

**THE ROLE OF MANAGEMENT CONTROL ON SERVICE DELIVERY IN
LOCAL GOVERNMENT: A CASE STUDY OF A SOUTH AFRICAN
MUNICIPALITY**

by

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Submitted in accordance with the requirements

for the degree of

Master of Philosophy

in the subject

Management Accounting

at the

UNIVERSITY OF SOUTH AFRICA

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February 2019

DECLARATION

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I, Mmathume Norman Nkadimeng, hereby declare that the study titled “The role of management control on service delivery in local government: A case study of a South African municipality” is my original work and that I have not submitted it to any other institution than the University of South Africa.

ACKNOWLEDGEMENTS

This study would not have been successfully completed had it not been for the support, encouragement and guidance of the following people:

- My late mom, Mareketle Anna Nkadimeng, who had faith in my abilities and imbued confidence in me. This study is yours, mom.
- My late brother, Mmamang Sydney Nkadimeng, for the healthy sibling rivalry that kept me on my toes over the years. We both pursued education relentlessly until your untimely death. Till we meet again, Phahlana.
- My wife, Nokhanya Nkadimeng, for allowing me the time to study and to compromise family time as a result. I undertake to make up for the lost time.
- My older children Nomathemba and Omphile for understanding that, like them, daddy was a student and had to do his homework. Thank you both, daddy will now make time for you.
- My supervisor, Prof Leoni Julyan, for the thorough supervision she provided to me. At times I wondered whether the study would ever be completed but her insights and guidance always triggered breakthroughs. Thank you, Prof.
- My co-supervisor, Mrs Marianne Lötter, for her support. I learnt to pay attention to detail from her.
- Victor Khanye Local Municipality for the permission to conduct my study at their municipality and the participants for their valuable insights.
- Mr. Hugo van der Walt who served as an external coder.
- Mrs Shaw who edited the dissertation.

Thank you all.

ABSTRACT

The management control systems package has been the subject of recent studies but no study was found that examined the role of management control on service delivery in local government. The Victor Khanye Local Municipality in South Africa has experienced repeated service delivery protests attributed to a deficiency in the delivery of basic municipal services. An in-depth analysis was conducted on selected planning and budgeting aspects of the management control systems package and their role in the delivery of basic municipal services. This qualitative case study, carried out with semi-structured interviews, found that the Integrated Development Plan (IDP), the Service Delivery and Budget Implementation Plan (SDBIP) and the budget were used to improve the delivery of basic municipal services. Further research may be conducted on factors inhibiting 100% alignment between the IDP, the SDBIP and the budget, and to determine the role of a quarterly review system for low ranking employees on service delivery.

KEYWORDS: Basic municipal services; budget; control; Integrated Development Plan; local government; management control; service delivery; Service Delivery and Budget Implementation Plan.

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LIST OF ABBREVIATIONS

AG	Auditor General
BoQ	Bill of Quantities
CAPEX	Capital Expenditure
CoGTA	Department of Cooperative Governance and Traditional Affairs
DMR	Department of Mineral Resources
DoE	Department of Energy
DoRA	Division of Revenue Act
DWS	Department of Water and Sanitation
EEDSM	Energy Efficiency and Demand Side Management
IDP	Integrated Development Plan
INEP	Integrated National Electrification Programme
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
PC	Portfolio Committee
PMSs	Performance Management Systems
PoE	Portfolio of Evidence
RBIG	Regional Bulk Infrastructure Grant
SDBIP	Service Delivery and Budget Implementation Plan
TBA	To Be Announced

CHAPTER 1: INTRODUCTION

1.1 Background

Control systems failure is a challenge that affects organisations across the globe both in the private and public sectors (Minellia, Reboraa & Turri, 2009). Failures in control systems usually have negative effects beyond the organisations involved. The most notable failure in control systems is the evasion of regulatory capital requirements by American companies which resulted in the 2007-8 financial crisis (Acharya & Richardson, 2009).

Most organisational control systems can be categorised into two interlinked levels, corporate governance and management control (Merchant & Van der Stede, 2017). Corporate governance regulates operations at top management level while management control regulates operations at all other levels of the organisation.

Essentially, corporate governance concerns the laws and regulations that an organisation should comply with in its operations (Lipton & Lorsch, 1992). The 2007-8 financial crisis was the result of a failure in control systems at corporate governance level due to the evasion of laws and regulations by the companies implicated in the scandal. However, corporate governance, as a control system, is beyond the purview of this study.

Management control systems failures could have similar far reaching consequences (Merchant & Van der Stede, 2017). For example, organisations, such as Société Générale, the second biggest bank in France, and Seymour Pierce, a London stockbroking firm, were both fined large sums of money by authorities for having weak management control systems (Merchant & Van der Stede, 2017). The conviction of some senior managers at Enron, an American company, for fraud is another example of the consequences of failures of management control (Ferrell & Ferrell, 2011).

The Enron experience illustrates the influence of top management in subverting management control systems even in organisations with advanced control tools (Free,

Macintosh & Stein, 2013; Staicu, Tatomir & Lincă, 2013). At Enron, these included control tools such as a code of ethics, the performance review system, the risk assessment and control group, a highly regarded auditor as well as a board of directors and committees (Free, et al., 2013). The Enron experience also points to the vulnerability of the rank and file members of an organisation when a culture of subverting management control systems is entrenched (Free, et al., 2013).

Merchant and Van der Stede (2017) point out that failures in management control could have negative effects such as financial losses, reputational damage and organisational collapse. Therefore, management control is an important function which requires constant attention for the success of organisations (Merchant & Van der Stede, 2017). Through management control, organisations can set objectives and develop plans prescribing a conduct which its members should uphold in pursuit of the set objectives (Drury, 2017).

The setting of objectives and planning are among the main activities in the management process as they are the precursors of control (Herath, 2007; Dahlggaard-Park, 2008; Drury, 2017). Recurring control failures show that most organisations still do not give management control the required attention despite its apparent importance (Minellia, et al., 2009).

Some South African municipalities could be counted among organisations that do not give management control the required attention in the light of continuous negative audit reports by the Auditor General (Auditor-General, 2016) and increasing service delivery protests by local communities (Chikulo, 2016). While these municipalities seem to be able to set objectives through the mandatory five-year Integrated Development Plan (IDP) and the annual Service Delivery and Budget Implementation Plan (SDBIP), it is doubtful whether they are able to convert the plans into actual service delivery.

In order to determine the level of performance, municipalities are required to measure actual service delivery against targets set out in the IDP and SDBIP (Auditor-General, 2016). It is on this basis that the municipalities are audited by the Auditor-General.

Successive audit reports have pointed at financial losses in the form of fruitless and wasteful expenditure in most of these municipalities (Auditor-General, 2016). It has been reported that local municipalities, such as Abaqulusi (Department of Cooperative Governance and Traditional Affairs, 2013), Masilonyana, Nala (Mohale, 2013), Mogalakwena (Sapa, 2014), Madibeng (South African News Agency, 2015) and Thabazimbi (Africa News Agency, 2015), have had to endure the reputational damage of being placed under administration either for failing to execute their constitutional mandate or for being at the brink of collapse (Mohale, 2013).

Whereas these negative effects, namely, the fruitless and wasteful expenditure, failure to execute the constitutional mandate and organisational collapse, could be attributed to failures in management control, as stated in section 1.7 below, the study will concentrate on the failure to execute the constitutional mandate which entails the delivery of basic municipal services.

1.2 Rationale

There are various management control frameworks that include the performance management systems framework (Anthony, 1965; Otley, 1999; Gómez & Monroy, 2018), the object of control framework (Ouchi & Maguire, 1975; Merchant & Van der Stede, 2017; Gómez & Monroy, 2018), the Balanced Scorecard (Kaplan & Norton, 1992), levers of control, the framework of management control (Herath, 2007) and the management control systems package (Malmi & Brown, 2008). These frameworks have some similarities in terms of the thrust of the control process although there are notable variations in regard to scope. Among the frameworks mentioned above, the management control systems package by Malmi and Brown (2008) provides a broad scope of controls (Strauß & Zecher, 2013) that consists of five forms of control, namely, cultural controls, planning controls, cybernetic controls, reward and compensation controls as well as administrative controls (Malmi & Brown, 2008; Curtis & Sweeney, 2019).

Except for the reward and compensation controls, all the other four forms have sub-control areas. Cultural controls have values and symbols; planning controls have the long

range planning and action planning; and cybernetic controls have budgets, financial measurement systems, non-financial measurement systems and hybrid measurement systems. Administrative controls have governance structure, organisational structure and policies and procedures. The theoretical perspective of this study is the management control systems package under the post accounting phase of management control theory which is discussed in section 2.4.3. However, these controls were regarded as too broad to pursue the objectives of the study hence it became necessary to select the most relevant aspects of the management control system package applicable to the local government sphere.

Municipalities would not be able to render basic municipal services without the long range and action plans, through which objectives and targets are set, and the budget to finance service delivery programmes. Therefore, the planning controls and the budget, as part of cybernetic controls, are considered most relevant given their centrality to service delivery. In the local government sphere, the planning controls are carried out through the IDP and the SDBIP that consist of the set objectives and targets while the budget allocates resources towards achieving the set objectives and targets.

Victor Khanye Local Municipality, situated in Delmas in Mpumalanga Province, was chosen as a case study based on the prevalence of service delivery protests in areas within its jurisdiction and because it is authorised to render the targeted basic municipal services grouped as water and sanitation, electricity and street lighting, roads and storm water, and waste removal (Victor Khanye Local Municipality, 2017c).

1.3 Problem statement

The South African constitution enjoins the local government sphere to render basic municipal services to society (South Africa, 1996). The basic municipal services refer to essential amenities which would put the environment or public health and safety in danger when not provided (South Africa, 2000). Such services include water and sanitation, electricity and street lighting, roads and storm water and waste removal (South Africa, 2000; Victor Khanye Local Municipality, 2017c).

A variety of support programmes were introduced for the purpose of improving service delivery in the local government sphere. As discussed in section 3.2, these support programmes include Project Consolidate, the five-year government strategic agenda, *siyenza manje*, local government turnaround strategy (Department of Cooperative Governance and Traditional Affairs, 2009a) and Local Government Back to Basics strategy (Department of Cooperative Governance and Traditional Affairs, 2014). However, it appears that the level of service delivery remains deficient (Nleya, 2011; Chikulo, 2016) among South African municipalities despite the support programmes.

Since 2004, there has been a series of service delivery protests directed at the local government sphere in South Africa (Booyesen, 2007; Hough, 2008; Booyesen, 2009; Steyn-Kotze & Taylor, 2010; Nleya, 2011; Twala, 2011). According to Langa and Kiguwa (2013), the service delivery protests are about access to basic municipal services. The service delivery protests have the potential to disrupt the smooth running of the country and its economy because they are often accompanied by violence, destruction of property and blockage of roads (Langa & Kiguwa, 2013). Therefore solutions must be found to address their root causes.

It is widely accepted that deficient delivery of basic municipal services is the cause of the service delivery protests (Booyesen, 2007; Booyesen, 2009; Nleya, 2011; Chikulo, 2016). Studies suggest that malpractices, low skills levels, insufficient resources and inability to put policies into practice are among the challenges that contribute to deficient delivery of basic municipal services in the local government sphere (Booyesen, 2007; Booyesen, 2009; Nleya, 2011; Tshishonga, 2011).

Chikulo (2016) posits that, while considerable progress has been made in the provision of basic municipal services, huge backlogs remain. The failure to overcome deficient delivery of basic municipal services implies ineffective management control among South African municipalities yet the researcher found no studies that investigated the role of management control on service delivery in the local government sphere within the South African context. This study seeks to contribute towards filling this literature gap.

The problem identified in this study is the deficient delivery of basic municipal services among South African municipalities. Therefore the research question/problem can be stated as: What is the role of the IDP and SDBIP as planning controls and the budget as part of cybernetic controls in the delivery of basic municipal services at Victor Khanye Local Municipality?

1.4 Aim and objectives of the study

The aim of the study is to conduct an in-depth analysis of selected aspects of the management control systems package and their role in the delivery of basic municipal services at Victor Khanye Local Municipality.

The specific objectives of the study are to:

1. Investigate management control frameworks and controls generally associated with the management control systems package.
2. Investigate the framework for the delivery of basic municipal services at Victor Khanye Local Municipality.
3. Explore employee perceptions on whether planning controls in the IDP and SDBIP and cybernetic controls through the budget are used to improve the delivery of basic municipal services at Victor Khanye Local Municipality.

1.5 Significance

The study aims to draw the attention of South African municipalities to the role of management control in service delivery and will make recommendations for service delivery improvement. The local communities will therefore benefit from improved service delivery.

The study will also benefit municipalities by recommending a management control system that will respond to and avoid negative audit reports by the Auditor General (2016) and obtain unqualified audit opinions. This may ultimately improve the credit rating of these municipalities that will enable them to borrow funds to finance more objectives and plans.

This study is an academic endeavour that strives to make a contribution towards achieving an effective management control system for the local government sphere in South Africa. Therefore, it is expected to contribute to the management control literature and service delivery improvement strategies in the local government sphere, and serve as reference for future research.

1.6 Thesis statement

A municipality can overcome the problem of deficient delivery of basic municipal services to local communities through effective management control.

1.7 Delineations and limitations

The focus of this study is management control frameworks and controls generally associated with the management control systems package. The study concentrates on a single local municipality to investigate the role of selected aspects of management control in the delivery of basic municipal services in the local government sphere within the South African context. The specific focus of the study is on how the IDP, SDBIP and budget at Victor Khanye Local Municipality are used in the delivery of the following basic municipal services:

- water and sanitation,
- electricity and street lighting,
- roads and storm water,
- waste removal.

Since a case study research was chosen, the findings will not be generalisable to other municipalities. The findings of the study will be limited to the Victor Khanye Municipality.

The study will not consider the other types of municipalities found in South Africa such as the District Municipality and Metropolitan Municipality.

1.8 Definition of terms

Basic municipal services refer to amenities that are necessary to ensure an acceptable and reasonable quality of life and would endanger public health or safety or the environment when not provided (South Africa, 2000). Such amenities include water and sanitation, electricity and street lighting, roads and storm water and waste removal (Victor Khanye Local Municipality, 2017c).

Control is the exercise of putting regulatory mechanisms in place and taking corrective action on deviations in order to realise the set objectives (Flamholtz, Das & Tsui, 1985; Herath, 2007; Jansen, 2008; Drury, 2017).

Management control is a managerial function of setting objectives, measuring actual performance and taking corrective action where there is deviation from the set objectives (Herath, 2007; Akroyd & Maguire, 2011; Anthony & Govindarajan, 2014; Bedford & Malmi, 2015).

Service delivery is the provision of services that society depends on as specified by the South African constitution (South Africa, 1996; South Africa, 2000; Ndevu, 2006; Chikulo, 2016).

1.9 Research methodology

Research methodology entails the technique and procedure the researcher applies in pursuit of a solution for the identified problem or research question (Mouton, 1996). Mouton (1996) advises that researchers provide a complete account of the plan, structure and execution of the research. The plan and structure of this study are explained in the research design section below. The literature review and empirical study sections in section 1.9.2 and 1.9.3 below explain how the study was executed.

1.9.1 Research design

Research design is basically the strategy which the researcher adopts to conduct a study (Biggam, 2014). The research design adopted for this study was qualitative research. In studies that examine a unit of analysis in its natural setting, qualitative research, such as a case study, may be more appropriate than quantitative research (Johnson & Onwuegbuzie, 2004; Yin, 2014).

According to Salkind (2018), case study research facilitates a close examination and scrutiny of the chosen unit of analysis as well as the collection of detailed data. It is believed that case study research accounts for what is occurring in a unit of analysis better than other qualitative research designs as the researcher enjoys closer proximity to a real life unit of analysis and responses of participants in the study (Flyvbjerg, 2006; Yin, 2014; Salkind, 2018). Therefore, a case study research was deemed more appropriate since the aim of the study was to conduct an in-depth analysis of the role of the IDP and SDBIP as planning controls and the budget as part of cybernetic controls on delivery of basic municipal services at Victor Khanye Local Municipality. The case study research included both the literature review and empirical study.

1.9.2 Literature review

The literature review should indicate how the study connects with previous research on the topic (Denscombe, 2014). Although a literature review can be a separate chapter, it is advisable that, early in the research report, an indication is made on how existing material on the topic was reviewed (Denscombe, 2014). In this study, a literature review was conducted in pursuit of objectives 1 and 2. Objective 1 investigated management control frameworks and controls generally associated with the management control systems package presented in Chapter 2 while objective 2 investigated the framework for the delivery of basic municipal services at Victor Khanye Local Municipality presented in Chapter 3.

The literature review entailed a careful search of material pertinent to the topic. For

instance, the material on the investigation of management control frameworks and controls generally associated with the management control systems package was obtained from scholarly journal articles, theses and dissertations, and academic books. In addition, the researcher carefully searched through Google scholar with “control” and “management control” as keywords. The material used to investigate the framework for the delivery of basic municipal services at Victor Khanye was obtained from South African legislation available online and the IDP, the SDBIP and the budget documents were found on the municipality’s website.

1.9.3 Empirical study

The study used the primary data generated from semi-structured interviews. According to Gill, Stewart, Treasure and Chadwick (2008), semi-structured interviews consist of several key questions that define the areas to be explored. These scholars believe that the flexibility of semi-structured interviews allows for the discovery or elaboration of information that is important to participants but may not have previously been thought of as pertinent by researchers. Therefore, in meeting objective 3, semi-structured interviews were conducted in order to explore employees’ perceptions of whether the IDP and the SDBIP, as planning controls, and the budget, as part of the cybernetic controls, were used to improve the delivery of basic municipal services at Victor Khanye Local Municipality.

The target population was 24 employees at Victor Khanye Local Municipality who had knowledge and working experience of the IDP, the SDBIP and the budget. According to Marshall (1996), the researcher can choose the most useful sample which best answers the question when purposive sampling is used. Therefore, a purposive sample of eight participants was chosen for this study because the researcher believed that they could best answer questions on the role of the IDP, the SDBIP and the budget in the delivery of basic municipal services. The researcher also believed the sample of eight participants was sufficient to reach data saturation.

The interviews were conducted at the premises of Victor Khanye Local Municipality after prior appointments were made with participants. The study paid attention to ethical

considerations, for instance, written permission to do the study was obtained from Victor Khanye Local Municipality, followed by ethical clearance from the Ethics Committee of the College of Accounting Sciences at Unisa. Before the interviews were conducted, the participants were each given a participant information sheet which explained the aim and the nature of the study and they signed the consent to participate in this study. The researcher used an audio recorder to record the interviews. The recorded data were transcribed and then coded and analysed using Atlas.ti by the researcher and an external coder.

1.10 Presentation structure of the research

Chapter 1: Introduction

Chapter 1 introduced the study by providing the relevant background and also established the research focus. The chapter presented the gap in the literature, the problem statement, the rationale, the aim and objectives of the study and further outlined the significance of the study as well as the thesis statement. It clarified key terms and set the delineations and limitations of the study. Then the chapter outlined the research methodology and ended with a presentation of the structure of the research.

Chapter 2: Management control theory and literature

Chapter 2 clarifies the two features that constitute the management control concept. It looks at how management control relates to management accounting, management accounting systems and organisational control. The chapter traces the evolution of management control theory and considers management control frameworks with particular attention to the management control systems package.

Chapter 3: Framework for delivery of basic municipal services

Chapter 3 provides the context of Victor Khanye Local Municipality by discussing pieces of legislation which together with the Integrated Development Plan (IDP), the Service Delivery and Budget Implementation Plan (SDBIP) and the budget constitute the

framework for delivery of basic municipal services.

Chapter 4: Research Methodology

Chapter 4 provides an account of the plan, structure and execution of the study. The chapter discusses research design, research instruments, target population, sampling plan, data collection, data analysis techniques, reliability and validity of findings as well the limitations of the methodology and ethical considerations.

Chapter 5: Data Analysis and Research Findings

Chapter 5 analyses the data collected during the empirical study. The chapter contains the examination of the data transcribed from the recorded semi-structured interviews and presents the research findings.

Chapter 6: Research Outcomes and Recommendations

Chapter 6 provides the summary of the study and research outcomes and the conclusion on how the objectives were met and the aim of the study achieved. The chapter declares the limitations of the study and makes recommendations on how delivery of basic municipal services can be improved at Victor Khanye Local Municipality. It concludes with a suggestion of areas for further research.

CHAPTER 2: MANAGEMENT CONTROL THEORY AND LITERATURE

2.1 Introduction

In Chapter 1, the background of the study was provided and the research focus established. The key contents of the study, which include the problem statement, the objectives, the significance, the thesis statement, methodology, delineations and limitations, were outlined and key terms were clarified.

Chapter 2 is the literature review. In essence, the chapter lays the theoretical basis of the study and reviews management control literature. The chapter investigates management control frameworks and controls generally associated with the management control systems package, which is the first objective of the study.

The chapter starts by outlining the purpose of the literature review. This is followed by a description of the management control concept. Next, an elaboration on the three phases that define the evolution of management control theory, namely, the classical phase, the modern phase and the post accounting phase, is provided. Thereafter, an overview of management control frameworks is followed by a discussion looking at controls as per the management control system package and the use thereof.

2.2 Review of management control literature

The purpose of the literature review is to gather and evaluate a wide range of sources such as academic books, dissertations and theses, and scholarly journals (Rowley & Slack, 2004; Ding, 2018; Joshi & Singh, 2018) on a specific topic in order to identify gaps that could justify the need for further research (Struwig & Stead, 2013; Joshi & Singh, 2018). In reviewing the management control literature, four discussion areas were identified. They include the evolution of management control theory, the overview of management control frameworks, controls as per the management control systems package and the use of the management control systems package. Before discussing the four areas, the management control concept is described in order to provide clarity and the context in which it was used in the study.

2.3 Management control concept

Management and control are two features that constitute the management control concept. In an organisation, the role of management is to set objectives and develop plans to achieve them. This managerial role includes measuring actual performance and taking corrective action where there is a deviation from the set objectives (Drury, 2011; Anthony & Govindarajan, 2014; van Helden & Reichard, 2019) .

Essentially, control could be anything that management does to achieve the objectives of the organisation. The function of control is to ensure that an organisation achieves its objectives by conforming to predetermined plans (Drury, 2011; Klein, Beuren & Vesco, 2019). Ferreira and Otley (2009) explain that the existence of objectives is an essential prerequisite for control because they are used for performance evaluation. For control to occur management would have to set objectives and develop plans predetermining and specifying what must be achieved and how it must be achieved (Drury, 2011; Klein, et al., 2019).

Management control is therefore an essential enabler to organisations in achieving their objectives (Merchant & Van der Stede, 2017; Alam, 2019). Failures in management control are likely to have negative consequences such as financial loss and reputational damage (Merchant & Van der Stede, 2017). Therefore it is important that management creates a system for setting organisational objectives, developing plans for implementation, measuring performance and taking corrective action when predetermined objectives are not met. A management control system knits together the managerial responsibility and the control function.

In discharging its responsibility, management has to strike a balance between formal and informal controls (Abdallah, et al., 2019). At a formal level, objectives have to be set and plans for implementation by the organisation's bureaucracy must be outlined (Bedford & Malmi, 2015). At an informal level, consideration has to be given to perceived acceptable organisational practices and conduct (Almqvist, Catasús & Skoog, 2011; Auzair, 2011; Lämsä, 2019). Thus, formal controls tend to be in writing but informal controls could be

either written or unwritten.

How management endeavours to discharge its responsibility and the management control systems it uses to do that, have been evolving over time. The next section will look at the evolution of management control theory from the 1930s to the recent times.

2.4 Evolution of management control theory

Gigliani and Bedeian (1974) examined the evolution of management control theory from 1900 to 1972. In their paper, management control theory by earlier scholars was traced from initial stages in the 20th century to the early 1970s (Gigliani & Bedeian, 1974). They believed that management control in the 20th century was based on Taylor's scientific management theory which was centred around control.

Management control theory was considered to have lacked a comprehensive body of knowledge until the contribution of scholars like Ralph Davis caused the framework for management control to emerge in the late 1920s. The framework began to crystallise in the late 1930s when management functions such as planning, organising and controlling (Gigliani & Bedeian, 1974) were identified.

The literature reveals that management control theory has evolved through three distinctive phases over the decades. The three phases are: classical phase, modern phase and post accounting phase (Hewege, 2012). The following sections elaborate on the three phases.

2.4.1 Classical phase of management control theory

The classical phase of management control theory was prevalent in the 1930s. In that period, management control theory was philosophically and theoretically shaped by general systems and was referred to as "mainstream" in the management control literature (Hewege, 2012). This phase of management control theory started and developed in an atmosphere where accounting tools were dominant, resulting in less attention being given to non-accounting tools (Hewege, 2012).

In the classical phase of management control theory, it was assumed that, in the developed industries, economic activities were well coordinated in manageable corporations and that managers were merely tasked with directing the work of subunits by following rules and procedures. The purpose of management control was to ensure conformation to the objectives of top management and to make information available to correct any deviation from the set plans (Hewege, 2012). The emphasis was on bureaucracy with the use of rules and regulations as tools of control (Hewege, 2012; Bedford & Malmi, 2015). It was believed that bureaucratic organisations were the most efficient as they had a clear line of authority and how things should be done (Wren & Bedeian, 2009; Bedford & Malmi, 2015).

Hewege (2012) identifies a theoretical shortfall which was the failure to explain nuanced practices of a social and cultural nature outside England and America. The theory was developed based mainly on industrial organisations from these two countries (Hewege, 2012). There was a need therefore to look at management control outside the Anglo-American context. The following subsection focuses on the modern phase of management control.

2.4.2 Modern phase of management control theory

The modern phase of management control theory that emerged in the 1960s was also dominated by accounting tools. There was an emphasis on responsibility centres (Anthony, 1965) and accounting tools, such as budgeting and performance evaluations, were used (Hewege, 2012; van Helden & Reichard, 2019). The concept of management control was still not clearly defined as it was confused with operational control and with strategic planning (Anthony, 1965).

Anthony (1965) brings clarity to the concept by stating that management control is an interplay of both planning and control. He argued that planning entails making a decision on what is to be done, while control entails ensuring that the decision is executed (Anthony, 1965). He further argued that operational control involves ensuring that specific tasks are effectively and efficiently executed and that strategic planning comprises

formulating long range plans and policies (Anthony, 1965).

The factors contributing to the lack of clarity on management control included the treatment of management accounting, management control systems as well as organisational controls as though they all meant the same thing (Chenhall, 2003). There was a need to define these concepts by giving each of them a concise description.

Chenhall (2003) draws a distinction between management accounting, management accounting systems, management control systems and organisational control. He states that management accounting “refers to a collection of practices such as budgeting or product costing”, while management accounting systems “refers to the systematic use of management accounting to achieve some goal” (Chenhall, 2003, p. 129). He adds that the term management control system “is a broader term that encompasses management accounting systems and also includes other controls such as personal or clan controls” while organisational control “is sometimes used to refer to controls built into activities and processes such as statistical quality control and just-in-time management” (Chenhall, 2003, p. 129).

Chenhall (2003) and a number of other scholars (Herath, 2007; Ferreira & Otley, 2009; Malmi & Grandlund, 2009; Desai, 2010; Hewege, 2012) believe that this distinction between concepts has clarified a long standing confusion in the management control literature and that the terms, management accounting system, management control system and organisational control, may no longer be used interchangeably. The following subsection focuses on the post accounting phase of management control theory.

2.4.3 Post accounting phase of management control theory

The post accounting phase of management control theory can be traced from the 1970s to the present (Hewege, 2012). In this phase, studies take an integrated approach on management control by also looking at non-accounting tools (Otley, 2016). Various frameworks have been conceptualised to consider management control as a package (Malmi & Brown, 2008; Bedford & Malmi, 2015; Chenhall & Moers, 2015; Otley, 2016). It

is believed that the non-accounting tools supplement the accounting tools to provide a complete measurement of an organisation's performance against its objectives. The subsections below discuss the frameworks.

2.5 Overview of management control frameworks

A framework can be described as a conceptual structure systematically used to categorise a complex phenomenon that would ordinarily be difficult to manage (Strauß & Zecher, 2013). With regard to management control, a framework would entail systematic categorisation of various controls into a single management control system aimed at achieving organisational objectives.

Management control scholars have formulated and described controls in a variety of ways (Abdallah, Farghaly & el Sebaay 2019; Curtis & Sweeney, 2019) that include the market controls, the bureaucratic controls, the clan controls (Ouchi, 1980), the planning mechanisms, the measurement mechanisms, the feedback mechanisms, the evaluation mechanisms (Flamholtz, et al., 1985), the delegated controls, the patriarchal controls (Whitley, 1999), the arm's length controls and the machine controls (Speklé, 2001). Therefore, it is necessary to adopt a management control framework to categorise the controls identified.

Management control frameworks include the following elements: the performance management systems framework (Anthony, 1965; Otley, 1999; Ferreira & Otley, 2009); the object of control framework (Ouchi & Maguire, 1975; Merchant & Van der Stede, 2017); the Balanced Scorecard (Kaplan & Norton, 1992); the levers of control (Simons, 1995); the framework of management control (Herath, 2007); and the management control systems package (Malmi & Brown, 2008). These frameworks are discussed in the following subsections.

2.5.1 The performance management systems framework

In engaging Anthony's (1965) differentiation of strategic planning, operational control and management control as well as the neglect of non-accounting tools, such as strategy and operations, Otley (1999) asks five questions based on: objectives; strategies and plans for implementation; target setting; incentives and rewards; and information feedback loops. He expects that an organisation should set objectives; develop strategies and plans for implementation; set targets to achieve the objectives; reward employees when the performance targets are met; and draw lessons from its experience based on performance feedback (Otley, 1999).

The performance management systems framework by Otley (1999) has been considered extensively in performance management studies (Stringer, 2004; Broadbent & Laughlin, 2006; Bukh & Mouritsen, 2014). This includes: Stringer (2004) who argues that Otley's five questions are comprehensive, address overall performance management and cover areas such as economic value added, the Balanced Scorecard and budgeting; Broadbent and Laughlin (2006) who point out that the questions were raised in relation to the design and nature of an organisation's performance management system; and Bukh and Mouritsen (2014) who argue that a performance management system should be designed and adapted to achieve organisational objectives.

However, Ferreira and Otley (2009) believe that the five questions are not comprehensive enough hence they added areas that have extended them to twelve questions while embracing integrated aspects of Simons' (1995) levers of control. Ferreira and Otley (2009) also present a holistic research tool that describes the structure and operations of performance management systems. These authors believe that the extended framework provides a broader perspective in defining the control function with regard to the performance of an organisation. Figure 2.1 below exhibits the sequence of and the relationship among the twelve questions.

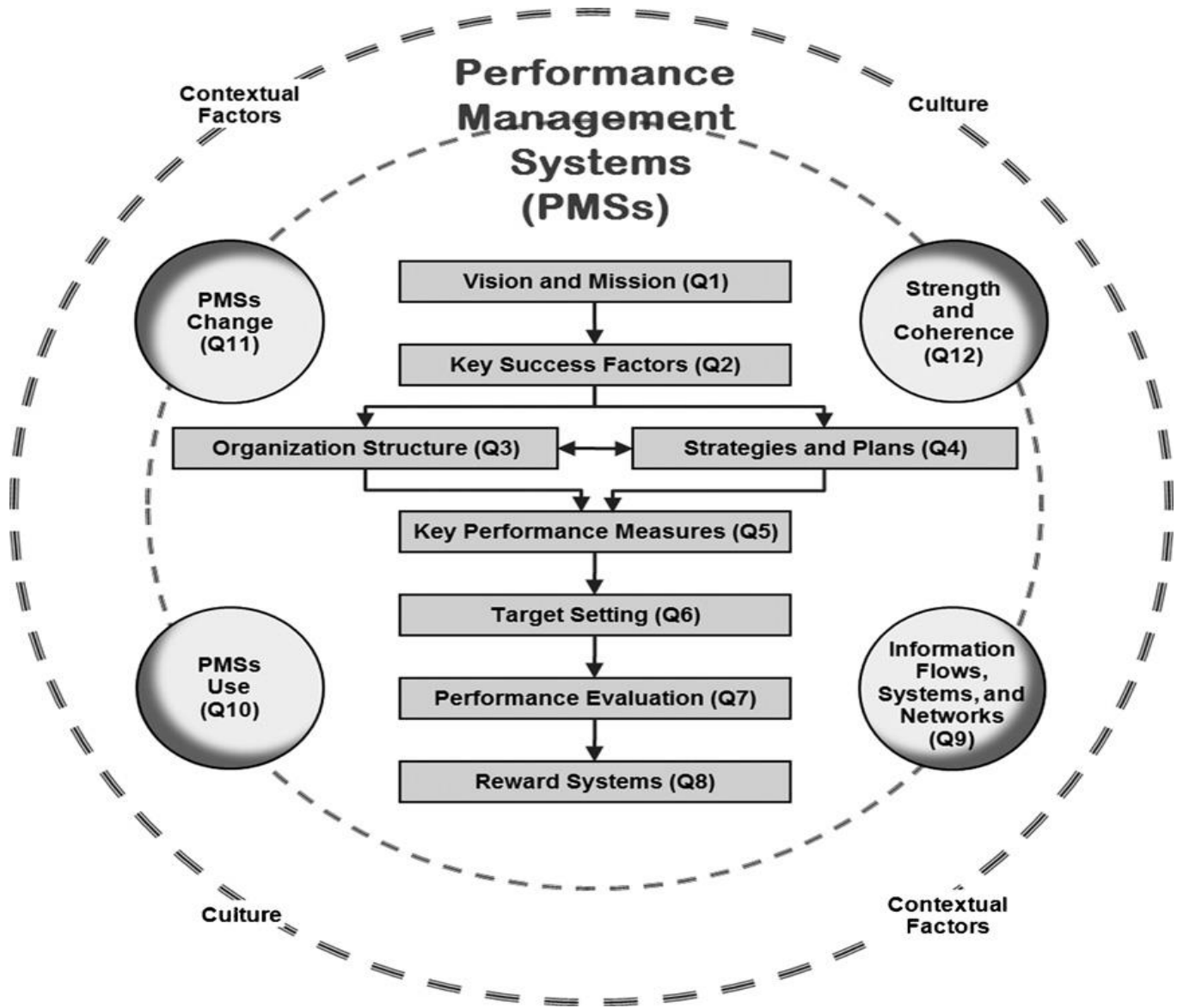


Figure 2.1: The performance management systems (PMSs) framework

Source: Ferreira and Otley (2009).

The twelve questions concern the following: vision and mission; key factors such as understanding the customer and industry (Hanzlick & Brühl, 2013); organisational structure; strategies and plans; key performance measures; target setting; performance evaluation; rewards systems; feedback and information flows; performance management systems (PMSs) use; performance management systems (PMSs) change; and strength and coherence (Ferreira & Otley, 2009; O’Grady, Rouse & Gunn, 2010).

The first eight questions are in the inner circle as they constitute the core of performance management systems. The final four questions are believed to permeate the first eight questions, hence they cover the inner circle. Culture and contextual factors are in the outer circle as they are considered to be beyond the control of the organisation.

According Ferreira and Otley (2009), Otley's (1999) earlier work had limitations as it only focused on diagnostic systems (Simons, 1995) and did not clearly address the role of vision and mission in the management control system. The authors also argued that Otley's (1999) framework did not explain how managers and employees are made aware of the organisation's objectives. However, it appears that Ferreira and Otley (2009) exclude culture and contextual factors from the performance management system.

2.5.2 Object of control framework

The object of control framework sought to address three management control problems which were identified as a lack of direction, motivational problems and personal limitations (Merchant & Van der Stede, 2017). The lack of direction refers to inadequate clarity on what needs to be done, which may lead to poor performance (Strauß & Zecher, 2013). Motivational problems refer to a lack of enthusiasm on the part of employees. Personal limitations refer to the failure to perform in spite of motivation and knowing exactly what is expected. Such limitations may be due to a lack of the required aptitude, training, experience or knowledge of the work to be done (Merchant & Van der Stede, 2017).

Merchant and Van der Stede (2017) contend that the three management control problems could be addressed through results controls, action controls, personnel controls and cultural controls. They adapted the behaviour and output controls (Ouchi & Maguire, 1975) by adding personnel controls and cultural controls. They believed that these additional controls would reinforce the results and action controls by heightening the probability that employees would conduct themselves in a manner beneficial to the organisation. Personnel controls serve three purposes: clarifying expectations of what an organisation wants; equipping employees and ensuring that they perform at their best; and inculcating a culture of self-monitoring (Merchant & Van der Stede, 2017). Cultural

controls include written and unwritten rules which guide employees on how to conduct themselves and represent an organisational culture which is shaped by shared values and norms (Merchant & Van der Stede, 2017). Organisational culture can be entrenched and reinforced by written rules, such as a code of conduct and standard operating procedures, and unwritten rules in the form of acceptable organisational practices (Auzair, 2010; Almqvist, et al., 2011; Auzair, 2011), for instance, the tone set by senior management (Staicu, et al., 2013; Merchant & Van der Stede, 2017).

The behaviour control would be what Merchant and Van der Stede (2017) refer to as action controls given their focus on the activities of subordinates while the output controls would be what they refer to as results controls given their focus on outcomes. Ouchi and Maguire (1975) state that behaviour controls could be exercised by managers through the close monitoring of subordinates while output controls could be exercised through the evaluation of records on performance.

2.5.3 The Balanced Scorecard

The Balanced Scorecard by Kaplan and Norton (1992) is a management tool (Julyan, 2011) which comprises measures that enable senior management to obtain a timely and holistic view of an organisation's performance (Kaplan & Norton, 1992) by blending accounting tools with non-accounting tools. Accounting tools encompass financial measures and non-accounting tools focus on operational measures (Kaplan & Norton, 1992).

Financial measures reveal results of what has already occurred in an organisation. The financial results are supplemented by other performance areas, such as a customer focus, internal processes as well as innovation and learning (Kaplan & Norton, 1992). The customer focus aims to address what matters the most to the organisation's customers (Kaplan & Norton, 1992).

The internal processes include improving systems to meet the customer needs while the innovation and learning entail the invention of new ways to gain a competitive advantage

by an organisation (Kaplan & Norton, 1992). The Balanced Scorecard is a multipronged management tool which can be used to make a holistic assessment of an organisation's performance. However, it tends to overlook some areas of management control as Otley (1999) points out that the Balanced Scorecard does not clearly address targets, rewards and feedback.

2.5.4 Levers of control

According to Simons (1995), the levers of control are: belief systems; boundary systems; diagnostic control systems; and interactive control systems. The belief system keeps control by setting organisational values which are usually contained in vision and mission statements of an organisation in support of its daily activities (Otley, 2003). Simons (1995) believes that informal controls, such as values and beliefs, are part of a management control system only when they are written in the vision and mission statements (Strauß & Zecher, 2013; Lämsä, 2019).

The boundary system keeps control by setting parameters outlining the extent to which an organisation can go in search of a favourable position (Otley, 2003; Bedford, Malmi & Sandelin, 2016; Janka, Heinicke & Guenther, 2019). Where the set objectives are not met, control is kept through the diagnostic system by taking corrective action (Otley, 2003; Bedford, et al., 2016; Matsuo & Matsuo, 2017; Janka, et al., 2019). The interactive system keeps control by revising plans and strategies that may be unsuccessful in achieving the set objectives (Otley, 2003; Matsuo & Matsuo, 2017). It is believed that the four levers of control could be used by managers to overcome challenges and unlock potential opportunities in an organisation.

O'Grady et al. (2010) point out that Simons (1995) does not claim that the inclusion of the four levers of control is sufficient to produce a complete system of control. The idea behind Simons' (1995) framework appears to be striking a balance between positive and negative and integrating controls of a different kind (Strauß & Zecher, 2013). However, the levers of control are not readily specified and would therefore require organisations to identify their levers of control.

2.5.5 Framework of management control

Herath (2007) sought to develop a conceptual framework for management control studies. He concluded that organisational structure and strategy, corporate culture, core control package and management information systems are the four controls that constitute a management control system. Figure 2.2 below depicts Herath's (2007) framework of management control.

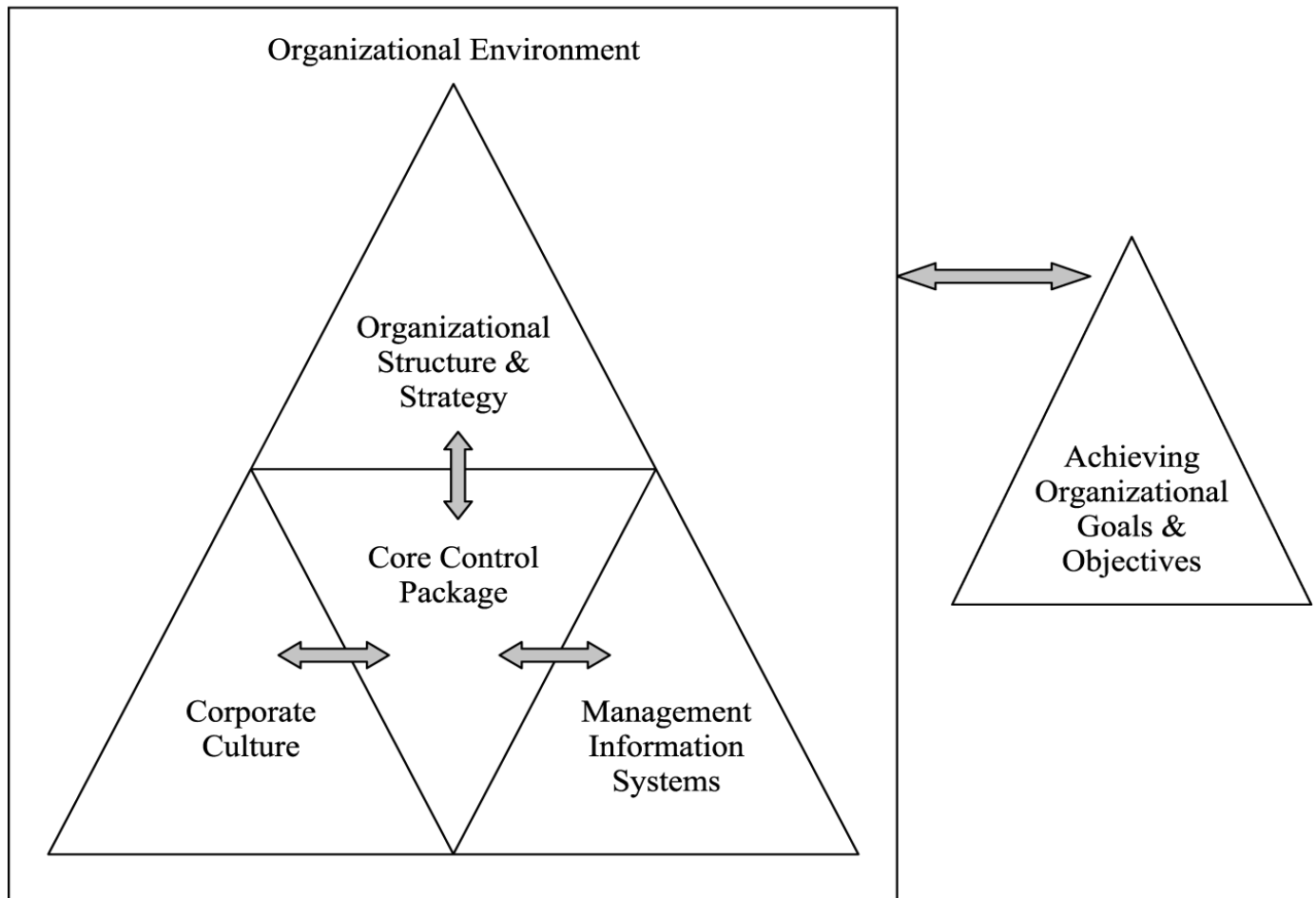


Figure 2.2: Framework of management control

Source: Herath (2007).

Organisational environment is placed at the top of the rectangle as it provides context and boundaries within which controls are exercised. The core control package is placed

in the innermost part of the larger triangle because it is considered to be the essence of management control. The core control package is balanced against organisational structure and strategy at the top, and corporate culture and management information systems to the left and right sides respectively. The interaction of all four controls leads to the achievement of organisational goals and objectives as demonstrated by the triangle to the extreme right.

Organisational structure and strategy is placed in the top smaller triangle to indicate that it creates a chain of command and sets objectives. Organisational structure includes organisational hierarchy and rules and regulations while strategy refers to setting organisational goals and objectives and developing implementation plans. Although organisational structure and strategy are separate controls, Herath (2007) argues that they should be viewed as a single component of management control, given their close connection. Conversely, Otley (2003) points out that organisational structure is a control in its own right.

Corporate culture refers to a value system which influences the conduct of those involved in an organisation while management information systems refer to the feedback process which may either be formal or informal (Herath, 2007; Chenhall & Moers, 2015). Corporate culture could be described as cultural controls (Malmi & Brown, 2008; Merchant & Van der Stede, 2017).

2.5.6 The management control systems package

Malmi and Brown (2008) sought to provide a management control systems package. The package concept suggests that individual systems are created and exercised at different organisational levels (Strauß & Zecher, 2013). Malmi and Brown (2008) point out that management control systems should be studied as a package since controls do not operate in isolation. As depicted in Figure 2.3 below, the authors proposed that the five controls, namely, cultural controls, planning controls, cybernetic controls, reward and compensation controls, and administrative controls constitute a new package for management control systems.

Cultural Controls						
Clans		Values			Symbols	
Planning		Cybernetic Controls				Reward and Compensation
Long range planning	Action planning	Budgets	Financial Measurement Systems	Non Financial Measurement Systems	Hybrid Measurement Systems	
Administrative Controls						
Governance Structure		Organisation Structure			Policies and Procedures	

Figure 2.3: Management control systems package

Source: Malmi and Brown (2008).

The five controls will be discussed in detail in section 2.6 below. They include controls identified in the management control systems package by Malmi and Brown (2008). Figure 2.3 above places cultural controls at the top of the control matrix as they are regarded as the broadest forms of control (Strauß & Zecher, 2013). It is believed that cultural controls create context for planning controls, cybernetic controls and reward and compensation controls. The administrative controls are placed at the bottom in Figure 2.3 as they constitute the foundation of the control system.

2.6 Controls as per the management control systems package

Controls as per the management control systems package are illustrated in Figure 2.3 above. Under each identified control, the subsections below will commence with the meanings attributed to these controls by Malmi and Brown (2008) followed by more recent opinions of various authors.

2.6.1 Cultural controls

Cultural controls refer to the set of norms and values adopted and practiced in an organisation (Malmi & Brown, 2008). These controls could be in the form of clans, values and symbols. Clan based controls refer to subcultures prevalent in an organisation (Malmi

& Brown, 2008), for instance, the conduct displayed by employees in the finance department of the organisation. The value based controls would be the ethos formally expressed in the vision and mission statement and the practices embedded in the individual or group conduct in the organisation (Malmi & Brown, 2008; Strauß & Zecher, 2013). Symbol based controls could be in the form of an image that an organisation aims to portray, for instance, a dress code (Malmi & Brown, 2008) would constitute symbol controls.

Cultural controls have been described through concepts such as belief systems (Simons, 1995), corporate culture (Herath, 2007), personnel controls and cultural controls (Merchant & Van der Stede, 2017). Cultural controls represent the shared value system in an organisation. Cultural controls could be entrenched through formal controls such as organisational policies and standard operational procedures. Some cultural controls could be formalised by including them in the vision and mission statement (Simons, 1995; Strauß & Zecher, 2013).

2.6.2 Planning controls

According to Malmi and Brown (2008), the setting of organisational objectives and performance standards takes place within planning controls. These include both long range planning and the action planning of one year or less (Rehman, Mohamed & Ayoup, 2019). Therefore, planning controls are considered ex ante forms of control as they give direction (Strauß & Zecher, 2013) on what is expected from employees through setting objectives and the performance standards.

The process of planning has been described variously by scholars, for instance, as objectives, strategy and plans (Otley, 1999), organisational structure and strategy (Herath, 2007), and results controls (Merchant & Van der Stede, 2017). For the purposes of this study, the process includes both long range and action planning. It could be described as planning controls which entails the setting of objectives and targets, developing strategies and plans for implementation as well as conceptualising the vision and mission of an organisation (Malmi & Brown, 2008).

For Malmi and Brown (2008), setting objectives would be the first step in management control. As such, it can be concluded that planning constitutes the beginning of management control and is an important step towards attaining an efficient and effective management control system.

2.6.3 Cybernetic controls

Cybernetic controls refer to quantitative regulatory instruments encompassing financial measures, such as a budget and non-financial measures such as a performance management system, that could be used to compare performance against set standards (Malmi & Brown, 2008; Bedford & Malmi, 2015). There should be a measure and a target (Jansen, 2008) in the cybernetic controls to allow comparison and thus create an opportunity to take corrective action when there is a deviation. Malmi and Brown (2008) also propose a hybrid measurement system whereby both financial and non-financial measures are used.

Cybernetic controls have been described through concepts such as output controls (Ouchi & Maguire, 1975), performance evaluation (Ferreira & Otley, 2009) and results controls (Merchant & Van der Stede, 2017). Despite the varying concepts, it can be concluded that cybernetic controls measure the performance of objectives and targets set at planning.

Measuring performance could be in the form of financial measures, such as the budget, non-financial measures, such as operational results (Kaplan & Norton, 1992), or a performance management system that may be applied to individual employees' performances or an organisation as a whole. Cybernetic controls could be used as a regulatory instrument to measure performance against set targets (Malmi & Brown, 2008).

2.6.4 Reward and compensation controls

Reward and compensation controls entail persuading individuals and groups to achieve organisational objectives through incentives (Rehman, et al., 2019). The persuasion would be aimed at achieving congruence between individual employees' activities and

the objectives of the organisation (Malmi & Brown, 2008). Malmi and Brown (2008) believe that reward and compensation controls create a link between the required effort and the task at hand and influence performance by giving effort direction, effort duration and effort intensity.

Reward and compensation controls have been described as incentives (Otley, 1999) and reward systems to achieve the set targets in an organisation. They address one of the management control problems, that of motivation (Merchant and Van der Stede (2017)). It is believed that these controls motivate individuals and groups in organisations as they provide incentives when the set targets are met and thus bridge a gap between organisational and individual interests (Strauß & Zecher, 2013).

2.6.5 Administrative controls

Malmi and Brown (2008) explain that administrative controls refer to the governance structure, organisation structure, and policies and procedures. They include organisation structure as part of administrative controls because they believe that management can change it in pursuit of organisational objectives. Governance structure entails the organs of decision making in an organisation, for example, the board of directors.

Administrative controls also include policies and measures, such as standard operating procedures which represent bureaucratic processes (Malmi & Brown, 2008), that prescribe how an organisation and its employees should operate. Policies and standard operating procedures take into account what Merchant and Van der Stede (2017) refer to as action controls.

Administrative controls have been described through concepts such as boundary systems (Simons, 1995), organisational structure and strategy, rules and regulations (Herath, 2007) or action controls (Merchant & Van der Stede, 2017). Administrative controls entail how an organisation organises itself by way of formal controls such as organisational design, the structures of governance as well as policies and procedures.

2.6.6 The rationale in support of the management control systems package

The frameworks discussed above highlight similarities in substance on features of management control notwithstanding the variations on definitions. As argued in section 1.2, Malmi and Brown's (2008) management control systems package provides a broad scope of controls because four of its five forms of control have various sub-controls. The sub-controls enabled the researcher to identify and discuss the most relevant controls crucial to service delivery in the local government sphere. In this regard, the IDP and the SDBIP were respectively identified and discussed as long range planning and action planning within the planning controls while the budget was discussed as part of cybernetic controls.

Since Malmi and Brown's (2008) management control systems package provides a broad scope, it would be a useful management framework to pursue the objectives of this study. Therefore the section below will discuss the use of the management control systems package.

2.7 The use of the management control systems package

The strength of the management control systems package lies in the broad scope of its controls (Bedford & Malmi, 2015; Siska, 2015). Perhaps this explains why it has been widely used by researchers in recent studies. Such researchers include Sandt (2009); Sorsanen (2009), Berglund and Rapp (2010), Huberts (2012), Roes and Jakobsson (2012), Hanzlick and Brühl (2013) and Rezk (2015). Most of these studies were carried out in the private sector. Therefore, the use of the management control systems package in the private sector is the first point of discussion followed by the public sector.

2.7.1 The use of the management control systems package in the private sector

Sandt (2009) uses the management control systems package to analyse how financial measurements, such as operating profit, cash flow from operating activities and economic value added, could relate to six-sigma in pursuit of organisational objectives. The six-sigma is described as a "statistical measure for standard deviation which has six-sigma

indicating 3.4 defects per million opportunities” (Sandt, 2009, p. 12). Therefore, the six-sigma could be viewed as an internal process (Kaplan & Norton, 1992) which aims to identify defects and eliminate them from the production process.

According to Sandt (2009), six-sigma is also an administrative control because it guides the conduct of employees in the form of standard operating procedures and organisational policy. Sandt (2009) sought to establish whether the financial measurements, as a cybernetic control, and six-sigma, as an administrative control, substitute one another or have a complementary effect. Sandt (2009) found that the two types of control are complementary to one another within a management control system.

In a case study research, Sorsanen (2009) examined the management control systems packages that operate in two business units to establish whether such packages may enable an organisation to achieve ambidextrous strategy. Ambidextrous strategy refers to an approach where an organisation pursues exploration and exploitation simultaneously (Sorsanen, 2009; Bedford, Bisbe & Sweeney, 2019).

Exploration could be defined as innovation and learning (Kaplan & Norton, 1992; Bedford, et al., 2019) as it entails finding new ways which could be continually revised through interactive systems (Simons, 1995) in pursuit of a competitive advantage. Exploitation could be defined as internal processes (Kaplan & Norton, 1992) aiming to improve systems in order to meet customer needs. Sorsanen (2009) found that a management control systems package could assist an organisation to achieve organisational ambidexterity. An organisation can therefore pursue its exploration using a management control systems package.

Berglund and Rapp (2010) sought to describe a management control systems package used by a furniture company in Sweden called IKEA Bäckebol. They studied the controls at various organisational levels. Berglund and Rapp (2010) also sought to establish how different management control systems in the company related to each other. They found that, while the company had a strong corporate culture, it used administrative controls to strengthen the management control systems package. Employees were given guidelines

and simultaneously encouraged to be responsible in their own areas of work (Berglund & Rapp, 2010).

Huberts (2012) sought to establish whether an organisational size had an effect on the use of a management control system by looking at a sample of large and small organisations in the Netherlands. Huberts tested various hypotheses covering cultural controls, planning controls, cybernetic controls, rewards and compensation controls, and administrative controls

On planning controls, it was found that large organisations put more emphasis on strategic planning than small organisations (Huberts, 2012). However, Hanzlick and Brühl (2013) found that organisations seldom make long range plans since the focus tends to be on short term planning and on performance measurement and evaluation.

On cybernetic controls, Huberts (2012) found that both large and small organisations rely on what Badawy, Abd E-Ziz, Idress, Hefny and Hossam (2016) refer to as quantitative performance measurement indicators to measure performance. On compensation controls, it was found that there was no difference on how large and small organisations handle pay incentives and non-financial rewards (Huberts, 2012). On cultural controls, Huberts (2012) found that, while there was no significant difference between large and small organisations on how norms and values were documented, large organisations tended to have a more formal culture.

Roes and Jakobsson (2012) investigated how to structure a management control system and to identify problems that could be encountered by middle management in large organisations using the Tuvet Plant within the Volvo Group as a case study. They found that the restrictions on middle management who cannot take all decisions creates complexities on how to improve the management control system.

Beyond the complexities brought by restrictions on middle management, Roes and Jakobsson (2012) found that there were problem areas with regard to integrating controls, culture, sorting out information and the number of measures. The problem on integrating

controls arose because the management control system was not viewed as a package (Roes & Jakobsson, 2012).

Culture may be difficult to manage in most large organisations due to the diversity of the people involved and the geographic spread of the organisations' branches (Roes & Jakobsson, 2012). However, in a study conducted at a science and technology park named UPTEC at Porto University in Portugal, Rezk (2015) found no cultural barriers that may compromise cultural controls due to diversity.

2.7.2 The use of the management control systems package in the public sector

The use of the management control systems package seems to be rare in the public sector. Only one study was found by Verbeeten and Speklé (2011) that tested the results controls which, as stated in subsection 2.5.1, fits into planning controls.

Verbeeten and Speklé (2011) established the relationship between results controls and the efficiency and effectiveness of public sector organisations using a sample of 96 officials from municipalities in the Netherlands. They found a positive relationship between performance measurement systems and a results-oriented culture.

The rarity of the use of the management control systems package in the public sector is surprising, given its broad scope. It is argued that all five of the controls could be applied in any organisation either in the private or public sectors. This study therefore makes a contribution towards filling the identified gap by conducting an in-depth analysis of selected planning and budgeting aspects of management control systems packages and their role in the delivery of basic municipal services at Victor Khanye Local Municipality which is a public sector organisation in South Africa.

2.8 Summary

The chapter discussed management control frameworks and controls generally associated with the management control systems package in meeting the first objective of the study. In this regard, it clarified the two features that constitute the management

control concept, that is, management and control. The evolution of management control theory was traced and it was found that it went through three distinctive phases: classical phase, modern phase and post accounting phase.

In the classical phase, management control theory was developed based on Anglo-American industrial organisations. There was an emphasis on bureaucracy based on the belief that bureaucratic organisations are the most efficient because they had a clear line of authority.

The modern phase of management control theory was dominated by accounting tools such as budgeting and performance evaluations. Key terms in the management control field were clarified which include: management accounting, management accounting system, management control system and organisational control.

In the post accounting phase, studies tended to take an integrated approach by incorporating non-accounting tools in the form of various management control frameworks. The management control frameworks include the performance management systems framework, the object of control framework, the Balanced Scorecard, the levers of control, the framework of management control and the management control systems package. It was stated that the management control systems package, which falls under the post accounting phase of management theory, was the theoretical perspective of the study. This was followed by the discussion of the types of control which include: cultural controls, planning controls, cybernetic controls, reward and compensation controls as well as administrative controls.

It was found that most studies that applied the management control systems package were in the private sector and only one study on the use of the management control systems package in the public sector was located. This pointed to a literature gap that should be explored, particularly in the South African context.

The following chapter investigates the framework for the delivery of basic municipal services at Victor Khanye Local Municipality. It constitutes Chapter 3 of the study.

CHAPTER 3: FRAMEWORK FOR DELIVERY OF BASIC MUNICIPAL SERVICES

3.1 Introduction

In Chapter 2, the theoretical basis of the study was laid with the review of management control theory and literature. Two features that constitute the management control concept were outlined and the evolution of management control theory was traced. The three distinct phases of management control theory were described, followed by a discussion on management control frameworks. Particular attention was given to the management control systems package.

Chapter 3 seeks to meet objective two of the study and therefore investigates the framework for the delivery of basic municipal services at Victor Khanye Local Municipality.

The chapter starts by providing the context of Victor Khanye Local Municipality. Thereafter, it discusses legislation relevant to planning and cybernetic controls, outlines the basic municipal services at the municipality and then discusses the IDP, the SDBIP and the budget as selected aspects of the management control systems package.

3.2 Victor Khanye local municipality and its context

As stated in section 1.2, Victor Khanye Local Municipality is situated in Delmas in Mpumalanga Province. The municipality is one of six local municipalities under Nkangala District Municipality. The prominent towns and settlements in the municipality are Botleng, Delmas, Delpark, Eloff, Middelbult, Modder East Orchards, Rietkol and Sundra (Victor Khanye Local Municipality, 2017c; Statistics South Africa, 2017). In terms of item 2 of schedule 1 of the Municipal Structures Act (Act No. 17 of 1998), the municipality is demarcated into nine municipal wards, numbered from ward 1 to ward 9 (South Africa, 1998). The administration of the municipality is divided into five departments, the office of the municipal manager, technical services, corporate services, community and social services and finance (Victor Khanye Local Municipality, 2017c).

Victor Khanye Local Municipality has 24 276 households spread across urban, rural and agricultural settlements (Victor Khanye Local Municipality, 2017c). As depicted in the spatial summary in Figure 3.1 below, urban settlements are located in Botleng, Delmas, Delpark, Eloff and Sundra. Rural settlements are wards 7 and 9 located in Argent, Brakfontein, Dryden and Waaikraal. Agricultural settlements, in the form of small holdings, are located in Droogefontein, Reitkol, Strydom and Leeupoort.

Like all other South African municipalities, Victor Khanye Local Municipality has been a recipient of service delivery support programmes since 2004. The support programmes that were mentioned in section 1.3 are Project Consolidate, the five year local government strategic agenda (Department of Cooperative Governance and Traditional Affairs, 2009a), *siyenza manje* (Mvungi, 2009), the local government turnaround strategy, Operation Clean Audit (Department of Cooperative Governance and Traditional Affairs, 2009b) and the local government Back-to-Basics Strategy, which is the latest such programme.

Figure 3.1 below provides a spatial summary of Victor Khanye Local municipality.

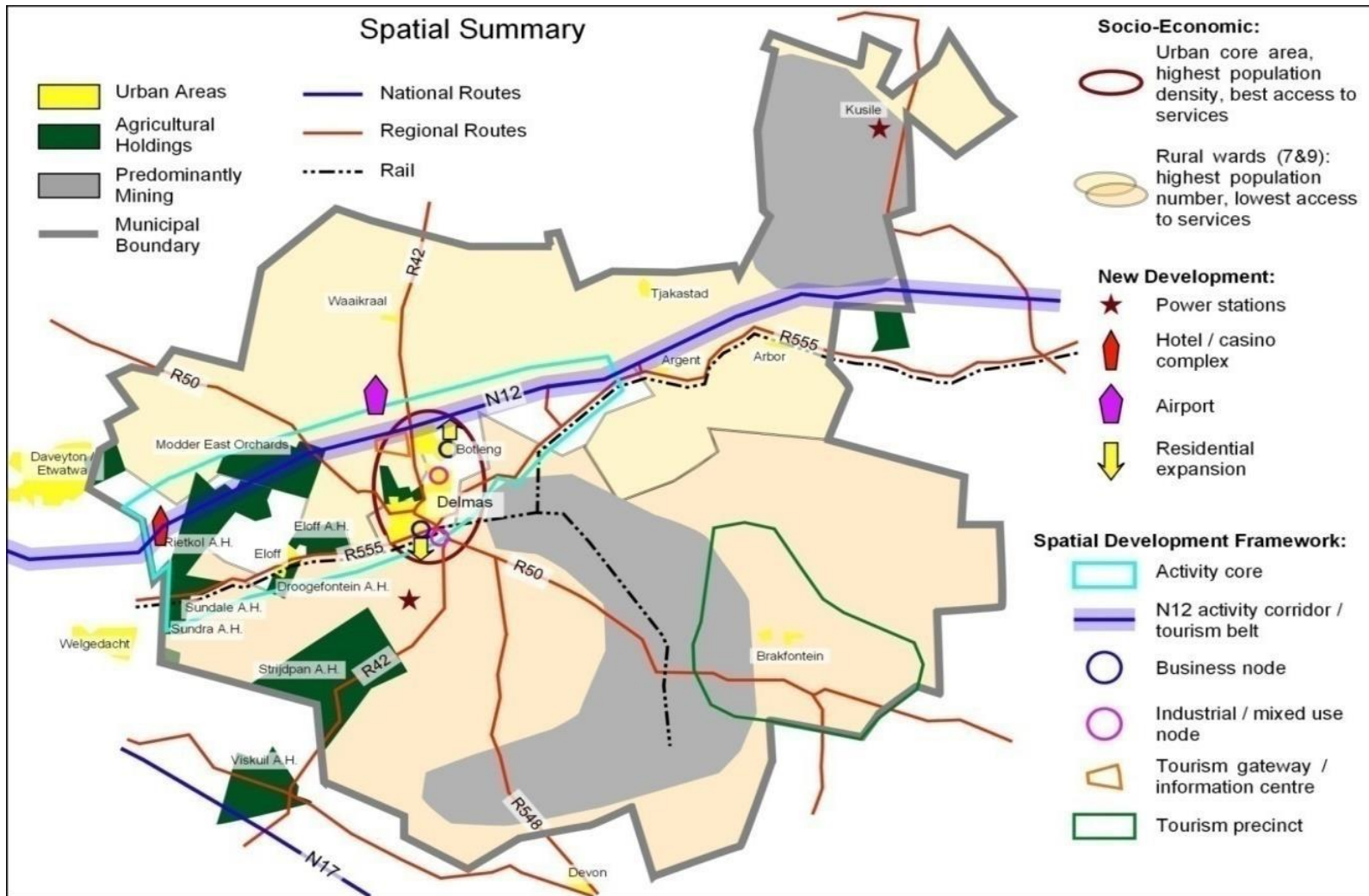


Figure 3.1: Victor Khanye Local Municipality Spatial Summary
 Source: Victor Khanye Local Municipality (2017c)

Project Consolidate was a two-year service delivery support programme introduced in 2004 (Department of Cooperative Governance and Traditional Affairs, 2009a). It was aimed at providing a hands-on and practical support to municipalities (Department of Cooperative Governance and Traditional Affairs, 2009a).

The five-year local government strategic agenda was launched in May 2006 (Department of Cooperative Governance and Traditional Affairs, 2009a). It aimed to give access to clean water and decent sanitation by 2010 and access to electricity by 2012 (Department of Cooperative Governance and Traditional Affairs, 2009a).

The *siyenza manje* programme was launched by the Development Bank of Southern Africa's Development Fund in June 2006 with the aim of complementing Project Consolidate by deploying experts to municipalities which struggled with implementation of infrastructure projects. It also sought to assist municipalities in areas such as planning and financial capacity building (Mvungi, 2009).

The local government turnaround strategy was launched in December 2009. It was an intervention by the Department of Cooperative Governance and Traditional Affairs in pursuit of bringing stability to municipalities as well as helping them with service delivery (Department of Cooperative Governance and Traditional Affairs, 2009a). Among other aims, the strategy sought to eliminate service delivery protests (Department of Cooperative Governance and Traditional Affairs, 2009a).

Operation Clean Audit, which was launched in October 2009, identified inadequate skills in areas, such as planning and budgeting, among municipalities (Department of Cooperative Governance and Traditional Affairs, 2009b). The Operation Clean Audit support programme aimed at achieving positive audit reports from the Auditor-General by 2014 (Department of Cooperative Governance and Traditional Affairs, 2009b).

The local government Back-to-Basics strategy, which was launched in September 2014, seeks to improve the function of municipalities by getting the basics right (Department of Cooperative Governance and Traditional Affairs, 2014). Among others, the strategy

requires monthly reports from municipal officials such as the municipal manager and chief financial officer (Department of Cooperative Governance and Traditional Affairs, 2014).

Despite the support programmes implemented to build capacity, the problem of deficient delivery of basic municipal services still persists as evidenced by repeated service delivery protests. Delmas Police Station recorded 19 service delivery protests in the period from April 2017 to November 2017 in Victor Khanye Local Municipality (C. Hartley, personal communication, 27 November 2017). The number translates into nearly three service delivery protests per month.

3.3 Legislative framework governing the IDP, the SDBIP and the budget

It was argued in section 1.2 that planning controls, in the form of the IDP as a long range plan and the SDBIP as action planning together with the budget as part of cybernetic controls, were the most relevant aspects of the management control systems package given their centrality to service delivery in the local government sphere. There are pieces of legislation promulgated since 1994 (Thornhill, 2008) which make it possible to establish municipalities and guide how planning controls, like the IDP, the SDBIP and the budget as part of cybernetic controls, should be developed and implemented. Such pieces of legislation include the Constitution of the Republic of South Africa (Act No. 108 of 1996), the Municipal Systems Act (MSA) (Act No. 32 of 2000), the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003) and the Division of Revenue Act (DoRA) (Act No. 3 of 2016). The following section discusses the legislation relevant to planning and cybernetic controls.

3.3.1 The Constitution of the Republic of South Africa 1996

The Constitution provides for the establishment of the local government sphere (South Africa, 1996). It states that the local government sphere consists of municipalities covering the whole country (South Africa, 1996). Section 152 (1) (b) of the Constitution states the objective of the local government sphere is to “ensure the provision of services to communities in a sustainable manner (South Africa, 1996, p. 74)” and Section 152 (2)

requires that “a municipality must strive, within its financial and administrative capacity, to achieve” the objective stated above. Accordingly, Victor Khanye Local Municipality is enjoined by the constitution to ensure that services are provided in a sustainable manner.

3.3.2 Municipal Systems Act 2000

The MSA provides guidance on how service delivery should be rendered and states that the IDP must reflect the level of development in municipalities including communities with no access to basic municipal services (South Africa, 2000). It addresses areas, such as planning and performance management, with Chapter 5 of the Act dealing with the Integrated Development Planning (South Africa, 2000). For instance, section 28 states that each municipality must adopt a process, set out in writing, known as the Process Plan to guide the planning, drafting, adoption and review of its IDP within a prescribed period after the start of its elected term (South Africa, 2000). Therefore, there are basically four steps followed in drawing up the IDP which include the planning, drafting, adoption and reviewing. The Process Plan is dealt with in detail under section 3.5.1.

The MSA also gives guidance on how the objectives and targets set in the IDP must be reviewed, measured and monitored (South Africa, 2000; Department of Provincial and Local Government, 2001). Section 34 of the MSA states that a municipal council must review its IDP annually in accordance with an assessment of its performance measurements (South Africa, 2000). Further, section 41 states that a municipality must set appropriate Key Performance Indicators (KPIs) as a yardstick for measuring performance on objectives and targets specified in its IDP and set out measurable performance targets with regard to each objective and target (South Africa, 2000). KPIs, which are usually expressed in numbers or percentages, refer to measurements indicating the level of progress towards the achievement of the set objectives (Department of Provincial and Local Government, 2001; Badawy, et al., 2016). Section 41 further requires the municipality to take steps to improve performance where objectives and targets are not met (South Africa, 2000).

3.3.3 Municipal Finance Management Act 2003

The MFMA provides for measures to achieve efficient and effective financial management in municipalities (South Africa, 2003). The MFMA also provides guidance on how municipalities should handle budgets, revenue collection and debtors' management (South Africa, 2003).

In terms of section 21 of the MFMA, the Mayor is required to coordinate processes for preparing the annual budget and for the review of the municipality's IDP and budget related policies (South Africa, 2003). The budget related policies would include tariff setting, credit control, debt collection, indigent policy, cost recovery, investment, borrowing, cash management, spending, delegation of authority and supply chain management considerations (South Africa, 2003). The Mayor is also required to ensure that the tabled budget and any revisions of the IDP and the budget related policies are mutually credible (South Africa, 2003). The Mayor is further required to table a Schedule of Key Deadlines to the municipal council 10 months before the start of the financial year (South Africa, 2003). The Schedule of Key Deadlines guides the budget process and includes budget activities such as the preparation, tabling and approval of the annual budget and the annual review of the IDP and budget related policies (South Africa, 2003).

Section 53 of the MFMA requires municipalities to develop a Service Delivery and Budget Implementation Plan (SDBIP) (South Africa, 2003). The SDBIP is a detailed plan containing an annual budget together with ways and means of implementing municipal services (South Africa, 2003). The MFMA enjoins Mayors to approve the SDBIP within 28 days after approval of the municipal budget (South Africa, 2003).

The MFMA also guides how funds must be expended. Section 15 of the Act provides that a municipality may incur expenditure only in terms of an approved budget and within the limits of amounts allocated to different votes within the approved budget (South Africa, 2003). Failure to spend within these limits results in unauthorised, irregular or fruitless and wasteful expenditure. In terms of the Act, unauthorised expenditure includes the overspending of the total amount allocated to the municipality's approved budget and the

overspending of the total amount allocated to a vote. A vote refers to one of the segments into which a municipal budget is divided for allocation of the funds. Irregular expenditure refers to the spending of funds in contravention of legislation while fruitless and wasteful expenditure refers to an expenditure made in vain which could have been avoided had reasonable care been taken. As part of a review, section 72 of the MFMA requires the accounting officer to make recommendations as to whether an adjustment budget is required and, where necessary, to recommend revised projections for revenue and expenditure (South Africa, 2003).

3.3.4 Division of Revenue Act 2016

The DoRA gives effect to section 214(1) of the Constitution which prescribes the equitable distribution of revenue collected nationally among the three spheres of government (South Africa, 1996; South Africa, 2016). The DoRA makes provision for the allocation of an equitable share and the conditional grants (South Africa, 2016). It stipulates the timeframes within which accounting officers in municipalities are expected to submit an annual budget showing all allocations from both the equitable share and conditional grants, if any (South African News Agency, 2015). Equitable share is the grant allocated to each municipality, based on its size, to finance its service delivery programmes (Reschovsky, 2003). Conditional grants are transfers earmarked for specific purposes (Ajam, 2014).

3.4 Basic municipal services at Victor Khanye Local Municipality

Victor Khanye Local Municipality's basic municipal services are stipulated under the Service Delivery and Infrastructure Development which is Key Performance Area number two (KPA2) in the municipality's IDP. KPA refers to critical results which are key to the achievement of set objectives (Tracey, 1978). The basic municipal services, grouped by the municipality as water and sanitation, electricity and street lighting, roads and storm water and waste removal (Victor Khanye Local Municipality, 2017c) are discussed below.

3.4.1 Water and sanitation

In the urban areas of Victor Khanye Local Municipality, water is provided through two sources. Botleng, Delmas and Delpark receive subterranean water from four borehole fields and 15 operational boreholes, while Eloff and Sundra receive water from Rand Water (Victor Khanye Local Municipality, 2017c). According to the municipality, 86% of its 24 756 households have access to potable water and sanitation systems in their stands (Victor Khanye Local Municipality, 2017c). Except for Eloff and Sundra, which use septic tanks, all other urban areas are connected to a water borne sanitation system (Victor Khanye Local Municipality, 2017c). It means that only 14% of the households are without access to water and sanitation (Victor Khanye Local Municipality, 2017c). This amounts to 3 466 households.

3.4.2 Electricity and street lighting

Victor Khanye Municipality provides electricity to Delmas and parts of Botleng. All the other areas receive electricity directly from Eskom (Victor Khanye Local Municipality, 2017c). The municipality has adopted what it refers to as a 50/50 system of credit and arrears payment. Apparently, the 50/50 system enables the municipality to reduce the outstanding debt book. The municipality claims that 92% of its 24 756 households have access to electricity and thus only 8% are without electricity.

3.4.3 Roads and storm water

As depicted in Figure 3.1 above, Victor Khanye Local Municipality features a well-developed road infrastructure that includes the national route N12 and major provincial roads such as R42, R50, R548 and R555. The local activity corridors are Sarel Cilliers Street, between Delmas and Witbank, The Avenue in Eloff, Main Road in Rietkol Agricultural Holdings, Samuel Road and Van der Walt Street in Delmas as well as Dr Nelson Mandela Drive in Botleng. The municipality expresses a concern about bad conditions of roads and lack of storm water drainage in areas such as wards 3 to 9. Roads in the following areas are still unsurfaced: Parts of Botleng – approximately 35 kilometres,

Eloff and Sundra – approximately 65 kilometres and Delpark – approximately 11 kilometres (Victor Khanye Local Municipality, 2017c).

3.4.4 Waste removal

In the Botleng areas, waste removal is provided twice per week while in Delmas, Eloff and Sundra it is provided once per week (Victor Khanye Local Municipality, 2017c). Waste removal is not provided in the rural settlements due to a shortage of equipment, funds and personnel (Victor Khanye Local Municipality, 2017c).

3.5 The IDP and the SDBIP as planning controls and the budget as part of Cybernetic controls

The legislative framework discussed under section 3.3 lays the basis for the IDP and the SDBIP, seen for purposes of this study as planning controls and the budget as part of cybernetic controls. Each of these controls will now be discussed in detail below.

3.5.1 The IDP as a planning control

The IDP is a municipal planning scheme which is prepared by the local, district and metropolitan municipalities for a period of five years (Harrison, 2006) and therefore long range planning. The IDP is developed through a Process Plan which encapsulates eight phases. The Process Plan essentially specifies the time frames for the different planning steps and appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities and other role players in the IDP process (Victor Khanye Local Municipality, 2017c). It also states the cost estimates of the IDP process (Victor Khanye Local Municipality, 2017c).

The eight phases in the Process Plan are the preparatory phase, the analysis phase, the strategies phase, the projects phase, the integration phase, the adoption phase, the budgeting phase and the implementation and monitoring phase (Victor Khanye Local Municipality, 2017c). The development of the IDP starts in the preparatory phase by drawing up a Process Plan (Victor Khanye Local Municipality, 2017c). After the

preparatory phase comes the analysis phase where service delivery challenges and issues gathered from the IDP stakeholders including inputs from ward consultative meetings are categorised into Key Performance Areas (KPAs) such as Basic Service Delivery and Infrastructure which include amenities like water and sanitation, electricity and street lighting, roads and storm water and waste removal (Victor Khanye Local Municipality, 2017c). The analysis phase is followed by the strategies phase where solutions for the service delivery challenges and issues are developed (Victor Khanye Local Municipality, 2017c). Then comes the projects phase where issues gathered from the IDP stakeholders are consolidated and aligned with the National and Provincial sector departmental plans to ensure that the municipality's plans are in the same direction (Victor Khanye Local Municipality, 2017c). Then follows the integration phase where the feasibility of each project on the draft IDP is assessed (Victor Khanye Local Municipality, 2017c). Thereafter comes the adoption phase whereby the draft IDP is presented to the municipal council for the purpose of prioritisation of services and for approval (Victor Khanye Local Municipality, 2017c). The adoption phase is followed by the budgeting phase where funds are allocated to projects. The budgeting phase is followed by the implementation and monitoring phase in which the municipality is expected to implement objectives and targets set in the IDP (Victor Khanye Local Municipality, 2017c).

The IDP provides the basis for annual and medium-term budgeting (Harrison, 2006). According to Harrison (2001) a well-developed IDP should link the planning and budgeting processes (Harrison, 2001). The IDP is an all-encompassing plan comprising departmental KPAs and Key Performance Indicators (KPIs) (South Africa, 2000; Harrison, 2006).

Victor Khanye Local Municipality's IDP comprises the departmental plans of the municipality's five departments. The municipality's basic municipal services are stipulated under the KPA number two of the IDP: the Basic Service Delivery and Infrastructure Development (Victor Khanye Local Municipality, 2017c). The basic municipal services targets of the municipality are tabulated in table 3.1 below.

Table 3.1: Basic municipal services targets at Victor Khanye Local Municipality

Service	OBJECTIVE	2017/18 TARGET
Water and sanitation	<ul style="list-style-type: none">• Refurbish 2 boreholes to improve water supply.• Connect pipelines to Botleng reservoir and water reticulation.	<ul style="list-style-type: none">• Water supply for 127 households in wards 3 and 9.• Water Supply in Botleng.
Electricity and street lighting	<ul style="list-style-type: none">• Provide electricity to 1 270 households in Botleng.	<ul style="list-style-type: none">• Electrification of 1 270 households in Botleng.
Roads and storm water	<ul style="list-style-type: none">• Provide tarred roads in wards 3 to 9.	<ul style="list-style-type: none">• Provision of 177 kilometers of tarred road in wards 3 to 9.
Waste removal	<ul style="list-style-type: none">• Increase number of households with access to waste removal.	<ul style="list-style-type: none">• Provision of 87% of 24 756 households with waste removal.

Source: Victor Khanye Local Municipality (2017c).

Table 3.1 above clearly indicates the basic service delivery objectives and targets for 2017/18 financial year in terms of the municipality's IDP. Therefore these objectives and targets represent the basic municipal services Victor Khanye Local Municipality aimed to provide in 2017/18 financial year.

3.5.2 The SDBIP as a planning control

In order to implement the objectives and targets set out in the IDP an annual SDBIP must be developed. The SDBIP is therefore the action planning which serves as an implementation tool of the IDP. The SDBIP sets the in-year information like quarterly service delivery and monthly budget targets and thus provides the basis for measuring performance in service delivery against quarterly targets and for implementing the budget based on monthly projections (National Treasury, 2005). It links each service delivery output to the budget of the municipality to produce credible management information and outlines how inputs and financial resources should be expended (National Treasury,

2005). The SDBIP also serves as a monitoring tool for the Mayor and municipal council to monitor the in-year performance of the Municipal Manager and for the Municipal Manager to monitor section 56 managers (National Treasury, 2005). It enables the Mayor and the Municipal Manager to be pro-active and take remedial action in the event of poor performance (National Treasury, 2005). The SDBIP can be viewed as a contract between the municipality's administration, municipal council and the community since it expresses the set objectives and targets as quantifiable outcomes that can be implemented over a 12 months period (National Treasury, 2005).

It is therefore important that the SDBIP as an implementation tool concisely states how these targets will be met. In this regard, the SDBIP should state which of the five municipal departments at Victor Khanye Local Municipality will be responsible to implement the set objectives and targets. The targets are implemented through individual employees who sign an annual performance agreement (South Africa, 2006). The ability of the municipality to perform is informed by the collective performance of individual employees (Mkumbeni, 2008). Table 3.2 below tabulates the type of service, the KPAs and the timeline that are geared towards the implementation of the targets set in the IDP.

Table 3.2: SDBIP implementation schedule.

Service	Target	Timeline
Water and sanitation	Maintain the provision of basic water to 19 585 households.	30 June 2018
	Provide additional 250 households with water borne sanitation.	30 June 2018
Electricity and street lighting	Provide 20 additional households with access to basic levels of electricity.	30 June 2018
	Install four additional high mast units.	30 June 2018
Roads and storm water	Tarring 1.5 kilometres roads and storm water drainage.	30 June 2018
Waste removal	Maintain the provision of waste removal to 12 136 households.	30 June 2018
	Provide additional 15 households with waste removal once per week.	30 June 2018

Source: Victor Khanye Local Municipality (2017a).

3.5.3 The budget as part of cybernetic controls

It was pointed out in section 3.3.3 that municipalities are required to develop a Schedule of Key Deadlines which guides the budget process. The budget process comprises six steps that are planning, strategising, preparing, tabling, approving and finalising (National Treasury, 2004).

The planning step entails developing a Schedule of Key Deadlines, establishing consultation forums and a review of the previous budget process. The strategising step is about reviewing the IDP, service delivery targets, objectives for the next three years and consultations on tariffs. It includes the process of approving taxes, levies, user charges and other budget related policies such as the indigent policy (National Treasury,

2004). The preparing step refers to the actual preparation of the budget that includes projections on revenue and expenditure as well as the draft budget policies.

The preparation of the budget is a lengthy process that starts in August when the Mayor tables the Schedule of Key Deadlines and concludes in June or early July of the following year when the SDBIP is adopted and annual performance contracts for top management are signed (National Treasury, 2004). Basically, there are three processes that entail budget preparation. These are: reporting on the past year in the form of annual reports and the audit of financial statements, current year implementation and the preparation of the coming year's budget (National Treasury, 2004).

In the tabling step, the draft budget and revised IDP must be tabled together to council by no later than 1 April. In other words, the draft budget and the revised IDP must be tabled 90 days before the start of the financial year which commences in July.

The approving step entails the approval of the budget by council after the recommendations and amendments made on the draft budget have been considered (National Treasury, 2004). The budget must be approved by no later than 30 days before the start of the financial year (National Treasury, 2004), in other words, by no later than 31 May. The finalising of plans to implement the budget step involves the finalisation of the plans to implement the budget by approving the SDBIP and the performance contracts of the Municipal Manager and section 56 managers (National Treasury, 2004).

Municipalities are expected to self-finance programmes through revenue collected by way of taxes and services charges (Mazibuko, 2013). However, at Victor Khanye Local Municipality, 94% of the municipal budget is financed from external funding and only 6% is from the revenue generated by the municipality (Victor Khanye Local Municipality, 2017b). Table 3.3 below tabulates the municipality's sources of revenue for the 2017/18 financial year.

Table 3.3: Sources of revenue at Victor Khanye Local Municipality

SOURCE	RAND
Municipal Infrastructure Grant	25,286,000
Integrated National Electrification Programme	375,000
Regional Bulk Infrastructure Grant	30,265,000
Energy Efficiency and Demand Side Management	5,000,000
Conditional Grant – Nkangala District Municipality	12,989,643
Revenue generated by the municipality	4,714,000
Total	78,629,643

Source: Victor Khanye Local Municipality (2017b).

As shown in Table 3.3 above, the municipality finances its service delivery programmes from various sources, including the Municipal Infrastructure Grant (MIG) from the Department of Cooperative Governance and Traditional Affairs (CoGTA), the Integrated National Electrification Programme (INEP) Grant from ESKOM, the Regional Bulk Infrastructure Grant (RBIG) from the Department of Water and Sanitation (DWS), the Energy Efficiency and Demand Side Management (EEDSM) from the Department of Energy (DoE), the Conditional Grant from Nkangala District Municipality and the revenue generated by the municipality (Victor Khanye Local Municipality, 2017c).

3.6 Summary

The chapter outlined Victor Khanye Local Municipality and its context. It indicated that the municipality is one of six local municipalities under the Nkangala District Municipality and listed prominent towns and settlements within its jurisdiction. Chapter 3 pointed out that the municipality is demarcated into nine municipal wards with 24 276 households spread across urban, rural and agricultural settlements. In this chapter, it was revealed that, despite various service delivery support programmes, the problem of deficient service delivery remains as manifested by the 19 service delivery protests experienced by the

municipality between April and November 2017.

The chapter discussed the legislative framework governing the IDP, the SDBIP and the budget. It was pointed out that, inter alia, the Constitution provides for the establishment of a local government sphere which consists of municipalities, such as Victor Khanye Local Municipality, and enjoins them to render services in a sustainable manner. It showed that the MSA guides how service delivery should be rendered by giving guidance on the development, review and implementation of the IDP. The MSA also highlights the steps followed in drawing up the IDP.

The chapter also showed that the MFMA guides how the SDBIP and the budget must be developed and implemented. It further showed that the DoRA makes provision for the allocation of an equitable share and the conditional grants.

Moreover, the chapter discussed Victor Khanye Local Municipality's basic municipal services which are grouped as water and sanitation, electricity and street lighting, roads and storm water and waste removal. This included discussions on the IDP and the SDBIP, as planning controls, and the budget as part of cybernetic controls viewed as selected aspects of management control systems. The IDP and the SDBIP outlined the objective and targets regarding the basic municipal services. The budget showed the allocations from various sources.

The following chapter is Research Methodology which constitutes Chapter 4 of the study. Chapter 4 will discuss the overall strategy adopted to conduct the study.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

In Chapter 2, management control frameworks and controls generally associated with the management control systems package were discussed and thus achieved the first objective of the study. In Chapter 3, the framework for the delivery of basic municipal services at Victor Khanye was investigated and thus achieved the second objective of the study. The third objective, which is to explore employee perceptions on whether planning controls in the IDP and the SDBIP and cybernetic controls through the budget are used to improve the delivery of basic municipal services at Victor Khanye Local Municipality, is dealt with in this chapter through an empirical study.

The purpose of Chapter 4 is to provide an account of how the study was planned, the structure of the study and how the study was executed. The chapter explains the research methodology used to conduct the study and how the empirical data were collected. The chapter explains that a case study research was the overall strategy adopted to conduct the study.

The chapter starts by outlining and justifying the research design used to conduct the study after which it discusses the methodology that includes the research instruments used to gather data, the target population, the sampling plan, data collection and analysis as well as validity and reliability of findings. Then the chapter declares the limitations of the chosen methodology and closes with the ethical considerations.

4.2 Research design

Research design can be viewed as the technique and investigation procedures the researcher adopts in collecting and analysing data (Salkind, 2018). Some scholars (Hofstee, 2010; Biggam, 2014; Denscombe, 2014) consider research design to be the overall approach or strategy a researcher can adopt to conduct a study. In qualitative research, a researcher can adopt phenomenology, grounded theory, ethnography and case studies as forms of qualitative research designs (Biggam, 2014; Creswell &

Creswell, 2014). According to Denscombe (2014), a researcher needs to consider three key questions in order to decide which strategy is likely to work best: Is the strategy suitable? Is it feasible? Is it ethical?

The aim of this qualitative research, as stated in section 1.4, is to conduct an in-depth analysis of selected aspects of the management control systems package and their role in the delivery of basic municipal services. Therefore, a case study research was considered a suitable strategy for the study because the researcher was able to get access to the required data (Denscombe, 2014) at Victor Khanye Local Municipality.

In a case study research, meaningful insights can be gained through continuous closeness to the real life phenomenon and through responses from participants in the study (Flyvbjerg, 2006; Yin, 2014). A case study research facilitates a very close examination and scrutiny of the chosen unit of analysis as well as the collection of a great detail of data (Salkind, 2018). Hence, Salkind (2018) concludes that case study research is able to account for what is occurring in a unit of analysis better than other research designs. The researcher believes that, through a case study with Victor Khanye Local Municipality as a unit of analysis, the role of the IDP and SDBIP, as planning controls, and the budget, as part of cybernetic controls, the delivery of basic services in the municipality will be determined.

In pursuing the aim of the study, a literature review was conducted that became the basis for formulating the interview questions which were used as an instrument to gather the empirical data for analysis. This case study therefore incorporates the literature review which was presented in Chapters 2 and 3 as well as the empirical data gathered and analysed and then presented in Chapter 5.

4.3 Methodology

According to Mouton (1996), the quality of research findings depends directly on the methodological procedures followed in the study. Hence, he advises that researchers should provide a complete account of the way in which their research has been planned,

structured and executed. The research design, which outlines the structure and the overall strategy of this study, was discussed in section 4.2 above and the other methodological procedures followed in this study are outlined below.

4.3.1 Research instruments

Case studies usually collect data through multiple instruments (Collis & Hussey, 2014; Rule & John, 2011). A research instrument could be anything that a researcher can use to gather data for analysis (Hofstee, 2010). Often, researchers declare the design for a new study by simultaneously indicating the research problem and a single evidence source, such as interviews from which data will be collected (Yin, 2014). Seidman (2006) believes interviewing provides a necessary and completely sufficient avenue of inquiry. According to Kvale (2006), interviews work step-by-step in various settings and can serve as a voice for many, including the marginalised.

In research, interviewing can be conducted through structured interviews, semi-structured interviews or unstructured interviews (Welman, Kruger & Mitchell, 2007). In structured interviews, the interviewer asks participants closed ended questions which Salkind (2018) defines as interview questions that have a clear and apparent focus. As Welman et al. (2007) point out, the interviewer in structured interviews is restricted to a previously compiled interview schedule with relatively little freedom to deviate from it.

In unstructured interviews, the interviewer explores a general area of interest in depth without the interview schedule (Welman et al., 2007). Welman et al. (2007) suggest that various degrees of structuredness are possible between the completely structured interviews and the completely unstructured interviews. They state that interviews between the two extremes are usually called semi-structured interviews (Welman et al., 2007). They further state that, in semi-structured interviews, the researcher has a list of themes and questions to be covered in the interview called the interview schedule (Welman, et al., 2007). Semi-structured interviews allow narrowing down some areas or topics that the researcher may want to address (Rabionet, 2011). According to Welman et al. (2007), an interview schedule entails a listing of topics and their aspects on particular themes to be

raised by the interviewer. Rabionet (2011) concurs that, in semi-structured interviews, the researcher may cover some specific topics while allowing the participants to tell their story and may probe further should the required information not be brought up (Rabionet, 2011). Welman et al. (2007) believe that semi-structured interviews offer a versatile way of collecting data. The features of semi-structured interviews are consistent with what the researcher in this study intended to do.

In section 1.2, the IDP, the SDBIP and the budget were identified as the selected aspects of controls generally associated with the management control systems package within the local government sphere. While legislation governing the local government sphere states clearly the purpose of the IDP, the SDBIP and the budget, the researcher can uncover a nuanced role of these controls by investigating the framework for the delivery of basic municipal services at Victor Khanye Local Municipality. This includes exploring employee perceptions on whether these controls are used to improve the delivery of the targeted services at the municipality. Therefore, semi-structured interviews will be conducted, as per the interview schedule in Appendix D, to enable the researcher to cover the IDP, the SDBIP and the budget while still having the opportunity to probe further where necessary.

4.3.2 Target population

A population refers to a set of possible participants to whom the results of the study can be generalised (Welman, et al., 2007; Salkind, 2018). The population for this study is the 24 employees at Victor Khanye Local Municipality with knowledge and working experience of the IDP, SDBIP and budget.

4.3.3 Sampling plan

Purposive sample is the most common sampling technique in qualitative studies (Marshall, 1996; Welman, et al., 2007). When using this form of sampling Marshall (1996) points out that the researcher chooses the most useful sample which will answer the research question best. This is supported by Guest, Bunce and Johnson (2006) who state

that the common element of purposive sampling is that participants are selected according to predetermined criteria relevant to a particular research objective. According to Mason (2010), samples for qualitative studies are generally smaller than in quantitative studies. The argument advanced for the small samples is that, if the objective is to make sense of social processes, then statistical representativeness cannot be the prime requirement (Mays & Pope, 1995). Marshall (1996) endorses the argument by stating that frequencies are rarely important in qualitative studies. In Marshall's (1996) view, qualitative researchers recognise that some participants are likely to offer more insight and understanding required for the study than others. O'Reilly and Parker (2012) observe that qualitative researchers often make decisions related to the adequacy of their sample based on the notion of saturation, described by Guest et al. (2006) as the stage in the collection and analysis of data where new information does little to produce change in the codebook. Guest et al. (2006) find that a sample of six interviews may be sufficient to enable development of meaningful themes and useful interpretations. In this study, a purposive sample of eight participants was chosen among 24 employees responsible for the IDP, SDBIP and budget at Victor Khanye Local Municipality.

4.3.4 Data collection

According to Welman et al. (2007) primary data are original data collected by the researcher for the purposes of the study at hand. Zimmerman and Burwell (1996) believe that primary data may constitute audio data, video data, text data, combinations of these, as well as any medium-generated data which may be in or converted to digital form. Therefore, in this study, the primary data were collected through semi-structured interviews which were recorded onto an audio recorder. Then, audio data were transcribed with the help of a professional transcriber. The interviews were conducted at the premises of Victor Khanye Local Municipality in Delmas.

4.3.5 Data analysis

Evidence is usually derived from data analysis which substantiates it in order to give meaning to the collected data (Hofstee, 2010). Yin (2014) believes that data analysis

consists of examining, categorising, tabulating, testing and recombining evidence in order to draw empirically based conclusions. The main analysis techniques used by the researcher should be detailed in the method chapter (Hofstee, 2010). In qualitative studies, computer-assisted software, such as Atlas.ti, HyperResearch, NVivo, The Ethnograph and Qiqqa, are used as tools of data analysis (Yin, 2014; Maya & Gómez, 2015). These tools assist the researcher to code and categorise large amounts of narrative text or large volumes of written material (Yin, 2014). Welman et al. (2007) state that the purpose of coding is to analyse and make sense of the collected data. Maya and Gómez (2015) believe that computer assisted software allows an effective classification and analysis of key aspects of qualitative material. Therefore, in this study, the researcher used computer assisted software called Atlas.ti as a technique to analyse the data collected through semi-structured interviews and substantiated the findings. An external coder served as a second coder in designing codes allocated to the collected data. Then both the researcher and the second coder evaluated the codes for finalisation.

4.3.6 Validity and reliability of findings

According to Barriball and While (1994), the research process must be both valid and reliable in order to be credible. Validity refers to the extent to which research findings accurately represent empirical reality (Wolcott, 1994) whereas reliability is about demonstrating that the operations of the study, such as data collection, can be repeated with the same results (Yin, 2014). The credibility of qualitative research relies on the skill and willingness of the researcher (Golafshani, 2003). Kvale (2001) explains that interviews in qualitative research follow content and context dependent rules that depend on the technical ability and rational judgement of the researcher.

Mays and Pope (1995) believe there are two aims that qualitative researchers ought to attain. Firstly, to provide a proper justification of the method and data that will be able to stand independently when the same data are analysed by another trained researcher so that the same conclusions could be reached; and, secondly, to present a believable and comprehensible clarification of the phenomenon under study. Wolcott (1994) lists the following points required to gain validity when conducting qualitative research: recording

accurately and reporting fully (Wolcott, 1994). In this study, validity was gained by accurately recording the interviews with an audio recorder and by reporting fully the responses of eight participants to interview questions which are presented in Chapter 5. Mays and Pope (1995) believe the reliability of the analysis of qualitative data is improved when transcripts are independently assessed by another skilled qualitative researcher and a comparison of agreement between the researcher and the second coder is done. To gain reliability in this study, an external coder who served as the second coder was included as per the certificate in Appendix F.

4.4 Limitations of methodology

Hofstee (2010) observes that limitations are inherent in academic work. He advises that the most important limitations that may affect reliability of the research findings should be named. According to Atieno (2009), the findings of qualitative studies cannot be extended to wider populations with the same degree of certainty as can quantitative studies. Similarly, Salkind (2018) notes that generalisability of the findings from case studies is limited. Accordingly, the generalisability of the findings of this study are limited to the sample of eight participants interviewed with regard to the role of the IDP, the SDBIP and budget in the delivery of basic municipal services at Victor Khanye Local Municipality.

The other limitation, observed by Opdenakker (2006), is that the researcher's social cues, such as voice, intonation and body language during the interview process may direct the participants into a particular direction (Opdenakker, 2006). In order to overcome this limitation, in this study, the interview schedule appearing in Appendix D was divided into Part A and Part B where the participants were allowed to answer questions on their own without social cues from the researcher as in the former.

4.5 Ethical considerations

Smith (2011) points out that written permission must be obtained before a study can be carried out. Although the researcher first obtained permission to proceed with the study from Victor Khanye Local Municipality, as shown in Appendix G, the interviews were only conducted after ethical clearance, which appears in Appendix E, was obtained from the UNISA College of Accounting Sciences Research Ethics Committee and informed consent, in Appendix B, was obtained from the participants. Each participant was provided with a participant information sheet as per Appendix A, which outlined the aim and purpose of the study, why they were invited to participate in the study, the nature of their participation as well as the potential benefits of taking part in the study. All the participants completed a written consent form to participate in the study as per Appendix B.

A case study research was considered to be ethical as no harm was suffered by participants (Denscombe, 2014) because data were gathered through semi-structured interviews only after obtaining ethical clearance from UNISA College of Accounting Sciences Research Ethics Committee. The researcher was careful not to embarrass the participants in any way during the course of the study (Qu & Dumay, 2011) and respected and protected their dignity, privacy and confidentiality (University of South Africa, 2013).

4.6 Summary

The chapter discussed the overall strategy which was adopted to conduct the study. Case study research design was adopted as the overall strategy because the aim was to conduct an in-depth analysis of selected aspects of the management control systems package and its role in the delivery of basic municipal services at Victor Khanye Local Municipality. The chapter outlined the research design and explained the methodological procedures used in conducting the study which include research instruments, the target population, sampling plan, data collection, data analysis, validity and reliability of findings.

Semi-structured interviews were the research instruments through which data were

collected from eight participants sampled purposively from the target population of 24 employees responsible for the IDP, SDBIP at Victor Khanye Local Municipality. The recorded data were then transcribed with the help of a professional transcriber for analysis by Atlas.ti which is computer-assisted software for qualitative studies. The chapter also explained how the validity and reliability of findings were ascertained and then closed by declaring the limitations of the methodology and the ethical considerations.

Chapter 5 will present and analyse the data collected from the semi-structured interviews. It will entail the presentation and examination of the data transcribed from the interviews.

CHAPTER 5: DATA ANALYSIS AND RESEARCH FINDINGS

5.1 Introduction

In Chapter 4, the overall strategy, which was adopted to conduct the study, the research design, the plan and the structure of the study were explained. The methodological procedures, such as research instruments, target population, sampling plan, data collection and data analysis, described how the study was executed. Chapter 4 also specified the validity and reliability of the study and closed by declaring the limitations of methodology and ethical considerations.

Chapter 5 analyses the data that were collected in the empirical study conducted at Victor Khanye Local Municipality through semi-structured interviews. Chapter 5 also states the research findings.

The chapter starts with data analysis which forms the basis of the research findings. The data analysis involves the categorisation of the data into themes and sub-themes that emerged from the interview schedule in Appendix D. The data analysis represents an examination of each theme through its sub-themes and the corresponding questions appearing in Appendix D.

5.2 Data analysis

Semi-structured interviews were conducted with eight participants at the premises of Victor Khanye Local Municipality in Delmas, Mpumalanga Province, South Africa. The interviews were conducted to explore the employee perceptions on whether the IDP and the SDBIP, as planning controls, and the budget, as part of cybernetic controls, were used to improve the delivery of basic municipal services at Victor Khanye Local Municipality.

In section 4.3.5, it was indicated that computer-assisted qualitative data analysis Atlas.ti was used for coding and analysing the data collected from the interviews. The data were categorised into themes and sub-themes for analysis as tabulated in Table 5.1 below.

Table 5.1: Themes and sub-themes

Themes	Sub-themes
Theme 1: The role of the IDP in the delivery of basic municipal services (Part A questions 1, 2 and 5; and Part B question 1 and 4).	<ul style="list-style-type: none">• Steps followed in drawing up the IDP.• Steps taken to ensure that the objectives set in the IDP were achieved.• Monitoring mechanism to ensure that the objectives and targets set in the IDP were achieved.• Action taken when the objectives and targets set in the IDP were not achieved.
Theme 2: The role of the SDBIP in the delivery of basic municipal services (Part A questions 3 and 5; and Part B questions 2 and 4).	<ul style="list-style-type: none">• Steps followed to draw up the SDBIP.• Monitoring mechanism to ensure that SDBIP is implemented.• Action taken when the SDBIP is not implemented.
Theme 3: The role of the budget in the delivery of basic municipal services (Part A questions 4 and 5; and Part B questions 3 and 4).	<ul style="list-style-type: none">• The budget process at Victor Khanye Local Municipality.• Spending the budget as required by the MFMA.• Financing of basic service delivery programmes.

Table 5.1 tabulates themes and sub-themes which will be discussed in detail from section 5.3 below. The first theme, which comprises four sub-themes, is the role of the IDP in the delivery of basic municipal services and is divided into four sub-themes. The second theme is the role of the SDBIP in the delivery of basic municipal services and has three sub-themes. The third theme, which also has three sub-themes, is the role of the budget in the delivery of basic municipal services.

5.3 The role of the IDP in the delivery of basic municipal services

Theme 1 was about determining the role of the IDP, as a long range plan, in the delivery of basic municipal services. Theme 1 particularly relates to responses on Part A questions

1, 2 and 5; and Part B questions 1 and 4.

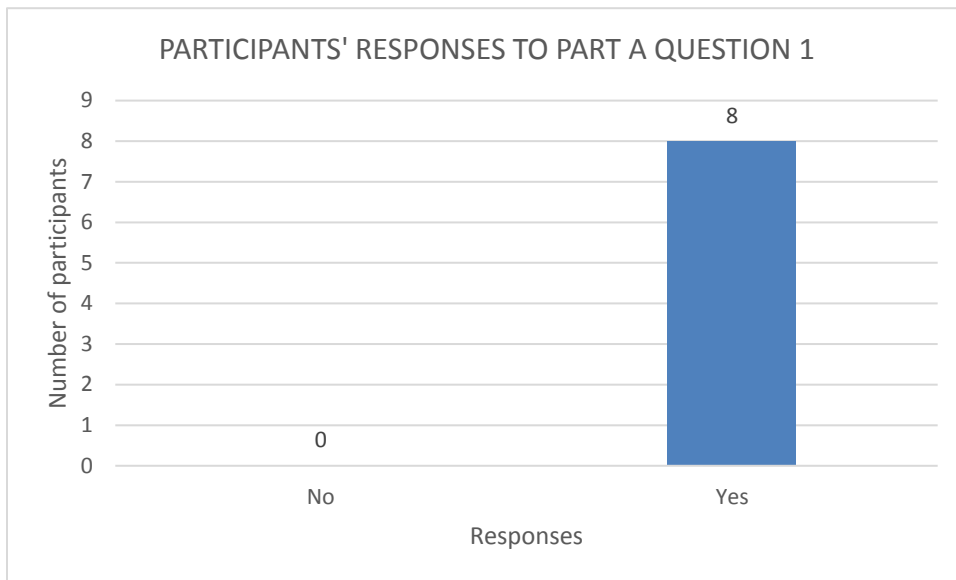


Figure 5.1: The development of the IDP

Part A question 1 asked whether there was a way in which the municipality ensures that the IDP was developed. As depicted in Figure 5.1 above, all eight participants responded with a yes to the question. The participants confirmed that there was indeed a way in which the IDP is developed.

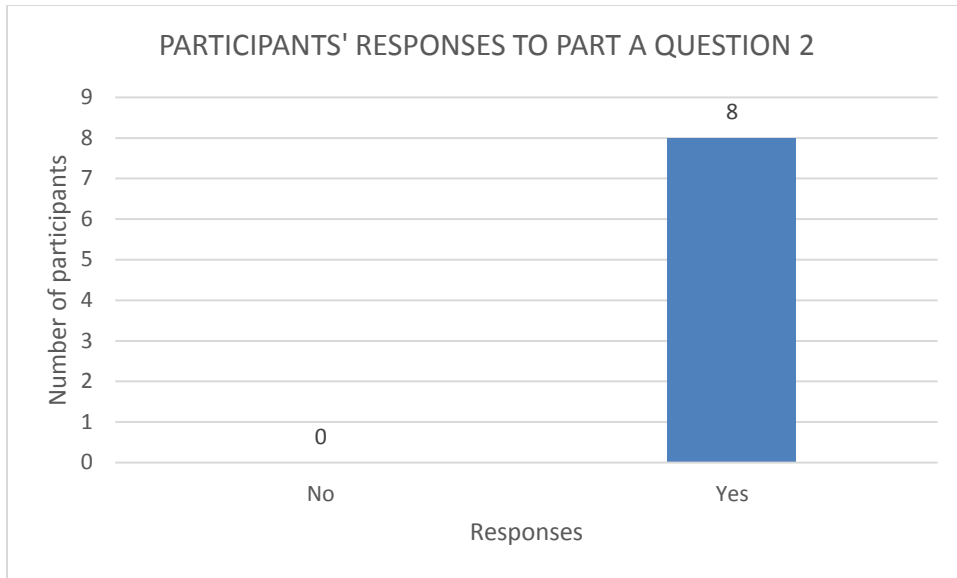


Figure 5.2: The implementation of the IDP

Part A question 2 sought to establish whether there was a way in which the municipality ensures that the IDP is implemented. Figure 5.2 above illustrates that all eight participants answered yes to the question to affirm that there is a way in which the IDP is implemented.

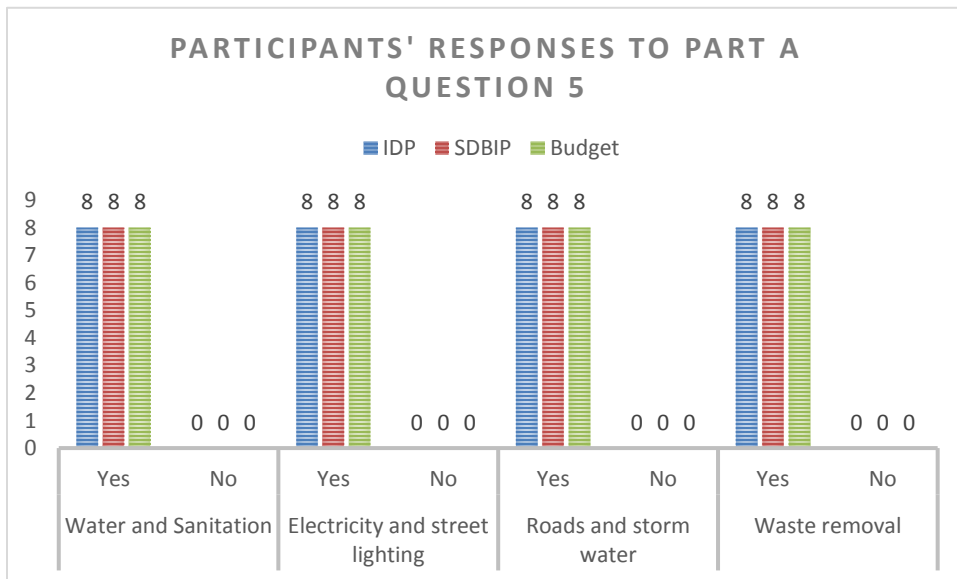


Figure 5.3: The role of the IDP, the SDBIP and the budget on service delivery

In Part A question 5, the researcher sought to determine whether the IDP, the SDBIP, as planning controls, and the budget, as part of cybernetic controls, were used to improve

the delivery of basic municipal services. As illustrated in Figure 5.3 above, all the participants believe that the IDP, the SDBIP and the budget were used to improve the delivery of water and sanitation, electricity and street lighting, road and storm water and waste removal. Figure 5.3 also encapsulates parts of both the SDBIP and the budget which are dealt with in detail under sections 5.4 and 5.5, respectively. The following sections give an account of Part B questions.

5.3.1 Steps followed in drawing up the IDP

The participants were unable to articulate the four steps followed in drawing up the IDP exactly as outlined in section 3.3.2 but six of them exhibited a clear understanding of the Process Plan. The six participants supported the literature by confirming that the Process Plan is carried through eight phases which include: the preparatory phase, the analysis phase, the strategies phase, the projects phase, the integration phase, the adoption phase, the budgeting phase as well as the implementation and monitoring phase.

Participant 1 [1] said:

Firstly, in terms of legislation, the municipality needs to do what is called preparatory phase. In this preparatory phase ... you need to ensure that all stakeholders are together and there is what we call a Process Plan ... this is a process of outlining how we develop the IDP. [1]

Participant 3 [3] remarked that:

When we plan the IDP ... we must come up with a Process Plan ... that ... must spell out the timeframes of all planning activities that is in the preparation of the drafting of the process of the IDP. Then you've got the analysis phase, because you must analyse the needs of the people and also take into consideration the inputs of the other stakeholders. [3]

Regarding the projects phase participant 7 [7] commented that:

I think we have two sets of processes. Firstly, we go to the community to collect issues and secondly, we consolidate the issues with the sector departmental plans to ensure

that the government in this local municipality is planning towards the same direction.
[7]

Participant 7 [7] went further to comment about the integration phase by stating that:

... then we also look at the feasibility of the projects or align them based on the priority of the community. So we first look as to whether the project is feasible ... [7]

About the adoption phase, participant 2 [2] said:

Look what normally happens during the IDP process, we will convene meetings ... by wards.... We are having nine wards around here, we would cluster them. We normally have three clusters. When we are there, obviously the community will be telling us: we need this and ... that ... But when you come here, you realise that some of them are not needs; they are just wants ... That is when we ... as administrators and councilors ... prioritise which of those wants are actually needs. Then, once you have done that, you incorporate the needs into your IDP. [2]

With regard to prioritisation of services, participant 5 [5] expressed a concern by stating:

So, for me, the IDP, more often than not, would not necessarily be a community driven initiative as it should be; it is a government driven initiative in the sense that if you go to community meetings and, by the way, we were busy with them in the past weeks or so, we were going from ward to ward. People raise operational issues instead of projects. [5]

The views expressed by participants 2 and 5 reveal that officials have much influence in what finally becomes an adopted IDP since they prioritise the needs of the community. Such influence may prompt service delivery protests due to the perceptions of the IDP being government driven as opposed to being a community driven initiative.

After the adoption phase, participant 6 [6] stated that:

... it will be the budgeting phase where funds are allocated to projects. [6]

According to participant 3 [3]:

... the budget is the financial plan for a period of three years which they call medium-term revenue and expenditure plan [3].

Participant 2 [2] said:

... obviously the budget is going to play a major role in this. ... The IDP will go to different phases up until it has been approved by the council. It is approved together with the budget. Both documents are sent to council and then they are approved. That assists in terms of alignment even though most municipalities are still struggling in terms of the alignment between the IDP, the budget and the SDBIP. So we try by all means that we align. Even though they are not 100% aligned, but we try to align those documents. Because you cannot have a project on the IDP and it is not funded. [2]

The views expressed by participant 2 above reveal non-alignment of the IDP, the SDBIP and the budget as a contributory factor to deficient delivery of basic municipal services at Victor Kanye Local Municipality. Undoubtedly, there would be a much improved service delivery when 100% alignment of the IDP, the SDBIP and the budget is attained.

The budgeting phase is followed by the implementation and monitoring phase where the municipality is expected to implement the objectives and targets set in the IDP. The implementation and monitoring phase is covered in sections 5.3.2 and 5.3.3 below.

5.3.2 Steps taken to ensure that the objectives set in the IDP were achieved

All eight participants displayed a good grasp of the role of the SDBIP in ensuring that the objectives set in the IDP were achieved. They supported the literature by explaining that the SDBIP is the IDP divided into manageable activities put in place to monitor progress and to allow the municipality to fund day-to-day operations.

Participant 2 [2] said:

So, in terms of ensuring as to whether we are achieving those objectives, it is through the operational plan, which is the SDBIP. [2]

Participant 5 [5] surmised that

... you then take issues, targets from your IDP and inculcate them into SDBIP, which, in a way, becomes the operationalisation of the IDP as the SDBIP. But also, putting money to the said operations; putting budget to the said operations. So, the SDBIP basically would then become your day-to-day tool of operation and of planning. [5]

Participant 1 [1] remarked that

... the SDBIP is an IDP ... chopped into activities; manageable activities that we can put in place to monitor progress of how far we go. [1]

It can therefore be concluded that the municipality develops the SDBIP to ensure that the objectives set in the IDP are achieved.

5.3.3 Monitoring mechanism to ensure that the objectives and targets set in the IDP are achieved

Four participants demonstrated knowledge of the monitoring mechanism to ensure that the objectives and targets set in the IDP were achieved, thus corroborating the literature. As discussed in section 3.3.2, they cited the annual review of the IDP, the performance measurement of section 54A and 56 managers through KPIs by two panels, the quarterly Lekgotla and the quarterly reports using the IDP and the SDBIP scorecards along with the MPAC and portfolio committees who conduct oversight as the monitoring mechanism. Participant 7 [7] said:

Remember the ... IDP must have a particular period of time. But every year it's reviewed whether there are ... targets that have been met ... it's a ... five year plan, but yearly reviewed [7].

Participant 5 [5] commented:

Well, emanating from your IDP you ... have ... got KPIs ... which would be ... for ... the Director Corporate Services, Technical Services, Municipal Manager. They are the same nationally. [5]

Participant 2 [2] stated that

to ensure that the objectives were achieved, an operational plan is developed in the form of SDBIP... reports were presented to council on quarterly basis to monitor progress on performance using the IDP scorecard and the SDBIP scorecard. [2]

Participant 2 [2] pointed out the municipality also makes use of two scorecards, the IDP scorecard and SDBIP scorecard:

We normally have on the SDBIP itself two scorecards. These scorecards ... appear on performance agreements of the section 56 managers and section 54A. The 54A is the Municipal Manager. Then the 56 are the Directors ... the ones who report to the Municipal Manager. [2]

Participant 5 [5] added:

There are two panels which review our performance on ... quarterly basis. The one panel, which is chaired by the Executive Mayor, reviews the performance of the Municipal Manager. The other panel, which is chaired by the Municipal Manager, reviews the performance of section 56 managers. [5]

As participant 1 [1] pointed out, the municipality

convenes quarterly Lekgotla to evaluate the performance on service delivery and provision and to monitor how the budget was spent [1].

Participant 1 [1] said:

We also have what we call portfolio committee meetings. We have PCs, Portfolio committee for planning; safety; security ... There is an administrative portfolio; there is finance portfolio. All of those portfolios ... the purpose of how they were set up, is to report directly to the council. Then we also have ... MPAC [Municipal Public Accounts Committee]. It is there to check whether we don't ... spend out of context. They are there to check everything. If you spend, you need to indicate how did you spend? Why? Was it correct? Was it according to the SDBIP? If it is out of that SDBIP, you must explain why. [1]

Based on the participants' responses, it can be concluded that the monitoring mechanism to ensure that the objectives and targets set in the IDP are achieved include:

- Annual review of the IDP
- Performance measurement of section 54A and 56 managers
- Quarterly Lekgotla
- The IDP and the SDBIP scorecards

5.3.4 Action taken when the objectives and targets set in the IDP were not achieved

In supporting the literature discussed in section 3.3.2 regarding steps taken to improve performance where objectives and targets are not met, three participants mentioned remedial action and consequence management that include disciplinary hearings.

Participant 8 [8] remarked:

When the objectives and targets set in the IDP were not met, a department or individual must provide reasons for non-implementation. [8]

Participant 1 [1] explained:

There is action taken. So now if there is something that is not performed properly, and there is no valid reasons ... the person ... given that responsibility ... must explain or he must face disciplinary hearing to explain himself.... [1]

Participant 2 [2] said:

... we are required to send an item [report] to council wherein council will ... say we have achieved what we set ourselves. If we have not achieved, we normally have a column on that document to say, we did not achieve ... these are the reasons why we did not achieve ... this is the remedial action that we are putting forward as to how we are going to achieve it. [2].

Participant 2 [2] elaborated:

Remember, legislation says if you perform 100%, you don't get any performance bonus. Then again it says that the person with whom you are having a contract ... must ... take steps to say you are not achieving. Consequence management. If it is the Municipal Manager who did not perform, it will be the Executive Mayor taking action. If it is the Directors, it is the Municipal Manager and then it will cascade down. Look, that is where the problem is. We have not yet cascaded down performance management; we are struggling to cascade it down to employees lower than section 56 managers because, remember, those are permanently employed. But these ones are on a 5 year fixed term contract. One other thing, the ones who are permanently employed, they are getting their 13th cheque, the bonus. But the contract ones, they need to perform before they qualify for a bonus. But this one comes automatically [2].

A contributing factor to deficient service delivery level is the lack of performance management system among employees below section 56 managers who are automatically entitled to a 13th cheque bonus. The performance management system is only applicable to section 56 managers.

5.4 The role of the SDBIP in the delivery of basic municipal services

Theme 2, that was covered in Part A questions 3 and 5 and Part B questions 2 and 4, sought to determine the role of the SDBIP in the delivery of basic municipal services.

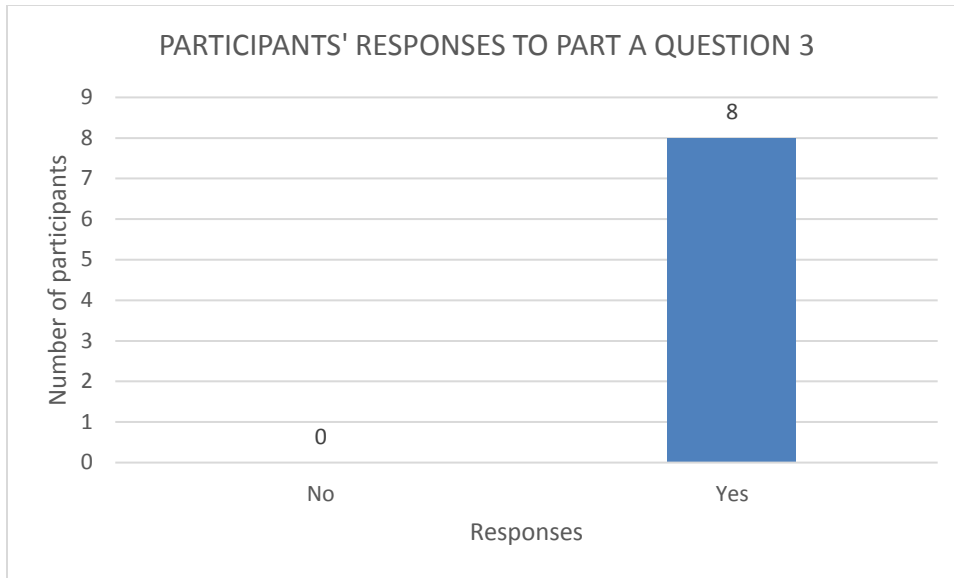


Figure 5.4: The implementation of the SDBIP

Figure 5.4 shows that all eight participants responded with a yes to Part A question 3 which sought to establish whether there was a way in which the municipality ensures that the SDBIP is implemented. Figure 5.2 in section 5.3 above demonstrates that eight participants also believe that the SDBIP was used to improve the delivery of basic municipal services such as water and sanitation, electricity and street lighting, roads and storm water, and waste removal.

5.4.1 Steps followed to draw up the SDBIP

As revealed in section 3.5.2, the participants confirmed that the SDBIP serves as action planning. They described it as the dividing of the IDP into manageable activities in the form of KPIs for the municipality's six KPAs which include the Basic Service Delivery and Infrastructure. The participants also confirmed the literature by stating that the SDBIP must be approved by the Mayor 28 days after the approval of the budget.

Participant 5 [5] said:

Okay, the steps to draw up the SDBIP in the municipality is, first, let's start with the IDP. So, the SDBIP is surely being compiled by the projects that emanated from the IDP. From the budget ... it's where we budget and say, what is the allocation that ...

came from National Treasury in terms of the projects? Then we split the allocation according to the projects that we have planned. So ... once the budget has been compiled, then officials take those projects, saying that this will take this much ... which is derived from the IDP. [5]

Participant 2 [2] elucidated:

... remember that first the SDBIP is approved by the Mayor who sends it to council. The legislation says it has to be approved by the Mayor. So the Mayor approves it 28 days after the approval of the budget. [2]

Participant 1 [1] said:

Now we already have the IDP in place now. ... Now we chop it down according to how we are going to do it in terms of our budget. Remember, there will be interventions from other stakeholders. When they allocate our equitable share, they also look at the IDP and the annual budget. So, these are the two documents that they check when they will be giving us money. [The] IDP is where the SDBIP comes from. You have already drawn a plan; now you have got to chop it down to operational activities. Now these operational activities, they will have budgets, they will have targets. They will have ... a responsible person. Then, also remember, when we bring back the report on what we achieved, we take this as the SDBIP and explain to the community. [1]

Participant 2 [2] said:

Look, obviously the baseline would be your previous year SDBIP... meaning, it is a document that is being drawn by officials. Let us say Corporate Services. Like, in our case, we have got five departments. They will go and sit and say, these are the KPAs. You know we have got six KPAs? That is your Basic Service Delivery and Infrastructure, Financial Viability and Finance Management, Good Governance and Public Participation, Institutional Development and Transformation, Spatial Development and Local Economic Development (LED). They would say, okay, from our department, for example at Technical Services, these are the KPIs that we really want. Then we list those KPIs. Once we have

done that, we then take the document to the audit committee for audit assurance.
[2]

The municipality divides the IDP into manageable activities for implementation and to monitor progress.

5.4.2 Monitoring mechanism to ensure that the SDBIP is implemented

As Participant 5 summed up, the monitoring mechanism to ensure that the SDBIP was implemented is the quarterly performance review of section 54A and 56 managers as well as the quarterly SDBIP reports submitted to the audit committee and to council.

Participant 5 [5] remarked:

Well, I think one would then have quarterly reviews of our performance as directors and municipal managers. Section 56 and Section 54A employees. We sit in front of a panel. Why were you not able to achieve this? That is the first issue. But the second issue is that the SDBIP reports are submitted to council on a quarterly basis, where council would then ask, in terms of performance, why did you come short there and all of this and ... that. But equally so, we will then send those to the audit committee, even before they go to council. So I think the SDBIP are monitored quite vigorously than the IDP. [5]

Therefore, it can be concluded that the monitoring mechanism to ensure that the SDBIP was implemented includes:

- Quarterly performance review of section 54A and 56 managers
- Submission of SDBIP reports to Audit Committee and council

5.4.3 Action taken when the SDBIP is not implemented

Two participants clearly stated the action taken when the SDBIP was not implemented in line with the literature discussed in section 3.5.2. They cited consequence management which includes forfeiting a performance bonus and the termination of a contract.

Participant 5 [5] said:

Yes, there is remedial action if the SDBIP is not implemented. Normally the Directors ... don't get a performance bonus because their performance bonus is based on targets. There is a certain percentage that they allocate. So, if you did not get a minimum of x% they are not getting bonus like a normal employee, permanent employee. Their bonus is performance based, if they perform, then they get a bonus. To assess their performance, they must provide the PoE (Portfolio of Evidence) to say yes, I have achieved this target. [5]

Participant 2 [2] said:

Yes, it is unfortunately. Obviously, I said through the assessment, remember, if we are not performing, the issue of ... consequence management. [2]

When asked to explain what consequence management meant, participant 2 [2] said:

I would say the issue of the bonus, you are going to forfeit your bonus. But, in extreme ... cases, I hear some municipalities say the contracts were terminated. Those are the bad ones. But, in this case from us, we do not have such things.

Participant 2 [2] went further:

I remember the premier of the province once called the Mayors. They signed contracts with him to say: if you receive this, a disclaimer from the AG (Auditor General), you are going to resign. So those people wrote letters of resignation; they did not put dates; they were ordered to write those letters and then did not put dates and sign them and give them through. So, once the AG is done, and you get a disclaimer ... you must resign. [2]

Interestingly, participant 5 [5] remarked that:

On performance bonus, the only action which is taken is that you will not receive a performance bonus. However, a performance bonus should be linked to excellent achievement, going to extra mile. But when you have underperformed, for me, nothing is happening and this is the grey area where something was supposed to happen,

corrective measures. If it is in case of incapacity, maybe capacitation and all of that.
[5]

It can be concluded that the action taken when the SDBIP was not implemented is consequence management. A contributing factor to deficient level of service delivery is the lack of capacity building to address underperformance. As participant 5 pointed out, the municipality emphasises the non-payment of performance bonuses when objectives and targets are not met.

5.5 The role of the budget in the delivery of basic municipal services

Theme 3 was about determining the role of the budget in the delivery of basic municipal services. Theme 3 particularly relates to Part A questions 4 and 5 and Part B questions 3 and 4.

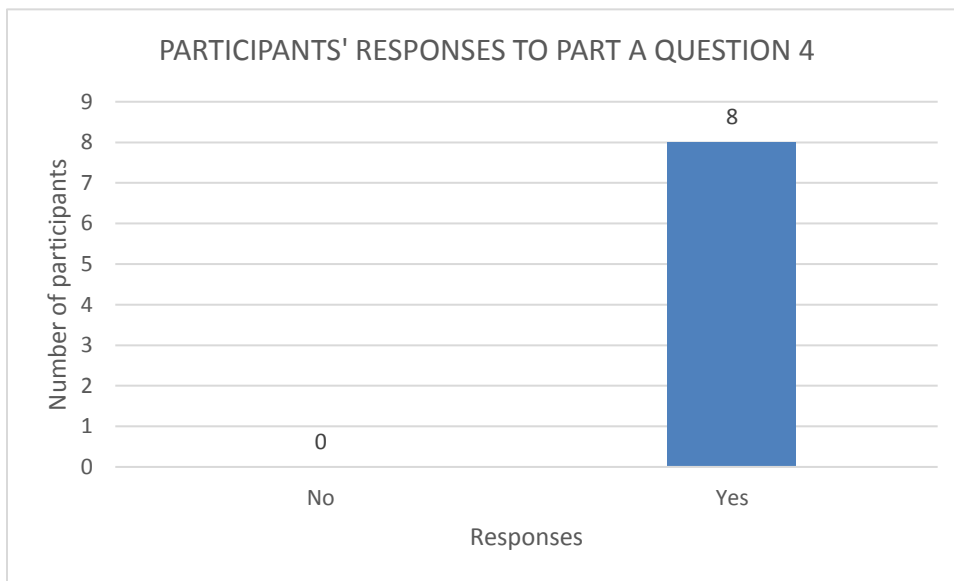


Figure 5.5: Management of the budget

Figure 5.5 depicts the responses of participants to Part A question 4. As shown in the figure, all eight participants responded with a yes to Part A question 4 which sought to determine whether there are means to ensure effective and efficient management of the budget at Victor Khanye Local Municipality. They also believe that the budget was used

to improve the delivery of basic municipal services including water and sanitation, electricity and street lighting, roads and storm water as well as waste removal as illustrated in Figure 5.3 in section 5.3 above.

5.5.1 The budget process at Victor Khanye Local Municipality

The eight participants were unable to articulate all the six steps that constitute the budget process as discussed in section 3.5.3. However, participants 5 and 6 alluded to the need for a plan and the planning process.

When asked about the budget process at Victor Khanye Local Municipality, participant 6 [6] elaborated:

Firstly, the budget is in two parts, the operational budget and the capital budget. Normally, the operational is just the normal working of the Municipality. Salaries, stationery, minor day-to-day work for the Municipality. Capital budget is for service delivery. Those are the ones that we find doing capital investment from within the IDP. So, when you prepare the budget, normally, you are guided by the MFMA. You must plan for your budget. First, they do the planning; in their planning is where now you say is the IDP done? So the first part in your planning in the year is the issue of having the IDP done. So, they start conducting the IDP road shows while the Executive Mayor is getting that process. Once the IDP has been done, then, now the Department of Finance in December must deal with the issue of tariffs. So those tariffs are done, because they form part of the road shows for the IDP. Once they are done now, we know now let us start now do our budget. The budget will have the revenue and the expenditure. So the revenue is what the Municipality can collect to get the money. For example, like rates, charging the community for water, charging the community for electricity, waste removal and all those things. So you put those tariffs there. You indicate how much is the anticipated revenue in terms of the services that you are rendering. Then, after that, you go to get the funding from the National Treasury. They have the DoRA [Division of Revenue Act]. That one is listing the allocation that the National Treasury is going to provide for all the Municipalities. So, once you go to the DoRA, normally they give the DoRA around February because, in February, the

Municipality you do adjustment of the previous budget. Then in March, we are preparing the draft budget. That must be presented by the end of March. So the DoRA is given now, you know how much are we going to be given in terms of the municipal infrastructure; the grant that we will get from the National Treasury; and the grant that we will get in terms of normally operation of the Municipality, that is equitable share.[6]

Participant 5 [5] stated that:

Okay, my view is that, for me, a budget is in two halves. The one half is informed by the community needs. The other half is informed by institutional needs. We would take all those, for example, and put into one pot and say these are our budget because your budget would consist of CAPEX, your capital budget as well as your operational budget. In the main, your operational budget is issues that have been identified by the municipality. Then your capital projects, in the main, are issues which were identified by the community. [5]

The budget process therefore involves adoption of projects on the IDP, approval of rates and taxes to generate revenue for the municipality and projection of anticipated operational and capital expenditure.

5.5.2 Spending the budget as required by the MFMA

Participants made reference to spending in line with the provisions of the MFMA as discussed in section 3.5.3. They stated that overspending was allowed after obtaining approval in terms of sections 52D, 71 and 72 of the MFMA.

Participant 2 [2] said:

... we can talk about, for example, the projects on MIG [Municipal Infrastructure Grant]. That is a project, for example, road infrastructure. I know that once we have appointed a contractor. Remember the MIG is only meant for projects; it cannot be used for anything else other than those projects. Then, once the contractor has finished, we normally have this thing called accomplishment certificate, wherein you sign it off. Meaning there can't be an overspending; there

can be savings at least, but not overspending. Because, remember, on your BoQ [Bill of Quantities], it tells you exactly what is needed. Yes, sometimes there is overspending, because, in terms of Section 52D reports and 71 reports that I see Finance preparing that are going to council, you would have the overspending but they would state reasons. Why they over spend on certain projects. Remember, the issue of salaries as well. The issue of salaries is being done centrally by finance. Meaning, we do not have a control on the budget actually. [2]

Participant 4 [4] said:

It's Circular 68, that talks about unauthorised, irregular and fruitless and wasteful expenditure because, once there's overspend, once you reach that, you see you are going to overspend. Then it is the responsibility of the Chief Financial Officer to advise the Accounting Officer on the overspending and to inform council of the overspending, hence, we do have an opportunity, which has been set by National Treasury, and according to Section 72, which says that you can do an adjustment budget after you have done an exercise to see exactly, for the past 6 months, how much did you spend? Whether you are still within your budget when you reach 12 months. But once you've done that exercise and you see that some of the items, you are going overspend, based on the history for the six months. Then, it says the Accounting Officer responsible for you, from the Mayor, of the overspending that will take place. So, then you are allowed to do it. Once the Mayor approves that, then you do that expenditure [4].

Participant 6 [6] said:

Normally, when we overspend, it happens normally on the operational side of the budget, where the municipal did actually overspend. How does it happen? You budget, you have got a budget; having the needs to say now, if I budget for R1 million, this is what I am going to do. While you are performing those tasks, you find that there is more that needs to be done. Because sometimes, at the time when you do the budget, you go to the market, you find that what was R1.00 is no more R1.00; it is R1.50. Sometimes it is up; sometimes you will need more because your plan says you will need five, only to find at the end I need seven.

Then, now it says now you have budgeted for R1 million, but what you need now is R1.2 million. What can we do as a municipality because that is an overspending? That is when now the issue of budget adjustment comes. Normally it is done in February in terms of MFMA. You need to go now and do budget adjustment. It is allowed. [6]

According to participant 6 [6], overspending normally happens on the operational side of the budget. This was in corroboration of what was said by participant 5 [5]:

One area where we would have a high level of spending is when coming to overtime payments. Well, what causes us to over spend, partly it is because of especially your service delivery directorates, that is, technical services, social services, do not monitor and don't have stringent controls into the operations around overtime. Now, your challenge is that employees would use overtime payment, would budget for that. For example, if you are supposed to do work during working hours, they will not do that; they are going to do it after hours. [5]

Overspending is allowed in terms of section 72 of the MFMA when approved by the Mayor and the council. However, the municipality can avoid the overspending by introducing stringent controls on overtime payments to service delivery directorates like technical services and social services.

5.5.3 Financing of basic service delivery programmes

The participants confirmed the literature by outlining how the municipality finances its service delivery programmes. They cited the equitable share, which is allocated by the National Treasury in terms of the annual DoRA, the revenue generated through tariffs, rates and taxes as well as Conditional Grants, EEDSM, IEP and MIG. Participant 1 [1] said:

Okay. There are two ways. The first one, we collect revenue from our own community members. These ones in location, they pay, they contribute there. So we get money from these coffers of the community members. We do get conditional grants; conditional grants from the Department. Like, as I explained,

MIG, Energy Farms, they also give us money. So, all of those funds contribute to us achieving our goal by implementing our service delivery plans. We also get some few assistance from our social partners like the Department of Mineral & Energy, in this case. Because, in terms of the monies that are around here, there is no way that they can operate without what we call social labour plans. Those social labour plans, they can't do it without doing those things, and it is a requirement from the Department of Mineral & Energy. They can't get those rights. In that social labour plans, they do have programmes that which they will be funding. Like, for example, the issue of training of truck drivers, training of the community members on how to drive trucks. There is one mine that contributed to build 15 houses. I think it is about 15 houses for the indigents and the elderly ones, from their pockets.... their function is to mine but since the requirements from DMR (Department of Mineral Resources) to build those houses, they want do it without doing that. They have done it there in location. We also did analysis and found out the community have a challenge here in skills. They are not that skilled, our workers. [1]

Participant 8 [8] said

In addition to an equitable share and its self-generated revenue, the municipality enters into partnerships with private companies in the form of Social Labour Plans to finance some of its programmes. [8]

Furthermore, participant 8 [8] indicated that

the municipality receives various grants such as the Municipal Infrastructure Grant (MIG), the Integrated National Electrification Programme (INEP), Energy Efficiency and Demand Side Management (EEDSM) and a Conditional Grant from Nkangala District Municipality. [8]

It can be concluded that the municipality finances its service delivery programmes through the following sources:

- Conditional grants
- EEDSM

- Equitable share
- IEP
- MIG
- Municipality generated revenue

5.6 Summary

Chapter 5 analysed the data that were collected during the empirical study conducted through semi-structured interviews with eight participants at Victor Khanye Local Municipality. The chapter also stated the research findings.

The chapter explained how the data were coded and analysed using computer-assisted qualitative data analysis, Atlas.ti. The chapter also explained that the data were categorised for analysis into three themes, each with sub-themes, as tabulated in Table 5.1.

Theme 1 analysed the role of the IDP on the delivery of basic municipal services at Victor Khanye Local Municipality through its four sub-themes. The first sub-theme dealt with the steps followed in drawing up the IDP that six participants confirmed were carried through a Process Plan with eight phases. The second sub-theme addressed the steps taken to ensure that the objectives set in the IDP were achieved and all eight participants exhibited a good grasp that the SDBIP was developed as an implementation tool to ensure that the objectives set in the IDP were achieved. The third sub-theme concentrated on the monitoring mechanism to ensure that the objectives and targets set in the IDP were achieved. For this, four participants cited the annual review of the IDP, performance measurement of section 54A and 56 managers through KPIs by two panels, the quarterly Lekgotla, as well as quarterly reports using the IDP and SDBIP scorecards. The fourth sub-theme focused on the action taken when the objectives and targets set in the IDP were not achieved which, according to three participants, include: consequence management in the form of disciplinary hearings. Theme 1 covered fixed questions that required yes or no answers. All eight participants indicated that there was indeed a way in which the municipality ensures that the IDP is developed and implemented. The

participants also believed that the IDP was used to improve the delivery of basic municipal services.

In theme 2, the role of the SDBIP in the delivery of basic municipal services at Victor Khanye Municipality was analysed. Theme 2 had three sub-themes. The first sub-theme was the steps followed to draw up the SDBIP which were outlined by three participants as dividing the IDP into manageable activities in the form of KPIs for the municipality's six KPAs such as Basic Service Delivery and Infrastructure and the approval of the SDBIP by the Mayor within 28 days after the approval of the budget. The second sub-theme was the monitoring mechanism to ensure that the SDBIP was implemented. This was summed up by participant 5 as quarterly performance reviews of section 54A and 56 managers and the quarterly SDBIP reports which are submitted to council. The third sub-theme was the action taken when the SDBIP was not implemented. Two participants cited this as consequence management that includes forfeiting performance bonuses and the termination of contracts. A yes or no fixed question was also covered in theme 2 asking whether there was a way in which the municipality ensures that the SDBIP is implemented. All eight participants believed that the SDBIP was used to improve the delivery of basic municipal services at Victor Khanye Local Municipality.

Theme 3 was about the role of the budget in the delivery of basic municipal services at Victor Khanye Local Municipality. Theme 3 also had three sub-themes. The first sub-theme was the budget process at Victor Khanye Local Municipality which two participants outlined as the listing of the anticipated revenue and expenditure in terms of the MFMA. The second sub-theme was the spending of the budget as required by the MFMA and four participants indicated that there was sometimes overspending which, in terms of section 52D, 71 and 72 reports, is the responsibility of the Chief Financial Officer to advise the Accounting Officer to inform council and obtain approval for such overspending. The third sub-theme was financing of the basic service delivery programmes which two participants stated as equitable share, self-generated revenue, Conditional Grants, EEDSM, INEP and MIG. Similarly, it was found that all eight participants believe that the budget was used to improve the delivery of basic municipal services.

Chapter 6 below will provide the research outcomes and recommendations. The chapter will start by outlining the outcomes of the research objectives followed by the conclusion of the study. The conclusion of the study will be followed by the limitations of the study and the chapter will conclude by suggesting areas for further research.

CHAPTER 6: RESEARCH OUTCOMES AND RECOMMENDATIONS

6.1 Introduction

In Chapter 5, the data gathered during the empirical study were analysed and the research findings stated. The findings resulted from the data which were categorised into themes and sub-themes using Atlas.ti as a tool of analysis.

Chapter 6 provides the research outcomes and the conclusion on the aim of the study. The chapter also declares the limitations of the study and makes recommendations on the framework for delivery of basic municipal services at Victor Khanye Local Municipality.

The chapter starts with the summary of the study followed by the outcomes of research objectives and conclusions of the study. It concludes by suggesting areas for further research.

6.2 Summary of the study

At Victor Khanye Local Municipality, the level of delivery of basic municipal services, such as water and sanitation, electricity and street lighting, roads and storm water and waste removal, remains deficient despite a variety of support programmes. The deficient level of service delivery is viewed as the cause of the service delivery protests. In the period between April and November 2017, the municipality experienced 19 service delivery protests.

Section 2.4 attested that management control theory has evolved through three distinctive phases which include the classical phase, the modern phase and the post accounting phase. In the post accounting phase of management control theory, various frameworks have been conceptualised to consider management control as a package which includes non-accounting tools. The non-accounting tools supplement accounting tools in order to provide a complete measurement of an organisation's performance against its objectives.

Management control is an important managerial function which requires constant

attention for any organisation to be successful and to avoid negative effects like financial losses, reputational damage and organisational collapse (Merchant & Van der Stede, 2017). Among management control frameworks conceptualised in the post accounting phase of management control theory is the management control systems package. The management control systems package provides a broad scope of controls including the planning controls and cybernetic controls.

In the local government sphere, which is constituted by municipalities, the planning controls are carried through the IDP as a long range planning and the SDBIP as action planning. The budget, as part of the cybernetic controls, allocates resources towards achieving the objectives and targets set in the IDP and the SDBIP.

6.3 Outcomes of research specific objectives

The outcomes of the research specific objectives listed in section 1.4 are discussed here. The following subsection explains how each of the research specific objectives was attained.

6.3.1 Outcomes of research specific objective one

The specific objective one was to investigate management control frameworks and controls generally associated with the management control systems package. Section 2.2 stated that the purpose of a literature review is to gather and evaluate a wide range of sources on a specific topic in order to identify gaps that justify the need for further research. Section 2.3 outlined the two features that constitute the management control concept. It was stated that management was about setting organisational objectives and developing plans to achieve them while control was about ensuring that an organisation achieves its objectives. It was concluded that management control is an essential enabler to organisations in achieving their objectives as it knits together the managerial responsibility and the control function.

Section 2.4 traced the evolution of management control theory. It was found that management control theory went through distinctive phases, including the classical

phase, the modern phase and the post accounting phase.

In the classical phase, management control theory was developed based on Anglo-American organisations. The modern phase of management control theory was dominated by accounting tools like budgeting and performance evaluations. The post accounting phase of management control theory took an integrated approach that saw the conceptualisation of various management control frameworks.

An overview of the frameworks conceptualised in the post accounting phase of management control theory, that included the performance management systems framework, the object of control, the Balanced Scorecard, the levers of control, the framework of management control and the management control systems package, was provided in section 2.5.

In section 2.6, controls as per the management control systems package were discussed. These included: the cultural controls, the planning controls, the cybernetic controls as well as the reward and compensation controls. The management control systems package provided a broad scope and therefore a useful management control framework to pursue the objectives of the study. The use of the management control systems package, both in the private and public sectors, was discussed in section 2.7. It was discovered that most studies that used the management control systems package were in the private sector and only one study in the public sector was found.

Therefore, the specific objective one was attained by conducting the literature review presented in Chapter 2.

6.3.2 Outcomes of research specific objective two

The specific objective two was to investigate the framework for the delivery of basic municipal services. Section 3.2 provided the context in which Victor Khanye Local Municipality operates and outlined the service delivery support programmes put in place since 2004 including Project Consolidate, the five year local government strategic agenda, the local government turnaround strategy, Operation Clean Audit and the local

government Back-to-Basics Strategy.

Section 3.3 discussed the legislative framework governing the IDP, the SDBIP and the budget. These included the Constitution, the MSA, the MFMA and the DoRA which were found to make it possible to establish municipalities and guide how planning controls, such as the IDP, the SDBIP and the budget as part of cybernetic controls should be developed and implemented.

Section 3.4 outlined Victor Khanye Local Municipality's basic municipal services which are grouped as water and sanitation, electricity and street lighting, road and storm water and waste removal. Section 3.5 discussed the IDP, the SDBIP as planning controls and the budget as part of cybernetic controls. Therefore, the specific objective two was attained through the literature review presented in Chapter 3.

6.3.3 Outcomes of research specific objective three

The research specific objective three was to explore employee perceptions on whether planning controls in the IDP as long range plan and the SDBIP as action planning and cybernetic controls through the budget are used to improve the delivery of basic municipal services. In meeting the research specific objective three, an empirical study was conducted at Victor Khanye Local Municipality. The semi-structured interview questions appearing in Appendix D were developed based on the literature review presented in Chapters 2 and 3. Then, the interviews were conducted with eight participants. All eight participants believe that the IDP, the SDBIP and the budget were used to improve delivery of basic municipal services at Victor Khanye Local Municipality. However, listed below are factors contributing to deficient levels of service delivery which are viewed as the cause of service delivery protests:

- The inability to attain 100% alignment of the IDP, the SDBIP and the budget
- The lack of capacity building to address non-performance by section 54A and 56 managers
- The lack of a performance management system for employees below section 56 managers

6.4 Conclusions of the study

As pointed out in section 6.3, each of the three objectives were met therefore the aim of the study was achieved. Based on the literature review and the empirical data, it can be concluded that the IDP, SDBIP and the budget play a significant role in the delivery of basic municipal services at Victor Khanye Local Municipality.

6.5 Limitations of the study

The literature review, particularly section 2.7.2, established that the use of the management control systems package was rare in the public sector. Such rarity comes as a surprise because the management control systems package could be applied in any organisation given its broad scope. It can be used both in private or public sector organisations.

The study concentrated on a single local municipality. As such, the interpretation of the findings should be limited to Victor Khanye Local Municipality as the case study and the sample of eight participants with whom the interviews were conducted among 24 employees. However, some of the comments made by the participants warrant further research as suggested in section 6.7 below.

6.6 Recommendations

The research findings point out that the participants believe that the IDP, SDBIP and the budget were used to improve the delivery of basic municipal services at Victor Khanye Local Municipality. However, there would be much improvement if:

- The IDP, SDBIP and budget were 100% aligned
- A monitoring mechanism like a quarterly review system on lower ranking officials was developed and implemented.

6.7 Areas for further research

Based on the literature review and the comments made by some of the participants during the empirical study, the following areas may be explored:

- Factors inhibiting the 100% alignment of the IDP, SDBIP and the budget
- An assessment of factors leading to non-implementation of monitoring mechanisms such as quarterly review systems on the lower ranking officials at Victor Khanye Local Municipality.

More broadly, the use of the management control systems package in other public sector organisations, which appear to post poor results persistently, may be explored. Some of these organisations include the South African Social Security Agency (SASSA), South African Airways (SAA) and the Passenger Rail Agency of South Africa (PRASA).

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APPENDIX A: PARTICIPANT INFORMATION SHEET

25 October 2017

Dear Prospective Participant

My name is Mmathume Nkadimeng and I am doing research with Prof L Julyan and Mrs M Lötter, an associate professor and senior lecturer respectively in the Department of Management Accounting towards a Master of Philosophy degree at the University of South Africa. I have funding from UNISA's Master's and Doctoral Support Program for covering research costs such as tuition fees. I am inviting you to participate in a study entitled:

"The role of management control on service delivery in local government: A case study of a South African municipality".

WHAT IS THE AIM/PURPOSE OF THE STUDY?

The aim of this study is to conduct an in-depth analysis of selected aspects of the management control systems package and their role in the delivery of basic municipal services at Victor Khanye Local Municipality.

WHY AM I BEING INVITED TO PARTICIPATE?

You and seven other officials were nominated by the Municipal Manager to be participants in the study because:

- The Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and the budget are within your area of work and responsibility and therefore you may be able to offer information pertaining to their role in the delivery of basic municipal services.
- Your municipality was chosen based on the repeated service delivery protests experienced in areas within its jurisdiction.
- Your municipality was also chosen because it is authorized to provide the basic municipal services which are the focus of the study, namely: water and sanitation,

electricity and street lighting, roads and storm water as well as waste removal.

WHAT IS THE NATURE OF MY PARTICIPATION IN THIS STUDY/ WHAT DOES THE RESEARCH INVOLVE?

The study involves audio recording of semi-structured interviews with officials responsible for the IDP, SDBIP and the budget. Questions will be asked to assist the researcher gain greater insights and understanding on the following areas:

- The IDP process – the researcher seeks to understand the work done in developing and implementing the IDP and to establish its role in the delivery of basic municipal services.
- The SDBIP process – the researcher seeks to understand how the SDBIP is carried out and how it links with the IDP and also its role in the delivery of basic municipal services.
- The budget process – the researcher seeks to understand the work done in preparation of the annual budget, how it is monitored and how the basic municipal services are financed.

The estimated duration of the interview is between 45 minutes and 1 hour.

CAN I WITHDRAW FROM THIS STUDY?

Being in this study is voluntary and you are under no obligation to consent to participation. If you do decide to take part, you will be given this information sheet to keep and be asked to sign a written consent form. You are free to withdraw at any time and without giving a reason.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

In participating in this study you assist in identifying measures that may lead to the improved delivery of basic municipal services at Victor Khanye Local Municipality. Your participation in the study will also enable the researcher to complete his MPhil degree which may be used for future reference.

WHAT IS THE ANTICIPATED INCONVENIENCE OF TAKING PART IN THIS STUDY?

The researcher is not aware of any inconvenience of taking part in the study except for

the time needed for the interview. The researcher undertakes to conduct the interviews at a convenient time.

WILL WHAT I SAY BE KEPT CONFIDENTIAL?

Your name will not be recorded anywhere and no one will be able to connect you to the answers you give. Your answers will be given a fictitious code number or a pseudonym and you will be referred to in this way in the data, any publications, or other research reporting methods such as conference proceedings.

Your answers may be reviewed by people responsible for making sure that research is done properly, including the transcriber, external coder, and members of the Research Ethics Committee. Otherwise, records that identify you will be available only to people working on the study, unless you give permission for other people to see the records.

The anonymous data you provide may be used for other purposes, e.g. a research report, journal articles, conference presentation, etc. A report of the study may be submitted for publication, but individual participants will not be identifiable in such a report.

HOW WILL INFORMATION BE STORED AND ULTIMATELY DESTROYED?

Hard copies of your answers will be stored by the researcher for a period of five years in a locked cupboard/filing cabinet for future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. After five years the hard copies will be shredded and the audio recorded material and electronic information will be reformatted.

WILL I RECEIVE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

As a participant you are not entitled to any payment or reward for your role in the study.

HAS THE STUDY RECEIVED ETHICAL APPROVAL?

This study has received written approval from the Research Ethics Committee of the

College of Accounting Sciences, Unisa. A copy of the approval letter can be obtained from the researcher if you so wish.

HOW WILL I BE INFORMED OF THE FINDINGS/RESULTS?

If you would like to be informed of the final research findings, please contact Mmathume Nkadimeng on 082 669 5846 or mmathume@icloud.com. The findings will be kept for a period of five years. Should you have concerns about the way in which the research has been conducted, you may contact Prof L Julyan on (012) 429 4821 or email julyal@unisa.ac.za.

Thank you for taking time to read this information sheet and for participating in this study.

Thank you.

Mmathume Nkadimeng

Student No. 37244043

MPhil: Accounting Sciences

University of South Africa

APPENDIX B: CONSENT TO PARTICIPATE IN THE STUDY

I, _____ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet.

I have had sufficient opportunity to ask questions and am prepared to participate in the study.

I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable).

I am aware that the findings of this study will be anonymously processed into a research report, journal publications and/or conference proceedings.

I agree to the recording of the interview.

I have received a signed copy of the informed consent agreement.

Participant name & surname..... (please print)

Participant signature.....Date.....

Researcher's name & surname.....(please print)

Researcher's signature.....Date.....

Witness name & surname.....(please print)

Witness's signature.....Date.....

APPENDIX C: REQUEST FOR PERMISSION

The Municipal Manager

Victor Khanye Local Municipality

The role of management control on delivery of services on local government: A case study of South African municipality

25 October 2017

Dear Sir/Madam

I, Mmathume Nkadimeng am doing research with Prof L Julyan and Mrs M Lötter, an associate professor and senior lecturer respectively in the Department of Management Accounting towards a Master of Philosophy degree at the University of South Africa. I have funding from UNISA's Master's and Doctoral Support Program for covering research costs such as tuition fees. I am inviting you to participate in a study entitled: "The role of management control on service delivery in local government: A case study of a South African municipality"

The aim of the study is to conduct an in-depth analysis of selected aspects of the management control systems package and their role in the delivery of basic municipal services at Victor Khanye Local Municipality.

Your municipality was chosen based on the repeated service delivery protests experienced in areas within its jurisdiction. Your municipality was also chosen because it is authorized to provide the basic municipal services which are the focus of the study, namely: water and sanitation, electricity and street lighting, roads and storm water as

well as waste removal.

The study involves audio taping of semi-structured interviews with officials responsible for the Independent Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and the budget. Questions will be asked to assist the researcher gain greater insight and understanding on the following areas:

- The IDP process – the researcher seeks to understand the work done in developing and implementing IDP and to establish its role on the delivery of basic municipal services.
- The SDBIP process – the researcher seeks to understand how SDBIP is carried out and how it links with IDP and also its role on the delivery of basic municipal services.
- The budget process – the researcher seeks to understand the work done in preparation of the annual budget and the basic municipal services are financed.

The estimated duration of the interviews is between 45 minutes and 1 hour per participant.

In participating in this study you assist identifying measures that may lead to improved delivery of basic municipal services at Victor Khanye Local Municipality. Your participation in the study will enable the researcher to complete his MPhil degree which may be used for future reference

There are no risks associated with the study.

Feedback procedure will entail arranging a briefing session with you.

Yours sincerely

Mmathume Nkadimeng

37244043

MPhil: Accounting Science

University of South Africa

APPENDIX D: INTERVIEW SCHEDULE

001

The interview schedule will contribute towards the completion of a Master of Philosophy degree at the University of South Africa.

Participant

This research is conducted through qualitative research as the researcher seeks to understand the role of the Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and budget on the delivery of basic municipal services as well as employee perceptions on whether the IDP, SDBIP and budget are used to improve the delivery of basic municipal services at Victor Khanye Local Municipality. The researcher is making use of semi-structured interviews.

Ethical considerations:

Ethical clearance has been obtained from UNISA to conduct the research. A permission letter has been sent to you to request you to participate in the research interview. Participants are then required to sign a consent form to acknowledge the context and nature of the research. All participants' identities will be kept private and all personal

Part A may be completed by the participant prior to the interview, whereas Part B will be questions posed to the participant at the interview and will require a verbal response.

PART A: SELF ADMINISTERED QUESTIONS - (QUESTIONS THE PARTICIPANT MAY ANSWER BEFORE THE INTERVIEW)

Please indicate your response by drawing a cross (X) in **all** boxes that apply.

1. Is there a way in which the municipality ensures that the IDP is developed?

Yes	No
-----	----

2. Is there a way in which the municipality ensures that the IDP is implemented?

Yes	No
-----	----

3. Is there a way in which the municipality ensures that the SDBIP is implemented?

Yes	No
-----	----

4. Are there any means to ensure effective and efficient management of the budget at the municipality?

Yes	No
-----	----

5. Do you believe that the mechanisms, namely: the IDP, SDBIP and budget are used to improve the delivery of basic municipal services such as water and sanitation, electricity and street lighting, roads and storm water as well as waste removal in the municipality?

	Water and Sanitation		Electricity and street lighting		Roads and storm water		Waste removal	
IDP	Yes	No	Yes	No	Yes	No	Yes	No
SDBIP	Yes	No	Yes	No	Yes	No	Yes	No
Budget	Yes	No	Yes	No	Yes	No	Yes	No

PART B (QUESTIONS THE RESEARCHER WILL ASK IN THE INTERVIEW) – IT IS AT THIS PART WHERE AUDIO RECORDING WILL START UPON CONSENT OF THE PARTICIPANT


In the interview, the researcher will be posing the following questions which will require a verbal response.

1. The importance of the IDP for the delivery of basic municipal services and how it is carried out in the municipality:
 - a. Seeing that the IDP is an all-encompassing plan with objectives and targets, please outline the steps followed in drawing up the IDP.
 - b. Are there steps followed to ensure that the objectives and targets set in the IDP are achieved? If so, please describe the steps.
 - c. Is there any monitoring mechanism to ensure that the objectives and targets set in the IDP are achieved?
 - d. Is action taken when the set objectives and targets are not met? If so, when and what action?
2. The significance of the SDBIP and its purpose in the delivery of basic municipal services at your municipality:
 - a. The SDBIP is a detailed plan containing a budget together with ways and means of implementing municipal services. Please outline the steps followed to draw up the SDBIP in the municipality?
 - b. Is there any monitoring mechanism to ensure that the SDBIP is implemented?
 - c. Is action taken when the SDBIP is not implemented?
3. The management of the municipal budget regarding the delivery of basic municipal services:
 - a. Please outline how the municipality prepares its budget.
 - b. Is there any example of actual spending within your area of responsibility you can share with me?

Was the spending within the provisions of the MFMA?

- c. How does the municipality finance its basic service delivery programmes?
4. Is there any example in relation to the IDP or SDBIP, the basic municipal services or the budget that you wish to bring to my attention?

APPENDIX E: ETHICAL CLEARANCE



UNISA COLLEGE OF ACCOUNTING SCIENCES ETHICS REVIEW COMMITTEE

Date 2017-09-19

Dear MN Nkadimeng

ERC Reference:
2017_CAS_049
Name: Mr MN Nkadimeng
Student/ Staff #:37244043

**Decision: Ethics Approval from
2017-09-19 to 2022-09-18**

Researcher: Mr MN Nkadimeng

Working title of research:

The Role of Management Control on Service Delivery in Local Government: A Case Study of a South African Municipality


Qualification: Postgraduate research

Thank you for the application for research ethics clearance by the Unisa College of Accounting Sciences Research Ethics Review Committee for the above mentioned research. Ethics approval is granted for the period indicated above.

The application was reviewed by the College of Accounting Sciences Research Ethics Review Committee on 19 September 2017 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment, and approved.

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the College of Accounting Sciences Research Ethics Review Committee.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of



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participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.

5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
7. No field work activities may continue after the expiry date of this certificate.

Note:

The reference number of this certificate should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,



Ms L Grebe
Chair of CAS RERC
E-mail: grebel@unisa.ac.za
Tel: 012 429 4994



Prof E Sadler
Executive Dean CAS

APPENDIX F: EXTERNAL CODER CERTIFICATE



HUGO VAN DER WALT
REGISTERED INDEPENDENT PRACTICE RESEARCH PSYCHOLOGIST
BPsych (Person Psychology) - Miskand Graduate Institute
MA in Research Psychology - University of South Africa
HPCSA Reg. Nr. PS 0136204
Tel: 072 958 6983
E-mail: hugovandcrwalt@icloud.com
Gardfontein
Pretoria
0001

THIS IS TO CERTIFY THAT

Hugo Denton van der Walt, in my capacity as an independent Research Consultant, has co-coded the following qualitative data for the study exploring:

The Role of Management Control on Service Delivery in Local Government: A Case Study of a South African Municipality

I declare that I have reached consensus with **Mmathume Nkadimeng** on the major themes and codes of the data during a consensus discussion process.

Sign:

Date: 24/08/2018

APPENDIX G: PERMISSION LETTER



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

6 DELMAS 2210
013 665 6072
013 665 1801
Email: abramm@victorkhanyem.gov.za
Website: www.victorkhanyem.gov.za

Enquiries: **A Moshaba**

My Ref: 5/1

To : Whom it may concern

Dear Sir/Madam

This is to confirm that a permission has been granted to Mmathume Norman Nkadimeng to conduct a research at Victor Khanye Local Municipality for Master of Philosophy: Accounting Science at UNISA. He indicated to us that his areas of interest are Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and the Budget. He further requested to conduct interviews with about 8 officials responsible for the IDP, SDBIP and the Budget.

We welcome him to the institution to start with the research as prescribed and further appreciate his intention to complete the said course.

Yours Sincerely


MJ MAHLANGU
ACTING MUNICIPAL MANAGER

APPENDIX H: EDITOR'S LETTER

Barbara Shaw

Editing/proofreading services

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To whom it may concern

This letter serves to inform you that I have done language editing and formatting on the thesis **THE ROLE OF MANAGEMENT CONTROL ON SERVICE DELIVERY IN LOCAL GOVERNMENT: A CASE STUDY OF A SOUTH AFRICAN MUNICIPALITY** by **Mmathume Norman Nkadimeng**



Barbara Shaw

18/01/2019.