate to the Executive Mayor and the Provincial Treasury during the municipal budget process. I have experienced a lack of relationship and cooperation among the councillors, the Executive Mayor and the Provincial Treasury being accepted for so long that it has become a culture.”

7.6 QUESTION 3: WHAT ARE THE EFFECTS OF MUNICIPAL BUDGET OVERSIGHT BY MULTIPLE PRINCIPALS?

POSITIVE EFFECTS

Participants were asked to describe the positive effects of municipal budget oversight by multiple principals. The thematic analysis from the response on questions related to this question, produced three themes that reflect positive effects of municipal budget oversight by multiple principals. Themes are: (1) enhances respect for the municipal budget oversight system; (2) availing of additional expertise; (3) reliability of the oversight system. The themes are discussed below.



7.6.1 ENHANCES RESPECT FOR THE MUNICIPAL BUDGET OVERSIGHT SYSTEM

The enhancing the respect for the municipal budget oversight system is the first theme that describes some of the participants' experiences and perceptions of the positive effects of multiple-principal model and behaviour of principals involved in municipal budget oversight. Participants used the word “respect” to explain how the model and practice of municipal budget oversight by multiple principals promotes the integrity of the municipal budget oversight system.

The Provincial Treasury indicated that the role of different oversight principals in the municipal budget oversight promotes public confidence in the finance management. P1 stated:

“The involvement of different oversight principals ensures that non-compliance is detected easily and corrected early. Starting with draft budget, different oversight principals offer different oversight strengths to ensure nothing escapes the required scrutiny.”

The Provincial Treasury stated as a matter of fact that its extensive involvement in the draft, approval, implementation and auditing stages of the municipal budget process has contributed to the municipal managers in the Western Cape Province managing the municipal finances with integrity and good stewardship. According to the Provincial Treasury, its municipal budget oversight and tutelage activities have ensured that municipal managers in the Western Cape comply with the audit recommendations of the Auditor-General.

P1 further remarked:

“The truth of the matter is that our involvement is often expressed as negative thing. However, it is widely accepted that by many in municipalities or political parties that we have rescued and intervened in municipalities where there is legacy of serious internal budget oversight failures. In some instances, the internal oversight structures are not acting in good faith. In this regard, our interventions have helped to restore public confidence in the management of municipal finances”.

P1 emphasised the fact that without their “intrusive” involvement, municipal managers would not be subjected to the required stringent scrutiny. P1 stated:

“I do not think that municipal managers were going to be made to provide the required level of details in their reports. But now that they know there are other structures such as the Provincial Treasury who look into the reports, these municipal managers provide the information that is required.”

P1 indicated that visits and requests for information from municipal managers ensured that the required information was collated and made available. The Provincial Treasury believed that they are able to get additional information from the municipal managers.

P1 further motivated the role of the Provincial Treasury in municipal budget oversight in benign terms:

“Municipal budget oversight is very complex for the municipal councillors. Our involvement provides an additional pair of eyes on what is happening with the finances of the municipality. My experience is that our involvement helps to get the municipal manager to respond.”

P1 felt that the proximity and the relationship between the municipal manager and the municipal councillors and Executive Mayors makes the municipal manager resistant or just too comfortable. But “when we raise issues, it becomes difficult for the municipal managers to evade our scrutiny”. This is a vital observation that undermines the conventional wisdom that “local is always better” and that those closest to the problem are best able to deal with it.

Five municipal councillors also admitted that the Provincial Treasury is “useful” in moderating unreasonable budgetary decisions of the municipal councils. P4 shared her experience:

“I think the Provincial Treasury helps in making sure that the municipal budget processes are respected. It is widely known that as councillors we do not have the capacity to perform financial related functions. You must also be mindful that the public does not trust us as councillors. The narrative out there in the public is that, we are corrupt. So the Provincial Treasury, especially the Western Cape Provincial Treasury is highly respected. Therefore, the public get to relax when they know that our finances are also scrutinised by the Provincial Treasury.”

When asked whether the model and practice of principals inspires confidence in municipal finance management, some municipal councillors expressed positive opinions. These councillors indicated that the Provincial Treasury restores confidence in the municipal budget oversight processes. They indicated that the kind of finance mismanagement and irregularities that the Provincial Treasury is able to expose and address has taken place under the watch of the municipal councillors. These participants emphasised that these financial irregularities happen because the municipal council and its committees are dysfunctional or have failed to pick up or address these irregularities.

Most municipal leaders acknowledged that they do not do much to ensure openness and transparency during the different stages of the municipal budget oversight. The councillors believed that the Provincial Treasury was good at shining the light on all the areas and aspects of the municipal budget. The councillors felt that the Provincial Treasury know what they are looking for and that the municipal managers find it difficult to conceal information.

Both the Provincial Treasury and municipal councillors stated that they have experienced the involvement of the Provincial Treasury as contributing towards making the municipal budget process to be legitimate. According to the participants, the involvement of the Provincial Treasury helps to prevent corruption and maladministration in the municipality. P4, P9 stated that without the involvement of the Provincial Treasury, it would not be possible to ensure that municipal managers follow and adhere to the guidelines during the drafting, approval, implementation and auditing stages of the municipal budget process.

The Provincial Treasury's perception of legitimacy was justified by their belief that the model and practice that allows them to oversee municipal managers ensures the authenticity of the financial report. P1 stressed:

"You must remember that we come across municipal financial reports that are incorrect, inconsistent with the guidelines and some instances crossly and intentionally misrepresent the actual financial situation in the municipality. Our ability to detect and get municipal managers to address these financial reporting irregularities strengthens the authenticity of the municipal finance reports."

7.6.2 SUPPORT FOR MUNICIPAL COUNCILLORS AND SOURCES OF DATA

Support to municipal councillors by external agents was highlighted as a positive effect of municipal budget oversight by multiple principals. Most participants, especially municipal councillors highlighted the scarce expertise provided by the Provincial Treasury as having a positive on municipal budget oversight.

P11 stated the following:

"Even though we have issues with the Provincial Treasury's big bother mentality, they know what they are doing. They have the expertise that we do not have. I guess with without their involvement in the municipal budget oversight, we will be in a serious trouble."

P1 confirmed that the Provincial Treasury has the adequate human and financial resources to support its oversight role, and shared the following:

"We are a team of highly qualified people with the requisite skills and expertise. Our unit, which is called the Budget Unit within the Provincial Treasury, has resources to enable us to visit, inspect, and investigate the budget issues of all municipalities in the Western Cape."

P4 went to explain the experience she had with the Provincial Treasury in the following manner:

“Amazing. I was impressed with the level of detail the Provincial Treasury provided on our draft budget. When the Provincial Treasury’s inputs and comments were presented to us as the mayoral committee members, I realised that these people know their staff. Their inputs were so useful and well-constructed.”

Participants describe the multiplicity of oversight principals as enhancing the capacity of municipal councillors in the exercise of municipal budget oversight. Most councillors stated that, in their experience, the Provincial Treasury was complementing their efforts and lack of effective budget oversight skills and capacity. All municipal councillors indicated that they did not have the necessary capability to exercise meaningful budget oversight. The reason, according to them, was that councillors lack the required qualifications, training and experience required to understand the finance and accounting issues. The second reason was that the committees established to exercise budget oversight are not effective.

Most councillors expressed the lack of the required information and infrastructure for exercising meaningful oversight on municipal budget oversight. Councillors explained that it is difficult for each political party and individual councillors to get relevant information to use to exercise oversight on the officials. P6 stated:

“We rely on the reports from the officials and the Executive Mayor to generate relevant and appropriate information for oversight. In most cases, the officials do not provide us with accurate and organised information. We are not in position to verify the information that officials provide.”

Most councillors reported that they do not have the required infrastructure such as independent people providing them with the support to exercise oversight. Most councillors revealed that they rely on the information provided by the municipal officials to exercise oversight on them and therefore do not have independent sources. P6 stated:

“How on earth can the municipal manager give us information that can be used against him? We are not sure of the objectivity, accuracy, reliability of the information provided to us by the municipal manager.”

Municipal councillors expressed a belief that the Provincial Treasury enjoys more and better support to enable it to exercise effective oversight on the budget processes. Most principals highlighted that the Provincial Treasury has a dedicated support staff supporting the MEC.

P10 also shared an experience of the valued contribution of the Provincial Treasury in his municipality:

“As I indicated to you, I have been a councillor in this municipality since 2000. In 2007, our municipality was one the worst performing municipalities in the Western Cape. I have experienced the benefits of the direct involvement of the Provincial Treasury in our municipality. In the last three financial years, we have received clean audits and our finances are in good shape.”

Most councillors mentioned the problem of having very few people in their respective municipal councils and their committees who are capable of understanding and interpreting financial reports. Most municipal councillors described the lack of capacity to exercise municipal budget oversight as the most significant impediment. Some councillors frequently identified the Provincial Treasury as having better budget oversight capabilities.

A recurrent issue raised by some municipal councillors was that the Provincial Treasury assists in constraining arrogant and unaccountable municipal managers. P5 commented that:

“I am not confident enough to engaging with the municipal manager and other senior officials due to my limited knowledge and ability to understand and articulate financial and budgetary issues. The lack of capacity has dampened our enthusiasm. That is why we are weak in exercising budget oversight, especially, during the implementation of the budget.”

Participants indicate that availing additional expertise assist in sharing of the burden of oversight facilitate by partnership as one of the benefits of municipal budget oversight by multiple principals. Very few municipal councillors expressed negative comments regarding their experiences and perceptions of the sharing of the burden of oversight by multiple principals as having a positive effect.

Most of the responses from municipal councillors ranged from acknowledging the huge responsibility for municipal budget oversight is huge, to the lack of oversight capacity in municipalities. P7 illustrated the advantage of sharing the burden of oversight in the following manner:

“I really do not see us as councillors being able to exercise comprehensive oversight on the municipal budget oversight. This thing is massive. It requires the involvement of structures such as the Auditor-General and Provincial Treasury.”

P6 stated

“It is only now that I understand why our laws have made it is requirement for the other structures to be involved in the municipal budget oversight. It actually makes sense that other structures share the burden with us. Otherwise, we were going to fail.”

7.6.3 DIFFERENT LENSES AND A BACKUP FOR THE MUNICIPAL COUNCILLORS

The other theme that emerged from the interview in terms of the positive effects of multiple principals was that, it serves as a backup in the budget oversight system. This theme relates to the ability of the multiple-principal model to avail the Provincial Treasury as a backup in instances when the municipal councillors do not exercise effective oversight. Three participants indicated that Provincial Treasury reliability is important in preventing a total failure by ensuring that the municipal councillors do not paralyze the entire municipal budget oversight system.

P1 highlighted the independence of Provincial Treasury as having a positive effect on the reliability of the multiplicity of municipal oversight. P1 stated:

“Imagine the Executive Mayor was able to prescribe to the Provincial Treasury how to exercise municipal budget oversight. We need to appreciate the fact that the Provincial Treasury performs its own independent oversight on the budget of the municipality. In this way, we are confident that the oversight principals are not going to collude and manipulate the municipal budget oversight process.”

P1 indicated that the coverage of the municipal budget oversight landscape promoted the reliability of municipal budget oversight. He explained that the multiplicity of principals allows the municipal council and the Provincial Treasury to focus their oversight efforts on the different stages of the municipal budget.

Municipal councillors referred to the way the Provincial Treasury and the municipal councillors focus on different issues during the budget process. P11 offered an interesting comment:

“Our mandates to the municipal manager are not the same. The Provincial Treasury looks at balancing the books and adherence to financial prescriptions. We are politicians on the ground. We focus on real issues. Our people are struggling and want to get water and electricity. When we do our oversight, we want to ensure that services are affordable and accessible. The Provincial Treasury can focus on numbers and processes.”

Most of the municipal councillors were of the view that different eyes of the different principals ensure that nothing goes on undetected. This view is reflected in the following statement from P9:

“My feeling is that the many constant prying eyes scrutinising the municipal managers during the budget process ensures nothing can be hidden. These two structures have the ability to pay adequate attention to the activities of the municipal manager. These oversight structures complement each other in ensuring that a 360-degree oversight on the budget process is exercised”.

Seven municipal councillors felt that without the Provincial Treasury, it would be hard for the municipal councillors to monitor all aspects of the budget. These participants perceived the Provincial Treasury as useful in focusing their individual investigations into different areas of the budget process. The participants indicated that there is no way that the municipal managers can escape the scrutiny of the Provincial Treasury.

Some councillors acknowledged that the involvement of the Provincial Treasury in exercising various oversight measures on different stages of the municipal budget process is useful in closing the oversight gaps and failures of the municipal councillors and their various committees. According to councillors, the involvement of the Provincial Treasury is preventing the total failure of the municipal budget oversight system.

Most councillors agreed that if the province was not exercising oversight on the municipal budget, there was going to be a serious problem of non-compliance in municipalities. It was clear from the majority of councillors that they attribute the audit outcomes to the involvement of the Provincial Treasury.

Also related to the backup of the oversight was the ability of the Provincial Treasury to veto and reject the decisions of the municipal council as a positive effect of municipal budget oversight by multiple principals. Two participants explained that the ability to reject the budget decisions enables the Provincial Treasury to continue executing its oversight roles and responsibilities when the municipal councils and the Executive Mayors fail to exercise effective and meaningful oversight.

The P2 commented:

“It is strategic that the Provincial Treasury is able to override the internal oversight principals and perform municipal budget oversight. If this was not the case, I can assure that there will be a lot of non-compliance in municipalities. If the province did not have the authority to reject, there will be a widespread failure of the municipal budget oversight.”

The P2 explained further that the Provincial Treasury perceived the ability to override the other principal as acceptable and necessary. He stated:

“I think it is working very well in the Western Cape. I think it is because the system allows us to takeover when the municipal councillors fail. The fact is, the financial systems of both Kannaland Municipality and Oudtshoorn Municipality would have totally collapsed if the Provincial Treasury was unable to override the councillors in these municipalities.”

Three municipal councillors mentioned that the ability to override is necessary to address the situation where one principal is abdicating its oversight responsibility. A common example from most participants was that it should not be possible for the behaviour of one oversight principal to impact negatively on the quality of the entire municipal budget oversight system.

These participants felt that the ability to override enables positive competition between municipal councillors and the Provincial Treasury. Participants reiterated that the municipal councillors are getting tired of being overruled by the

Provincial Treasury and are accordingly taking budget oversight seriously. According to these participants, when municipal councillors realise that the Provincial Treasury is receiving positive publicity for its work in municipalities, the municipal councillors try to emulate the work done by the Provincial Treasury.

The ability of the Provincial Treasury to override the municipal councillors instils some discipline and commitment among the municipal councillors. As P4 said:

“Some councillors, especially those from opposition want to the wrestle the authority of the provincial government on the municipal processes. This makes them to be very active in municipal budget oversight in order to limit the involvement of the provincial government. This has made the councillors from the ruling party to be more concern about corruption and for them to be the first to raise issues and get publicity.”

It is also the perception of some participants that the ability to override has improved financial discipline in the municipality. Participants commented that councillors know that the provincial government will intervene and possibly dissolve the municipality if financial systems collapsed in the municipality.

However, some municipal councillors were not in favour of the Provincial Treasury's power to override the municipal councillors, but did agree with it when the need arise. P2 commented as follows:

“We do not feel good when the Provincial Treasury overrides us. It makes us feel insignificant. However, the truth of the matter is that we often do not take oversight seriously. We are weak, very few of us can engage meaningfully with the financial reports. In addition, some of us are contributing participating to wrongdoing in the municipality. So it becomes necessary for the Provincial Treasury to save the situation even if it means overriding us. It is an effective way of reassuring the voters that the financial resources are not at the mercy of corrupt officials colluding with municipal councillors.”

Equally, P8 stated:

“I do not think it is done properly. I do have an experience of the Provincial Treasury going beyond their scope. The authority to override grants the Provincial Treasury [the power to] undermine the local democratic processes. They need to support us, not take over. They are not our bosses the community is.”

NEGATIVE EFFECTS

When asked to describe their experience and perception of the negative effect of the municipal budget oversight by multiple principals, participants' responses produced five themes: (1) overlapping oversight activities; (2) blame shifting between the municipal councillors and the Provincial Treasury; (3) confusion among the oversight principals; (4) relegation of oversight authority of the municipal council; and (5) transfer of municipal budget oversight authority to the Provincial Treasury.

7.6.4 OVERLAPPING OVERSIGHT ACTIVITIES

P1 mentioned the negative effect overlapping oversight activities. He indicated that there is no clearly-articulated and separated oversight competencies.

Consider the following statement by P1:

“Our responsibilities and activities are the same. There is no line differentiating between our oversight responsibilities and activities. In most instance, the Provincial Treasury is entitled or getting the same reports as us. The financial and budget information reports that are tabled in municipal councillors are identical to those sent to the Provincial Treasury.”

P1 was of the opinion that they do not have to check what municipal councillors were doing to exercise municipal budget oversight. P1 stated:

“We do not exercise oversight on the oversight activities of municipal councillors, we exercise oversight on the process and the content of the municipal budget. Even where there is evidence of the municipal councillors not exercising budget oversight, there is nothing we can do.”

7.6.5 INFIGHTING AMONG BETWEEN MUNICIPAL COUNCILLORS AND THE PROVINCIAL TREASURY

Most councillors explained that they experienced infighting and clashes among themselves when attempting to exercise budget oversight. The infighting was reported to be more prevalent between the municipal councillors from the ruling party and those from the opposition party. Eight participants mentioned experiencing opposition parties blaming those in the ruling party for lack of effective municipal budget oversight.

Some participants indicated that the councillors from the ruling party are to blame for lack of effective budget oversight in municipalities. P2 stated that councillors from the ruling party prevent other councillors from questioning wrong doing in the municipality. He indicated that:

“The municipal councillors from the ruling party insist on voting against the need to question financial irregularities in the municipality. That is how they obstruct us from scrutinising the finances of the municipality.”

P2 remarked that, in some instances municipal councillors are complicit in the wrongdoing and lack of compliance by the municipal manager. Often, some councillors, especially those from the majority party are reluctant to sanction the municipal manager from deviant behaviour.

Participants seemed to be divided in their views on what causes infighting among the principals during the municipal budget process. Some participants expressed an experience of municipal councillors being engaged in perpetual infighting and failing to find common footing during the draft budget process. Municipal councillors from the ruling party felt that their colleagues from the opposition parties were being destructive and making it difficult for the municipal councils to agree on the draft budget. P4 and P9 stated that opposition parties in the municipalities have reduced the budget process to a political contest. P4 stated:

“We have failed to agree on what are the most important issue to be included in the municipal budget. There is not unity among us as councillors. We are so divided and fought unnecessarily over the budget.”

Budget priorities seemed to be the biggest reason municipal councillors and the Provincial Treasury fought during the drafting states of the municipal budget process. Municipal councillors from the opposition parties expressed apprehension that they were not being treated as elected public representatives having the right to participate in setting budget priorities of their respective municipalities. There was also one councillor from the ruling party who reported

that even within the ruling party itself, there was infighting and opposition against the dominance of the Executive Mayor on the draft budget.

Most municipal councillors indicated that they have their own individual issues with the Provincial Treasury. The behaviour of the Provincial Treasury was presented as a factor which created tension among the oversight principals during the municipal budget processes. P2 stated:

“How the Provincial Treasury behaves during the budget process divides us as principals. What annoys me the most is the behaviour of the Provincial Treasury that is not consensus based. Compliance is doing things their way.”

7.6.6 CONFUSION AMONG THE OVERSIGHT PRINCIPALS

Participants articulated their experiences of confusion by referring to the issues of competition or cooperation during the stages of the municipal budget process. Most of the participants explained that they are not sure as whether they supposed to differ or cooperate with each other as principals. The municipal councillors emphasised the importance of being different. Most expressed the fear of losing their institutional identity and integrity if they do not emphasise their independence and autonomy.

P1 was also of the opinion that allocating oversight responsibilities among the different principals is causing confusion. This principal felt that the Provincial Treasury was made to feel that it was encroaching the oversight space of the municipal council. Therefore, according to this participant, the Provincial Treasury is always accused of not respecting the territorial space of the municipal council. Interestingly, P1 noted the unintended consequences of their approach:

“As the Provincial Treasury we often question our role in the municipal budget oversight process. We often feel that our approach is encouraging the municipal council, individual councillors and council committees to sit back and not take their oversight responsibilities seriously.”

P1 stated:

“How we perceive procedural process and how those in municipalities do things present strong contradictions. As the Provincial Treasury we have our own preference according to our understanding of legislation. What we have found is that, the

structures in municipalities have their own budget oversight behaviours that contradict ours”.

The majority of the participants admitted that these contradictions are making it difficult to distinguish the budget oversight approaches that are effective from those causing problems in municipalities. This belief is reflected in the following P11 statement:

“The Auditor-general is often lambasting the leadership in municipalities as not being active and effective in exercising budget oversight. Many people also think that we as municipal councillors are contributing towards the problem of lack of municipal financial accountability. For me, the issue is that our budget oversight approaches are clashing and causing problems in municipalities.”

When asked whether there is a possibility of integrating their budget oversight approaches, all the principals expressed lack commitment. Some municipal councillors claimed that integration was possible if both the municipality and the provincial government come from the same political party.

7.6.7 RELEGATION OF MUNICIPAL COUNCILLORS IN THE MUNICIPAL BUDGET OVERSIGHT

Five participants made reference to the relegation of the authority of the municipal council to the periphery of the budget oversight environment as manifesting from the multiplicity of oversight principals. Participants claimed to have an experience of the municipal councillors having relegated their budget oversight authority to the Provincial Treasury. These participants expressed that that though the Provincial Treasury has dominated the oversight space, the municipal councillors have also failed to exert its budget oversight authority.

Some councillors in the study stated that the Provincial Treasury has appropriated to itself the status of super budget oversight authority and principal. Participants expressed concern that the Provincial Treasury has the tendency to monopolise and veto the authority of the internal budget oversight principals, especially the municipal council.

The dominance of the Provincial Treasury has pushed out the municipal council and its committees in the budget oversight processes. Some councillors explained the relegation of the municipal council from the centre of the budget oversight space is voluntarist, politicised and thus not sustainable and democratic.

P2 articulated a view regarding the relegation of the municipal council in the following manner:

“You see, this behaviour of the provincial government through the Provincial Treasury represents a hostile takeover. The Provincial Treasury has invaded the municipality. They have seized power unconstitutionally with the support of the ruling DA in the municipality.”

Six municipal councillors complain that the ability of the Provincial Treasury to veto their decisions is effectively undermining their authority. According to these councillors, the municipal managers tend to listen more to the Provincial Treasury rather than the municipal councillors. P8 expressed himself as follows:

“The problem here is that the relationship between the municipal council and the provincial government has deviated from the Constitution. The relationship between the municipality and provincial government, especially the Provincial Treasury does not any longer allow for diversity and autonomy of the municipality, but for the Provincial Treasury to monopolise the municipal budgeting process, as well as how oversight is exercised. The way things are currently, the agenda and political ideology of the provincial government has become the overriding concern.”

Three municipal councillors referred to the annexation of the budget oversight authority from them. P3 remarked:

“The involvement of the Provincial Treasury in the municipal budget oversight has resulted in the authority for municipal budget oversight completely being relocated to the provincial government, especially, the Provincial Treasury. Even our municipal manager looks up to the Provincial Treasury to pronounce on the appropriateness of the budget activities and decisions. We are insignificant.”

Most councillors in the study complained that the municipal budget oversight budget is now firmly in the hands of the Provincial Treasury. Most councillors stated that the Constitution has given the authority the employ and exercise

oversight on the municipal manager. They also explained that the political process at the provincial government and some municipalities have moved the budget oversight authority to the Provincial Treasury. According to these councillors, the Provincial Treasury has taken advantage of their capacity challenges to move the budget oversight capacity to Provincial Treasury. These participants stated that they need assistance and support, not for the Provincial Treasury to remove authority from them in this manner.

Some participants felt that the transfer of the municipal budget oversight authority to the Provincial Treasury has not been negotiated in terms of the intergovernmental relations framework. This particular issue was raised by a number of participants who indicated that they did not know how it had happened that the real budget oversight authority had moved to the Provincial Treasury.

7.7 CONCLUSION

This chapter presented the findings of the study accordance with the key questions of the study. The findings described how municipal manager as participants in the study perceive municipal budget oversight by multiple principals. The participants' description of the multiple-principal model, the behaviour and effects of multiple principals provided important and rich knowledge and understanding of this phenomenon and complemented the literature discussed in Chapters Two and Three of this study.

The following chapter presents the summary of the findings and related discussion. The discussion will also follow the themes generated through data organisation and analysis.

CHAPTER 8: DISCUSSION OF FINDINGS

8.1 INTRODUCTION

This chapter discusses the research findings in relation to this study's three research questions of the study. Relevant explanations that emerged from the interviews are highlighted on each of the questions. In addition, the chapter interprets the findings against and in conjunction with the theoretical framework and the literature presented in this thesis. The presentation of the chapter is guided by Sandelowski (1995 as cited in Thorne, 2008: 47) Sandelowski (2000 as cited in Thorne, 2008: 47) suggestion that the discussion chapter must enable the transformation of findings emerging from the study, from "telling what it is to interpreting and concluding what might this mean and why it matters".

The chapter commences by reinstating the research purpose. The section is followed by a discussion on the findings relating to both the municipal managers' and oversight principals' experiences and perceptions of municipal budget oversight by multiple principals. The multiple principal-agent theory framework and the research method employed for this study will be utilised to validate the findings.

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8.2 PURPOSE OF THE STUDY

The purpose of this study was to understand municipal budget oversight by multiple principals. To address this purpose, the experiences and perceptions of the participants were explored by capturing their views, expressions, feelings, opinions and beliefs on the oversight model, its manifestations, dynamics and effects on the municipal budget process. Accordingly, the interpretation and discussion of the findings entails an iterative process anchored in reflective exploration and description of the narrative expressions the participants made during their individual interviews. The following section presents the interpretation and discussion of the findings.

8.3 UNDERSTANDING OF MUNICIPAL BUDGET OVERSIGHT

Participants in the study demonstrated different understandings of municipal budget oversight. Their individual responses revealed that municipal managers and Provincial Treasury understand municipal budget oversight more or less the same way, while municipal councillors demonstrated a different understanding. Both the municipal managers and the Provincial Treasury emphasised and displayed a fascination with adherence to legal requirements; regulatory prescriptions and compliance as what they understand municipal budget oversight to consist of.

The commonality between the municipal managers and the Provincial Treasury official's understanding of municipal budget oversight could be attributed to the fact that both are appointed officials. In this regard, their orientation and affinity to adherence and compliance to law and regulations is informed by their training, vulnerability to sanctions and their respect for the professional and ethical conduct.

On the contrary, the municipal councillors were of the view that the unmitigated obsession with legal compliance erodes the democratic and political role of municipal councillors on the municipal budget process. Councillors emphasise legal compliance as reducing municipal budget oversight to financial accounting. For councillors, fixation with legal compliance has made budget oversight a legal-driven process that is of no interest to non-executive councillors.

Interestingly, most participants perceived compliance as inducing an inflexible compliance environment intended to ensure the municipal manager's behaviour on the municipal budget process is aligned and adhere to applicable laws, rules and regulations. Consequently, the participants saw municipal budget oversight in the Western Cape municipalities as a ritualistic perpetuation of various provisions of the Constitution, the Municipal Systems Act and the Municipal Finance Management. Participants stated that compliance has attained more prominence and significance than service delivery.

This finding on compliance confirms that the municipal budget design is configured and implemented as an inflexible legal bureaucratic process. Compliance was explained in this thesis as the state of being in accordance with established guidelines, norms or regulation. Furthermore, it was emphasised that compliance can be obligatory in prescribing a specific behaviour pertaining the performance of a function. This aspect of absolute compliance in the municipal budget oversight is consistent with Van der Waldt's (2015) contention that oversight is one of the essential elements of South Africa's constitutional democracy.

Interestingly, as I anticipated, municipal councillors described municipal budget oversight primarily as a tool and process to monitor service delivery. All municipal councillors described municipal budget oversight as enabling them to keep track of service delivery. Equally, they described municipal budget as a useful way of getting information so they could account and report back to their communities.

The municipal councillors confirmed that the relationship between the municipal manager and the political oversight principals on the municipal budget process is characterised by information asymmetry. The municipal manager as the agent possesses superior expertise and knowledge, and the political principals have no or limited understanding of the municipal budget. The oversight relationship between the municipal manager and the political principals is designed to address this inherent information asymmetry. As highlighted in Chapter Two of this thesis, information asymmetry constitutes one the reasons for the principals to exercise oversight on the agent.

While the difference in the understanding of municipal budget oversight by the key stakeholders is understandable, it does however, demonstrate that fault lines between legal compliance and political decisions related service delivery are irreconcilable. The obsession with either/or fails to harness the significant strength of both the legal compliance and political accountability for service delivery in the municipal budget oversight.

8.3.1 MULTIPLICITY OF MUNICIPAL BUDGET OVERSIGHT PRINCIPALS

All the participants in the study described the nature of municipal budget oversight as involving a number of political oversight principals. Participants listed the municipal council, the executive mayor, provincial governments and national government. Understandably, municipal managers provided a much more comprehensive list of oversight principals, whilst both the Provincial Treasury and some of the municipal councillors were not aware of some of the other oversight principals operating alongside them.

The description of multiple principals was considered to reflect Linstead and Thanem's (2007) definition of multiplicity, which emphasises the quantitative increase of oversight actors. This study's findings align with an assertion made in the Chapters Two and Three of this study when stating that the proliferation of oversight principals is the reality of modern government, especially those like South Africa with a multi-sphere governance architecture. In particular, the finding concurs with Dehousse's (2008) suggestion that the multiplicity of principals is no longer an anomaly but an institutional architecture of how modern government constrain delegation to bureaucratic agents.

Notably, participants perceived the multiple-principal model differently. Some participants expressed frustration with the model whilst others believed that the model was progressive. Municipal managers raised a concern about confusion related to which oversight principal to obey, highlighting that the confusion exposes them to possible conflict with the principal that felt undermined.

With regard to municipal councillors, some municipal councillors, especially those from the DA, expressed appreciation for the involvement of the Provincial Treasury. These councillors stated that they value the involvement of the Provincial Treasury as it contributes towards restoring the credibility of the municipal budget oversight system. However, some municipal councillors, mostly those from the ANC, expressed discomfort with the involvement of the Provincial Treasury in municipal affairs. These councillors felt that the involvement of the Provincial Treasury creates unnecessary parallel and duplication.

This finding highlights the heterogeneity of oversight by multiple principals. This means that the multiple-principal model promotes variance and limits the possibility of destructive and collusive cooperation prevalent in collective principals. However, irrespective of the perceived benefits of multiplicity of the principals in municipal budget oversight, some participants were apprehensive about the possible power struggle between the municipal council and the Provincial Treasury.

The study also revealed how the number and diversity of the budget oversight principals reflects the complexity of the governance architecture, which entails the involvement of a number of independent multiple jurisdictions in municipal finance. This arrangement was explained in this study as contributing towards the quantitative increase of municipal budget oversight principals. In particular, Chapter Three indicated that the diversity of municipal budget oversight principals results from the law as well as transfers from provincial and government department to municipalities. These arrangements inevitably contribute towards the stacking or layering of oversight principals who have the obligation to exercise oversight on the municipal manager.

8.3.2 THE AUTHORITY OF MUNICIPAL BUDGET OVERSIGHT PRINCIPALS

Most participants acknowledged that multiple principals involved in the municipal budget oversight have legislative authority to exercise oversight on municipal budget oversight, in particular on the municipal manager. Municipal councillors highlighted that they have legal and political authority and obligation to exercise oversight on the how the municipal manager manages the financial resources of the municipality. Equally, the Provincial Treasury official pointed out that the treasury has legal authority to exercise municipal budget oversight. The emphasis on the legal authority highlighted that the authority is not arbitrary or dependent or influenced by political factors and issues. Similarly, the Provincial Treasury perceived its legal authority to exercise oversight on the municipal manager as non-negotiable and dependent on its relationship with the municipality.

This study noted that participants understand that more or less the same budget oversight authority is dispersed to the different principals. This was perceived in this study as creating complexity. Chapter Two of this study suggested that an institutional arrangement consisting of heterogeneous and multi-jurisdictional structures exercising oversight on the single bureaucratic agent is manifestly complex (Raynard, 2016). Clearly, the proliferation of the municipal budget oversight principals has not only polarised these principals, as well as the principals and municipal managers, but has also evolved into a complex design with no clarity regarding the actual holder of oversight authority and power. As a result, it can be concluded that complexity is inherent in an arrangement where the same authority is allocated to multiple, non-hierarchical and non-cooperating principals.

Another issue raised by participants in this study was the authority of the Provincial Treasury in relation to the municipal councillors. Many municipal councillors felt that Provincial Treasury has too much authority, which undermines and threatens their political legitimacy. These councillors believe that the ability of the Provincial Treasury to veto the decisions of the municipal council creates some form of hierarchy, which militates against the autonomy of the municipality.



This finding is significant in the sense that, it dispels an assumption that principals in the multiple-principal model have the same power and influence. What this study is showing is that the same budget oversight legal authority does not automatically translate into the same degree of influence. The observation from the study was that power and influence was tilting more towards the Provincial Treasury. Consequently, it is important to consider that in addition to legal authority, principals in the multiple-principal model get involved in political power play aimed to influence or limit the influence of other principals. It is very likely that between the municipal councillors and Provincial Treasury there will be competition, which should be moderated by legality and political legitimacy.

8.3.3 THE NATURE OF THE RELATIONSHIPS BETWEEN THE OVERSIGHT STAKEHOLDERS

Both the municipal councillors and the Provincial Treasury indicated that they have oversight authority on the same municipal manager. They also both indicated that they have a separate relationship with the municipal manager. However, both the municipal councillors and the Provincial Treasury indicated that there is neither a structured relationship among them nor requirement for them to have a relationship with other oversight principals. Participants highlighted that they have a common purpose but no relationship.

This finding concurs with my observation that within the multiplicity of oversight principals' model there is no requirement for consent among the principals. This finding highlights the predisposition of different political parties in pursuing their own sectarian interests. Most municipal councillors stated that their oversight relation with the municipal manager is influenced by political party affiliation.

Some councillors described the nature of oversight by opposition parties as usually very hostile and combative. In addition, some councillors from the ANC indicated that there is generally an incestuous relationship between the municipal manager and the ruling DA. These councillors explained that the municipal manager is the deployee of the DA as the ruling party and accordingly received protection from it. These councillors stated that the caucus of the DA interprets oversight on the municipal manager as oversight on the ruling party.

Another significant finding emerged from how municipal councillors perceived their relationship with the Provincial Treasury. These perceptions include reference to the Provincial Treasury behaving as the big bother. Some municipal councillors felt aggrieved by the ability of the Provincial Treasury to veto their decisions. However, some councillors, acknowledged and appreciate the involvement of the Provincial Treasury. These councillors perceived the Provincial Treasury as complementing their oversight efforts and capacity.

This finding showed that though there is no structured legal relationship between the Provincial Treasury and municipal councillors, there are still political

relationships. Participants who perceived the involvement of the Provincial Treasury as positive were mainly from the DA, indicating that the relationship between the principal in the multiple principals design cannot be deemed to be entirely apolitical. In fact, it was clear from this study that the DA councillors did not perceive the Provincial Treasury as an “outsider”. Similarly, the DA councillors seemed to be more tolerant of the intrusive nature of the Provincial Treasury’s involvement in municipal budget oversight.

8.4 RESEARCH QUESTION 2: MANIFESTATIONS AND DYNAMICS OF MUNICIPAL BUDGET OVERSIGHT BY MULTIPLE PRINCIPALS

The second research question focused on how the Provincial Treasury, municipal managers and municipal councillors experience and perceive the manifestations and dynamics of multiple principals during the oversight on the municipal budget process. Their perspectives are divided into four sections: (1) Individual identity within a multiplicity; (2) different political agendas for oversight; (3) municipal budget oversight approach; and (4) municipal budget oversight measure and activities.

8.4.1 INDIVIDUAL IDENTITIES WITHIN A MULTIPLICITY

The study showed that the model and its practice of municipal budget by multiple principals manifest individual identity, values and processes for exercising oversight on the municipal manager during the municipal budget process. The reinforcement of individual political identity reflected in the model is in line with objective of the MFMA which establishes “separate roles and responsibilities of municipal budget oversight structures” (National Treasury 2011: 74). The political identities of different oversight principals is maintained through the constitutional autonomy as discussed in Chapter Three of this thesis. Accordingly, the multiple-principal model does not require any of the principals to alter their individual identities and behaviour. Arguably, this model and its application is constructed to address the problem of an unprincipled principal (Brinkerhoff, 2000).

An interesting dynamic that emerged from the study regarding individual identities is that the model and its practice induce tension among the principals.

The fact that there is no expectation on any principal to transform its interests, values and ultimately its behaviour in order to align with the collective, suggests that the model creates a deliberate disruptive measure intended to minimise collective obfuscation by the oversight principals. Therefore, the relationship and the cohesiveness among the principals exercising municipal managers during the municipal budget process should be based on diversity, tension and constructive competition.

8.4.1 DIFFERENT POLITICAL AGENDAS

The majority of the municipal councillors identified the different political agendas as part of the environment of municipal budget oversight by multiple principals. Many participants expressed discomfort with allowing one principal to dominate and dictate the agenda for oversight in the different stages. Consistent with the political contestations of the Western Cape, the views of the perceptions of the participants indicated animosity among the political oversight principals.

This was highlighted by municipal councillors as creating power struggles between the different political parties in the municipal council. According to the municipal councillors, this prevents them from collaborating when exercising oversight on the different stages of the municipal budget process. Both the ANC and DA councillors were apprehensive about allowing each other to influence the municipal budget. Equally, municipal managers' experiences concerning the constitutive behaviour of the multiple principals in the exercise of oversight of the draft, approval, implementation and auditing of the municipal budget process, was that the multiple principals pursue oversight in a manner lacking coherence, coordination and objectives. The municipal managers felt that the DA was individually pursuing the objective of achieving clean audits.

Most of the participants also highlighted the lack of coordination regarding interpreting and utilising the information for oversight purposes. Participants indicated that there is no process to ensure that the submitted information is interpreted and analysed in a coordinated manner among the principals. All the participants agreed that though regular reports are provided to the municipal

council and the executive mayor, they seldom detect and raise deviations from the budget.

The prevalence of diverse oversight objectives and lack of coordination among the multiple municipal budget oversight principals was highlighted in the literature of this thesis as an explicit and deliberate feature of the multiple-principal model. This supports Linstead and Thanem's (2007) contention that multiplicity of oversight principal must promote difference, which is invaluable in ensuring that multiplicity does not result in the usual destructive collective institutional action. Particularly, different political agendas are central to multiple principals exercising oversight on the drafting, approval, implementation and auditing stages of the municipal budget process. This finding indicates that political power and how it is distributed among the principals is very important in terms of determining the interplay and agenda of oversight on the municipal budget process.

This finding is significant in terms of explaining the conflict among the oversight principals. In particular, it revealed the cause of the perennial conflict between the municipalities and provincial governments, especially, if they are governed by two different political parties. Accordingly, this finding was useful in elevating some of the causes of territorial contestations between municipalities and provincial government during the municipal budget processes.

In addition, the study highlighted conflict among the municipal councillors themselves. Interviews indicated that conflict is being experienced between the executive and non-executive councillors and well as between DA and ANC councillors during the municipal budget process. While it is tempting to refer to this conflict as distractive, it should however be considered to strategic facilitating negotiations, persuasion and coercion among the multiple oversight principals. Thus, the multiple-principal model does enable the principals to oversee the municipal manager as well as inter-oversight among the principals themselves.

The study showed that conflict is an essential aspect of the model of multiple principals. As indicated in subjective narration of the participants in Chapter Two

of this thesis, when the possibility of conflict among the oversight principals disappears, then there is a probability of complicity and capture. In this regard, conflict among multiple principals during the municipal budget process serves to prevent incestuous and loyalty to one principal. Equally, it can be considered as helping to prevent destructive predictability and collusion among the oversight principals.

8.4.2 MUNICIPAL BUDGET OVERSIGHT APPROACH

In this study, the participants indicated that different oversight approaches are pursued during the different stages of the municipal budget process. The oversight approach was defined in chapter three of this study as providing politicians with the authority and opportunity to exercise “preventive and corrective review measures” on the specific policy to be implemented. (Larsen, 1977: 4). Oversight approaches were also explained as availing mechanisms and tools to identify, prevent and monitor the success or the subversion of the mandate or instructions of the legislative or political structure. Bala and Deering (2013) identify police patrol and fire-alarm as two oversight approaches.

The Provincial Treasury identified its approach as preventative, especially, preventative non-compliance. The Provincial Treasury also emphasised that it has adopted a data-driven approach to municipal budget oversight. This participant from the Provincial Treasury clarified that their oversight activities focused on what is contained in monthly and quarterly financial reports submitted by municipalities. As indicated in chapter three of this thesis, section 5(4) of the MFMA, instructs the Provincial Treasury to

“monitor compliance with the MFMA by municipalities and municipal entities in the Province, monitor the preparation of municipal budgets, the monthly outcomes of these budgets and the submission of reports by municipalities as required in terms of the MFMA. This section further provides that the Provincial Treasury “may assist municipalities in the preparation of their budgets; further exercise any powers, and may take appropriate steps if a municipality or municipal entity in the Province commits a breach of the MFMA”.

The municipal councillors indicated that its approach is mainly reactive and based on media exposure. The municipal councillors indicated that as a result,

they do not have a structure oversight approach by focus more on the draft budget and on issues that are raised in the media. The municipal councillors also mentioned that their approach focuses more on ensuring that their service and infrastructure demands are included in the annual budget.

8.4.3 MUNICIPAL BUDGET OVERSIGHT MEASURES AND ACTIVITIES

All the participants interviewed for this study stressed the different ways of exercising oversight during the stages of the municipal budget process. Municipal managers bemoaned the way that they are required to produce different kinds of reports for different principals throughout the preparation, implementation and auditing of the municipal budget. All municipal managers stated that though some monitoring reports are regular and based on specific deadlines, other requests and instructions for reports, meetings, hearings and visits by oversight principals are unplanned. Equally, the oversight principals admitted that they plan and implement separate budget oversight measures and activities. Both the municipal councillors and Provincial Treasury justified the practice of undertaking different budget oversight measures and activities.

Clearly, both oversight principals- in particular the municipal councillors and the Provincial Treasury – have different orientations and political rationalities. The Provincial Treasury orientation and approach tend to be dominated by financial technical rationality. The municipal councillors on the other hand are encumbered by political rationalities. It is however, clear that these principals are not consciously harmonising, harnessing their separate rationalities to complement their oversight efforts during the different stages of the municipal budget process. As indicated in chapter two, the multiple-principal model and practice raises difficult questions for both the agent and the principals regarding who oversees the agent (Lane 2007).

This finding is consistent with the James and Alley (2002) suggestion that when principals exercise oversight, they commonly use different oversight processes, mechanisms and procedures. In this regard, where there is a constant overlap of ex-ante, concurrent and ex-post oversight measures and activities, a multitude

of oversight measures and activities are possible. Consequently, this finding as it relates to the behaviour of municipal budget oversight principals is that it does not impose a requirement for the municipal council, the executive mayor and the Provincial Treasury to coordinate their oversight activities and efforts during the different stages of the municipal budget process. Key to this finding is that the overlaps, duplications and redundancy as experienced by participants during the states of the municipal budget process are inherent in the behaviour of budget oversight principals.

This finding is valuable for understanding the deliberateness of fragmentation of budget oversight measures and activities of municipal budget oversight by multiple principals. While it has the possibility of weakening municipal budget oversight, it also has possibilities to enhance and strengthen it. However, it is important that this inherent fragmentation is managed effectively to prevent systematic paralysis of municipal budget oversight.

There is a groundswell of dissatisfaction among councillors regarding the unbridled involvement of the Provincial Treasury during the draft and implementation stages of the municipal budget process. Most councillors stated that the Provincial Treasury takes advantage of their incapacity with regard to exercising effective budget oversight. Some councillors indicated that the Provincial Treasury adopted absolutist tendencies. In addition, municipal councillors claimed to have experienced aggression and unilateral engagement with the municipal manager.

8.5 RESEARCH QUESTION 3: POSITIVE AND NEGATIVE EFFECTS OF MUNICIPAL BUDGET OVERSIGHT BY MULTIPLE PRINCIPALS

The findings of this study showed there are fewer positive effects compared to negative effects of municipal budget oversight by multiple principals. The positive effects are discussed below.

8.5.1 POSITIVE EFFECTS OF MULTIPLE OVERSIGHT BY MULTIPLE PRINCIPALS

Previous studies have identified the multiple principals as having a positive effect on oversight. Chapter two of this study highlighted that oversight by multiple principals has comparatively more benefits than a single principal (McGovern, 2009). It was argued that oversight by multiple principals “create a trifecta of political presence” within the governance environment (Lane, 2007: 627). It also indicated in Chapter Two that in addition to preventing possible capture by the agent, multiple principals creates an oversight arrangement that makes it difficult for the agent to drift and adopt undetected opportunistic behaviour.

8.5.2 ENHANCING RESPECT FOR MUNICIPAL BUDGET OVERSIGHT

It is apparent that almost half of the municipal councillors and the Provincial Treasury participating in the study perceived oversight by multiple principals as enhancing the respect for the system of municipal budget oversight and accountability. Both the Provincial Treasury and municipal councillors highlighted the independence of the principals, the distance and expertise of the Provincial Treasury as enhancing respect for the municipal budget oversight. Therefore, this issue of strengthening the legitimacy and credibility of the municipal budget oversight is very important, considering the pervasive narrative of corruption in municipalities and the need to build public confidence in municipal finance.

8.5.3 AVAIL ADDITIONAL AND SCARCE EXPERTISE

Both the municipal managers and the oversight principals in this study identified the multiplicity of principals as bringing additional and scarce expertise to municipal budget oversight efforts. Though the municipal managers referred to it as complementing oversight capacity, their experience was that multiple

principals provide the comprehensive skills, knowledge and energy to municipal budget oversight. This finding is consistent with Ivanova and Roy's (2007) argument that a multiple principals arrangement produces productive overlaps that enhance harness the relative expertise and commitments of the principals when exercising oversight. Likewise, it supports my view that behaviour of one principals in the multiple-principal model design can influence and help others learn between approaches and mechanisms for oversight.

Chapter Three of this thesis demonstrated that municipal budget oversight has become progressively more complex. Logically, it requires a variety of and levels of skills. However, the fact that only the Provincial Treasury commands the requisite oversight skills and knowledge. Unfortunately, municipal councillors require support to participate meaningfully in municipal budget oversight processes. Therefore, the need for and the value of additional and complementary oversight support must be understood within the context of weak internal oversight. All participants acknowledged that municipal councillors do not have the required budget oversight skills. Municipal councillors themselves admitted to having limited or no requisite knowledge and skills to enable them to exercise meaningful and effective municipal budget oversight.

The municipal managers indicated that the current oversight processes, mechanisms and tools were designed for people with superior technical knowledge and competency of municipal processes. According to the participants, oversight is highly technical especially for the municipal councillors and the executive mayor. Participants indicated that municipal councillors are unable to use the monitoring tools such as the Service Delivery and Budget Implementation plans, as well as performance management reports and the regular municipal financial reports.

Therefore, most of the participants indicated that the Provincial Treasury exercises an intelligence driven municipal budget oversight. The qualitative expressions and impressions from the Provincial Treasury and the municipal managers indicated that the Provincial Treasury engages with reports and collected data from their regular meetings with municipalities. According to these

participants, data is analysed meticulously from these different sources. The Provincial Treasury gathers relevant, accurate and reliable data on the budget preparation, approval, implementation and auditing. Logically, the data-focused process described above can be described as intelligence driven municipal budget oversight. This process is understandably complex and highly technical.

Thus, the involvement of the Provincial Treasury is perceived by most participants as adding value to the municipal budget oversight. Its expertise is recognised by most of the participants, including the municipal managers. In fact, municipal councillors themselves credit the role played by the Provincial Treasury for receiving clean audit outcomes. Some councillors, especially from the DA, claimed that coordination, integration and cooperation was necessary. This assertion concurs with O'Toole's (1990: 397) observation that:

“[T]he dominant theoretical and practical impulses in the field of public administration have long been toward organisational integration, the benefits of non-duplicative structures, the value of efficiency and advantages of smooth, nearly frictionless action”.

Participants also indicated that the oversight approach between the municipal councillors and the Provincial Treasury was critical in sharing extensive municipal budget oversight burden. Participants, especially municipal councillors indicated that it would be impossible for them to exercise municipal budget oversight alone. Thus, the partnership with the Provincial Treasury is critical in lessening the costs and time required to exercising municipal budget oversight.

8.5.3 PROMOTES THE RELIABILITY OF THE MUNICIPAL BUDGET OVERSIGHT SYSTEM

The findings in this study showed that multiple promote reliability of oversight. The Provincial Treasury was adamant that its independence and capacity was significant in preventing total failure of finance in municipalities in instances where the municipal councillors fail to exercise oversight. Some councillors also acknowledged that the involvement of the Provincial Treasury in exercising oversight on various stages of the municipal budget process is useful in closing the oversight gaps and failures of the internal principals.

The ability to close oversight gaps was referred to as “redundancy” in chapter two of this study. Often, redundancy is seen as wasted effort that must be avoided at all costs. However, the findings of this study suggest that redundancy is a valuable feature for reducing the uncertainty for oversight. The use of redundancy in this study is consistent with Prado’s (2011) conception which explain it as a systematic bypass by another unit of the organisation to perform the same function independently and parallel to pre-existing ones.

The Provincial Treasury often overrides the budget oversight decisions of municipal councillors. Participants acknowledged that though it is a sensitive issue, it does have a positive effect on the system municipal budget oversight. As indicated already that oversight by multiple principals can possibly result in one principal closing the oversight gaps when one of some principals abdicating their oversight obligations. Also related to the reliability of the oversight was the ability of the Provincial Treasury to override municipal councillors as a positive effect of municipal budget oversight by multiple principals. The participants explained that the ability to override enables the Provincial Treasury to continue executing its oversight roles and responsibilities when the municipal councils and the executive mayors fail to exercise effective and meaningful oversight.

However, there were municipal councillors who were uncomfortable with the involvement of the Provincial Treasury. These councillors felt that the ability of the Provincial Treasury should not be used to annex the power of the municipal council and councillors to exercise municipal budget oversight. To these councillors, the Provincial Treasury has the tendency to exploit its role to its benefit and relegate the municipal council out of its rightful place. Participants’ views concur with literature that advocates for multiple principals as being both more effective and comparatively more advantageous than a single oversight principal. The advantage of the model and behaviour of municipal budget oversight principals’ lies in its amenability to disperse the oversight authority in a manner that is able to harness the strengths of different jurisdictions of government.

The importance of this finding is that it provides an understanding regarding why the constitutive behaviour of the multiple principals reflects their different influences and motives. This finding is also critical in describing why different principals adopt different approaches in their oversight endeavours. Furthermore, the finding has significant value in developing an understanding as to why behaviour of municipal budget oversight principals during the different stages of the budget process is often conflict-ridden, and lacks uniformity and consistency.

8.6 NEGATIVE EFFECTS OF MUNICIPAL BUDGET OVERSIGHT BY MULTIPLE PRINCIPALS

It was mentioned in Chapter Two of this study that, despite its commendable advantages, the multiple-principal model and constative environment have inherent considerable negative effects on oversight. This study question explored the negative experiences and perception of municipal managers, Provincial Treasury and municipal councillors of the negative effects of municipal budget oversight by multiple principals. Five themes in these findings were constructed from the thematic analysis of the narrative descriptions of municipal managers and oversight principals. The findings are discussed below.

8.6.1 CONFLICTING RELATIONSHIPS IN MUNICIPAL BUDGET OVERSIGHT

Participants described their individual experiences of the negative effects of municipal budget oversight by multiple principals, all the participants mentioned conflict between the municipal councillors and the Provincial Treasury. All participants often made reference to construct and practice of the municipal budget oversight by multiple principals as conflictual. In addition, participants mentioned that the usual political party rivalry permeated their municipal budget oversight activities. They also indicated that the practice of oversight by multiple principals entails conflict among the municipal councillors themselves, their respective municipal managers and between the municipal council and the Provincial Treasury as well as municipal managers. According to the participants, the conflict is experienced due to the contestations for control and

protection of the municipal manager. Equally, participants indicated that conflicts arise because of political parties during the municipal budget process.

It is therefore a finding of this study that the practice of oversight by multiple principals during the municipal budget process is manifestly conflictual. In terms of this finding, the municipal councillors and the Provincial Treasury are engaged in power struggle for control of the municipal managers. This power struggle inevitably leads to tensions and conflict among the principals – and neither does it leave the municipal manager unaffected.

This finding highlights how conflict should be understood and appreciated as a key aspect of the practice of municipal budget oversight by multiple principals. In other words, conflict defines the nature of the relationship between the principals: it will be impossible for municipal budget oversight by multiple principals to avoid conflict. Evidence from this study indicates that some municipal councillors from the Democratic Alliance perceive the municipal budget oversight as a political tactic used by the African National Congress (ANC) as the opposition party to make itself relevant in the Western Cape. Equally, it indicated a perception held by number of participating municipal councillors from the Democratic Alliance that municipal budget oversight provides the ANC and other smaller opposition parties with an opportunity to score political points on the Democratic Alliance's administration.

The significance of this finding is that various perceptions prevailing in the municipality are likely to impact negatively on cohesiveness of municipal councillors. Consequently, some oversight principals will experience opposition and possible blocking of meaningful municipal budget oversight from other principals.

8.6.2 CONFUSION RESULTING FROM COMPLEXITY

In describing their understanding, experiences and perceptions of the negative effects of municipal budget oversight by multiple principals, all the participants referred to the issue of confusion. Confusion during the municipal budget process was explained as an outcome of different players involved in the same

game but using different rules and having diverse objectives. In this regard, both the oversight principals and the municipal managers articulated some degree of confusion as their experience of municipal budget oversight by multiple principals.

Benz (2007) describes the issue of confusion as a manifestation of complexity. Benz (2007) argues that an oversight arrangement that has multiple principals can be complex and challenging, particularly for the single agent. Similarly, Di John (2008) explains confusion as an outcome of different sets of rules of the game, which are often contradictory but coexist in the same territory, putting principals and agents in a complex situation. Consequently, the competing individualised oversight actions, preferences and behaviour among the different principals can exacerbate an already existing complexity of the municipal budget oversight process to the point of paralyzing the system itself.

Most of the participants acknowledged that budget oversight by multiple principals, is invariably complex and problematic. Participants felt that, in an environment where there are multiple of oversight principals, each principal expects the municipal manager to behave in a particular way. Thus, the municipal manager is forced to continuously mutate its behaviour depending on the principal it is dealing with. Unavoidably, this results in a complex and problematic oversight arrangement for the municipal manager.

The finding is that the nature of oversight by multiple principals is complex. This is because of the simultaneous, parallel, conflicting and uncoordinated budget oversight activities of the municipal council, the executive mayor and Provincial Treasury. In addition, the possibility of involving different political parties and structures in contested issues such as the municipal budget is understandably complex. This complexity as experienced mostly by municipal managers results from being subjected to different powers, attitudes and values of multiple political oversight principals.

The issue of complexity in the multiple-principal model and the constitutive behaviour of multiple principals is well articulated in literature. According to Di John (2008) complexity is inevitable in an oversight practice governed by different sets of rules, contradictory strategies and objectives. While the participants pointed out that they are struggling to deal with this complexity, they also appreciated that it is a consequence of legislative design and prescriptions.

Therefore, complexity in the context of these findings does not suggest that the practice of municipal budget oversight by multiple principals is defective. On the contrary, complexity in this instance explains the existence of perpetual tension between structures involved in a shared oversight space. As indicated in Chapter Two, the multiplicity of oversight principals can occasion a complex, elaborate and sophisticated oversight arrangement. Therefore, this elaborate architecture has the potential to create confusion on municipal budget oversight. Thus, the issue of complexity highlights the intricate nature of the practice of oversight when multiple political oversight principals are involved. It is an understandable manifestation of the dispersion of oversight authority to many budget independent principals.

In addition, the finding on confusion and related complexity of the model and behaviour of multiple oversight principals as it relates to municipal managers is consistent with the concept of multiple accountability disorder (MAD) as discussed in Chapter Three of this thesis. The concept of MAD describes a pathology that results from an agent accounting to different and conflicting principals (Koppell, 2005). It indicated that MAD could have negative effect on the agent.

8.6.3 LACK OF COORDINATION

Lack of coordination of the budget oversight measures and activities of the municipal councillors and the Provincial Treasury was also described as either manifesting or creating a situation where there is no information sharing among these oversight principals. As Hill and Jones (1992) indicate, in an oversight arrangement by multiple principals, a situation is created where one or some principals are likely to passively rely on other principals to gather information from

the agent (Hill and Jones, 1992). Accordingly the ability of the Provincial Treasury to collect but not share information with municipal councillors was one of the issues mentioned mostly by municipal councillors. The concern was that the Provincial Treasury was communicating more with, and providing information and feedback to, municipal managers rather than the municipal councillors.

The issue of information sharing was highlighted in Chapter Two as lifeblood of oversight involving multiple principals. It was indicated that without an institutional system of ensuring that adequate, reliable, relevant and accurate information is shared among the oversight principals, the model and the practice is likely to present challenges to both the principals and the administrative agent. Accordingly, the inability of the Provincial Treasury and the municipal councillors to share information has negative effects on municipal budget oversight. Particularly, this inability results in principals requesting the same information from the municipal manager, resulting in excessive oversight.

As Wilson (1989) found, when the uncoordinated and unsynchronised demands and sharing of information is highly detrimental to effective oversight. Similarly, the FFC (2014) has highlighted that lack of sharing of information among the principals results in the excessiveness of municipal budget oversight by multiple principals. Inevitably, the cumulative negative effect of this model and practice of municipal budget oversight impose an administrative burden on municipal managers.

Acknowledging the negative effects of the lack of coordination arising out of the model and practice of budget oversight by multiple principals, participants made reference to the blame shifting among the municipal councillors themselves, as well as the Provincial Treasury. The participants indicated that the uncoordinated efforts of oversight principals has led to the ruling party in the municipal council being blamed for not being interested in exercising budget oversight and frustrating the efforts of other councillors who genuinely attempting to exercise budget oversight on the municipal manager. This view is similar to what Sobol (2015) refers to as “pathological delegation”. Pathological delegation is defined as a situation that makes the agent unable to perform due to the multiplicity of

uncoordinated and overlapping delegation. Thomson (2007) attributes this problem of pathological delegation to possible preference heterogeneity among principals. According to Thomson (2007: 6), when principals “lack unity and delegate contradictory and confusing signals to the agent”, this creates uncertainty about delegation.

Accordingly, the municipal managers were the most disadvantaged by lack of coordination and its manifestations of lack of information sharing and blame shifting among the oversight principals. Evidently, municipal manager as the administrative agents are affected by warring political oversight principals. It is therefore, inevitable that the productivity of municipal managers is not left unaffected.

8.6.4 RELEGATION OF THE MUNICIPAL COUNCILLORS IN THE BUDGET OVERSIGHT SPACE

Municipal councillors experienced and perceived municipal budget oversight by multiple principals as encouraging their relegation to the periphery of the municipal budget oversight space. The municipal councillors feel emasculated by the Provincial Treasury. According to the majority the municipal councillors, the Provincial Treasury has annexed to itself the authority to exercise municipal budget oversight. Municipal councillors believed that the Provincial Treasury has monopolised the oversight space and systematically, relegated the municipal councillors to insignificant subordinate status in the budget oversight landscape.

These experiences and perceptions are inconsistent with the constitutional design and the relationship between the municipality and the provincial government. In particular, the relationship between the municipality and the provincial government should be non-hierarchical (Steytler, 2005). In addition, the experiences and perceptions contradict the Prado et al (2015) description of the multiple-principal model and arrangement as institutional layering that introduces additional oversight principals' measures without substituting or replace the existing ones irrespective of the ineffectiveness.

This finding also contradicts consistent conclusions in literature, which identifies and accentuates the municipal council as the primary principal and the ultimate

custodian and authority holder of public finance. In addition to being the legitimate representatives of the community, the municipal council is the decision-maker, the delegating authority, the overseer of the executive and administration and the local tax authority (Section 11 (1) of the Municipal Systems Act). This bequeaths the municipal council with the foremost and highest decision-making authority of the municipality. Admittedly, these powers and authority elevate and confirm the supremacy of the municipal council over other structures of the municipality, including the municipal manager.

8.5 CONCLUSION

This chapter discussed the experiences and perceptions of the Provincial Treasury, municipal managers and municipal councillors of the multiple-principal model, the principals' constitutive behaviour and effects on municipal budget oversight. The discussions highlighted the difference among the municipal budget oversight principals. More significantly, it brought to the surface the political contestations among the municipal budget oversight principals. The discussion demonstrates that the multiple-principal model and the principals' constitutive behaviour and effects have given rise to perception of undue dominance of the Provincial Treasury in the municipal budget oversight processes. Therefore, the municipal councillors feel and believe that though they are the public representatives who ought to be the primary authority and conspicuous budget oversight actors, their role has been expropriated by the Provincial Treasury. On balance however some form of "supervised autonomy" might need to be considered.

CHAPTER 9: CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

9.1 INTRODUCTION

As indicated in Chapter One, the burden of improving municipal financial accountability in South Africa requires an in-depth understanding of the phenomenon of municipal budget oversight by multiple principals operating at various scales. A focus on multiple principals and scales has been relatively neglected in the literature although this is crucial for understanding the substance of democracy and accountability to citizens who are the ultimate principals. To achieve this understanding, I investigated the on-the-ground experiences and perceptions of the Provincial Treasury, municipal managers and municipal councillors in order to get beyond the formal manifestations of municipal budget oversight. One of the key objectives of the study was to gain a better grasp of the organisational and political intricacies of the oversight model for municipal budgets within a wider context. A qualitative investigation and analysis of the subjective experiences, senses of relative power, and perceptions of the principals and agents within South Africa's intergovernmental framework was undertaken. This final chapter considers the wider scholarly and policy implications of key findings of this research.

9.2 OBJECTIVES OF THE STUDY

To understand municipal budget oversight requires an investigation of the institutional architecture and its dialectical nature of relationships and interactions between and among the municipal budget actors and their context. Accordingly, the following objectives were used to guide the study:

- To review the literature on the concept of oversight by multiple principals and to develop a rigorous conceptual and theoretical framework for understanding issues around budget oversight.
- To conduct an analytical legislative review with the aim of exploring the assumptions behind the relevant legislative provisions that establish and

facilitate the multiple principals for municipal budget oversight in South Africa.

- To describe the governance context and peculiarities that influence municipal budget oversight in the Western Cape Province.
- Conduct interviews to shed light on how municipal managers and oversight principals in selected municipalities in the Western Cape experience and perceive the multiple principals 'model, its manifestations, dynamics and effects when exercising municipal budget oversight on the municipal budget process.
- To identify areas of further research on municipal budget oversight by multiple principals.

To realise the above objectives, the study was anchored on the principal-agent theory. The position advanced by the study is that municipal budget oversight is institutionalised and implemented through a principal-agent relationship between the municipal manager as the administrative agent and the political structures, as principals. The principal-agent theory was deemed appropriate considering the combative nature of the budget oversight relationship between the political structures and the municipal managers during the municipal budget process. Fundamentally, and quite significant for this study, the theoretical framework was recalibrated to respond to the context of the municipal fiscal governance that establishes multiple budget oversight. Accordingly, the multiple principal-agent frameworks was used to reflect the multiplicity of political oversight structures exercising oversight on the municipal manager during the municipal budget process. (Gailmard, 2010).

The study makes a contribution to the more in-depth, broader and contextual understanding of municipal budget oversight. Previous research on municipal budget oversight did not elevate the element of multiple oversight principals and their individual behaviour towards the municipal managers and themselves. As I will show in this chapter, findings of the study suggest the existence of a multiplicity of principals, independence of principals when engaging with the municipal manager, concurrency of oversight measures and heterogeneity of oversight efforts, during the different stages of the budget process.

9.3 THE MULTIPLE-PRINCIPAL MODEL

Three key findings include; firstly, that there are very different understandings of municipal budget oversight and respective roles of different players; and secondly, specific roles of political oversight principals; and thirdly, the authority of municipal budget oversight principals i.e. councillors.

9.3.1 DIFFERENT UNDERSTANDINGS OF MUNICIPAL BUDGET OVERSIGHT

A considerable amount of studies have shown that oversight and accountability are predisposed to be understood from different orientations, such as legal, professional, democratic and political accountability (Bovens (2007)). Similarly, this study also showed distinct variations in terms of how key budget actors interviewed for the study understanding of municipal budget oversight. The findings show that participants on the study understand and perceived the rationale for municipal budget oversight differently.

The study has highlighted that municipal managers and Provincial Treasury official understand and perceive municipal budget oversight as a process of formal legal compliance. On the other hand, municipal councillors perceive municipal budget oversight as a tool and process for monitoring the substance, extent and quality of service delivery to citizens. Accordingly, the study found that participants' views and understanding of municipal budget oversight were divided between political imperatives (such as re-election and service delivery) and legal logic. These perennial tensions reflect the biases between expertise and political legitimacy; between technical-rationality and the political rationality. The finding regarding different understandings of the municipal budget oversight confirms an assertion made in chapter one of this study regarding the polarised debates around municipal budget oversight. In particular, the participants differed in terms of the rationale for oversight. Essentially, the findings indicate the importance of understanding the lack of congruence between the political orientation of municipal councillors which perceive municipal budget oversight as a means and instrument to achieve good governance and that of the Provincial treasury which focuses on municipal budget oversight as compliance and an end in itself.

9.3.2 MULTIPLE OVERSIGHT PRINCIPALS

The study has contributed to the existing literature on the concept and theory of municipal budget oversight. Previous studies of municipal budget oversight focused on the internal committees of the municipal council as oversight principals. This constitutes a misrepresentation of the actual municipal budget oversight as other important oversight players are located in different spheres of government.

Unsurprisingly, the study confirmed that municipal budget oversight in South Africa is exercised by a multiplicity of political structures located in local, provincial and national spheres of government. Therefore, the municipal budget oversight actors displayed an awareness of which structures are involved in municipal budget oversight. This finding implies the attempts to underplay the role of multiple principals in municipal budget oversight risks empirical and analytical distortions. Therefore, this highlights that it is important to note that to understand the notion and model of the municipal budget by multiple principals, it is useful to acknowledge and appreciate the omnipresence of the multiple principals.

As established in chapter three of this thesis, the conventional single principal-single agent framework presents a theoretical dilemma for explaining the relationship between the municipal manager as the agent and the multiple oversight principals. The municipal budget oversight model instigated by the Constitution and the MFMA required an appropriate theory, which could explicate nuanced understanding of the dynamics and peculiarities of the web of complex relationships between the municipal manager and the oversight principals and the between the principal themselves.

Accordingly, the need to reconfigure and modify the principal-agent theory to multiple principal-agent theory was justified by the realisation that the single principal-single agent theory is in some case not contextually appropriate to address the obtaining complexities and dynamics. Against this background, the study gravitated towards the multiple-principal model in order to capture the

governance architecture of contemporary South Africa and its related complex municipal budget oversight dynamics.

Quite significantly, the study showed that the criticism of the model of municipal budget oversight by multiple principals was futile, as the model is a significant feature of the architecture of the governance of South Africa. In particular, the model is a manifestation of the intergovernmental fiscal relations which prescribes the budget oversight supervision by various political structures located in different jurisdictions of government. Thus, the model with its multiplicity is legitimate irrespective of the criticism directed at it.

Notably, the study emphasised the number and diversity of the budget oversight principals showing the complexity of the governance architecture, which entails the involvement of a number of jurisdictions or scales in municipal budget governance and oversight. The multiplicity of political principals exercising oversight on the municipal budget undermines the dominant trend in the scholarly literature that identifies the municipal council as the only oversight principal.

The paradoxical nature of this finding as it applies to the municipal budget oversight in the Western Cape municipalities is that the municipal council is the official political oversight principal that has an explicit contract with the municipal manager (Section 57 (1) (a) of the Municipal System Act). But the puzzling issue is that the provincial government, especially, the Provincial Treasury, which does not have an explicit employment contract with municipal managers, is authorised by various legislative provisions to also exercise budget oversight on the municipality, particularly the municipal manager.

This finding broadened the scope of the investigation to include oversight relationships that exist without clear contract and hierarchy. It highlights the ability of legislation in this context, the MFMA to create a principal-agent relationship with employment control. As the study shows, in the case of the provincial government, an oversight relationship is established without it being the principal directly involved in the appointment of – or having the authority to sanction – the municipal manager as the agent.

9.3.3 BUDGET OVERSIGHT AUTHORITY OF OVERSIGHT PRINCIPALS

Fundamentally, the study found that there is shared oversight authority over the municipal manager which is created through the executive mayor, the municipal councillors and the Provincial Treasury. Most of the participants acknowledged that multiple principals are involved in the municipal budget oversight and the council is only one player. What is becoming clearer is that the multiple-principal model creates an opportunity for different oversight principals to exercise the nature of power and authority they are each capable of. From the literature and interviews, it could be inferred that the municipal councillors are more comfortable with exercising legitimate power and authority over the municipal manager in relation to their ward level constituents. On the other hand, the Provincial Treasury seemed to be vastly much better than municipal councillors regarding expertise in financial and accounting matters.

Quite notably, most municipal councillors perceived the Provincial Treasury as having too much authority, and that this was undermining and threatening the role and political legitimacy of the municipal councillors. The councillors indicated that the Provincial Treasury behaves as if municipalities are under provincial intervention as contemplated by Section 139 of the Constitution. According to participants, the Provincial Treasury has de facto usurped the municipal budget process of municipalities instead of providing support.

In my view, the issue of final authority in the Western Cape needs to be recalibrated so that support and usurpation are clarified. In other words, councillors should not feel their role is meaningless and that there councillors need to be more fully capacitated.

Therefore, the study noted that there is a vast difference in terms of the budget oversight authority being dispersed to the different principals. This thesis dispels the assumption that principals in the multiple-principal model have the same power and influence and cooperate. In fact, the study refutes Venter's (1999) argument that local government and other spheres of government interlock as equals. However, the notion of interlocking as equals is informed by the constitutional principle of interrelatedness and the fact that local government

derives its powers and functions directly from the Constitution, which suggests that no hierarchy between these spheres, the supervision roles of provincial and national spheres of government effectively changes this understanding. Therefore, this research suggests the notion of supervised autonomy is more appropriate to describe the de facto oversight authority of different oversight principals. And thus, the constitutional framework which emphasises equality between the different spheres of government might have to be revisited.

What this study demonstrated is that official budget oversight legal authority does not automatically translate into de facto influence. Therefore, it is important to acknowledge and concede that the Provincial Treasury is exceptionally dominant in the municipal budget oversight space. These councillors believed that the manner in which the Provincial Treasury exercised its municipal budget authority was promoting hierarchy and subordination of municipal council and councillors.

An important insight concerning the dominance of the Provincial Treasury in municipal budget oversight processes suggests that the oversight authority has migrated from the local political structure to the bureaucracy in the Provincial Treasury. This study indicates that the migration of oversight authority might galvanise appropriate budget oversight skills not available in the municipal council. And, while such skills and powers are essential to mitigate possible risk and drift from the legality and rationality of municipal budget process, it runs counter to the official idea that power rests with elected councillors and local communities.

Transferring oversight authority to the Provincial Treasury is perceived as hollowing out the municipal council of its relevance and significance in directing the administration of the municipal budget. This finding has not been adequately examined by local governance scholarship. In particular, there is a feeling that the pervasive – and invasive – involvement of the Provincial Treasury in the municipal budget processes has become more than what it is envisaged: as the requisite support and monitoring but has evolved into total control by the Provincial Treasury. Accordingly, the available literature has not adequately explored and described the provincial role that is similar to an intervention,

consistent with the legislative provisions contemplated in section 139 of the Constitution.

9.3.4 RELATIONSHIPS AMONG OVERSIGHT PRINCIPALS

Participants experience and perceive the relationships between the municipal councillors and the Provincial Treasury in terms of how they each exercise their authority as “unstructured”. This finding reaffirms that there is no requirement for consent or consensus among the principals. As shown in the study, the nature of the relationship among the municipal councillors themselves and between municipal councillors and the Provincial Treasury is usually very hostile and combative due to different political affiliations. Consequently, a significant finding of the study is that the relationship between the municipal budget oversight principals cannot be deemed to be apolitical. In fact, it was clear from the study that the DA councillors have an affinity for and tolerance of the involvement of the Provincial Treasury - an “outsider” for ANC councillors. Similarly, the DA councillors seemed to be more tolerant and deferential to the Provincial Treasury.

This PhD found that the principal-agent theory problem of goal conflict and political drift is not only confined to the relationship between the budget principals and the municipal manager as the agent but also appears to be prevalent among the principals themselves. In this regard, the principal-agent theory helps in explaining the deviation, drifting and redundancy among the municipal budget oversight principals.

In addition, these findings demonstrated that the primary strength of the multiple principal-agent theory lies in its ability to explain the various political structures and their mechanisms when exercising oversight on the municipal manager, which, radically transform the traditional agency relationship akin to a single principal and a single agent. In this way, it is possible to understand the political machinations involved in municipal budget oversight. Similarly, it enabled the creation of the link between the municipal budget oversight model and the multi-spheres governance architecture of South Africa.

9.4 MANIFESTATIONS, DYNAMICS OF MUNICIPAL BUDGET OVERSIGHT BY MULTIPLE PRINCIPALS

The exploration of the distinctive dynamics of the model and practice is central to developing an in-depth understanding of municipal budget oversight by multiple principals. Accordingly, I discovered independent political agendas; different oversight approaches, measures and activities; fragmentation; anarchy; redundancy and information asymmetry to be key characteristics in the dynamics of municipal budget oversight by multiple principals in the Western Cape.

9.4.1 DIFFERENT POLITICAL AGENDAS FOR MUNICIPAL BUDGET OVERSIGHT

The study made an important observation regarding the different political agendas on municipal budget oversight. Participants indicated that the Provincial Treasury and different political structures in the municipality adopt and pursue different political agendas to exercise oversight during the different stages of the municipal budget process. The different political agendas between the Provincial Treasury and the municipal political structures highlights the interplay of scale and the territorial contestations during the municipal budget process. In addition, different political agendas bring to the fore political contradictions, ideology, and territoriality for the ultimate control of the municipal budget.

This understanding confirms a concern of public administration regarding the multiplicity of oversight principals. There is an acknowledgement among scholars that even though oversight problems and failures are often conceptualised as collective actions, they are actually an aggregate result of political agenda and behaviours of individual oversight principals. Consequently, it is inappropriate to assume that the municipal council/councillors share the same political agenda in the oversight of the municipal budget.

Furthermore, the finding on the differences in the political agendas of oversight principals implies the lack of a common set of institutional values guiding the activities among them on the exercise of municipal budget oversight.

Accordingly, this study has highlighted the lack of common values among the oversight principals as inherent manifestation. While it is understood and expected that there will often be a lack of common values between the municipal managers as administrative agent and the oversight principals, it is taken for granted that the principal will address this problem with more oversight. However, research and literature are yet to pay attention to lack of common values among the oversight principals.

9.4.2 DIFFERENT OVERSIGHT APPROACHES AND ACTIVITIES

The second finding highlighted that the oversight principals adopt different approaches to exercise oversight on the municipal budget process. The study found that while some principals focus on being proactive in ensuring that municipal managers comply, other principals are more reactive and focus more on ex-post oversight. This finding is consistent with an environment when the principals have different motivations and capacity. In this regard, the municipal councillors tend to be reactive because of their limited capacity to detect problems from monthly data provided in regular financial reports.

Similarly, the municipal managers interviewed for this study believed the municipal councillors and the Provincial Treasury employ different measures and activities to exercise oversight during the municipal budget process. This indicates that each principal within a multiplicity model exercises extensive independence when designing own oversight measures that are consistent with their political mandate and capacity.

9.4.3 FRAGMENTATION OF BUDGET OVERSIGHT

The study exposed that fragmentation as a prominent feature of municipal budget oversight by multiple principals. As I noted in Chapter 7 of this thesis, confusion was considered by many participants as one of the abiding realities and features of the governance system of a multiplicity of principals. The principals agreed that in the oversight space it is not clear who has the authority to do what. However, this study considers fragmentation as a constructive division and demobilisation of negative forces that obstruct the effective exercise of oversight.

Participants experienced fragmentation due to overlapping, sharing oversight authority and duplication among the oversight principal.

Evidently, the model of municipal budget oversight by multiple principals, fragmentation of efforts and measures of oversight among the political principals result in inevitable contradictions, competition and productive conflict. Similarly, fragmentation provides a constructive division and demobilisation of against negative forces that obstruct the effective exercise of oversight. This discovery refutes common-sense advocacy for a collective model that emphasises cohesiveness among oversight principals, especially among the Provincial Treasury and the municipal councillors (Malan, 2005).

The relevance of fragmentation in the municipal budget oversight has not received research attention. Current research creates an impression of collaboration and mutual coexistence among the municipal budget oversight players as more appropriate (Van Niekerk, 2015). However, my study indicated that fragmentation is healthy in that it disrupts the tendency to monopolise oversight authority. Similarly, fragmentation limits the narrow notion of a federal or unitary dichotomy but responds to a governance architecture that is embedded within a multi-jurisdictional character. Fundamentally, this finding aligns with an assertion made in Chapter Two of the study that the proliferation of oversight principals is the reality of modern government especially those like South Africa with a multi-sphere governance architecture.

9.4.4 ANARCHY

Expectedly, municipal managers described the multiple-principal model and its application as chaotic. This description is consistent with Schillemans (2010) characterisation of multiple-principal model as a pathology and a disorder. The description highlights that different oversight principals expect distinct and diverse behaviour from municipal managers. The study showed that while the Provincial Treasury is obsessed with procedural compliance, municipal councillors, on the other hand, insist on better outcomes related to service delivery. In this regard, the municipal managers are caught between stools: they need to find a way to effectively juggle the political/service delivery outcomes and procedural compliance.

The study demonstrated that irrespective of the legitimacy of the model of oversight by multiple principals, the municipal managers perceived the effects to have a negative consequence. While the municipal managers describe the effect of the model of oversight by multiple principals as creating “complexity”, the principals perceived this complexity as bordering on anarchy.

The empirical finding of this study is combining local autonomy, and light supervision will produce anarchy. In this regards, this study refutes the conventional wisdom that municipal budget oversight should be a predictable and orderly process involving common interests, values and political rationalities. On the contrary, this finding shows how the necessity of a chaotic web of explicit and implicit interactions among the municipal budget oversight actors is actually good for effective municipal budget oversight. This accords with a more robust notion of democracy as an agonistic process where disagreement and pluralisation is valorised (Mouffe 2000).

9.4.4 REDUNDANCY

The study pointed to constant dissonance in the discourse between coordination and “redundancy”. Notably, most authors – including those used in the literature review for this thesis such as Steytler (2005) (Malan (2005); and Tapscott (2000) emphasise the need for coordination between the different oversight scalar jurisdictions. These authors refer to redundancy negatively as an antithesis of the required integration and coordination. Generally, experts in public administration and governance are critical of a number of governance structures operating in the same space. Competition and overlap inherent in redundancy are criticised as contributing to inefficiencies of government.

However, my finding is quite the opposite: in fact “redundancy” is a meaningful factor in improving municipal budget oversight by multiple principals. Meaning that, when the Provincial Treasury and the municipal councillors conduct their oversight independently, they are able to pick up each other's blind spots. Equally, redundancy allows different oversight principals to deploy different oversight measures where and when the other principals fail to do so. In this regard, redundancy should be understood as a positive system attribute rather

than a destructive and costly exercise. As pointed out by the provincial official “Our involvement provides an additional pair of eyes on what is happening with the finances of the municipality” and this suggests that having “outsiders” involved provides additional and useful checks and balances.

Most importantly, redundancy allows the Provincial Treasury to intervene rapidly when failure or lapses in municipal budget oversight occur. This suggests that the design of multiple oversight principals creates a deliberate model that enables one of the oversight principals to observe and when necessary, take over from the principals that are unable to exercise its oversight responsibility. In fact, most councillors interviewed in this study openly acknowledged their own limitations and begrudgingly accepted the role of the province.

9.4.5 Information Asymmetry

The study showed that the problem of information asymmetry among the municipal councillors is not about the lack of availability of information, but more about the inability of some principals to interpret technical financial data contained in financial reports. Notably, the Provincial Treasury has the benefit of utilising the officials with the requisite expertise to engage and interpret municipal budget and financial reports, while the majority of municipal councillors do not have the capacity and support. Consequently, the inability of the municipal councillors to interrogate budget related reports perpetuates their ineffectiveness, which in turn promotes their relegation to minor status by the municipal managers and the Provincial Treasury officials.

In terms of the above, it is difficult to determine from the finding of the study whether the multiplicity of oversight principals results in the functional paralysis of municipalities. While practitioner-based organisations such as SALGA have indicated that virulence of multiple oversight principals and their associated measures, the study acknowledges the negative effects but does not confirm and support this view entirely.

9.5 LIMITATION OF THE STUDY

The sample employed for this study was small, but this is a function of the study aims, which were to explore in depth processes rather than make mathematical extrapolations. However, it is important to consider that the aim of the study was to understand municipal budget oversight by multiple principals by exploring the individual experiences and perceptions of municipal managers, Provincial Treasury and municipal councillors. Accordingly, the study neither makes claims of representativeness of the sample, nor of the generalisability of the findings. I was also aware that the Western Cape Province has its own political peculiarities mechanisms and dynamics pertaining to municipal budget oversight – and thus, the issues obtaining in this province may not be applicable in other provinces. However, the multiplicity of oversight processes and political pluralisation processes in the Western Cape have deepened democracy.

Secondly, the municipal governance system and its related processes and mechanisms are rigidly prescribed by law. Hence, research of municipal budget oversight is overwhelmingly eclipsed within a legal framework. Although the study unavoidably gravitated toward the legal predispositions, it has also critically engaged the legal framework.

9.5 RECOMMENDATION FOR FURTHER RESEARCH

The study has provided some understanding of the dynamic, complex phenomenon such as the municipal oversight by multiple principals. However, the findings of this study provide a basis from which to pursue future research on municipal budget oversight. Accordingly, this study proposes three areas for future research on municipal budget oversight by multiple principals. These areas focus on the design, behaviour and effects of municipal budget oversight principals.

Exploratory studies by their very nature examine critical assumptions and issues and unearth topics for further research. Thus, in the process of writing this thesis, numerous questions have emerged. These questions may merit further research. Of these numerous questions, the study identified areas that, based

on the new knowledge acquired in this study, deserve particular attention and may be appropriate to further research.

While the findings of this study have provided valuable and rich views and perceptions of municipal managers, Provincial Treasury and municipal councillors from the Western Cape Province municipalities, on municipal budget oversight by multiple principals, additional studies from other provinces will provide more insights.

This study used only the principal-agent theory as an explanatory framework to explain the notion of municipal budget oversight by multiple principals. In reflecting on the results of the study, theories such as stakeholder theory, institutional theory and stewardship theory could be considered for future research on municipal budget oversight by multiple principals.

Lastly, this study focused on the municipal managers as bureaucratic agents in the municipal budget oversight relationship. It is suggested that future research should explore the perceptions of political oversight principals regarding municipal budget oversight by multiple principals. This exploration could also provide a perspective that will contribute to developing a better understanding of the phenomenon of municipal budget oversight by multiple principals.

It is important to note that the findings on the model, behaviour and effects of municipal budget oversight principals do not indicate its efficacy and effectiveness (or otherwise). Notably, this finding provides only an understanding of the model, behaviour and effects of multiple principals involved in municipal budget oversight, from the perspective of municipal managers. The Western Cape is a significant laboratory for improving multiple oversight in South Africa. Finally, this study recommends that a careful rethinking of co-operative intergovernmentalism in SA is long overdue.

The study, through both the literature and empirical data, explored and described the functional principle behind the oversight of municipal budget by multiple principals. The study provided both the description and the analytical nuances

of the institutional model, behaviour and effects of multiple oversight principals involved in municipal budget oversight. Through interrogating the experience and perceptions of municipal managers, municipal councillors and Provincial Treasury of the principals' model, and their constitutive behaviour and effects on the municipal budget oversight.



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APPENDIX 1: PARTICIPANTS INFORMATION SHEET



FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

SCHOOL OF GOVERNMENT

PARTICIPATION INFORMATION SHEET

RESEARCH TITLE: Municipal Budget Oversight by Multiple Principals:
A Case Study of Western Cape Province

Dear Participant

You are invited to participate in a research study conducted by Samuel Thabo Khaile
Student Number: 3072985. It is in partial completion of the researcher's thesis towards the PHD Degree at the School of Government, at the University of the Western Cape.

Before you decide to participate, it is important for you to understand the purpose of the research and what it would entail. Please take time to read the following information carefully and discuss it with others if you wish. If you are unclear of anything, I would be happy to answer any questions you may have.

PURPOSE OF THE STUDY

The purpose of the study is to develop an in-depth understanding of the phenomenon of municipal budget oversight by multiple principals. In addition, this study will describe and analyse the seemingly complex web of intricate oversight relationship between the multiple principals and municipal administrators when dealing with the formulation, authorisation, implementation and auditing of the municipal budget.

DESCRIPTION OF STUDY AND YOUR INVOLVEMENT

The study will use both primary and secondary data. Primary data will be collected from institutionally generated data such as reports, semi-structured in-depth interviews. Interviews will be conducted with the municipal councillors, officials and provincial treasury officials. Accordingly, your involvement will required during the interviews to assist in providing sharing your knowledge, views and experiences on issues pertaining to the municipal budget oversight processes.

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CONFIDENTIALITY

Please be advised that the results of the study will neither divulge the organisation's particulars nor the individual particulars, as to maintain confidentiality at all times. Any information that can connect the responses to an individual or organisation will remain confidential and will be disclosed only with your permission. The researcher shall keep all records and tapes of your participation, including a signed consent form which is required from you should you agree to participate in this research study, and locked away at all times.

VOLUNTARY PARTICIPATION AND WITHDRAWAL

Your participation in this research is entirely voluntary, which means that you are free to decline from participation. It is your decision whether or not to take part. If you volunteer to be in this study, you may withdraw at any time without consequences of any kind. If you decide to participate in the study, you are free to withdraw at any time – and without giving a reason. You may also choose not to answer particular questions that are asked in the study. If there is anything that you would prefer not to discuss, please feel free to say so.

PAYMENT FOR PARTICIPATION

There are no costs to the participant for partaking in the study.

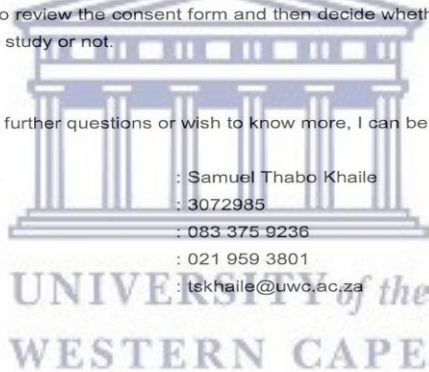
INFORMED CONSENT

Your signed consent to participate in this research study is required before I proceed to interview you. I have included the consent form with this information sheet so that you will be able to review the consent form and then decide whether you would like to participate in this study or not.

QUESTIONS

Should you have further questions or wish to know more, I can be contact as follows:

Student Name : Samuel Thabo Khaile
Student Number : 3072935
Mobile Number : 083 375 9236
Work Number : 021 959 3801
Email : tkhaile@uwc.ac.za



I am accountable to my supervisor : Prof Gregory Davids
School of Government (SOG) :
Telephone : +27 21 959 3869
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APPENDIX 2: A SAMPLE OF A CONSENT FORM



FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

SCHOOL OF GOVERNMENT

CONSENT FORM

RESEARCH TITLE: Municipal Budget Oversight by Multiple Principals:
A Case Study of Western Cape Province

I have read the information presented in the information letter about a study being conducted by **Insert Student Name here** towards the Masters / Doctoral Programme at the School of Government (SOG) at the University of the Western Cape.

This study has been described to me in a language that I understand and I freely and voluntarily agree to participate. My questions about the study have been answered.

I understand that my identity will not be disclosed and was informed that I may withdraw my consent at any time by advising the student researcher.

With full knowledge of all foregoing, I agree to participate in this study.

Participant Name : _____
Participant ID Number : _____
Participant Signature : _____
Date : _____
Place : _____

Student Researcher : Samuel Thabo Khaile
Student Researcher Signature : _____
Student Number : 3072985
Mobile Number : 083 375 9236
Email : ts Khaile@uwc.ac.za

I am accountable to my supervisor : Prof Gregory Ruiters
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APPENDIX 3:

INTERVIEW QUESTIONNAIRE FOR THE PROVINCIAL TREASURY AND MUNICIPAL COUNCILLORS

Question 1: Municipal Budget Oversight Multiple-Principal Model

1. Describe your understanding of municipal budget oversight.
2. Who according to your experience exercises municipal budget oversight?
3. What is your perception about how budget oversight is structured?
4. What is your view regarding the number of structures exercising oversight on the municipal budget?
5. Describe these oversight relationships with municipal manager?
6. What is your opinion of these oversight relationships?

Question 2: Manifestations, dynamics of multiple oversight on the Municipal Budget Oversight

7. How do you exercise oversight on the municipal budget process?
8. Describe your experience of how other oversight principals exercise oversight on the municipal budget process.
9. What in your view makes the exercise municipal budget oversight the way it is?
10. What do other principals do?
11. What is your feeling about what other principals do when exercising oversight on the different stages of the municipal budget process?
12. What makes you different from other municipal budget oversight principals?
13. What are looking for (your focus) when you exercise oversight on the municipal budget?
14. Describe your experience of exercising municipal budget oversight activities.
15. What do you think about the budget oversight activities of other principals?

Question 3: The positive and negative effects of Budget Oversight by Multiple Principals

Positive Effects

16. What is value of these principals on municipal budget oversight?

17 What would you list as positive effects of the multiplicity of oversight principals?

18 What make you think these promote effective municipal budget oversight?

Negative Effects

19 What would you list as negative effects of the multiplicity of oversight principals?

20 Describe your experiences of the negative effect of the municipal budget oversight by multiple principals.

21 How do you think these affect oversight on the municipal budget oversight

INTERVIEW QUESTIONNAIRE FOR MUNICIPAL MANAGERS

Question 1: Municipal budget oversight by the multiple-principal model?

1. What is your understanding of municipal budget oversight?
2. What is your experience of municipal budget oversight?
3. Who are the structures exercising oversight on the municipal budget process?
4. How would you describe these oversight principals?
5. What is your perception regarding being overseen by these number of oversight principals?
6. What is common and different about the budget oversight principals?

Question 2: Manifestations, dynamics of multiple oversight on the Municipal Budget Oversight

7. Describe your experience of what happens during the oversight of the drafting, approval, implementation and auditing of the municipal budget process.
8. What is the nature of relationships and engagement between the oversight principals?
9. How do feel about the manner in which these principals behave during the different stages of municipal budget process?

Question 3: Positive effects of Oversight by multiple principals

10. What would you list as positive effects of the multiplicity of oversight principals?

11. What is the value of these principals on municipal budget oversight?

12. What make you think these promote effective municipal budget oversight?

Negative Effects

13. What would you list as negative effects of the multiplicity of oversight principals?

14. Describe your experiences of the negative effect of the municipal budget oversight by multiple principals.

15. How do you think these affect oversight on the municipal budget?



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