GOOD GOVERNANCE INDICATORS IN LOCAL GOVERNMENT

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1 EXECUTIVE SUMMARY

1.1 Introduction

The executive summary provides an overview of the perceptions of the state of governance, including corporate governance, in South African municipalities, as contained in the main section of the research report. The research report is drawn from an in-depth assessment of six municipal case studies, which are the Inxuba Yethemba Municipality (Eastern Cape Province), the Buffalo City Municipality (Eastern Cape Province), the Cederberg Municipality (Western Cape Province), the City of Tshwane Metropolitan Municipality, the Polokwane Municipality (Limpopo Province), and the Nkangala District Municipality (Mpumalanga). In addition, a telephonic representative sample survey of 32 municipalities was carried out. The municipalities surveyed included all 6 Metros and 26 municipalities. An average of 3 to 4 municipalities were covered by the survey in each province. The project set out to identify indicators of good governance practise and practise guidelines for using the identified indicators.

1.2 Current Governance Practices

Against the backdrop of various legislative initiatives to promote good governance, as a critical element of effective local government and development, the research project set out to address the limited implementation of better governance practise across South African municipalities. Legislative initiatives pertaining to local government, together with local and international literature reviews formed the policy framework against which the implementation of local governance was analysed. The policy framework is discussed below in terms of the core areas that inform it.

1.2.1 Decision-making in municipalities

In virtually all municipalities, the municipal council meetings are generally open to the public, but EXCO meetings are not open to the general public. The frequency of the council meetings is usually one per month. As determined in the Municipal Systems Act, several portfolio committees have been established and these are open to the general

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public to attend. The Mayoral Committee or Executive Committee plays an important role in the decision making process. Depending on the delegation, departmental priorities are submitted to the Mayoral Committee or Executive Committee for final decisions. Schedules of public meetings are often advertised in municipal publications and local newspapers.

Although the meetings are advertised, our attendance at three council meetings in Gauteng and Limpopo suggests low participation of the general public. The survey revealed that only 31% of speakers were satisfied with the attendance of the general public at meetings. There are several reasons for this. One is that the majority of notices (56%) for scheduled meetings are advertised in the press and the rest through ward committees, which does not necessarily get communicated to residents.

1.2.2 Community Participation in municipalities

The levels and quality of community participation differ from municipality to municipality. The nature of the issues under consideration also has an impact on how communities participate. For example, municipalities develop budgets in consultation with community structures in line with the national government's multi-year budget framework. The meetings are often held concurrently with IDP meetings. The degree of the participation depends on the availability of time and resources, and literacy levels.

1.2.3 Community Consultation in municipalities

A significant number of municipalities were engaged in the IDP review process, which was completed between February and July 2003. In the majority of cases, the existence of IDP units played an important role in supporting community consultation. The majority of municipalities have established ward committees although the extent to which they are functional varies. Often, the Office of the Speaker is responsible for the establishment of the ward committees and this office has officials who are responsible for the effective and efficient co-ordination of the ward system. Depending on the size of the municipality, the ward committee system has a manager, an administrator, co-coordinators and liaison officers. Through the ward committee system it is hoped that the

majority of stakeholders can give input into governance issues in the respective municipality.

In spite of the broad consultative nature of the process, some stakeholders are not able to give input due to institutional capacity constraints and limited understanding of the importance of the IDP process. Ward committees play an important role in the collation of information from different stakeholders. However, some ward committees are not representative of the demographics. The study revealed that the main factors, which hinder the effective participation of people in ward committees, are unemployment, lack of understanding of their role, illiteracy, and lack of access to resources.

In spite of the existence of Ward Committees, some municipalities admit that the majority of citizens are not aware of the working and importance of these structures. The survey indicated that 31% of the ward committees are ineffective. In some provinces this number is higher. For example, the Western Cape and KwaZulu-Natal provinces did not opt for types of municipalities that could establish ward committees. As such, while a number of municipalities in KwaZulu-Natal have established ward committees and the Western Cape may also start to in the near future, in terms of the National Conference on Ward Committees hosted by the DPLG in June 2003, the ineffectiveness of ward committees are more pronounced in these provinces.

1.2.4 Transparency in municipalities

The availability of the agendas of council meetings and the manner in which decisions taken by the council are publicised are critical to promoting transparency. The publication of the annual report of the council and the financial report as required by the Office of the Auditor General are other ways in which municipalities can promote transparency. Some 69% of municipalities surveyed report having presented annual reports to the public, largely through public meetings.

1.2.5 Disclosure in municipalities

In order to ensure that there is no conflict of interest, public institutions require officials and politicians to declare their financial interests. The effectiveness of the disclosure mechanism was said to be operating well, with no significant violation on this requirement. Evidence in some other municipalities suggests otherwise.

1.2.6 Corruption in municipalities

The survey suggested that the majority of speakers (65%) had experienced some form of corruption. It is important to indicate that this was based on perception rather than on verified cases of corruption. The corrupt practices mentioned were nepotism (9%), the unauthorised use of cheques (33%), tender processes (57%) and mal-administration including theft and misuse of public resources etc. In terms of how corruption is reported, the majority of cases were reported to the municipal manager (53%), followed by the legal advisors or legal department (33%), police (29%) and the disciplinary committee (24%).

Examples were given of how municipalities deal with corruption. A councillor was suspended and charged by Tshwane Metro Police for alleged corruption involving the illegal sale of land. In another case, a senior official charged with corruption and poor performance was suspended and the case referred to the National Prosecutor. His employment was subsequently terminated.

It is important to point out that the extent and nature of corruption is not necessarily widespread. The response to such cases differed with some municipalities being quick to respond to corrupt practices, while in a number of others disciplinary and administrative hearings tended to take a long time creating an impression that the municipalities either condone malpractice or are unwilling to deal with it.

Of cases reported, 67% were dealt with through disciplinary processes and resulted in dismissal, suspension and even arrest. One issue which is of concern is that the survey revealed that 61% identified a lack of confidential reporting of corruption, which certainly minimizes the chances of people reporting corrupt practices for fear of victimization.

1.2.7 Service Delivery in municipalities

Within the context of South Africa, to what extent are there effective service delivery arrangements and systems in place? Some 60% to 80% of infrastructure projects are implemented despite the backlogs in service delivery, but service delivery in disadvantaged areas is still lagging behind. The levels and quality of service delivery vary from one local authority to another. The key differences in the implementation of service delivery are related to capacity within the municipality; the alignment of policy process; project cycles; financial and budgeting systems; delays in tender processes; alleged interference by councillors in operational issues; and oversight processes that cause delays.

The majority of municipalities have developed a service delivery implementation plan for 2003/2004 with projects intended to meet development priorities and objectives in the IDP. Many municipalities claim to have made substantive improvement in the delivery of basic services since 2000.

1.2.8 Risk Management and Internal Controls in municipalities

Evidence suggests that the majority of municipalities have codes of conduct in place. Some 84% have procurement committees, 72% have risk management policies, 84% have disciplinary committees, 94% have employment equity policies and 63% have compliance committees. The requirement for codes of conduct is prescribed in the Constitution of the Republic of South Africa, the Municipal Structures Act, the Municipal Systems Act, and the White Paper on Local Government.

The majority of municipalities have gone a long way towards setting in place systems, structures and processes for good corporate governance. In terms of financial management there are also by-laws in some municipalities, apart from the Municipal Finance Management Bill (adopted in September 2003), which inform expenditure management, budget management, and government expenditure liability.

The Office of the Chief Finance Operator, where it exists, is involved in internal audit, risk management and corporate financial management. Some municipalities have also developed comprehensive risk management policies, which are overseen by risk management committees, in terms of a municipal risk management action plan. There is also an example of an Internal Audit Committee of which the majority of members are not council officials. The Committee meets on quarterly basis and it reports to the accounting officer.

Various national legislative measures govern corporate governance. Procedures are outlined to ensure an ethical standard of behaviour on the part of both councillors and public officials. The tender committee plays an important role in the selection of preferred service providers. Depending on the level of financial delegation given to the particular department within the municipality preferred tenders are sent to the council or its executive committee for approval.

Although procurement processes are aimed at transparency and fairness in the awarding of tenders, they do have the effect of slowing down the process of service delivery.

The evidence suggests that the majority of municipalities have risk management and internal control mechanisms in place. It is encouraging to note that some municipalities view the Auditor General as a supportive structure, which provides guidance and direction rather than a policing mechanism. The success of risk management and internal financial control mechanisms is evidenced by the fact that financial reports by the Auditor General in the majority of municipalities studies have been found to be generally sound.

However, simply having policies in place does not guarantee good governance. It is as important to assure their effectiveness. Of all the institutional mechanisms dealing with risk management, the disciplinary committee is seen to be most effective, with a 96% effectiveness rate.

1.3 Practise Guidelines and the Identification of Performance Indicators

The specific legislative obligations imposed on municipalities in terms of the various legislative initiatives, which aim to promote the implementation of good governance, form the framework within which to identify performance indicators and practise guidelines with regard to its implementation and assessment.

In this regard the requirements placed on municipalities in terms of the Municipal Systems Act is crucial. The Municipal Systems Act requires that a municipality:

- Develops a performance management system (PMS);
- Sets targets and indicators, and monitors and reviews performance based on those indicators;
- Publishes an annual report on performance for councillors, staff, the public and other spheres of government;
- Conducts an internal audit on performance before tabling the above report;
- Has the annual performance report audited by the Auditor General;
- Includes in its PMS the General key performance indicators (KPIs) prescribed by the Minister and reports on these indicators; and
- Involves the community in setting indicators and targets and reviewing municipal performance.

Section 42 of the Municipal Systems Act states that a municipality through appropriate mechanisms, processes and procedures established in terms of Chapter 4, must involve the local community in the development, implementation and review of the municipality's performance management system, and, in particular, allow the community to participate in the setting of appropriate key performance indicators and performance targets for the municipality. In other words, and in terms of the Minister of Provincial and Local Government's Performance Management Guidelines for Municipalities (Draft 2, 2001), "In essence, the White Paper visualises a process where communities will be involved in governance matters, including planning, implementation and performance monitoring and review...[where] communities would be empowered to identify their needs, set

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performance indicators and targets and thereby hold municipalities accountable for their performance in service delivery."

In terms of the above criteria the study identifies the following as proposed Key Performance Areas, with concomitant indicators, of Good Governance Practise:
- Service Delivery;
- Community Participation;
- Community Consultation;
- Communication;
- Leadership;
- Leadership with regard to Gender;
- Co-operation and Unity;
- Council-Municipal Performance;
- Transparency;
- Corruption;
- Disclosure;
- Risk Management and Internal Control;
- Ethics and Values; and
- Service Related Indicators.

The project proceeds to establish a basis for the need to identify key performance indicators that, in addition to fulfilling legislative requirements, are also able to meet the following criteria, namely:
- The indicators enable the empowerment of communities to meet their responsibility with regard to participation, consultation, etc, as set out above in Section 42 of the Municipal Systems Act;
- The indicators are usable as a key instrument for assessing the relationship between local civil society and the respective municipal institution;
- The indicators are focused on the various elements that comprise governance, namely, municipal dealings with the public, service delivery, performance management and the implementation of Integrated Development Plans;

- The indicators emphasise accountability, transparency and effective participation in local governance for citizens;
- The indicators are usable by the municipality in the course of its performance management duties, and by organisations and bodies that deal with the municipality, be it in an unstructured, a semi-structured or a structured relationship;
- The indicators are output orientated, and as such should be measurable, objective and precise; and
- The indicators are outcome orientated, and as such provide feedback for the institution as a whole, including:
    o A review of activities – are things being done right;
    o A review of policy – are the right things being done;
    o A way of staying focused on the priorities rather than side issues; and
    o A way of turning broad objectives into real actions.

The indicators are presented in matrix format, and each indicator is dealt with categorically in terms of:
- Intended Target/ Result;
- Suggested Means of Measurement;
- Suggested Source of Information;
- Suggested Rating; and
- Has the Target/ Result been achieved?

The indicators identified for the respective key performance areas pertaining to good governance, are based on legislative requirements, accompanied by suggested ratings based on legal requirements with regard to the specific indicator and the result of numerous phases of refinement based on input from senior municipal managers and ward committees, with regard to, inter alia, the sustainability of the indicators. In terms of the above the project proposes Ranking Guidelines of Corporate Governance Indicators.

2   INTRODUCTION

The purpose of this research report is to provide perceptions of the state of governance of municipalities, including its relation to Corporate Governance, Municipal Compliance with the King 2 Report and the Public Finance Management Act, and the Municipal Finance Management Bill. This research project has examined the processes and institutions through which effective local governance unfolds, assesses decision-making and current procedures dealing with compliance and anti-corruption, and evaluates the extent of transparency in local governance. The ultimate aim of the report is to develop a framework, associated indicators and practice guidelines for improving local governance in South Africa.

2.1   Background

The advent of democracy in 1994 also ushered in the transformation of local government. Democratic transition took the form of negotiating fora in the early 1990s that led to appointed councils on which power was shared until 1995, after which transitional local councils took office and became the first truly legitimate structures of local governance. The period from about 1994 to 1997 was largely about finding new models and policies for local government. Much has been learnt during this "transitional period" of local governance, particularly in terms of financial sustainability and appropriate economies of scale for service delivery and infrastructure development. The mandate of Local Government is outlined in Chapter 7 of the Constitution (RSA 1996):

(a) To provide democratic and accountable government for local communities;
(b) To ensure the provision of services to communities in a sustainable manner;
(c) To promote social and economic development;
(d) To promote a safe and healthy environment; and
(e) To encourage the involvement of communities and community organisations in matters of local government.

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In matters of governance and participation, the study was also shaped by the four objectives for community participation set out in the 1998 White Paper on Local Government, namely:

- Political leaders remain accountable and operate within their mandate;
- Citizens (as individuals or as interest groups) have continuous input into local policies;
- Service consumers have input on the way services are delivered; and
- Organised civil society is able to enter into partnerships and contracts with local government to mobilise local resources.

It is important to note that the survey looked largely at perceptions and not verifiable facts, while the case studies attempted to verify the information received through the in-depth interviews. In this regard it should be noted that the study did not aim to measure the performance of municipalities in an objective and verifiable way – there have been numerous assessment reports, including those of Project Viability, the Demarcation Board and the Auditor-General, which have done this, with varying degrees of success. While the perceptions of citizens and local organizations frequently mirror some of the issues outlined in the above-mentioned reports, it is also important to note that the perceptions outlined here, which are predominantly from local government officials and councillors, have been shaped by a variety of factors that are outside the control of the municipality.

Nevertheless we recognise that national government has through a variety of policy instruments, tried to ensure that all municipalities have at their disposal the basic local government framework for viability. Apart from a host of programs designed to boost the capacity and output of local government, all the municipalities concerned had access to non-discretionary financial transfers, known as the equitable share (ES), from the national treasury at least since 1998 and other grants in previous years. The size of these grants is based on the level of need within the municipal area and the money is supposed to allow the municipality to ensure that the basic needs of all residents within its jurisdiction are met. Local authorities in the Eastern Cape had the largest ES transfer

of all provinces in 1998/99, 1999/2000 and the second largest in 2000/01. They also have had access to discretionary funds granted on an application basis for developing municipal infrastructure (the Consolidated Municipal Infrastructure Programme). In addition there have been numerous initiatives geared towards building the managerial and administrative capacity of the municipality e.g. Project Viability, the Presidential Project Team, the Municipal Support Programme, the Municipal Mentoring Programme plus various initiatives by the South African Local Government Association (SALGA) and NGOs. Hence, South African citizens have been patient and may now reasonably expect tangible progress towards accountable, representative and efficient local government.

2.2   Local Government In Context

In terms of the South African Constitution, three spheres of government were created with clearly defined powers and functions. The main function of the national government is to develop national policies, provide national security, defence and foreign affairs, and develop national norms and standards in relation to service delivery. The main function of provincial government is to foster regional planning and development under a decentralized form of governance. Some national powers and functions are con current with provincial government powers and functions. It is the local government sphere, which has a clear mandate to promote local economic development, and to ensure that services are delivered efficiently and effectively at a local level.

The new Constitution of the Republic of South Africa, together with Chapter 5 of the Municipal Systems Act, 2000 (Act 32 of 2000) has substantial impact on the traditional role of local government. In addition to providing municipal services, municipalities must (by law) now lead, manage and plan for development through a process of Integrated Development Planning. Statutory provision is now made for the compilation of an integrated development plan (IDP), a process through which a municipality should establish a plan for development for short, medium and long term. The IDP process enables the local authority to appraise the current legislation in the municipal area, assess the community needs, establish public participation in development, prioritize needs, set goals to meet these needs, implement programmes to achieve objectives, and measure its performance.

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The recognition of local government in the Constitution as a sphere of government has enhanced the status of local government as a whole and of municipalities in particular. The most visible commitment of national government in supporting local government is demonstrated by recent increases in transfers from national to local government, rising by 18.3% a year from 2001/02 to 2004/05. Total allocations rose from R6, 6 billion in 2001/02 to R9, 4 billion in 2003/04. The increasing resources allocated to municipalities call for commitment to corporate governance and municipal compliance with King 2 Report on Corporate Governance.

2.3   Terms Of Reference

The aim of the research was to develop a good governance framework, associated indicators and practice guidelines for improving the implementation of better local governance. Good governance has been recognised as a crucial element for effective local government and development. Various legislative initiatives from the Systems and Structures Acts to the Municipal Finance Management Bill have been undertaken to improve the governance of the municipalities.

2.4   Research topic and methodology

The focus of the research is on developing a framework, associated indicators and practice guidelines for improving local governance. As per the terms of reference, the research explored inter alia:

- Corporate governance and municipal compliance with the King principles;
- Decision-making and procedures;
- Anti-corruption measures;
- Transparency.
- Systems and structures

The methodology used during this research includes local and international literature review, and primary information gathering. The research report is drawn from in-depth assessment of six municipal case studies, which are the Inxuba Yethemba Municipality (Eastern Cape Province), the Buffalo City Municipality (Eastern Cape Province), the Cederberg Municipality (Western Cape Province), the City of Tshwane Metropolitan Municipality, the Polokwane Municipality (Limpopo Province), and the Nkangala District Municipality (Mpumalanga). In addition, a telephonic representative sample survey of 32 municipalities was conducted during July and August 2003[1]. The municipalities surveyed include all 6 Metros and 26 municipalities. Between 2 to 3 municipalities were included in the national representative survey from each of the nine provinces.

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[1] The Centre for African Research and Transformation (CART) analysed the HSRC survey using the SPSS programme. The analysis is included in section 4 of this report.

2.5   Structure of the research report

The paper is divided into five main sections. The **first section** is an executive summary, which presents the main findings on good corporate governance in South African local government.

The second section of the research paper provides background information on local government transformation within the context of the terms of reference in relation to corporate governance. The research methodology followed is also outlined, so is the structure of the report.

The third section provides a broad definition of concept of corporate governance by reviewing key literature. It is recognised that although corporate governance has its origins in the private sector, it has now come to occupy a central place within the public sector in the past five years. The section examines theoretical understanding of governance and civil society and corporate governance perspectives within the public and private sectors. Comprehensive aspects of corporate governance covered in section three which constitute corporate governance are: decision-making, public participation, community participation, transparency, disclosure, corruption, service delivery and risk management and internal control.

Section four of the research paper uses the framework outlined in section three to analyse evidence from the field using both a national representative survey of 32 municipalities, and also in-depth interviews with key informants in six municipalities. Apart from presenting each case study, this section also teases out major themes emerging from the selected municipalities. In addition, this section explores future directions in terms of corporate governance based on themes emerging from the research. Specific recommendations are make with a view to improving the present corporate governance architecture.

Section five of this research paper specifically identifies corporate governance indicators and also provides a suggested framework for good practice guide for corporate governance. Themes explored in this section are the obligation of municipalities, definition of key performance indicators and indicator matrix. Moreover, this section proposes a ranking system for corporate governance, which could be used for the purposes of evaluation and monitoring. The proposed ranking is a guide to empower local authorities to improve on corporate governance, and also provides civil society with a tool to assess the performance of municipalities in terms of corporate governance.

3 THEORETICAL APPROACH TO GOVERNANCE, CORPORATE GOVERNANCE AND CIVIL SOCIETY

3.1 Governance and Civil Society

In broad terms, we used McCarney's very simple definition of governance viz. "... this relation of civil society to state."[2] This relationship is understood to cover both the political dimension i.e. communication, engagement, decision-making, consultation and policy design as well as the more practical dimensions of delivering, receiving and paying for services and other public commodities.

It is recognised that definitions for civil society are difficult and the discourse around it often unrewarding. We subscribe to the view that associational or organized forms of civil society are comprised of multiple and overlapping groups whose membership is flexible and transient. What makes these groups 'civil' is not so much their position in society but their relationship with the state i.e. they are separate, usually interdependent and at some stage their interests could conceivably deviate from those of the state. Civil society is not necessarily grouped or organised, and those individuals who interact with the state through various small transactions such as paying taxes, voting or buying services, are equally important elements of civil society. This is a basic difference in

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[2] **McCarney, P.L.(ed), The Changing Nature of Local Government in Developing Countries, Canada: University of Toronto Press, 1996.**

definition to that for example used by the Civicus[3] where civil society is defined according to its organized character, namely:

> Civil society is the sphere of organizations and/or associations of organizations located between the family, the state, the government of the day, and the prevailing economic system, in which people with common interests associate voluntarily. Amongst these organizations, they may have common, competing, or conflicting values and interests.

This report would however generally subscribe to the more broad definition of civil society as the sphere of institutions, organizations, networks and individuals (and their values) located between the confines of the family, the state and the market, which is bound by a set of shared civic rules, and in which people associate voluntarily to advance common interests.[4]

Since our research focuses primarily on the interaction between government and community, we subscribe to the view that formal democracy is served when the public sphere (political parties and parliamentarians) represent the primary sphere (family, clan, or the individual) within the state (parliament, civil service, judiciary, security forces.) But at the informal level, civil society is the form by which special interests within the primary sphere are represented to both the state and the public sphere.[5] However the separation between civil society and state is a matter of degree i.e. certain groups like labour and business may be incorporated into certain decision-making processes or gain influence within government in exchange for the co-operation of the constituency they represent. According to Drah[6], the state thereby extends its social control by giving preferential representation to particular groups. This is perhaps one explanation for the tendency by South African civil society organizations to seek political correctness and to see

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[3] Index on Civil Society - South Africa Country Report "Two Commas and a Full Stop", SANGOC, Core & IDASA, 2001, Pg 4.
[4] Index on Civil Society - South Africa Country Report "Two Commas and a Full Stop", SANGOC, Core & IDASA, 2001, Pg 4.
[5] Le Roux and Drah in South African Task Team Report to Multilateral Workshop, pg 7: February 1998
[6] Drah, K.1995 'Civil Society: Lessons and comparisons from elsewhere in Africa' in Humphries, R and Reitz, M (eds) Civil Society after Apartheid Johannesburg: Freidrich Ebert Stiftung

themselves "...on the same side as the majority government most or all of the time" despite an acknowledged need to be seen as independent from government.[7]

Conversely Doreen Atkinson describes a voluntary-pluralist form of civil society where voluntary associations of individuals exist in a more distanced, independent and unregulated relationship with the state. This form of civil society is constantly changing and may manifest itself in various forms. Its relationship with the state is sometimes congruent and sometimes conflictual but while it may contain inherently anti-statist elements, it never seeks to take over the state.

These issues may seem somewhat abstract to the relationship between citizens and local government but they lay the basis for important debates on the extent to which the relationship between civil society and local government should be regulated. If a strong and vibrant civil society is the building blocks of a strong state, then a weak or tame civil society is in the interests of neither. When considering the many statutory provisions for regulating the relationship between municipalities and civil society e.g. the Municipal Structures Act provision for ward committees, we must be mindful of Drah's conclusion that plurality in civil society is crucial to establishing and consolidating democracy but to fulfill this role effectively, civil society must be autonomous from the state and be comprised of groupings that are not simply grouped by clan or ethnicity. Instead, civil society organisations (CSO's) must also feel themselves bound by the rules of democracy and be tolerant of each other.

Finally, we note the caution in the Local Government White Paper about the risk of informal participation, lobbying and advocacy subverting the elected leaders within our municipalities. Ever increasing and ad hoc amounts of participation, consensus building and consultation are not a recipe for good governance. There is an ideal balance between formal representative democracy and participatory democracy that has to be recognised and attained. This can only be achieved if elected public representatives and non-elected community leaders understand that their mandates differ and their roles are distinct.

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[7] SANGOC, Core & IDASA, 2001, Pg 49

3.2 Corporate Governance in Perspective

3.2.1 Business Origins of Corporate Governance

One of the most influential efforts of these public and private sector organizations has been to issue guidelines (also called principles, policies, recommendations or codes of best practice) (Alarm, 2001; Audit Commission, 2002a; Audit Commission, 2002b; Fremond and Capaul, 2002; European Commission, 2003). Adapted to their respective cultures and business structures, these guidelines and codes generally promote practices designed to enhance accountability to shareholders, improve board independence, and foster corporate responsibility (Butler, 2001; Gregory, 2000; Denis and McConnell, 2003).

In both the public and private sectors, there is a trend towards ever increasing demand for accountability and transparency as well as an increasing awareness of the necessity for having checks and balances (Cheung, 1999; Dahiya and Cupta, 1999; Gregory, 2001; Denis and McConnell, 2003).

The concept of corporate governance as a business concept arose originally in the private sector when a period of spectacular economic growth in the 1980s was followed by equally spectacular, well-publicized business failures in the 1990s in the US and the UK (Turnbull, 1999). These business failures had some common features:

- Questionable transactions/fraud
- Lack of effective control over business operations
- Power vested in too few dominant CEOs/senior managers
- Weak boards of directors
- Over optimistic financial reporting (Alarm, 2001; Gordon, 2003; Peters Committee, 2003).

In the past decade in South Africa, corporate governance has changed from being a 'soft' mainly ethical issue to a "hard" issue, recognized as pivotal to the country's development and economic growth (Malherbe and Segal, 2001). Moreover, a democratic government has the confidence to put in place independent mechanisms that prevent bribery and corruption from existing, and guarantee an even playing field for business; foreign investors can have confidence in doing business in these places (Butler, 2001; Murthy, 1998; Pedersen and Thomsen, 1999)

The main effort in South Africa at using voluntary compliance with a publicly defined standard of good governance is the King Code of Corporate Governance released in November 1994 under the auspices of The Institute of Directors in Southern Africa. Under the chairmanship of Mervyn King, a lawyer and a businessman, the King 2 Report, a revised version of the first one, was released in March 2002 (Malherbe and Segal, 2001).

3.2.2   Corporate Governance in local government – a global perspective

The principles of corporate governance apply just as much in the public sector as they do in the private sector (Alarm, 2001; Solace, 2001). International literature suggests that in general the public response to corporate governance has been patchy (Alarm, 2001; Solace, 2001). Whereas it is true that corporate governance codes of practice have been adopted in some parts of the public sector, the focus of these has largely been on financial controls. In other public sector organizations, and local authorities in particular, the focus on corporate governance activity to date has largely been:

- Ethical framework
- Fraud and corruption
- Wrongdoing
- Whistle blowing

One of the most advanced programmes of implementation of corporate governance is in the UK, where over the past three years has seen an increase in municipalities submitting Corporate Governance Codes.   The Society of Local Authority Chief

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Executives (Solace) and Senior Managers in the UK defined corporate governance as "as the system by which municipalities direct and control their functions and relate to their communities" (Solace, 2001). This definition has largely been adopted in Europe within the public sector context.

3.3 Summary

In terms of the above discussion the relationship of governance is understood to cover both the political dimension i.e. communication, engagement, decision-making, consultation and policy design as well as the more practical dimensions of delivering, receiving and paying for services and other public commodities. The framework outlined below will be used to evaluate good governance, including corporate governance within the context of local government in South Africa.

3.3.1 Framework to Analyze Municipal Governance and Corporate Governance in South Africa

This section of the report provides an overview of the framework that will be used to analyze the selected municipal case studies.

3.3.1.1 Decision-making within local government

Section 152 of the Constitution mandates local government to:

- Provide democratic and accountable government for local communities
- Ensure the provision of services to communities in a sustainable manner
- Promote a safe and healthy environment
- Encourage the involvement of communities and community organizations in the matters of local government.

In terms of the Constitution, the White Paper on Local Government and the legislation flowing from it, municipalities are required to structure and manage their administration and budgeting and planning processes to give priority to the basic needs of the community, to promote the social and economic development of the community and to participate in national and provincial development programmes. The Municipal Systems

Act (Act 32 of 2000) regulates that the Council, within a prescribed period after the start of the elected term, adopt a single, inclusive and strategic plan for the development of the municipality.

The Municipal Systems Act prescribes that decision making at municipal level should be inclusive, democratic and sensitive to the development and reconstruction programme. As a result, Council meetings should be open to the general public. The Municipal Systems Act also allows for the establishment of the Portfolio Committee to collate, analyze and deliberate on key sectoral and strategic areas for development in an inclusive and consultative manner.

3.3.1.2 Public Participation

In terms of section 42 of the Municipal Structures Act, a municipality, through appropriate mechanisms, processes and procedures, must involve the local community in the development, implementation and review of the municipality's performance management system. Various structures to enhance public participation are enshrined in legislation, and these include: the IDP Representative Forum and Ward Committees.

The Municipal Systems Act of 2002 as amended provides for the establishment of Ward Committees and other committees to enhance participation to deepen democracy. In compliance with the provisions of the Municipal Systems Act, municipalities are expected to develop institutional mechanisms and processes through which collective decisions are made and implemented, wherein citizens, sectors or groups and community pursue their visions, articulate their interests, exercise their legal rights, meet obligations and mediate their differences as required by the legislation.

3.3.1.3 Community Consultation

The Constitution of the Republic of South Africa (1996), White Paper on Local Government (1998) and the Municipal Systems Act (2000) make community consultation a central pillar of democracy within local government.

3.3.1.4 Transparency

Transparency is a cornerstone of good corporate governance and is embedded in several policies and laws in South Africa. For example, the Municipal Finance Management Bill provides far-reaching provisions that relate to performance management. Section 2 of the Bill stipulates that the objective is to secure sound and sustainable management of the financial affairs of local government institutions to which this act applies by establishing norms and standards for: ensuring transparency, accountability and appropriate lines of responsibility in the financial affairs of those institutions.

In order to promote transparency in the way government does business, all state institutions are expected to publish their annual reports in a prescribed manner. The Auditor General who reports to Parliament audits the finances of public institutions.

3.3.1.5 Disclosure

Disclosure by council members and employed officials is required by legislation (Municipal Systems Act, 2000) to ensure that there is no conflict of interest. Public representatives and employed government officials are required to sign the register of disclosure on an annual basis and to also indicate any changes during the course of the year.

3.3.1.6 Corruption

Corruption is seen as a serious crime to be dealt with using the legal instruments in place. Legislation prescribes that the code of ethics and the disciplinary committees should be established within public institutions as party of anti-corruption practices. The establishment of the Scorpions at National level reveals the importance government places in fighting corruption at all levels in society.

3.3.1.7 Service delivery

The African National Congress government in 1994 and 1999 at national level was elected on the ticket of improving the quality of life for all through improved service delivery. Government's commitment to this is revealed through the increase of funding

for social and basic services especially in areas, which were historically neglected by the apartheid government. *Batho Pele* principles affirm the imperative of a performance management system as enunciated by Section 152 of the Constitution. The White Paper on the Transformation of Service Delivery articulates that public sector, including the local government sphere, should be governed by the following ethos: consultation, quality service standards, accessibility, courtesy, openness and transparency, redress and value for money.

3.3.1.8 Risk Management and Internal Control

An integrated approach to risk management is an essential subset of corporate governance. Risk management is defined as the culture, processes and structure that are directed towards effective management of potential opportunities and threats to the organization achieving its objectives. Effective corporate governance requires that risk management be integral to policy, planning and operational management. Applying the risk management cycle – identifying, analyzing, controlling and monitoring risk – will help strategic decision makers and managers make informed decisions about appropriateness of adopting policy or service delivery options.

Various policy and legislative imperatives mandate municipalities to formulate and implement performance management system (PMS). The PMS entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed as well as determining the role of different role-players.

Section 14 (1) of the Municipal Planning and Performance Management Regulations of 2001 stipulates that a municipality must develop, and implement mechanisms, systems and processes for auditing the results of performance measurements as part of the internal auditing processes.

In terms of section 14 (2) (a) of the Municipal Planning and Performance management Regulations of 2001, a municipality is compelled to annually appoint and budget for a performance audit committee consisting of at least three members, the majority of which

may not be involved in the municipality as a councilor or employee. The municipality is not allowed by law to designate a member of an internal audit, a councilor or an employee of the municipality to appoint as chairperson of the audit committee.

3.3.1.9 Annual Review and Reporting

Due to the importance of corporate governance in maintaining and enhancing public confidence in local government, the requirements of corporate government pre-supposes that every local government should publish a statement annually in its financial statements on how it is applying the principles set out in this framework and how it is complying with its locally adopted code of corporate governance.

In terms of the precepts of corporate governance, such a statement should be signed by the leading member and by the chief executive, having been approved by the executive or other body authorized by the council, on behalf of officers and members. The statement should summarize how the authority has monitored compliance with its locally adopted code of corporate governance, and satisfied itself that it is both adequate and effective, and set out any planned changes in its corporate governance arrangements in the coming period.

4 CORPORATE GOVERNANCE IN SIX SELECTED MUNICIPALITIES

This section of the report provides an overview of perception of the state of good governance in six municipalities. The research is drawn from in-depth assessment of six municipal case studies, which are Inxuba Yethemba Municipality (Eastern Cape Province), Buffalo City Municipality (Eastern Cape Province), Cederberg Municipality (Western Cape Province), City of Tshwane Metropolitan Municipality, Polokwane Municipality (Limpopo Province), and Nkangala District Municipality (Mpumalanga)[8].

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[8] Two methodologies were used in analysing the six case studies. In addition to in-depth interviews, surveys of perceptions were carried out by Afesis-Corplan, in Inxuba Yethemba Municipality (Eastern Cape), Buffalo City Municipality (Eastern Cape) and Cederberg Municipality (Western Cape), whereas CART conducted in-depth interviews (one on one meetings lasting over an hour in each case) with Municipal Speakers, Municipal Managers, Chief Finance Officers, IDP Managers and Councillors in the City of Tshwane, Polokwane and Nkangala. A telephonic survey was undertaken of perceptions on good governance with Municipal Speakers from 32

4.1 TSHWANE METROPOLITAN MUNICIPALITY

The City of Tshwane Metropolitan Municipality is located in Gauteng Province and was established after the Local Government Elections in December 2000. Thirteen councils were amalgamated to form the new municipality. At present the City of Tshwane Metropolitan Municipality is classified as a Category A municipality, comprising a mayoral executive system combined with a ward participatory system. Of its 152 councilors, 76 are proportionally elected councilors and 76 are ward councilors. Father Smangaliso Mkhatshwa was elected the first Executive Mayor of the City of Tshwane Metropolitan Municipality on 12 December 2000. 10 members of the Mayoral Committee, each with a different portfolio, support the Executive Mayor. The mayoral Committee considers reports from various portfolios, with their recommendations, for submission to Council.

The the City of Tshwane Metropolitan Municipality covers an extensive municipal area that includes areas such as Pretoria, Centurion, Akasia and Soshanguve, as well as the surrounding areas of Mabopane, Atteridgeville, Ga-Rankuwa, Hammanskraal, Temba, Pienaarsriver, Crocodile River, Winterveld and Mamelodi with appropriately 2.2 million people. In order to implement its mission of making "The City of Tshwane the leading African capital city of excellence", the city is committed to facilitating and fostering a vibrant artistic community and cultural life

The Office of the Speaker is responsible for the establishment of the Ward Committees. The Ward Committee system is made up of 76 Ward Committees, a Regional Development Forum, three sub-regional development forums and nine zonal development forums. The Office of the Speaker has officials who are responsible for the effective and efficient co-ordination of the ward system. The Ward Committee system has a manager, an administrator, three co-coordinators and nine liaison officers. Through the Ward Committee system, business, religious communities, tertiary education and research institutions, primary and secondary education institutions, civic

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municipalities. This included all 6 Metros and 26 municipalities. An average of 2 to 3

organizations and the general public are given an opportunity to voice their opinions on matters that affect them in relation to how the Council governs the city.

The the City of Tshwane Metropolitan Municipality annual report claims that some administrative arrangements to enable the Ward Committees to perform their functions and exercise their powers effectively. However, evidence suggests that the promised resources (for example, the computer, an office and back up services) have not been allocated to a number of Ward Committees. It appears that city Ward Committees appear to be well resources due to the contribution of business organizations. Besides, there is no re remuneration for their work in the work committees.

4.1.1 Decision-making in The City of Tshwane Metropolitan Municipality

The City of Tshwane Metropolitan Municipal Council meetings are open to the public; it is only the EXCO meetings that are not open to the general public. As determined in the Municipal Systems Act, several Portfolio Committees have been established and these are open to the general public to attend. The Mayoral Committee plays an important role in the decision making process. Depending on the delegation, departmental priorities will be submitted to the Mayoral Committee for final decisions. Schedules of public meetings held by The City of Tshwane Metropolitan Municipality are advertised through different for a including municipal publications and local newspapers. Although the meetings are advertised, our attendance in one of the council meeting suggests low participation of the general public.

4.1.2 Consultation at The City of Tshwane Metropolitan Municipality

The City of Tshwane Metropolitan Municipality does develop budgets in consultation with the community structures. The City of Tshwane Metropolitan Municipality, in line with the national government, has a multi-year budget framework. In developing the budget, several meetings were held to discuss the municipality budgets for 2003/2004. The meetings were held concurrent with the IDP meetings. Report is supposedly given to the community through various media such as Internet, radio, public and commercial

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municipalities were covered by the survey in each province.

newspapers. The Executive Mayor regularly visits key constituencies such as religious groupings, business interests, and sporting and cultural agencies to communicate progress in service delivery and governance issues In the City of Tshwane Metropolitan Municipality.

The Auditor General's report is presented to the public through council meetings, which are open to the public. Council agenda is a public document, which is given to whoever has interest to see the issues under discussion. The municipality has the disciplinary committee and the procurement committee in order to deal with financial policy as well as the code of conduct and the code is written.

A number of organizations representing various constituencies made inputs into the first IDP process in 2001. The second revision of the IDP took place in July 2003, committing the Municipality to vision 2020. The IDP Office / Unit played an important role in the revised IDP 2020 through the Ward Committee system.

The the City of Tshwane Metropolitan Municipality is aware that a number of community organizations and institutions are not represented at ward level. It is hoped that the Regional Development Forum and Sub-Regional Development Forums, those organizations, which are not included in the wards can participate.

Evidence from the informants in The City of Tshwane indicated that the majority of councilors attend council meetings, and those, which are organized by the Portfolio Committees. Those council members unable to attend tender their apologies. As councilors participate in particular Portfolio Committees, they may not be informed about the deliberation of other Portfolio Committees.

4.1.3 Community Participation in The City of Tshwane Metropolitan Municipality

The Municipal Systems Act of 2002 as amended provides for the establishment of Ward Committees and other committees to enhance participation to deepen democracy. The City of Tshwane Metropolitan Municipality, in compliance with the provisions of the Act is developing institutional mechanisms and processes through which collective decisions

are made and implemented, wherein citizens, sectors or groups and community pursue their visions, articulate their interests, exercise their legal rights, meet obligations and mediate their differences as required by the legislation.

The City of Tshwane Metropolitan Municipality has engaged on the IDP review process, which was completed in July 2003. The existence of the IDP Unit has played an important role in supporting integrated development process an also in ensuring the initiation and conclusion of the IDP process. The IDP review process was characterized by a comprehensive assessment of the legislative and policy trends, institutional analysis, performance assessments and the budget review. One novel idea established in The City of Tshwane is the Mayoral Committee Assessment Panel, which help in prioritising development projects. The official internal magazine of the City of Tshwane Metropolitan Municipality also plays an important role in the dissemination of information about the programmes and activities taking place. The petitions committee closely enhances public participation. A petition's committee has been established in The City of Tshwane and works closely with the Provincial Petitions Committee.

During the review process, several institutional arrangements played important roles. Stakeholders included the municipal manager, the IDP manager, the IDP Steering Committee, IDP Task Teams, and IDP Ward Committees. In spite of the broad consultative nature of the process, some stakeholders did not give input due to institutional capacity constraints and limited understanding of the importance of the IDP process.

Ward Committees play an important role in the collation of information from different wants to be given as input to the deliberation of the Council. However, it was also noted that Ward Committee in some respects were not representative of the demographics in The City of Tshwane Metropolitan Municipality. It was revealed that only 60% of Ward Committees are effective in The City of Tshwane. Ward Committee structures are apparently not conducive in attracting some people who may add value.

The key challenges facing Ward Committees is that the majority do not have resources (such as office space and telephones) to be able to respond to the needs of the community. In some instances members of Ward Committees are not employed, work on a voluntary basis and may be literate. Ward Committees are sometimes not well versed with what is happening in their own wards. There may be instances where people enter Ward Committee structures with ulterior motives such as getting tenders. When their initial expectations are not realized, they may lose interest in participation in Ward Committees. There is a need for role clarification of Ward Committees as some may want to take the executive role of ward councilors.

In spite of the existence of Ward Committee's the council admits that the majority of citizens in the city are not aware of the working and importance of these structures. Indeed there are capacity constraints in many Ward Committees; The City of Tshwane is embarking on a R4 million grant, from USAID to build the capacity of ward councilors. In order to ensure increased participation, The City of Tshwane Metropolitan Municipality has a programme where different stakeholders are invited to meet with the Council. The Executive Mayor, together with members of the Mayoral Committee play an important role in communicating successes and challenges in several sectoral meetings held by the council. It has also become a tradition where the Executive Mayor would hold annual state of the city address to inform the general public about progress and future plans in The City of Tshwane Metropolitan Municipality.

4.1.4   Transparency at The City of Tshwane Metropolitan Municipality

Transparency is a vital pillar of good corporate governance in both public and private sectors. The City of Tshwane Metropolitan Municipality is currently involved in budget reform process to ensure transparency in the budgetary process. The intention is to ensure compliance to the provisions of the Municipal Finance Management Bill. The critical aspect of transparency is publicizing the decisions of the council. Another way in which transparency is promoted is by publicizing the agenda of the Council so that people wanting to attend can attend. The publication of the annual report of the council, and the financial report as required by the Office of the Auditor General is another way in which The City of Tshwane Metropolitan Municipality promotes transparency. The City of

Tshwane Metropolitan Municipality has constituted an oversight budget committee to deal with budget reform process.

4.1.5 Disclosure at The City of Tshwane Metropolitan Municipality

As in several other public institutions, disclosure by council members and employed officials is required by legislation (Municipal Systems Act, 2000) to ensure that there is no conflict of interest when it comes to development process, and awarding of tenders and contracts. The register includes details for example about Unit Trust Investments, Board membership and other commercial interests the members may have. Council members are required to sign the register of disclosure on a regular basis and to also indicate any changes during the course of the year. The City of Tshwane Metropolitan Municipality also has established a Rules Committee, which is chaired by the Speaker, with a responsibility to improve the code of conduct. The effectiveness of the disclosure mechanism is said to be operating well, with no significant violation on this requirement.

4.1.6 Corruption at The City of Tshwane Metropolitan Municipality

During the time of our interviews, two instances were given on how the council deals with corruption. The first example was one councillor was suspended and charged by metro police for alleged corruption (selling land illegally). The second instance was a senior who was charged with corruption and poor performance. The official was suspended while the case was referred to the National Prosecutor. Subsequent to the recommendation, the official was given severance package and his employment terminated.

Subsequent to these incidents The City of Tshwane Metropolitan Municipality embarked on a process to strengthen anticorruption measures such as setting up the Compliance Unit discussed later in this case study.

4.1.7 Service delivery at The City of Tshwane Metropolitan Municipality

The City of Tshwane Metropolitan Municipality has developed a service delivery implementation plan for 2003/2004 to stipulate projects that should be implemented to effect the development priorities and objectives articulated in the IDP. The service delivery implementation plan is also to ensure that The City of Tshwane Metropolitan Municipality is focus on community needs and that the integrated development supports the reconstruction and development programme as outlined in the IDP. Since its establishment, The City of Tshwane Metropolitan Municipality claims to have made substantive improvement in the delivery of basic and services. As evidence, increased spending on these services is noticeable.

There has been a noticeable concern about under-spending of the capital budget in The City of Tshwane. For example, in the 2001/2002 year only 70% of the budget was spent largely in disadvantaged areas. The trend was the same except a minimal improvement of 85% of capital, which was spent in 2002/2003. Some of the reasons for this include: systems problems, procurement process and project activation processes. In the words of one interviewee: "the system overreacts to prevent corruption and nepotism, but slows down delivery".

Information about services is documented through the information centre established to furnish communities with information documents. Quarterly strategic workshops between the Mayoral committee and service delivery officials evaluate the level of service delivery in this municipality. Through the service delivery implementation programme service delivery is reviewed. In addition, the IDP addresses that service delivery should give priority to previously disadvantaged communities.

Evidence from the 2001/2002 annual reports suggests that several key services were delivered to under privileged areas. Some of these areas include:

- The electricity-for-all programme
- The free basic amounts of water and electricity initiative
- The quick and visible service delivery programme

- The provision of an integrated and comprehensive systems of social services, facilities and programmes to promote social development
- Optimisation of the delivery of quality health services to the community.

Despite its focus on the previously disadvantaged areas, the Municipality also upgraded existing services and implemented new projects in historically privileged areas.

4.1.8 Systems, structures and processes at The City of Tshwane Metropolitan Municipality

The City of Tshwane Metropolitan Municipality has gone a long way in setting in place systems, structures and processes for good governance. In terms of financial management at the City of Tshwane Metropolitan Municipality there are by-laws, apart from the Municipal Finance Management Bill, which inform expenditure management, budget management, and government expenditure liability. The Office of the Chief Finance Operator of the City of Tshwane Metropolitan Municipality is involved in internal audit, risk management and corporate financial management. The City of Tshwane Metropolitan Municipality has also developed a comprehensive risk management policy, which is overseen by the risk management committee, following the agreed municipal risk management action plan. There is also an Internal Audit Committee of which the majority of members are not council officials. The Committee meets on quarterly basis and it reports to the accounting officer.

Monthly financial spent is sent to the Portfolio Committees on finance as part of corporate governance requirements. The City of Tshwane Metropolitan Municipality is one of few municipalities, which meet deadlines (at least 3 months before the deadline) in terms of submitting their financial report as prescribed by legislation.

The City of Tshwane Metropolitan Municipality is informed by various national legislative measures governing corporate governance. Procedures are outlined to ensure ethical standard of behaviour on the part of both councilors and employed public officials. The tender committee plays an important role in facilitating and selection of preferred service

providers. Depending on the amount and the delegation given to the particular section of council, preferred tenders are sent to the council for approval.

Risk management is also overseen from the legal perspective by the legal division, which provides legal opinion on council decisions, and other matters to minimize litigation. Decisions of the Portfolio Committees are reviewed from a legal perspective and appropriate legal opinions given.

Some of the codes include the personal code, the credit control code, and other risk management and internal financial control mechanisms. The financial management performance of the City of Tshwane Metropolitan Municipality has improved over the past few years. As evidence once can point out the improved and positive credit rating the municipality received. However, there are concerns that the Municipal's long-term credit rating is not positive due to service backlogs and non-payment of services in some areas. The systems, structures and processes as outlined in various documentation are impressive. The main challenge is effective implementation rather than lack of corporate governance policy practices.

One of the latest innovations in the City of Tshwane Metropolitan Municipality is the establishment of the Compliance Unit in the Office of the Executive Mayor. The Unit will be an advisory permanent functional body with no decision-making powers as far s tenders are concerned. The Unit will be an enabling body that gleans facts on functional matters assigned to it and then report to the Strategic Executive Officer. The Compliance Unit is mandated to gain access to any information, officer or employee of council that it needs and investigate any matter within the ambit of its mandate to fulfill its role and responsibilities. Moreover, the Compliance Unit is mandated to report on all projects involving SMMEs. Finally, the Compliance Unit is expected to sanction against those in material breach of conditions, and recommends improvements for fast tracking the implementation of capital projects. In brief the Compliance Unit has the following responsibilities:

- To ensure adherence to applicable procurement legislation, policies, procedures and bylaws
- To investigate the role of SMMEs as specified in the procurement contract conditions
- To consider the adequacy and effectiveness of procurement policy provisions advancing the objectives of affirming SMMEs
- To eliminate all dimension of corruption: joint venture verification, bribery, nepotism, favouritism, unauthorized actions, extortion and fronting
- Monitoring for contract compliance
- Monitoring for contract conditions and specifications.

It is important that the resolution to establish the Compliance Unit was only adopted by the City of Tshwane Metropolitan Municipality on 28 August 2003. However, its powers and objectives appear impressive. The main challenge will be whether or not the Unit is well resourced, well staffed, and given clout to implement its mandate.

4.1.9 Themes emerging from The City of Tshwane Metropolitan Municipality

The City of Tshwane Metropolitan Municipality introduced important institutions and mechanisms, which promote good corporate governance in the Gauteng province. Systems for decision-making are in place, and the bulk of these are outlined in the Municipal Systems Act and the Municipal Financial Management Bill.

In order to fulfil the national developmental objectives of eradication poverty and improving service delivery, The City of Tshwane Municipality has established mechanisms and systems to deliver services. The effectiveness of the delivery of services also depends on the availability of resources. With an annual budget of over R7 billion, The City of Tshwane Metropolitan Municipality has resources to begin to make a difference. It is council policy to spend more money in previously disadvantaged areas; however, this has not been the reality on the ground. There are recorded successful projects, which have been completed in the past 3 years. Nonetheless major backlogs in terms of service still exist. The City of Tshwane Metropolitan Municipality has noted the non-collection of service fees in some municipal areas as areas of concern.

Corruption is apparently not a major problem as mechanisms are in place to deal with. However, a few cases of successful prosecution on corruption have been recorded, including the alleged corruption by the Municipal Manager. In spite of the positive themes identified so far there are areas of concern which require action: the institutional capacity of Ward Committees is relatively weak, implementation of policies is uneven and sometimes there is an apparent contradiction between policy and practices, and the participation of the majority of people is limited among the poor.

The City of Tshwane Metropolitan Municipality appears ready to tackle corporate governance challenges. The establishment of the Compliance Unit in the Office of the Executive Mayor will go a long way in ensuring the City of Tshwane is one of the leading municipalities in adhering to corporate governance.

4.2   POLOKWANE MUNICIPALITY

The Polokwane Municipality is located in Limpopo Province was established after the Local Government Elections in December 2000 and is a category B type using the Executive Mayor System. The current municipality is an amalgamation of various settlements of the former Pietersburg/Polokwame TLC, Mankweng TLC, Maraba/Mashahane TLC, Moletje/Matlala TLC, Dikgale/Soekmekaar TLC, Bakenberg TLC, Haenertsburg TLC as well as Lebowakgomo TLC. The population of the municipality is estimated at 483,000, which is about 10% of the total population of Limpopo province.

In terms of grading, the municipality is at grade 5 with 35 wards. Two of these wards belong to the opposition parties and the rest held by the African National Congress. The vision of the Polokwane Municipality is "a safe, prosperous and caring municipality, free of poverty and inequality: promoting participatory development and providing sustainable services for a better life for all". The mission of the municipality is "to build prosperity, eradicate poverty and inequality, promote the social, political and economic development

of all our people through delivery of quality of services, community participation, promotion of local economic development and smart administration".

4.2.1   Decision-making at Polokwane Municipality

Members of the public get to know of the meetings through different forums. Dates are determined at the beginning of the year, where a yearly programme is drafted and that is published in the local newspapers such as Capricorn Voice, City Press and Sowetan Newspapers, and also through the local radio stations; the forum of traditional leaders and also distributed through ward councilors.

The Polokwane Municipal Council approved terms of reference for ten Portfolio Committees on 29 January 2001. The Portfolio Committees were constituted as follows:

- Health and social Portfolio Committee
- Economic affairs Portfolio Committee
- Infrastructure development Portfolio Committee
- Finance Portfolio Committee
- Sport recreation and culture Portfolio Committee
- Community services Portfolio Committee
- Gender youth and disabled Portfolio Committee
- Housing Portfolio Committee
- Planning and development Portfolio Committee
- Environment and waste management Portfolio Committee

Members of the public attend meetings especially when issues, which affect them, are being discussed. Even council members who are not members of Portfolio Committees attend Portfolio Committee meetings. Some 33 Ward Committees apparently exist to help coordinate community participation. These Ward Committees are well established in the Polokwane Municipality but they are not very effective. Some of the reasons, which militate against effective operation of Ward Committees, are limited education and resources for the majority of the poor. Commitment is the only qualification for participation in Ward Committee, and education is not a criterion.

For the IDP process to become a document the municipality relies on quite a number of Ward Committees. Proposals ranged from water, electricity, housing, roads LED such as assisting in communities wanting to form co-operatives, assisting with skills and also emerging farmers.

There are certain requirements for the composition of Ward Committees. For example, gender, disability, racial, geographical. In rural areas it is clearly stated that 50% of Ward Committee members should be women. This requirement is to ensure that women, who have been historically excluded from decision-making, are adequately represented. As rural women are directly affected by decisions with regards to service delivery than men, their participation in Ward Committees would ensure that they make informed decisions and proposals to be submitted to the Polokwane Municipal Council. The majority of municipal wards (33) are said to be active in terms of community participation, but the levels vary from one ward to another. Some informants indicated that in general the Ward Committees are not effective due to capacity constraints and levels of commitment.

Ward Committees still need capacity building to make them understand the role of Ward Committees. Outreach programmes to communicate current initiatives and progress in terms of service delivery are organized to share ideas and information.

4.2.2 Community Participation at Polokwane Municipality

The Polokwane Municipality, in compliance with the provisions of the Municipal Systems Act is developing institutional mechanisms and processes through which collective decisions are made and implemented, wherein citizens, sectors or groups and community pursue their visions, articulate their interests, exercise their legal rights, meet obligations and mediate their differences as required by the legislation. The Polokwane Municipality has just developed a Public Participation strategy and also established a Public Participation Unit. The participation tools identified include: outreach programmes, Ward Committees, training, brainstorming, and block and village committees

The Polokwane Municipality has engaged on the IDP review process from February to May 2003. The review process was characterized by a comprehensive assessment of the legislative and policy trends, institutional analysis, performance assessments and the budget review. Public participation sessions were also convened with various formations, including business, women, traditional leaders and youth organizations. Council convened and adopted the IDP and Budget on 30 May 2003.

During the review process, several institutional arrangements played important roles. Stakeholders included the municipal manager, the IDP manager, the IDP Steering Committee, IDP Task Teams, IDP Forum and IDP Ward Committees.

Levels of participation outside the IDP appear to vary by race, age, locality and class. The majority of employed people tend not to participate except if it is on matters, which directly affect them. Those interviewed also indicated that those who were historically empowered tend not to participate in Ward Committees in Polokwane. Of concern to the Council is limited participation of other stakeholders such as the organized business sector. The non-governmental sector, which exists in the municipality, is said not to be effectively participating in the affairs of the municipalities. However, it was noted that it is only in contentious issues such as increases in water, electricity and municipal taxes that some engagement arise from the non-government sector.

A number of challenges facing public participation have been noted during interviews. Most stakeholders in rural areas are not well organized. Although the municipality exerts effort to tap into local resources, the existence of local elites tends to minimize the participation of the majority of people. There is also an admission that the municipality may not be responding on time to some of the needs of the population, as a result, apathy may prevail. The Executive Mayor and key councilors are not always available to public hearing is not always possible.

4.2.3   Consultation at Polokwane Municipality

The Polokwane Municipality does develop budgets in consultation with the community structures. The Polokwane Municipality, in line with the national government, has a multi-year budget framework. In developing the budget, more than 5 meetings were held

to discuss the municipality budgets for 2003/2004. The meetings were held concurrent with the IDP meetings. The Report back by the municipality is supposedly given to the community using various consultative forums. For example through the Executive Mayor's visits to the people and some 5000 copies of IDP and budget were printed.

The Auditor General's report is presented to the public through council meetings, which are open to the public. Council agenda is a public document, which is given to whoever has interest to see the issues under discussion.

A number of organizations representing various constituencies made inputs into the IDP process, which was finalized in May 2003. For example, communities through Ward Committees, traditional leaders and traditional healers, the youth structures, women structures, business sector, government departments, parastatals and interested people. Participation during the drafting of the IDP was far more extensive than any other form of participation in the municipality since December 2000 when the new era of local government was established.

Evidence from the informants indicated that the majority of councilors attend council meetings, and those, which are organized by the Portfolio Committees. Those unable to attend tender their apologies. Apparently absence without permission is dealt with harshly. In the words of one informant "Absence without apology for thee consecutive meetings result in one's expulsion from the Council".

4.2.4 Transparency at Polokwane Municipality

There are several ways in which the Polokwane Municipal attempts to be transparent in several ways. This is through the publication of Council agenda, publishing the schedule of meeting of the Council, and also publishing its annual report including the financial report undertaken by the Office of the Auditor General

4.2.5 Disclosure at Polokwane Municipality

Council members are required to sign the register of disclosure on an annual basis and to also indicate any changes during the course of the year. One limitation with the current systems is there is no mechanism to monitor the process. Councilors and employees are always advised to disclose in order to avoid violating the code of conduct which is punishable by law if found.

4.2.6 Corruption at Polokwane Municipality

The Polokwane Municipality as with the majority of municipalities in South Africa has a number of policies and codes of conduct. These include: the procurement policy, risk management policy, and Anti-Fraud and Corruption Policy. Although these policies are in place, their implementation and adherence is uneven, and not always satisfactory due to limited capacity, human resource availability and fast changing nature of local government.

The Polokwane Municipality sees corruption as a serious crime, which should be dealt with if people are found practicing. Informants during interviews indicated that corruption is nevertheless not widespread. In fact they could only recall one case where a councilor was found guilty of having defrauded members of the community by selling residential sites, which were already allocated, to other people. The matter was reported to the disciplinary committee established by council. The councilor was suspended for 6 months but he voluntarily resigned.

Some of those interviewed did indicate that although only one case of corruption was reported, allegations of corruption are investigated thoroughly by the internal audit division with the assistance of external experts. Lack of reported cases does not necessarily reveal lack of corruption however. Other reasons may involve networks, which sometimes protect those who are involved in corrupt practices.

One other reason for apparent corruption free environment is that Polokwane municipality has 69 councilors of which only one is full time – Executive Mayor, the rest are part time members. This is said to have allowed members of the council to work

elsewhere and not rely on council remuneration, as it is not adequate to support their families.

4.2.7 Service delivery at Polokwane Municipality

The Polokwane Municipality has developed a service delivery implementation plan for 2003/2004 to stipulate projects that should be implemented in terms of the development priorities and objectives articulated in the IDP. The service delivery implementation plan is also to ensure that Polokwane Municipality is focus on community needs and that the integrated development supports the reconstruction and development programme as outlined in the IDP.

In order to improve levels of service delivery, the Polokwane Municipality divided the municipality into 4 service areas. These areas are: Seshego/City cluster; Moletji cluster; Mankweng cluster and Molepo/Maja/Chuene cluster. The municipality consists of a large percentage part of poor rural areas with huge backlogs in infrastructure and services. The municipality is unable to generate revenue from these poor areas. In fact these areas now have to pay for some of the services such as water, electricity, land, and housing. As a result, resources are not sufficient to allow the municipality to address the needs of the community. Transfer of revenue to municipalities from National Treasury will go a long way in addressing some of the service delivery challenges. In addition, some of the services are currently being driven from national and provincial government levels, which will over time, enable to municipality to improve the quality of life in the municipality.

Information about services is documented through the information centre established to furnish communities with information documents. Quarterly strategic workshops between the Mayoral committee and service delivery officials evaluate the level of service delivery in this municipality. Through the service delivery implementation programme service delivery is reviewed. In addition, the IDP addresses that service delivery should give priority to previously disadvantaged communities.

4.2.8 Systems, structures and processes at Polokwane Municipality

The Polokwane Municipality is informed by various national legislative measures governing corporate governance. The municipality has the **Disciplinary Committee** and the **Procurement Committee** in order to deal with financial policy as well as the code of conduct and the code is written.

A Performance Management System for Polokwane Municipality has been developed and adopted by the Council. The performance management system also provides some basis to develop employment contracts for senior managers.

Annual Procedural Mechanisms for Polokwane Municipality have also been developed. The aim of the mechanisms is to consolidate annual development targets on the basis of IDP's five-year strategic priorities. In addition, the Mayoral Committee and the management hold quarterly bosberaad where progress is reported.

The Municipality has established an Internal Auditing Mechanism in the form of an **Audit Committee** as part of auditing and quality assurance institutional arrangements in line with legislation. The purpose of the audit committee is to review quarterly reports submitted to it, review the municipal management systems and make recommendations.

The Polokwane Municipality has established a **Procurement Policy**, which promotes equity in the selection of tenders. The challenges identified include elimination of fronting and delays in the tender processes, which result in delays in completion of projects.

There is a **Code of Conduct**, which outlines ethical standard of behaviour on the part of both councilors and employed public officials.

The Polokwane Municipality has also adopted an **Anti-Corruption Policy**, which is seen as critical in rooting out corruption within the municipality.

Some other risk management and control mechanisms include the **Credit Control Policy**, which governs financial management and internal controls in Polokwane Municipality.

The systems, structures and processes as outlined in various documentations are impressive. The main challenge is effective implementation rather than lack of policy.

4.2.9 Summary of themes emerging from the Polokwane Municipality

The Polokwane Municipality has gone a long way in implementing good corporate governance in Limpopo. Systems for decision-making are in place in line with national legislation. Several risk management systems and internal control measures, in line with the national government requirements, are in place.

In order to fulfill the national developmental objectives of eradication poverty and improving service delivery, Polokwane Municipality has established mechanisms and systems to deliver services.

Corruption is apparently not a major problem as mechanisms are in place to deal with it. In spite of the positive themes identified so far there are areas of concern which require action: the institutional capacity is relatively weak, implementation of policies uneven, and the participation of the majority is limited.

4.3 NKANGALA DISTRICT MUNICIPALITY

The Nkangala District Municipality is located in Mpumalanga Province and was established after the Local Government Elections in December 2000. The Nkangala District Municipality is comprised of 50 councilors, 40% of which are directly elected including representation of the District Management Area (DMA) and 60% elected from municipalities within its area of jurisdiction. Nkangala District Municipality is a Council with the Mayoral Executive System with the Mayoral Committee members.

The Nkangala District Municipality comprises six local municipalities which are: Delmas, Dr JS Moroka, Emalahleni, Middleburg and Thembisile. The district municipality has a total of 1.5 million people living in about 150 different towns and villages throughout the region.

The Nkangala District Municipality in reviewing the IDP also managed to develop a vision and mission, which states "improved quality of life through balanced, sustainable development and service excellence" and "Nkangala District Municipality is committed to the improvement of the physical, socio-economic and institutional environment in order to address poverty and promote development respectively".

4.3.1 Decision-making in Nkangala District Municipality

Decision-making is largely by consensus. As with the rest of other municipalities, council meetings are open to the general public; it is only the EXCO meetings that are not open to the public. Evidence from the informants in Nkangala District Municipality indicated that the majority of councilors attend council meetings, and those, which are organized by the Portfolio Committees. Those council members unable to attend tender their apologies.

4.3.2 Community Participation at Nkangala District Municipality

The Nkangala District Municipality published the scheduled council meetings (calendar of meetings) at the start of the financial year to encourage the participation of the general public at council meetings. In order to improve communication, the Nkangala District Municipality has initiated a municipal newsletter where progress is reported and future plans outlined. The Nkangala District Municipality's main constituencies are the municipalities, which fall within the district. However, the Nkangala District Municipality has set in place mechanisms to communicate and engage with the general public, especially poor rural communities.

The Council is not satisfied with the level of public participations, and are planning road shows directed at communities and to the business sector to increase the level of interest.

Not all Ward Committees are functional and effective and the Nkangala District Municipality has assisted municipalities in conducting skills audit of the Ward Committees in order to identify skills needed to make Ward Committees effective. The Nkangala District Municipality, through the Norwegian partnership with SALGA, is currently providing Ward Committees with training.

4.3.3 Consultation at Nkangala District Municipality

The Nkangala District Municipality does develop budgets in consultation with the community structures. There is a consultative forum which is engaged is stakeholder relations in terms of input into the budget. The stakeholders include business, traditional leaders, youth organizations CBOs, and NGOs. The Nkangala District Municipality, in line with the national government, has a multi-year budget framework. In developing the budget, several meetings were held to discuss the municipality budgets for 2003/2004. By the time the budget is submitted several stakeholders had already given input, and have ownership of the budget.

As soon as the budget is approved, the Nkangala District Municipality directly reports to communities on the outcome of the budget and progress in terms of service delivery. Nkangala District Municipality holds imbizos whereby communities will give their opinions and views about development.

The Auditor General's report is presented to the public through council meetings, which are open to the general public. Council agenda is a public document, which is given to whoever has interest to see the issues under discussion. The municipality has the disciplinary committee and the procurement committee in order to deal with financial policy as well as the code of conduct and the code is written.

The IDP process at the Nkangala District Municipality commenced in June 2001 where stakeholders from the six local municipalities came together to discuss the compilation of the Framework Plan for the IDP process in the district. After the adoption of the Framework Plan by the municipalities, each municipality compiled its own Process Plan. To enhance cooperation between the various stakeholders, an IDP Technical Committee comprising the District Municipal Manager, Municipal Managers from various municipalities established and other officials was established. Drafts of IDP were completed in February 2002, and final approval by council in March 2002.

During the IDP review process, which was completed in July 2003, several institutional arrangements played important roles. Three structures were created: first, the internal IDP Steering Committee, which comprised the Heads of Department of the various departments of the Nkangala District Municipality. The other two structures represent consultation mechanisms between the six local municipalities, the District Municipality and the District Management Area, provincial departments and other stakeholders.

The District IDP Forum represents the political structure comprising the mayors of all municipalities in the area, political parties and stakeholder groups throughout the district. The mayor chairs the IDP Forum.

At municipality area, each has an IDP and IDP forums to encourage participation. The Nkangala District Municipality uses the IDP mechanisms to also report back to communities especially about approved projects. .

A number of organizations representing various constituencies made inputs into the IDP process. For example, communities through Ward Committees, traditional leaders and traditional healers, the youth structures, women structures, business sector, government departments, parastatals and interested people. As with other municipalities, participation during the drafting of the IDP was far more extensive than any other form of participation in the municipality since December 2000 when the new era of local government was established.

4.3.4 Transparency at Nkangala District Municipality

Transparency is a cornerstone of good corporate governance. Municipal Finance Management Bill provides far-reaching provisions that relate to performance management. Imbizos are held with communities to engage communities at Nkangala District Municipality. Annual reports including the Auditor General's reports is also given during imbizos to ensure that decisions are made transparent. In addition, the annual report is distributed widely to various stakeholders. In line with the requirements of legislation, financial report is conducted by the auditor general and made available to various stakeholders.

The allocation of grants by the Nkangala District Municipality to the municipalities is done in a transparent manner using criteria, which are agreed by all parties. For example the following is used: population size (the larger the population the higher the amount), level of service (areas of higher needs will get a higher allocation), level of cost recovery/ collection of services (the higher the amount collected the higher the allocation), and performance and capacity (the final allocation of capital budget is based on the actual amount and the capacity to spend).

4.3.5 Disclosure at Nkangala District Municipality

Disclosure by council members and employed officials is required by legislation (Municipal Systems Act, 2000) to ensure that there is no conflict of interest when it comes to development process, and awarding of tenders and contracts. Council members are required to sign the register of disclosure on an annual basis and to also indicate any changes during the course of the year. Staff members are not allowed to enter into any contract related to the business of the council. Any interests have to be declared.

4.3.6 Corruption at Nkangala District Municipality

The Nkangala District Municipality, as with the majority of municipalities in South Africa has a number of policies and a code of conduct. Whistle blowing is encouraged in the municipality. The Municipal Manager at Nkangala District Municipality has a quarterly

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staff meetings with staff in which they can report any corrupt practices. It was revealed that at least one engineer was fired after found to have breached the code of conduct.

There was once reported case of corruption where one councilor met with a contractor to solicit a bribe for the contract. The contractor reported that councilor to the technical manager who referred the matter to the municipality manager and the case is under investigation by the Scorpions.

The Nkangala District Municipality is committed to zero tolerance to corruption and most councilors and officials appear to stick to the code of conduct.

In order to ensure that there is no corruption, there are checks and balances in the approval of invoices and also in the signing of Cheques.

4.3.7 Service delivery at Nkangala District Municipality

The Nkangala District Municipality, as with The City of Tshwane and Polokwane municipalities, has developed a service delivery implementation plan for 2003/2004 to stipulate projects that should be implemented in line with development priorities and objectives articulated in the IDP.

In addition to the performance management system, the Council adopted a District Service Charter which is aimed at setting performance standards which the public can expect from the institution in its dealing with them. The Charter embraces the principles and values of the District Municipality as captured in the IDP.

The Nkangala District Municipality has the Implementation Agenda, which shows the list of approved projects, contractors, team leaders, available budgets and the period of completion. The Nkangala District Municipality saw a need to evaluate the impact of projects after the completion using an Implementation Agenda. This would allow communities are able to see progress to date. The communities would be able to get the District to account for non-completion of some of the projects.

About 80 % of projects are completed in time and there is a penalty clause for those who do not complete. The problems in relation to the other 20% of projects, which are not completed include: cash flow, surety and technical capacity on the part of SMMEs. The appointment of contractors sometimes occurs late in the financial year, which delays the completion of projects. The delays of money from the National Treasury and the Environmental Impact assessment have a huge impact on project delays. The tender approval processes also take long; some projects are too huge for completion in one financial year and need to be phased over several years.

The Nkangala District Municipality claims to be a trendsetter in the implementation of IDP. The Nkangala District Municipality has recently held a workshop with the Department of Local and Provincial Government and the presidency to pilot a project on intergovernmental relation and co-ordination.

4.3.8 Systems, structures and processes at Nkangala District Municipality

The Nkangala District Municipality has established a plethora of systems, structures and processes for good governance. Nkangala District Municipality is informed by various national legislative measures governing corporate governance.

In order for the Nkangala District Municipality to remain financially viable and well managed, the municipality has adopted a number of policies including the credit control policy, asset management policy and investment policy. The financial systems in place at Nkangala District Municipality have sufficient security measures, **internal controls and approval levels**. Access to the financial systems limited to authorized personnel by using passwords with varied access.

The Nkangala District Municipality **Procurement Policy** allows for preference based on geography, race, and price to ensure the participation of historical disadvantaged. The effectiveness of this policy is currently being reviewed as some of the criteria such as gender and race may be subject to abuse by unscrupulous contractors and consultants.

The Nkangala District Municipality follows an open tender process. In terms of the procurement process the District Municipality employs independent experts (consulting engineers) who assist in the selection of contractors using policies and guidelines developed by council. Short-listed tenderers are presented to the city manager with recommendations and motivations. Contracts over R500, 000 are normal referred to the council for final decision.

The Nkangala District Municipality has an **Internal Audit unit**, which has an oversight role in internal financial controls, and financial performance systems. In the past three years with the exception of one year, the Auditor General financial was unqualified. The Nkangala District Municipality submitted the reports one month in advance.

The Council has an **Audit Committee**, which is currently being reviewed to include the performance of the members of the audit committee. At the time of our interviews, the Council was conducting interviews with new members of the audit committee. The Council wants accounting management requirements to go hand in hand with the performance of individual members of the audit committee. The Audit Committee will look at all committees are advise the Nkangala District Municipality on good corporate governance.

At the Nkangala District Municipality, performance management and delivery is linked to the sliding scale bonus system to encourage commitment, and work ethic.

In order to assess their risk the Nkangala District Municipality sought an independent credit rating firm, which gave A for long term, and F1 in the short term, which they claim is quite impressive.

Risk Management Policy is not yet in a documented form but is under discussion. The Nkangala District Municipality has insured all their potential risks and is currently developing a Disaster Management Policy.

4.3.9 Themes emerging from the Nkangala District Municipality

One critical challenge facing the Nkangala District Municipality is the alignment of the IDP process, the budget process, and the performance management systems. Widening the parameters of IDP to also focus on investor opportunities would go along way in ensuring economic growth.

Some of the municipalities within the Nkangala District Municipality are weak and require support systems and capacity development to ensure that they are able to deliver services to the communities they serve. In addition, there is a need for capacity of councilors, improvement of intergovernmental relations between provincial government and municipalities.

Currently the Nkangala District Municipality does not have an adequate research capacity. In order to understand the trends and to be able to analyze developmental priorities, the District would like to establish a research unit.

The Nkangala District Municipality has also identified the need to develop the culture of commitment and service among councilors. On the part of employees, the manager has arranged a customer care training to improve service delivery.

The need for communities to evaluate service delivery is required in order to ensure that there is an objective assessment of progress rather than only focusing on high profile policies and programmes, was identified as of critical importance. The Service Charter and the Implementation Action Plan at the Nkangala District Municipality are useful novel innovation, which add insights on corporate governance at local area.

4.4 INXUBA YETHEMBA MUNICIPALITY

The Inxuba Yethemba municipality is a local municipality located in the Eastern Cape province. The former local and rural councils of Craddock and Middleburg, respectively, were amalgamated to form the Inxuba Yethemba municipality. The Inxuba Yethemba municipality is classified as a category B municipality with an executive mayoral system

type system. The mayoral committee consists of 3 members appointed by the Executive Mayor. Each member of the mayoral committee is chairperson of a council standing committee. There are four standing committees, namely Technical Services, Local Economic Development, Community Services, Corporate Services and Finance. The municipality has nine wards with 17 councillors, of whom 9 are ward councillors and 8 are proportional representatives of political parties. According to the 1996 census figures and municipal estimates, the population lies between approximately 60 000 – 90 000. The Inxuba Yethemba municipality's vision is of "a coherent developmental municipality putting people first and providing a better life for all its citizens". It has a budget of approximately R70 million.

Primary research was conducted via the administering of questionnaires and secondary research through the collection of additional relevant data. The 32 key respondents interviewed comprised of 31% officials, 9% councillors, 25% CBOs/ NGOs and 34% members of the public. The respondents targeted included, senior officials (including the Municipal manager and other managers), ward and mayoral committee member councillors (including the mayor and speaker), NGOs/CBOs which are actively involved in local government and members of the public including ward committee members and other individuals knowledgeable on municipal issues. Of the key respondents interviewed 59% were male and 41% female.

4.4.1 Decision-making in Inxuba Yethemba Municipality

Council meetings are held once every two months at the Inxuba Yethemba municipality. The public are given notice of the meetings through public notice boards and ward committee meetings. However, across all respondent groups, with regard to the frequency of council meetings and the publics right to attend, there was a lack of clarity on the frequency of meetings, and high levels of confusion with regard to whether or not the public was allowed to attend these meetings. Several senior officials were under the mistaken impression that mayoral meetings were open to the public. It was established that while most council meetings are open to the public, the level of attendance by the public is poor. On the other hand, most councillors at Inxuba Yethemba attend council meetings and no council meeting was cancelled in the last six months due to an inability

to reach a quorum. The latter aspect reflects positively on council, as the ultimate decision making body at local government level.

4.4.2 Consultation at Inxuba Yethemba Municipality

Ward committees in this municipality were not found to be well established or effective. It was found that less than half to none of all ward committees have, during the last six months, met according to the requirements of the municipality. The municipality has prescribed gender, disability, required interest group representation and geographical requirements with regard to the composition and/ or nomination of ward committees. With regard to the establishment of ward committees 25% of respondents reported that ward committees were well established, 38% reported that ward committees are not well established, 16% reported that ward committees are not yet in existence and 22% reported an inability to answer. With regard to the effectiveness of ward committees 9% reported very effective, 38% effective, 28% reported ineffective, 9% reported very ineffective and 19% reported an inability to answer. The findings indicate that the establishment and effectiveness of ward committees is a contentious issue in this municipal area. Despite this, 41% of respondents identified the lack of understanding of the role of ward committees as a factor which contributes to the effectiveness, or otherwise, of ward committees.

It is unclear whether Inxuba Yethemba municipality does monitor the functioning of ward committees. This may explain why the role of council in the functioning of ward committees is characterised across the respondent group by a lack of knowledge of the role that council plays (for example with regard to providing resources and administrative assistance to ward committees), in the functioning of ward committees. This is not in line with Inxuba Yethemba's mission to "ensure effective community participation".

It should be noted in this regard that while the municipal orgonogram envisages a dedicated staff member, based in the community services directorate, who will be responsible for co-ordinating community participation, the post has not been filled to date. This may explain why respondents were uncertain as to whether there is a dedicated staff member to co-ordinate community participation.

4.4.3 Community Participation in Inxuba Yethemba Municipality

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4.4.4 Transparency at Inxuba Yethemba Municipality

One of the means in which the municipality is promoting transparency in its functioning is through giving progress reports to the community through ward committees and placing copies of written progress reports in designated public places such as, for example, public libraries and municipal offices. However, with regard to the establishment and effectiveness of systems and structures to promote transparency it was found that there were high levels of confusion and uncertainty across respondent groups regarding all topics that came under scrutiny in the questionnaire regarding transparency. This was particularly evident with regard to the existence, or otherwise, and effectiveness of committees, codes, policies, etc. This reflects negatively on the issue of transparency in municipal functioning.

4.4.5 Disclosure at Inxuba Yethemba Municipality

In Inxuba Yethemba municipality councillors and officials are obliged to disclose accurate, adequate and timely information about their business interests in terms of a Code of Conduct and a council rule of procedure. Officials and councillors have been made aware of the obligation to disclose information about their business interests.

4.4.6 Corruption at Inxuba Yethemba Municipality

Pertaining to officials the Inxuba Yethemba municipality utilises the Code of Conduct outlined in the Municipal Systems Act, and the Code of Conduct contained in the Municipal Structures Act governs councillors. An instance of corruption has occurred in the last six months. The disciplinary committee dealt with the matter and disciplinary action was taken. With regard to perceptions of the respondent group as a whole, 34% of respondents reported that corruption had occurred, 34% reported that it had not and 31% reported an inability to answer. 28% of respondents identified the misadministration of public funds as the most commonly occurring form of corruption and 69% indicated an inability to answer. 38% of respondents identified the disciplinary committee as the conduit that deals with corruption and 56% reported an inability to answer. It is unclear whether this inability is due to lack of knowledge. 81% indicated an inability to identify

reasons for non-reporting of corruption and 22% identified dismissal as a consequence of corruption while 63% indicated an inability to answer.

With regard to the perception of the occurrence of corruption, the question allowed for a multi-faceted answer. 41% of respondents reported a perception that councillors abuse their positions for personal gain, 41% reported that councillors abuse their positions for political reasons, 63% reported that councillors are committed to improving the quality of life of their constituents, 34% reported a perception that officials are unnecessarily overpaid, 28% reported that officials abuse their positions for personal gain and 58% reported officials are committed to service delivery in the municipality. The findings suggest the complexity of public perceptions of councillors and officials, and highlight the importance of good corporate governance practise in municipal functioning.

4.4.7 Service Delivery at Inxuba Yethemba Municipality

The Inxuba Yethemba municipality is currently in the process of investigating core versus non-core activities, with the aim of identifying the best option for service delivery. According to the municipality it has made huge strides in removing the bucket system form of sanitation in its municipal area. It also reports strides with regard to its credit control systems.

In terms of perceptions of the respondent group with regard to whether there is a system to ensure that service delivery gives priority to previously disadvantaged communities, 59% of respondents responded in the affirmative. Across the respondent group as a whole, 81% reported that municipal offices are accessible, but there were high levels of uncertainty as to whether mechanisms to address public grievances do exist.

In terms of the above, it appears that service delivery in the Inxuba Yethemba municipality can be improved by identifying and establishing systems which enhance service delivery.

4.4.8 Systems, structures and processes at Inxuba Yethemba Municipality

The Inxuba Yethemba municipality has developed Financial Development Strategies, which include policies and procedures to enhance internal controls that are aimed at securing the establishment of a management and internal control system, and standards and mechanisms for reporting and operating. Other existing policies in place include a procurement policy and an employment equity policy, both of which exist in draft form. Existing committees include a disciplinary committee, a tender committee and a community protection services committee, each of which is fairly effective. This indicates that the Inxuba Yethemba is actively involved in establishing systems and policies that enhance the practice of good corporate governance in the municipality.

In terms of perceptions of the respondent group with regard to the establishment and effectiveness of systems and structures to combat corruption and promote accountability and transparency, it was found that there were high levels of confusion and uncertainty across respondent groups regarding all topics that came under scrutiny in the questionnaire. This was particularly evident with regard to the existence, or otherwise, and effectiveness of committees, codes, policies, etc.

4.4.9 Themes emerging from Inxuba Yethemba Municipality

An overriding concern in the municipality is the lack of a coherent plan to amalgamate Craddock and Middleburg. Shortcomings in the amalgamation are expressed in the form of sit-ins by civic organisations, albeit an infrequent occurrence. The municipality is aware of negative perceptions arising that the status of Craddock is more favourable than Middelburg. As such there is a need to apply policies within the entire municipal area in a manner that reflects equity and fairness, and is sensitive to the negative perceptions. In this respect the municipality has identified promoting the understanding and practise of participatory democracy into one of its key areas for the future.

Service delivery is hampered in terms of restricted finances. Financial constraints were evident prior to the amalgamation, but exacerbated after the amalgamation by the shrinking tax base for the extended area, the inherited loans and a staff complement of two councils totalling approximately 400, and to which half the available budget is

collectively allocated in terms of staffing costs. In addition to this, there is an obstacle to the implementation of good governance practice in the form of a severe lack of access, by officials and councillors, to information technology and communication systems. The severity of the problem should be considered in light of the fact that there are municipal offices in both Craddock and Middelburg, which are a distance apart and together relatively isolated from other stakeholders and role-players, including other spheres of government.

Key challenges that have been identified by Inxuba Yethemba municipality include the completion of all outstanding establishment matters, improving the administrative capacity and governance of the institution, generating revenue, establishing management and internal control systems in the finance section and making effective and maximal utilisation of IT.

The levels of uncertainty of councillors and officials regarding many of the issues addressed in this study are a matter of concern. Many respondents in this group indicated an inability to answer questions that it is their business to know about. This reflects negatively on Council and the municipality, as the basis for implementing good governance practice is a sound knowledge and understanding of the context.

4.5   BUFFALO CITY MUNICIPALITY

Buffalo City is a local municipality based in the Eastern Cape, with a budget of approximately R1, 4 billion. It comprises of a mayoral executive system combined with a ward participatory system. Ward committees from 45 wards were elected during the period 19 November 2001 to 4 December 2001. The municipal vision of Buffalo City is as "a people-centered place of opportunity where the basic needs of all are met in a safe, healthy and sustainable environment".[9] According to the 1996 census figures and municipal estimates, the population lies between 700 000 – 1 000 000, and is spread over the East London, King Williams Town and Bisho area. The Buffalo City municipality is frequently characterized as an aspirant metro.

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[9] IDP document, page 111.

Primary research was conducted via the administering of questionnaires and secondary research through the collection of additional relevant data. The 44 key respondents interviewed comprised of 23% officials, 14% councillors, 20% CBOs/ NGOs and 36% members of the public. The respondents targeted included, where possible, senior officials (including the Municipal manager and other managers), ward and mayoral committee member councillors (including the mayor and speaker), NGOs/CBOs which are actively involved in local government and members of the public including ward committee members and other individuals knowledgeable on municipal issues. Of the key respondents interviewed 48% were male and 39% female.

4.5.1 Decision-making in Buffalo City Municipality

Council meetings are held once a month in Buffalo City municipality and members of the public are allowed to attend most council meetings. Members of the public are informed of council meetings through the local newspaper. Most officials and councillors reported dissatisfaction with the level of attendance of members of the public at council meetings. Members of the public are not allowed to attend mayoral executive committee meetings. Perceptions with regard to the frequency of council meetings and the publics right to attend, across the respondent group reflected a lack of clarity on the frequency of meetings, and high levels of confusion with regard to whether or not the public was allowed to attend these meetings.

Municipal staff reported that councillor attendance at council meetings is high and no council meeting was cancelled in the last six months due to an inability to reach a quorum. The latter aspect reflects positively on council, as the ultimate decision making body at local government level.

4.5.2 Consultation at Buffalo City Municipality

Buffalo City appointed professional facilitators to conduct community workshops which had dual aims. Firstly, to inform communities and, secondly, to accord communities an opportunity to scrutinise the identified priority issues, as encapsulated by the municipality

for purposes of the IDP process, with the matching objectives. In addition to this, during the months of September and October 2001, the executive mayor of Buffalo City municipality convened public meetings, or a listening campaign, in all areas of the municipality, with the object of hearing the needs of the people of Buffalo City. The Buffalo City municipality also held community meetings to discuss the municipal budget for 2003/ 2004, and these meetings were well attended by members of the public and organised forms of civil society. With regard to perceptions of public participation in the IDP process, the municipal budget, and the presentation of the Auditor General's report 48% of respondents reported that council gives progress reports to the community on municipal projects and programmes.

4.5.3 Community Participation in Buffalo City Municipality

Buffalo City municipality has gender, disability, required interest group representation and geographical requirements for the composition and/ or nomination of ward committees. The directorate for Corporate Services is responsible for providing administrative support to ward committees. Ward committees in the Buffalo City municipal area are well established and effective. Municipal staff were of the view that the ward committees in their municipal area were more advanced than other ward committees in the country. Despite this, perceptions with regard to the establishment of ward committees reflected that 41% of respondents reported that ward committees were well established, 43% reported that ward committees are not well established, 0% reported that ward committees are not yet in existence and 16% reported an inability to answer. With regard to the effectiveness of ward committees 5% reported that ward committees are very effective, 39% reported that ward committees are effective, 32% reported that ward committees are ineffective, 5% reported that ward committees are very ineffective and 16% reported an inability to answer. However, the inability to answer was predominantly a reflection of members of the public with minimal council contact. The findings indicate that the establishment and effectiveness of ward committees may be a contentious issue in this municipal area. Despite this, 50% of respondents identified literacy rates as a factor that contributes to the effectiveness, or otherwise, of ward committees, while 57% identified the lack of understanding of the role of ward committees and 41% identified access to resources as other relevant factors.

Buffalo City municipality monitors the functioning of ward committees. There is a staff member based in the corporate services directorate who is responsible for co-ordinating community participation. The municipality does provide resources or funding for community participation. With regard to the role of council in the functioning of ward committees, within the respondent group as a whole, 61% of respondents reported that there was a staff member within the municipality who is responsible for coordinating community participation and 73% of respondents reported that the municipality does provide resources or funding for community participation. This seems to suggest that the municipal communication system to enhance public participation has been successful.

4.5.4   Transparency at Buffalo City Municipality

One of the means through which the Buffalo City municipality is promoting transparency in its functioning is through giving progress reports to the community through municipal newsletters. Only 48% of respondents across the respondent group as a whole reported that council gives progress reports to the community on municipal projects and programmes. This seems to indicate that municipal processes need to be enhanced with regard to transparency.

4.5.5   Disclosure at Buffalo City Municipality

In the Buffalo City municipality councillors and officials are obliged to disclose accurate, adequate and timely information about their business interests in terms of a Code of Conduct. Officials and councillors have been made aware of the obligation to disclose information about their business interests. In addition, the Buffalo City municipality has drafted a Gifts and Benefits policy, aimed at facilitating disclosure.

4.5.6   Corruption at Buffalo City Municipality

The Buffalo City municipality utilises the Code of Conduct outlined in the Municipal Systems Act. Council has also approved an ethics policy. Isolated incidents of corruption have been experienced in the past year, predominantly regarding the misadministration of public funds and resources, that is, dishonesty in the form of misappropriation of

municipal property. Generally, with regard to perceptions across the respondent group as a whole, 30% of respondents reported that corruption had occurred, 25% reported that corruption had not occurred and 45% reported an inability to answer. On the most commonly occurring form of corruption 68% indicated an inability to answer. 75% of respondents indicated an inability to identify the conduit that deals with corruption, 86% indicated an inability to identify reasons for non-reporting of corruption and 80% indicated an inability to identify consequences of corruption.

With regard to the perception of the occurrence of corruption, the question allowed for a multi-faceted answer. 50% of respondents reported a perception that councillors abuse their positions for personal gain, 59% reported a perception that that councillors abuse their positions for political reasons, 43% reported a perception that that councillors are committed to improving the quality of life of their constituents, 50% reported a perception that officials are unnecessarily overpaid, 45% reported a perception that officials abuse their positions for personal gain, 39% reported a perception that officials are committed to service delivery in the municipality and 9% indicated an inability to answer. The findings suggest the predominantly negative public perceptions of councillors and officials in this urban area.

4.5.7 Service Delivery at Buffalo City Municipality

Service delivery in Buffalo City municipality was based on an assessment of community needs, which was based on the joint prioritisation by ward councillors of what was perceived to be the most significant needs of the municipal area as a whole.

In terms of perceptions of the respondent group with regard to whether there is a system to ensure that service delivery gives priority to previously disadvantaged communities, 66% of respondents responded in the affirmative.

Performance appraisal requirements do not exist for junior and mid-level officers and senior staff. There are no requirements for regular, formal and transparent performance appraisals of individual employees of the municipality. Service standards have not been specified and published. There is no coherent programme in place for reviewing service

delivery mechanisms. All the above factors are clearly counter-productive to the municipal vision as encapsulated above. With regard to the accessibility of municipal offices, 86% reported a perception that municipal offices are accessible.

4.5.8 Systems, structures and processes at Buffalo City Municipality

Buffalo City municipality has procurement, employment equity, fraud and corruption, confidential reporting (whistle blowing) and financial regulations policies in place. Procurement and audit committees are also in place. Disciplinary issues are dealt with by the respective department as a line function. The code of conduct applied is in terms of the schedule to the Municipal Systems Act. Council has approved an ethics policy. There was an indication amongst officials that most policies mentioned in the questionnaire were in the process of being adopted or finalised.

With regard to perceptions of the establishment and effectiveness of systems and structures to combat corruption and promote accountability and transparency it was found that there were high levels of confusion and uncertainty across respondent groups regarding all topics that came under scrutiny on this area. This was particularly evident with regard to the existence, or otherwise, and effectiveness of committees, codes, policies, etc.

4.5.9 Themes emerging from Buffalo City Municipality

Buffalo City municipality has made strides with regard to addressing issues of corporate governance. Systems and structures have been established to deal with the respective issues. However, it appears that issues of service delivery have not received the same attention. Several mechanisms for improving service delivery remain absent in Buffalo City municipality. In this regard, several councillors raised slow delivery as an area of concern. In addition, the municipality reported progress in enhancing the general effectiveness of the municipality as a whole by successfully addressing the accommodation of full time councillors in the municipal offices in an amicable manner.

With regard to knowledge on the tax base, grade and population size of the municipal area it was found that there is a high level of confusion and uncertainty across respondent groups regarding the tax base, grade and population size of the municipal area. Generally, there is confusion and uncertainty across respondent groups regarding several topics that came under scrutiny in the questionnaire. For example, regarding whether council operates in an open and accountable way, be it through openness of council meetings, budgeting processes or reporting to communities on projects, expenditure and financial performance, etc. Councillors and officials seemed to be rather unaware of the limitations in the performance of the Council/municipality. The lack of knowledge of councillors and officials regarding certain issues addressed in the interviews are a matter of concern. Many respondents in this group indicated an inability to answer questions that it is their business to know about. It is clear that the basis for implementation of good governance is a sound knowledge and understanding of the context.

4.6   CEDERBERG MUNICIPALITY

The Cederberg Municipality is a local level municipality situated in the West Coast District Municipality of the Western Cape Province. The Cederburg Municipality was established with the consolidation of the following previous Local Transitional Councils namely; Citrusdal, Clanwilliam, Lambertsbay, Graafwater as well as part of Piketberg; previous Local Representative Transitional Councils, namely; parts of Vredendal, Piketberg and Clanwilliam; as well as the communities of Wupperthal Mission station and its communities, Leipoldtville and Elandsbay. Cederberg has a budget of approximately R27 million, and its mission is "striving to provide affordable and sustainable services in an efficient and effective manner"[10].

The Cederberg municipality has 6 wards and 12 councillors, of whom 6 are ward committee members and 6 are proportional representatives of political parties. According to the 1996 Census information available, the Cederburg Municipality consists of a population of 31 704 people.

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[10] IDP document, page 11.

Primary research was conducted via the administering of questionnaires and secondary research through the collection of additional relevant data. Due to unforeseen circumstances difficulties were experienced in interviewing several of the relevant officials. The 33 key respondents interviewed comprised of 6% officials, 18% councillors, 30% CBOs/ NGOs and 45% members of the public. The respondents targeted included, where possible, senior officials (including the IDP manager and other managers), ward and mayoral committee member councillors, NGOs/ CBOs that are actively involved in local government and members of the public including ward committee members and other individuals knowledgeable on municipal issues. Of the key respondents interviewed 48% were male and 42% female.

4.6.1   Decision-making in Cederberg Municipality

Council meetings are held four times per annum, that is, once every three months. These meetings are open to the public but are not well attended. Most officials and councillors reported dissatisfaction with the level of attendance of members of the public at council meetings. Despite this, 58% of respondents identified municipal newsletters as the means of council communication for informing the public of council meetings.

Members of the public are not allowed to attend mayoral executive committee meetings. With regard to the frequency of council meetings and the publics right to attend there was a lack of clarity, within the respondent group taken as a whole, on the frequency of meetings, and high levels of confusion with regard to whether or not the public was allowed to attend these meetings.

Municipal staff reported that councillor attendance at council meetings is high and no council meeting was cancelled in the last six months due to an inability to reach a quorum. The latter aspect reflects positively on council, as the ultimate decision making body at local government level.

4.6.2 Consultation at Cederberg Municipality

A series of community meetings were held across the 6 wards in Cederberg as part of the IDP planning process. Community meetings have also been held to discuss the municipal budget for 2003/ 2004, and these meetings were well attended by members of the public and organised forms of civil society.

With regard to public participation in the IDP process, the municipal budget, and the presentation of the Auditor General's report, 73% of respondents, within the respondent group as a whole, reported that council gives progress reports to the community on municipal projects and programmes. The issue of whether there is a dedicated staff member to co-ordinate community participation was, similarly, not a contentious one, with 73% of respondents across the respondent group reporting that there is a staff member responsible for co-ordinating community participation. This reflects positively on municipal processes.

4.6.3 Community Participation in Cederberg Municipality

With regard to the establishment of ward committees, 24% of respondents within the respondent group as a whole, reported that ward committees were well established, 61% reported that they are not well established, 6% reported that ward committees are not yet in existence and 9% reported an inability to answer. With regard to the effectiveness of ward committees 12% reported that ward committees are very effective, 24% reported that ward committees are effective, 39% reported that ward committees are ineffective, 18% reported that ward committees are very ineffective and 6% reported an inability to answer. The findings indicate that the establishment of ward committees is not satisfactory, and the effectiveness of ward committees is a contentious issue in this municipal area. 45% of respondents identified unemployment and 30% identified the lack of understanding of the role of ward committees, as factors which contribute to the effectiveness, or otherwise, of ward committees.

It should be noted that ward forums were established in order to ensure the active participation of both organised and unorganised interest groups within the communities of Cederberg in the IDP process. As the name implies, these public participation forums

were established along the existent wards within the municipality, but with express and temporary responsibilities towards the establishment and implementation of the IDP. These IDP Ward Forums currently still represent the public participation mechanism utilised by the Cederburg Municipality. The municipality and council is however also in discussions regarding the establishment of representative ward committees, as are all municipalities within the Western Cape, in order to align its public participation mechanisms with those utilised in other provinces.

Cederberg municipality monitors the functioning of ward committees. There is a staff member who is responsible for co-ordinating community participation. The municipality does provide resources or funding for community participation. With regard to the role of council in the functioning of ward committees, within the respondent group taken as a whole, 73% reported that there was a staff member within the municipality who is responsible for coordinating community participation and 39% reported that the municipality does provide resources or funding for community participation. This seems to suggest that the municipal communication system has been more successful in some regards than others.

4.6.4 Transparency at Cederberg Municipality

73% of respondents across the respondent group as a whole indicated that Cederberg municipality does provide progress reports. The latter is reflective of Cederberg municipality functioning in a manner that promotes transparency.

4.6.5 Disclosure at Cederberg Municipality

In the Cederberg municipality councillors and officials are obliged to disclose accurate, adequate and timely information about their business interests in terms of a Code of Conduct. Officials and councillors have been made aware of the obligation to disclose information about their business interests.

4.6.6 Corruption at Cederberg Municipality

The Cederberg municipality has a Code of Conduct. Isolated incidents of corruption have been experienced in the past year predominantly regarding the misadministration of public funds and resources and the signing of cheques without the appropriate channels. Within the respondent group as a whole, with regard to the occurrence of corruption, 12% reported the occurrence of corruption, 36% reported that no corruption had occurred and 51% reported an inability to answer. On the most commonly occurring form of corruption 88% indicated an inability to answer, 79% of respondents indicated an inability to identify the conduit that deals with corruption, 85% indicated an inability to identify reasons for non-reporting of corruption and 76% indicated an inability to identify consequences of corruption. This indicates a severe lack of knowledge of what constitutes corruption and the means to address corruption.

With regard to the perception of the occurrence of corruption, the question allowed for a multi-faceted answer. 52% of respondents reported a perception that councillors abuse their positions for personal gain, 12% reported a perception that councillors abuse their positions for political reasons, 21% reported a perception that councillors are committed to improving the quality of life of their constituents, 12% reported a perception that officials are unnecessarily overpaid, 18% reported a perception that officials abuse their positions for personal gain, 12% reported a perception that officials are committed to service delivery in the municipality and 30% indicated an inability to answer. The findings suggest the predominantly negative public perceptions of councillors and officials with regard to corruption.

4.6.7 Service Delivery at Cederberg Municipality

In Cederberg municipality performance appraisal requirements do exist for junior and mid-level officers and senior staff, and there are requirements for regular, formal and transparent performance appraisals of individual employees of the municipality. However, service standards have not been specified and published for Cederberg municipality and there is no coherent programme in place for reviewing service delivery mechanisms. This is counter-productive to the municipal vision as encapsulated above. With regard to service delivery, within the respondent group as a whole, there were high

levels of uncertainty, with 36% of respondents reporting a perception that there is a system to ensure that service delivery gives priority to previously disadvantaged communities.

With regard to the accessibility of municipal offices, 94% reported that the offices are accessible. With regard to mechanisms to address public grievances, across the respondent group as a whole, there are high levels of uncertainty as to whether these mechanisms do exist.

4.6.8 Systems, structures and processes at Cederberg Municipality

Cederberg municipality has procurement, employment equity, and financial regulations policies in place. A disciplinary committee is also in place. With regard to the establishment and effectiveness of systems and structures to combat corruption and promote accountability and transparency it was found that there were high levels of confusion and uncertainty across respondent groups regarding all topics that came under scrutiny on this area. This was particularly evident with regard to the existence, or otherwise, and effectiveness of committees, codes, policies, etc.

4.6.9 Themes emerging from Cederberg Municipality

Cederburg municipality has initiated mechanisms with which to address issues of corporate governance. Certain systems and structures have been established to deal with the respective issues. However, it appears that much more needs to be done to adequately address corporate governance issues. This also applies to issues of service delivery. Several mechanisms for improving service delivery remain absent in Cederberg municipality.

Councillors and officials seemed to be rather unaware of the limitations in the performance of the municipality. In addition, the uncertainty amongst certain councillors and officials regarding many of the issues addressed in this survey is a matter of concern. Many respondents in this group indicated an inability to answer questions that it is their business to know about.

Across the respondent group as a whole, there is confusion and uncertainty across most topics that came under scrutiny in the questionnaire. For example, regarding whether council operates in an open and accountable way, be it through openness of council meetings, budgeting processes or reporting to communities on projects, expenditure and financial performance, etc. With regard to knowledge on the tax base, grade and population size of the municipal area it was found that the questionnaires did not record responses to these questions, which seems to indicate a high level of confusion and uncertainty across respondent groups regarding the tax base, grade and population size of the municipal area. This reflects negatively on Council and the municipality, as the basis for implementation of good governance is a sound knowledge and understanding of the context.

4.7 EMERGING THEMES FROM NATIONAL SURVEY AND IN-DEPTH MUNICIPAL CASE STUDIES

4.7.1 Decision-making

In virtually all municipalities, the Municipal Council meetings are generally open to the public; it is only the EXCO meetings that are not open to the general public. The frequency of the Council meetings is usually one per month. As determined in the Municipal Systems Act, several portfolio committees have been established and these are open to the general public to attend. In any municipality, the Mayoral Committee, or EXCO plays an important role in the decision making process. Depending on the delegation, departmental priorities would be submitted to the Mayoral Committee for final decisions. Schedules of public meetings held by the Municipality are normally advertised through different for a including municipal publications and local newspapers. Although the meetings are advertised, general public attendance in all municipalities is low. In general, civil society feels more could be done to ensure broadening levels of decision making within local government.

The national survey revealed that only 31% of speakers from municipalities indicated their satisfaction with the attendance of the general public in meetings.[11] There are several reasons for this. One is that the majority of notices (56%) for scheduled meetings are advertised in the press and the rest in Ward Committees where there the majority of the poor do not necessarily participate. In cases where Ward Committees are ineffective or are plagued with mal-administration, Councils normally intervene (53%). In some provinces this number is higher. For example, the Western Cape and KwaZulu-Natal provinces did not opt for types of municipalities that could establish ward committees. As such, while a number of municipalities in KwaZulu-Natal have established ward committees and the Western Cape may also start to in the near future, in terms of the National Conference on Ward Committees hosted by the Department of Provincial and Local Government in June 2003, the ineffectiveness of ward committees are more pronounced in these provinces.

4.7.2 Community Participation

The levels and quality of community participation differ by municipality. The nature of the issues under consideration also has an impact on how communities participate. For example, municipalities develop budgets in consultation with the community structures. The Municipalities, in line with the national government, has a multi-year budget framework. The meetings are often held concurrent with the IDP meetings. As indicated earlier, the degree of the participation depends on availability of time, resources, and literacy levels.

4.7.3 Community Consultation

A significant number of municipalities were engaged on the IDP review process, which was completed between February and July 2003. In the majority of cases, the existence of the IDP Units played an important role in supporting integrated development process an also in ensuring the initiation and conclusion of the IDP process. The IDP review

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[11] Some 32 Speakers from municipalities were interviewed telephonically. The composition of speakers was 56% male and 44 % female. An average of 3 to 4 municipalities were included per

processes were characterized by a comprehensive assessment of the legislative and policy trends, institutional analysis, performance assessments and the budget review.

The majority of South African municipalities have established Ward Committees although the degree of their functionality varies. Often the Office of the Speaker is responsible for the establishment of the ward committees. The Office of the Speaker has officials who are responsible for the effective and efficient co-ordination of the ward system. Depending on the size of the municipality, the ward committee system has a manager, an administrator, co-coordinators and liaison officers. Through the ward committee system it is hoped that the majority of stakeholders can give input into governance issues in municipality.

In spite of the broad consultative nature of the process, some stakeholders are not able to give input due to institutional capacity constraints and limited understanding of the importance of the IDP process.

Ward Committees play an important role in the collation of information from different stakeholders. However, it was also noted that Ward Committee in some respects were not representative of the demographics in some municipalities. Ward Committee structures are apparently not conducive in attracting some people who may add value. The national survey suggests that Factors, which hinder the participation of people in ward committees, include unemployment (14%), lack of understanding of their role (17), illiteracy (28%), and lack of access to resources.

In spite of the existence of Ward Committee's some municipalities, especially Speakers, admit that the majority of citizens in the city are not aware of the working and importance of these structures. The national survey of municipalities indicated that 31% of the Ward Committees are ineffective. In some provinces this number is very high.

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province

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4.7.4 Transparency

The critical aspect of transparency is publicizing the decisions of the council. Another way in which transparency is promoted is by publicizing the agenda of the Council so that people wanting to attend can attend. The publication of the annual report of the council, and the financial report as required by the Office of the Auditor General is another way in which municipalities promote transparency. Levels of transparency differ by size of municipality. At national level, some 69% of municipalities claim to have presented their annual report to the general public largely through a public meetings.

4.7.5 Disclosure

In order to ensure that there is no conflict of interests, public institutions requires officials and politicians to declare their financial / wealth interests. The effectiveness of the disclosure mechanism is said to be operating well, with no significant violation on this requirement. Civil society and NGOs tend to indicate that levels of disclosure are not adequate, and urge that government should ensure that this is done in the interest of good corporate governance.

4.7.6 Corruption

The national survey of municipalities suggested that the majority of Municipal Speakers (65%)[12] had experienced some form of corruption. The different types of corrupt practices were nepotism (9%), unathorised cheques (33%), tender processes (57%), and misadministration (including theft, misuse of public resources etc). In terms of where corruption is reported to, the majority report to the Municipal Manager (53%), followed by the legal advisors /law department (33%), police (29%) and the Disciplinary Committee (24%).

During the time of our interviews, in several municipalities, a few instances were given on how some municipalities deal with corruption. Interviews of civil society organisations

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[12] It is important to indicate that this figure is more of a perception rather than a report of factual instances of corruption.

further indicate that their perception about municipal corruption is high. As indicated, perceptions do not necessarily reflect actual instances of corruption.

It is important to point out that the extent and nature of corruption is not necessarily widespread although the few cases made national and internal headlines. The response to such cases differ by municipalities with some quick to respond to corrupt practices while in a number of cases disciplinary and administrative hearings tended to take a long time creating an impression that such municipalities either condone malpractice or are unwilling to deal with such cases because of the profile of the alleged offenders. Of those cases, which are reported, 67% are sent through the disciplinary processes. Others result in dismissal, suspension and even arrest. One issue which is of concern is that 61% of confidentiality reporting, which would minimize the changes of people reporting corrupt practices

4.7.7 Service Delivery

Within the context of South Africa, to what extent are there effective service delivery arrangements and systems in place? Some 60% to 80% of infrastructure projects are implemented despite the backlogs in service delivery. Of more concern is that service delivery in disadvantaged areas is still lagging behind. The levels and quality of service delivery vary from one local authority to another. The key differences in the implementation of service delivery related to capacity within the municipality to deliver, the alignment of policy process, project cycle and financial and budgeting systems. Other key aspects relate to results to delays in the tender process, alleged interference of operational issues by councilors, and apparent contradictory processes which have oversight on corruption but having unintended consequences of delaying service delivery processes.

The majority of municipalities have developed a service delivery implementation plans for 2003/2004 to stipulate projects that should be implemented to effect the development priorities and objectives articulated in the IDP. The service delivery implementation plans are also to ensure that municipalities are focus on community needs and that the integrated development supports the reconstruction and development programme as

outlined in the IDP. Since their establishment in 2000, virtually all municipalities claim to have made substantive improvement in the delivery of basic and services. As evidence, increased spending on these services is noticeable.

4.7.8 Risk Management and Internal Controls

Evidence from our study suggests that the majority of municipalities have various codes of conduct in place. To support this finding, it is important to indicate that the national survey of good corporate governance reveal that 84% of municipalities have procurement committees, 72% have risk management policies, 84% have disciplinary committees, 94% have employment equity policies, and 63% have compliance committees. The requirement for the existence of the codes of conduct are prescribed in the Constitution of the Republic of South Africa, the Municipal Structures Act, Municipal Systems Act, and the White Paper on Local Government.

The majority of municipalities have gone a long way in setting in place systems, structures and processes for good corporate governance. In terms of financial management there are also by-laws in some municipalities, apart from the Municipal Finance Management Bill, which inform expenditure management, budget management, and government expenditure liability.

The Office of the Chief Finance Operator in the majority of municipalities where they exist is involved in internal audit, risk management and corporate financial management. Some municipalities have also developed comprehensive risk management policies, which are overseen by the risk management committees, following the agreed municipal risk management action plan. There is also an Internal Audit Committee of which the majority of members are not council officials. The Committee meets on quarterly basis and it reports to the accounting officer.

Municipalities are informed by various national legislative measures governing corporate governance. Procedures are outlined to ensure ethical standard of behaviour on the part of both councilors and employed public officials. The tender committee plays an important role in facilitating and selection of preferred service providers. Depending on

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the amount and the delegation given to the particular section of council, preferred tenders are sent to the council for approval.

Although structures such as procurement are aimed at transparency and fairness in the awarding of tenders, they indirectly slow down the process of service delivery. The overwhelming evidence suggests that the majority of municipalities have risk management and internal control mechanisms in place. It is encouraging to note that some municipalities view the Auditor General and a supportive structure, which provides guidance and direction rather than a policing mechanism.

Presence of several policies is not one component of corporate governance. The other equally important aspect is to assess their effectiveness. Of all the institutional mechanisms dealing with risk management, the disciplinary committees are seen to be effective (96% effectiveness rate).

4.8 FUTURE DIRECTIONS

The municipalities interviewed during the course of this study indicated their commitment in focusing on the needs of the communities they serve and to ensuring community participation. Weaknesses in systems and institutional arrangements such as Ward Committees have also been noted in some municipalities. It is recommended that such mechanisms, institutions and systems set in place to ensure effective focus on communities be reviewed on continuous basis. Appropriate resources should be allocated to build the capacity of both municipal officials and community based structures to ensure effective participation in the implementation of the Integrated Development Plans.

The municipalities interviewed during the course of this study indicated their commitment to democratic decision-making processes. Although additional resources and capacity are being granted to municipalities to ensure enhancing decision-making, efforts should also be exerted to encourage civil society participation in decision-making.

4.8.1 Community Participation

In order to improve the capacity for effective community participation, appropriate resources should be allocated to build the capacity of both municipal officials and community based structures to ensure effective participation in the implementation of the Integrated Development Plans.

4.8.2 Community Consultation

Some limitations have been identified in systems and institutional arrangements such as Ward Committees in a significant number of municipalities. It is recommended that such mechanisms, institutions and systems set in place to ensure effective focus on communities be reviewed on continuous basis.

4.8.3 Transparency

In order to improve levels and quality of reporting and therefore transparency, it is recommended that a standardized format of report be agreed from which municipalities should follow. This will enable proper assessment of progress as outlined in the IDP process. Financial resources allocated for reporting has an impact on the quality and depth of reporting. There is an international precedence to this recommendation and several municipalities in Europe, India and Latin America are currently following sustainability reporting, which meets minimum corporate governance principles.

4.8.4 Disclosure

Although a significant number of municipalities indicated that there was a certain degree of disclosure to ensure that there are no conflicts of interests, such registers of interests are not made public. It is recommended that these are made public, as is the case in Parliament.

4.8.5 Corruption

All municipalities show zero tolerance to corruption, however it is recommended that suspended officials and councilors implement the recommendations of disciplinary committees and from the National Prosecution Authority speedily in order to curtail the abuse of resources.

4.8.6 Service Delivery

As the levels and quality of services delivered by various municipalities vary over time, it is important to set in place mechanisms for improvement. Minimum standards and targets for performance should be established, monitored and performance reported against agreed standards and targets. It is recommended that monitoring and evaluation tools be simplified so that communities can be able to assess progress and hold the municipality accountable.

It is recommended that there is alignment between project activation and budgeting process so that local government projects are activated in time.

4.8.7 Risk Management and Internal Controls

The Auditor General has an oversight role in the implementation of risk management and internal control in public institutions. Adherence to risk management and internal control vary from one municipality to another. It is recommended that some monitoring and rating mechanisms, which are currently being implemented in municipalities such as The City of Tshwane (Gauateng) and Nkangala (Mpumalanga), to sanction performance, should be implemented through out the local government sector.

Legal and policy framework is already in place to ensure compliance, but the implementation and compliance is to some respect currently weak, albeit this varies by municipality. It is recommended that, under the auspices of the South African Local Government Association, agreed standards of conduct be implemented and reviewed on regular basis within the local government system.

5 GOOD GOVERNANCE INDICATORS AND PRACTISE GUIDELINES

This section draws attention to the legislative framework within which performance indicators are located, it illuminates the various types of indicators that are of relevance to performance monitoring, it identifies factors which are crucial to the sustainability of performance indicators, including its ability to be used by different groupings within the

governance relationship, and it highlights practise guidelines with regard to using the proposed Key Performance Indicator Matrix as a performance monitoring instrument.

5.1 The Obligation on the Municipality

The Municipal Systems Act requires that a municipality:

- Develops a performance management system (PMS);
- Sets targets and indicators and monitors and reviews performance based on those indicators;
- Publishes an annual report on performance for councillors, staff, the public and other spheres of government;
- Conducts an internal audit on performance before tabling the above report;
- Has the annual performance report audited by the Auditor General;
- Includes in its PMS the General Key Performance Indicators (KPIs) prescribed by the Minister, and reports on these indicators; and
- Involves the community in setting indicators and targets and reviewing municipal performance.

"In essence, the White Paper visualizes a process where communities will be involved in governance matters, including planning, implementation and performance monitoring and review...[where] communities would be empowered to identify their needs, set performance indicators and targets, and thereby hold municipalities accountable for their performance in service delivery."[13]

According to section 42 of the Local Government Municipal Systems Act, a municipality through appropriate mechanisms, processes and procedures established in terms of Chapter 4, must involve the local community in the development, implementation and review of the municipality's performance management system, and, in particular, allow the community to participate in the setting of appropriate key performance indicators and performance targets for the municipality.

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[13] Minister of Provincial and Local Government in Performance Management Guidelines for Municipalities (Draft 2) 2001

> Thus, where ward committees exist as the principle form of community participation, there is an obligation on the municipality to involve these committees in the setting of key performance indicators and targets and the monitoring thereof.

The attached KPI matrix is an attempt to empower communities precisely for this responsibility. It is also intended for use as one of the key instruments for assessing the relationship between local civil society and its respective municipal institution. The KPIs are focused upon the various elements that comprise governance viz. municipality's dealings with the public, service delivery & performance management and the implementation of Integrated Development Plans. The KPI matrix can be used at three levels:

a) By civil society organizations / community based organizations in an unstructured or partially structured relationship with the municipality (See provisions in section 15 of the Municipal Planning and Performance Management Regulations 2001);

b) By ward committees or similar bodies who exist in structured and well regulated relationships with the municipality; and

c) By municipal officials/ councillors in the course of their performance management duties.

As the 3 levels imply different levels of complexity, a simplified version of the KPI matrix has been developed for levels a) and b) whereas the full and more complex version can be applied at level c).

By adopting this instrument as a component of its performance management system, a municipality will have taken a major step in complying with section 7(2)(c) of the Municipal Planning and Performance Management Regulations (MPPMR), namely ensuring that its PMS "clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system". In addition, by drawing key indicators from its IDP document, particularly those service output indicators contained in part B of the matrix, the municipality will also have addressed the section

7(2)(d) requirement that the PMS "clarifies the processes of implementing the system within the framework of the integrated development planning process".

The attached instrument allows these targets to be set in a consensual way so that indicators, and the target for each indicator, is clear to all from the beginning. The indicators have been designed in a generic way so that any municipality or civil society structure can use them. The specific targets need to be determined with regard to the particular municipality. These targets will be derived from the IDP. The indicators have been designed to reflect typical municipal functions and obligations contained in legislation and requirements relating to IDPs. For example, Chapter 2 of the Municipal Planning and Performance Management Regulations of August 2001 set out the minimum details for an IDP and the process for amending IDPs. The instrument is thus an integral part of the IDP implementation system and assists in fulfilling the procedures for management, monitoring and evaluation.

This performance-monitoring instrument emphasizes accountability, transparency and effective participation in local governance for citizens. It does not purport to be the only instrument used for performance management and it may well be used in conjunction with other instruments geared towards the more technical aspects of service provision.

5.2   What are Key Performance Indicators (KPIs)?

The term Key Performance Indicators has become very popular in the management-speak of government departments. Indicators are a way of breaking down the things we have to do to achieve a particular objective. Indicators are simply measurements that are able to tell us whether we are on the way to achieving the goal. While indicators do allow us to manage performance and highlight performance shortfalls, they should not be seen as primarily a 'performance policing' or punitive tool. While indicators should allow the assessment of individual outputs, they are also:

- A way of getting feedback for the institution as a whole;
- A review of activities – are things being done right;
- A review of policy – are the right things being done;
- A way of staying focused on the priorities rather than side issues; and

- A way of turning broad objectives into real actions.

Example: If the strategic objective in a municipal IDP is to "improve the environmental and health situation of the community through an improved and expanded solid waste management system", the indicator could be the level and coverage of the refuse service to be provided.

The target for such an indicator could therefore read: "To provide, by December 2002, 80% of households with a weekly refuse collection service where the refuse is collected from the pavement outside each dwelling."

This indicator has the following important attributes:

1. It has a target date for reaching the required service level.
2. It specifies the scale or coverage of the service in a realistic way, namely, 80% of households. The baseline is notably important, for example, perhaps 60% of households had the required level of service.
3. It specifies the quality of the service, namely, regular weekly collection from the pavement outside each dwelling.

Ideally a performance indicator should be measurable, objective and precise. However, while this may be feasible in relation to input and output indicators it is seldom achieved with outcome or impact indicators. The latter are most important and certainly key for civil society stakeholders where expectations of municipal performance and targets for service delivery may be unrealistic unless these are agreed with the municipality prior to the implementation of the IDP.

5.3 Finding Sustainable Models of Performance Monitoring

Civil society monitoring of municipal performance must be based on a sustainable model. As such, the model needs to be based on the fact that ward committees, and most forms of voluntary civil society, will not require extensive access to technical data, or the time or resources to compute that data. As explained, the attached matrix is

based primarily on the experiences and views that ordinary citizens may have of the municipality. It is thus based on perceptions and customer satisfaction rather than the capacity to assemble and analyze hard data. From time to time it may be useful for ward committees to conduct simple customer surveys in their area. The attached matrix could be used as the basis for these surveys but it is important to recognize that the exercise is perception based and perceptions are important – as the DPLG Guidelines state repeatedly, "...you are only as good as the people you serve think you are..."

5.4 Linking Performance Monitoring by Civil Society to Performance Management by the Municipality

Various types of indicators will inform the municipality's PMS. These include:

Input Indicators: These measure efficiency, or how much you had to put in to get something out. For example a municipality may claim great success in delivering 45m2 houses to 90 % of the people on the housing list. However, if the unit cost of the houses was R26 000 (R 5 700 over the subsidy limit) then the project will not only cause financial problems, it will also be inefficient.

Output Indicators: These measure the products or activities that were delivered and can also be measured quantitatively. In addition, these indicators are usually clearly specified in program plans. For example, a municipality may plan to provide on-site standpipes to 85% of all households in formally settled areas. A ward committee could verify whether this was done by ascertaining whether the number of standpipes specified for its neighborhood was installed.

Outcome Indicators: These measure not only quantity and efficiency, but also whether the required impact was achieved. For example, a sewerage reticulation plan may specify that all households will be provided with at least on-site VIP latrines within 3 years. The outcome indicator will look at the strategic objective, which in this case could be to reduce by 60% the number of cases of cholera and other sanitation-related diseases.

> The Municipal Systems Act requires municipalities to measure both output and outcome i.e. simply showing that a certain volume of service was provided is not acceptable without an indication of its impact.

The legal obligation to involve the community in performance management has already been described. Section 15 of the MPPMR further states that where other municipal wide structures for community participation do not exist, a municipality must establish a forum. The forum must be representative and enhance community participation in the IDP. In addition it must enhance public participation in monitoring, measuring and reviewing municipal performance. The functions of the forum include:

- Consultation on and monitoring of the IDP and its implementation and review;
- Discussion of the PMS and its implementation and review; and
- Monitoring of municipal performance according to the KPIs and targets set by the municipality.

As the mechanisms suggested in this document assume that ward committees constitute " municipal wide structures for community participation", ward committees can take on the responsibilities and functions mentioned above, unless the local community decides that a forum as described above is nonetheless necessary despite the existence of ward committees.

In the course of developing this instrument, several senior municipal officials were asked to comment on its design and intended application. Following this input, a separate but similar version of the monitoring matrix has thus been developed for possible use by senior staff. The matrix for officials is more complex and requires access to records and information that ward committees or civil society organisations (CSOs) may not have. For the purposes of this project, the matrix outlined below is proposed. The guidelines listed below may be used in relation to both matrixes and emphasize that the exercise is best undertaken as a joint civil society – municipal exercise.

5.5 Reporting

Having established what will be monitored and possible actions necessary, the question remains, how will this be fed back into the municipal institution? This decision ultimately rests with the municipality and its respective reporting and public liaison systems. However, the following possibilities should be considered:

Why an Audit Committee?
The Municipal Systems Act requires that the annual performance report be audited internally before being tabled and made public. It also has to be audited by the Auditor General (AG). The DPLG Guidelines suggest that the audit committee include an external agency both for expertise and checks and balances. The audit is not limited to finance and must include social, economic and service delivery indicators. The DPLG Guideline further suggests that civil society organisations with particular expertise or focus should audit the delivery of a particular service and / or function.

5.6

Reporting to other spheres of government, AG, National Treasury etc

Example: After auditing by the AG the annual report goes to the MEC for local government in the province who consolidates this into an overall performance report on all municipalities in the province. Performance shortfalls and recommended remedies are then sent to the national Minister who in turn presents a consolidated national report to Parliament

Executive Leadership
Preparation of annual report including financial & performance reports, IDP review & adjustment & performance review of administration & staff.

Head of Departments
Departmental performance reviews, staff performance reviews, departmental planning & budgeting, preparation of regular & annual reports

Audit Committee Scrutiny & report

Administration
Planning for line functions, review of line function performance, drafting of work programs, and provision of services and facilities

Council
Normal Council meetings, referral to portfolio committees, performance review, IDP review, AG report, report of audit committee & budget preparation & review.

Regular community input

Ward Committee
Report by ward councillors, input into Representative Forum & IDP review & participation in hearings on the annual report

Direct liaison on operational aspects of service delivery & facilities

The contract between the municipality and the community for service delivery and good governance is the IDP

Practise Guidelines

Step 1.

The first step is to start with the 'rating column' in order to rate in relative terms those indicators that are most or least important for your municipal area or ward. For example in some areas the attitude of municipal staff in their dealings with the public may be more important than the extent to which council communicates its plans. The rating column could vary from ward to ward and municipality to municipality but rating should also be guided by any relevant legislative requirement. For example, it would be unwise to rate the extent to which the municipal budget is discussed in a public meeting, as a low priority (1-2) whereas this is a legal obligation. The instrument includes suggested ratings based on legal requirements, with a maximum of 5 as the highest rating. It is proposed that the greater the legal imperative the higher the rating.

Step 2.

Ideally there should be a joint meeting between the municipal officials, councillors, ward committees and/ or CSOs to plan the deployment of this management instrument and to ensure that the basic indicators are clearly linked to particular performance indicators mentioned in the IDP[14]. The meeting should also agree on the following details:

a) The rating given to particular indicators to reflect their relative importance;

b) The baseline (existing state of the service or procedure) from which the ward is proceeding;

c) The setting or pegging of targets for particular indicators. Where possible these targets should be derived from the IDP. For example if the IDP stipulates that council will give progress reports on projects and programs at least once per quarter, it would be advisable to simply adopt this target in the relevant indicator. Targets should also be informed by the criteria set out in section 12(2) of the MPPMR. In terms of the MPPMR targets must be set that are:

- Realistic;

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[14] The Municipal Planning and Performance Management Regulations 2001 s 13 (1) require that a performance management system can only be developed and implemented *"...after consultation with the local community..."*

- Able to measure efficiency, effectiveness, quality and impact. At the same time it should be noted that this should not preclude the adoption of useful indicators where one of the above qualities cannot be assured.
- Commensurate with available resources and capacity; and
- Consistent with development priorities and objectives as set out in the respective IDP.

d) The routine for monitoring should be agreed upon. For example, ward committees may feel it useful to review the KPIs at each ward committee meeting in order to provide feedback to council via the ward councillor. Some indicators are unlikely to change over short time frames and therefore only need to be verified from time to time. Note that KPIs will in any case have to be reviewed annually and reporting of performance management monitoring and outcomes must occur at least twice a year in terms of sections 11(1) and 13(2)(a) of the MPPMR. The regulations also require that the municipality "allow the local community to participate in the review process."

Hint: Where an established routine does not exist (e.g. monthly ward committee meeting) is considered too onerous it is suggested that this document be used ... it is important to integrate the use of this instrument ... the financial year of the municipality and its annual reporting exercise. The process should be linked to the reporting period as suggested by the Municipal Systems Act of 2000 in terms of Chapter ...

Step 3.

Provision must be made for keeping abreast of any changes to the IDP that would affect ward-level KPIs. These must be incorporated into the KPI matrix. At ward level, the ward councillor in liaison with the Municipal Manager should do this. In order to ensure that ward level KPIs are always consistent with the current IDP, it may be useful to delegate the function to a Community Liaison Officer or any other official with similar responsibilities.

Note: In terms of section 3, subsections 3) and 4) of the MPPMR, any amendment to an IDP may be adopted by council only after all members have been given reasonable notice of the amendment and it has been published for public comment.

Step 4.

This step is geared towards completing the Service Related Indicators section of the matrix. General KPIs as set out in the MPPMR have been prescribed according to the powers of the Minister of Provincial and Local Government in terms of section 43 of the Municipal Systems Act of 2000. These general KPIs frame certain indicators relating to the percentage of households with access to basic services, the percentage of indigent households with access to free basic services, actual spending on capital projects, jobs created through LED, employment equity targets and financial viability.

These indicators can only be monitored through sound record keeping, data management and analysis. This is a task that will be completed on a municipal wide scale and will fall largely to the municipal administration working in desktop formats.

The service related indicators section of the attached KPI matrix allows some of these indicators to be unpacked or devolved to neighborhood level performance targets[15] and creates the mechanism for feedback by service consumers. In other words, it indicates the degree of acceptance by recipients rather than simply tabulating service outputs. It will therefore function as a useful means for the municipality to verify the "number-crunching" assessments done through desktop analysis.

The indicators set out in the service related indicators section are derived from Constitutionally assigned municipal functions and not simply the General KPIs assigned by the Minister. These indicators are also roughly consistent with the structure of IDP documents and the breakdown of key performance areas suggested in the Department of Provincial and Local Government, namely:

⇒   Infrastructure and services;

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[15] Through close liaison with officials, some of the performance targets (Level of Service Envisaged) can be broken down to reflect the economic profile of the recipients targeted.

⇒ Social and economic development;

⇒ Institutional transformation;

⇒ Democracy and governance; and

⇒ Financial Management.

If the municipality is not currently responsible for the function, performance should still be monitored. However, in this regard feedback and reporting should be directed to the responsible authority.

The monitoring of service related indicators should begin by completing the column on envisaged service targets. This may require two procedures:

I.   A small task team, including community leaders, ward committee members, the ward councilor, etc, could be nominated to carefully scrutinize the IDP document and, from the overall targets set, identify and interpret those targets that are relevant to its particular ward.

II.   In many cases the IDP document may lack sufficient detail or be structured in a manner that precludes the procedure above. In this case the assistance of the relevant official should be sought, for example, IDP manager, municipal manager, etc. These senior managers may then call upon their particular heads of department to explain which particular service targets apply within a ward or neighborhood.

Note that most service targets will be phased, hence the column on time frames. The column headed "Special Maintenance" is to allow for steering and remedial measures to be undertaken – a key aspect of any performance management system.

For ward committees and civil society organisations, monitoring the service level achieved will occur in a number of ways, viz.

-    Discussion and public feedback in community and/ or ward committee meetings;

-    Special site or field visits to observe service arrangements and infrastructure; and/ or

- Discussion and verification with frontline municipal staff.

It is proposed that all three methods be used to varying degrees.

If, upon completion of all the procedures suggested, KPIs cannot be identified for particular wards, this implies some level of deficiency in the IDP document that should be remedied at the subsequent IDP review exercise.

Step 5.

Having undertaken these various monitoring and performance assessment exercises, the question arises as to how the results are to be reported and used. The legal requirements for reporting have already been outlined above. What needs to be emphasized is the value of reporting within ward committees or other civil society forums in a manner that enables citizens to make informed assessments of municipal performance rather than resorting to unrealistic expectations and ad hoc criticism of their municipality. It is equally important for citizens to be aware of the official performance reporting procedures, namely:

A. The scope of reporting is set out in section 41(1)(e) of the Municipal Systems Act i.e. regular reporting to: (I) council, other political structures, political office bearers and municipal staff and (ii) the public and appropriate organs of state. In terms of section 7(2)(e) of the MPPMR the frequency of reporting and lines of accountability, other than those described in national legislation, are decided by the municipality and stipulated in its PMS.

B. In terms of section 14(1)(c) of the MPPMR (2001) the results of the performance management system must be audited. This requires that the municipality's internal auditors receive performance reports and compile their own audit reports on a quarterly basis for the municipal manager and the performance audit committee.[16] In

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[16] The internal auditors of a municipality must assess the functionality and reliability of the PMS and audit the performance measurements of the municipality. A performance audit committee must consist of at least 3 members, the majority of which are neither councillors nor staff. The chairperson of the committee may not be a councillor or a staff member. Local municipalities may make use of the District Municipality's performance audit committee. The performance audit committee has extensive discretion in who it communicates with and powers to access municipal records, to request key persons to attend its meetings and to hold investigations.

addition to this section 14(4)(a)(iii) stipulates that the performance audit committee must submit an audit report to council at least twice during the financial year. The Auditor General must also audit the results of the performance management system.

C. The annual report prepared for each financial year must include a performance report that must be tabled at a meeting of council for which prior notice has been extended to the public. The report must compare targets and performance for the previous financial year and highlight what was done to remedy performance shortfalls. The report must also make projections of targets for the next financial year and any plans to improve performance. In addition to all members of the public, the Auditor General and the MEC for local government are entitled to attend these meetings and be provided with copies of the minutes. Once the annual report has been adopted it must be accessible to the public, media and interested organisations. Section 46 of the Municipal Systems Act stipulates the above. Note that although this is an annual process, section 13(2)(a) of the MPPMR requires performance reporting to council to take place at least twice a year.

5.6.1 National Performance Management Framework

In addition to the procedures outlined in the diagram above, the national performance management framework for municipalities consists of the following:

- The principles of a performance management system for municipalities as set out in Chapter 6 of the Municipal Systems Act;
- The General KPIs set by the Minister of Provincial and Local Government and incorporated into each local municipal planning and monitoring system;
- Annual reports by municipalities that have been audited internally and by the AG, which are presented to the public and the provincial MEC for local government. In cases of non-performance the provincial government is expected to undertake some or all of the following:
    - Suggest a capacity-building program;
    - Issue a directive to correct the problem;
    - Recommend a competitive tendering process in the case of service delivery problems;

- Appoint an individual or task team to assist;
- Transfer the function to an alternative authority for a defined period of time; and/ or
- Take over the function.

- A consolidated provincial report on all municipalities in the province developed by the MEC to inform, support and remedy interventions. This report is in turn tabled at the provincial legislature and the national Minister for Provincial and Local Government.

- The Minister then reports to Parliament focusing on performance in relation to the General KPIs. National reports will also be used to align national training initiatives and may lead to 'incentive mechanisms' including rewards and sanctions referred to by the DPLG as "motivators".[17]

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[17] Introduction to Performance Management for Local Government: Department of Provincial and Local Government 2001

.7 INDICATOR MATRIX

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	INTENDED TARGET/ RESULT	SUGGESTED MEANS OF MEASUREMENT	SUGGESTED SOURCE OF INFORMATION	TARGET / RESULT REACHED (YES / NO / COMMENT)
5.7.1 SERVICE DELIVERY	Service charter established	Regular reports on progress of service delivery in place Public information sessions held with the general public Communities trained on monitoring and evaluation of the municipal service delivery			
5.7.2 COMMUNITY PARTICIPA- TION	Council meetings are open to the public.	At least 75% of council meetings should be open to the public.	Record of meetings e.g. minutes.	Municipal Manager	
	More than 50% of Ward Committees are established, functional and effective	Ward committee members have been elected independently by community members, skills audit has been conducted, members are trained, and their roles have been clarified			
	Communities attend council meetings across a wide spectrum of society	Workshops and road shows are held to inform the community on how the municipality operates and how the community can hold the council accountable			
	Level of public attendance at events organized by the municipality.	At least 80% of events organized by the municipality are adequately attended to the extent that they do not necessarily require postponement.	Record of meetings e.g. minutes	Municipal Manager	
	Formally recognized mechanism for	There must be ward committees or another structure for consultation	Council policy or resolution to this effect	Municipal Manager and	

		consultation.			Council	
		purposes with the municipality.				
	Availability of a staff member within the municipality responsible for coordinating community participation.	Individual responsible for ensuring community participation is identified and brief is clear.	Organogram and Job Description identify this function.		Municipal Manager	Individual identified. Brief clear
	Municipal support for community participation.	Resources or funding must be availed for community participation.	Records e.g. Budget indicates such a line item.		Municipal Manager	
	Public participation in budgeting.	At least one public meeting per year on the budget must be held. Each Ward Committee would have two opportunities to input into the budget (initial and later).	Record of meetings e.g. minutes.		Council	
5.7.3	COMMUNITY CONSULTA-TION	Report on expenditure and financial management is available to the public.	The meeting where the Auditor-General's report will be tabled is advertised. The Auditor-General's report is tabled in council meetings, council meetings open to the public and ward committee meetings.	Record of council e.g. meetings	Council, Finance Manager and Ward Councillor.	Council meeting. Council meeting open to the public. Ward committee meetings
		Community is able to track municipal progress through reports.	Progress report on projects and programmes must be given. In each Ward Committee meeting reports on all major projects and programmes must be presented by the Ward Councillor.	Record of meetings e.g. minutes.	Ward Councillor	
		Community consultation on development needs and	In the event that there are new development needs and priorities,	Adjusted drafts of plans.	Council	

		priorities continues.	these are included when the IDP is monitored and reviewed.		
		Delivery of services and projects addresses greatest needs of residents.	All development is reflected in the IDP and subject to consultation. Negative indicator: is there any development that you have not been consulted on and which is not in the IDP.	Record of consultations and meetings	Ward Councillor	Part of IDP Greatest need
		All sectors of the community have given input into the IDP	Priority needs of communities identified in IDP projects are implemented			
		Priorities in project implementation match priorities in the IDP.	Local ward priorities are reflected in planning and project implementation.	Development priorities are in the IDP and records of original input from the Ward Committee. Project reports from departments.	Ward Councillor	
5.7.4	COMMUNI-CATION	Notice of council meetings are communicated to all residents	Invitations/announcements (via radio & other media) are received at least one week prior to the meeting with a clear agenda.	Invitations. Ward Committees discuss what was done to convene the last council meeting.	Municipal Manager or manager delegated to this function.	
		Council communicates special messages, events and occurrences.	Medium of communication reaches 80% of residents.	Informal feedback from Ward Committee members	Ward Councillor	
		System is in place for handling petitions and complaints	Residents are able to complain to and petition the municipality according to their specific needs and grievances	Availability of a system (complaints/ suggestion/any other measure) for handling petitions/complaints/grievances	Municipal Manager	
		There are clear and complimentary roles between the community and council	General public is aware when civic leaders operate as representative and when operating as members of council	Councillors clarify who they represent and what their mandate is, for example, in meetings.	Council Mayor	

5.7.5	LEADERSHIP	Leadership and responsibility for service provision in development projects and programmes is clearly allocated to local, district councils, provincial, national governments.	Final responsibility for projects and programmes is clear.	All procedures and documentation relating to development projects and programmes are clearly identified with a lead institution i.e. council / another sphere of government.	Council Ward Councillor
		Local leaders are known to the general public and accessible within the area.	People are able to communicate their concerns and needs to local leadership without travelling vast distances.	General public feedback to ward committees and communities. Availability of ward councillors locally and their willingness to interact with citizens.	Council
5.7.6	LEADERSHIP – GENDER	Women representation in council	50% of councillors are women	List of council membership	Council
		Women occupy leadership positions in council	50% task teams, standing committees and women lead other structures.	List of people who hold leadership positions in council	Council
		Services rendered are user-friendly for women.	All services are designed in consideration for women's needs	Feedback from women ward committee members	Senior official responsible for service provision
5.7.7	COOPERA-TION AND UNITY	Reasonable working relationships between all civil society groupings in their interaction with council.	The municipality is able to manage conflict between civil society groupings and mediate disputes in a balanced manner.	Within council's terms of office, conflicts between civil-society groupings have been recognized and addressed. 75% of civil-society groupings have sufficient confidence in the municipality's ability to exercise good judgment and objectivity on contested issues [18]	Council
		The municipality is able to	Council is not involved in	Minutes of council meetings	Mayor

It may not be possible to assess this indicator without an optional survey exercise.

			Media reports		
		maintain a relationship with CSOs in the area.	destructive/protracted conflicts/disputes with any civil-society grouping.		
		The municipality is able and willing to enter into partnerships with CSOs for delivery of services, projects and programmes.	Council resolves to undertake at least one service/function through the Municipal Service Partnership (Municipal-Community Partnership) model. CSOs are capacitated by the municipality to identify and propose potential partnerships.	At least one or if more than one, 50% of proposed partnerships are implemented.	Municipal Manager
5.7.8	COUNCIL-MUNICIPAL PERFORM-ANCE	Council meetings are attended by members	80% of councillors attend all council meetings	Records of meetings e.g. minutes.	Municipal Manager
		Municipal offices are accessible and conducive to public use	Municipal offices are centrally located and well marked. Offices are accessible via public transport. Different sections within the municipality are well marked. Allocation of frontline staff is proportionate to public usage/demand. Offices are open during reasonable working hours i.e. 35 hours a week.	Periodic reports by ward councillors as determined by ward committees	Ward Councillor
		Majority of public are comfortable in their interaction with municipal staff.	Municipal staff are courteous and diligent in their dealings with the public.	Check suggestion/ complaints box. Informal feedback from constituency. Performance assessments.	Municipal Manager Human Resources Manager.
		General complaints	Complainant receives adequate	Periodic check by ward	Municipal

These are optional as it would be unfair to expect ward committees to check whether all these measures have been achieved.

	relating to the functions of the municipality are responded to e.g. conduct of staff, state of municipal facility, etc.	response (verbal/written) from the municipality within a reasonable period of time	committees into correspondence between the municipality and complainants. •Informal feedback from ward constituency. Check correspondence of relevant managers. [16]	Manager
	Complaints relating to service interruptions are responded to and remedied.	Services are not interrupted for protracted periods without detailed explanation and or compensatory measures. Complaints result in response and resumption of service within a reasonable period of time.	Informal feedback from consumers and the complaints boxes. Check operational records of department for time taken to respond and whether the problem was effectively solved.	Relevant HOD
	Households who qualify as indigent are subsidized by the municipality for basic services	Register of indigents households is complete and updated. Indigents policy is clear and understood by most residents. All households who qualify for basic service subsidies receive these.	Record held within the Finance Section. Auditor-General's Report	Council

5.7.9	TRANSPA-RENCY	Public release of the annual report and the Auditor General's report	Published calendar of meetings Publication of Auditor General's report in annual reports and in other media	
5.7.10	CORRUPTION	Punishment of corrupt practices Existence of Code of Conduct Existence of anti-corruption committee Public has confidence in the ethics and values of their councillors.	Existence of record of those who breach the code of conduct Workshops held for councillors and officials on the code of conduct and its implications Record of implementation of the recommendations of disciplinary committees and legal judgements Compliance policy and committees exist to tighten compliance Whistle blowing policy exists and is encouraged and posted in public places Background of all councillors is known prior to them assuming office. Background of all councillors confirms a clean and ethical business conduct.	Ward committees screen potential ward councillors and PR councillors for indications of criminal and unethical business conduct.	Council
5.7.11	DISCLOSURE	Officials disclose their interests in the register of interests General public have confidence that their leaders are accountable and honest.	Allowances and benefits set at national level are at reasonable and affordable levels. Declaration of any personal interests and transaction including all tendering and procurement procedures involved with the municipality.	Records of voting on allowances and benefits Resolutions relating to all tenders and procurements. Declaration of interest by individual councillors. All councillors declare their criminal records, if any, and say what these entail. Records of meetings, minutes. Any allegations of bribery and extortion will be investigated by a neutral agency. Councillors agree to report any change in the career and	Council

			employment.		
5.7.12	RISK MANAGE-MENT AND INTERNAL CONTROL	Council publishes its annual report based on the Municipal Finance Management Bill and King Code of Corporate Governance.	The Audit committee is chaired by an independent member Existence of the Credit Control Policy Procurement policy and committee exists and is independent of officials and politicians Independent credit rating which meets international standards		
5.7.13	ETHICS AND VALUES	Councillors demonstrate a clear commitment to representing community needs	Councillors' input into the council/subcommittee procedures is clearly based on a mandate from the constituency (ward councillor – ward constituency). Councillors need to adequately report back to constituency on measures taken to meet community needs. Councillors achieve a reasonable balance between their political duties and their responsibility to an area-based constituency.	Records of meetings i.e. minutes IDP needs analysis exercise Original ward level needs analysis records. Councillors furnish ward committees with their plan for official activities including time allocation	Ward councillor at a ward level. PR councillor and party whips.

7.14 PROPOSED RANKING GUIDELINES OF CORPORATE GOVERNANCE INDICATORS

he section below is meant to provide general guidelines for municipalities to evaluate and monitor their performance in terms of the implementation of good corporate governance. Municipalities can set their rgets at the start of the year using the following guidelines, which are informed by local and international literature, and also by the South African legislation and the Constitution. The ranking is as follows: the gher the number, for example 5, the less the municipality is performing well on the particular indicator. The lower the ranking, for example 1, the more the municipality is performing well. Those municipalities, hich score higher, they are more likely to have ranking starting from 1.

Key Performance Area	1	2	3	4	5
Governance	Free and fair elections are always held under the supervision of the IEC. Strong civil society with proliferation of strong effective organizations. Freedom of expression	Free and fair elections are regularly held under the supervision of the IEC. Civil society strong with regional and sectoral institutions effective and in place. Freedom of	Occasional free and fair elections are held under the supervision of the IEC. Civil society in place with a few organizations effective in representing the interests of their	Marginally free and fair elections are held under the supervision of the IEC. Civil society weak. Freedom of expression guaranteed on paper and not in reality.	No free and fair elections are held under the supervision of the IEC. Civil society weak and community organizations not functional. Freedom of expression under threat.

	protected and guaranteed.	expression protected and guaranteed.	constituencies. Freedom of expression protected and guaranteed.		
Community participation	More than 90% of ward committees in place are effective and functional. There is large-scale participation of the general public on the affairs of the municipal	Between 80 and 90% of ward committees are functional and operational	Between 70 and 80 % of ward committees functional with a certain degree of community participation in council meetings	Between 50 and 70 % of ward committees functional and a minimal participation of broader community	Less than 50% of ward committees in place and functional. Very little participation of broader society in municipal affairs
Community Consultation	Significant credible representatives of business, labour, and civil society given significant input into IDPs	Some representatives of business, labour, and civil society given input into IDPs	Sporadic uncoordinated input by business, labour and civil society have given input into the IDPs	Limited input by business, labour and civil society into IDP process	No representation of business, labour and civil society input during IDP processes
TRANSPARENCY	Public release of annual report and finance report at all times. All council minutes and council decisions are made publicly available	Publication of annual report and finance report sometimes made public. Some minutes and some council decisions	Occasional publication of annual report and finance report and limited release of some council decisions	Irregular release of annual report and occasional publication of council decisions	No publication of annual report and no council decisions are published to the general public
DISCLOSURE	Register of interests published	Register of interests available but only made available to EXCO	Register available but only made available to senior management	Policy on disclosure exists but not enforced. Register of interests does not exist	Public register of interests not available and no policy exists to enforce disclosure
CORRUPTION	Code of conduct exists and punishment of corrupt practices enforced at all times. Anti-corruption committee	Code of conduct exists and there is a certain degree of enforcement of the Code of Conduct.	Code of conduct exists. Anti-Corruption in place but lax enforcement of policy	Code of conduct in draft and not formally adopted. No anti-corruption committee or agency exists	No code of conduct exists. No Anti-corruption committee or agency. No history of punishment of corrupt practices
SERVICE DELIVERY	Annual service delivery targets are always set. Frank progress report is given to community. 100% of service delivery budget well spent to deliver good quality services	Annual service delivery targets are sometimes set. Only between 70 % and 80% of budget spent	Annual service delivery targets are occasionally set. Progress given at end of financial year. Only between 50 % and 70% of budget spent	Annual service delivery targets not clearly outlines and municipalities only focus on positive progress in service delivery. Less than 50% of budget spent on low quality services	No service delivery targets are set. No reporting on progress. Under-spending of budget
RISK MANAGEMENT AND INTERNAL CONTROL	Always publish annual and financial reports as prescribed in legislation (for example, the Municipal Finance Management Act). Audit Committee in place. Credit Control Policy in place and operational, Procurement Policy in place and functional.	Sometimes publish annual report and finance report as prescribed by legislation. Audit Committee in place, Credit Control Policy in place and operational, Procurement Policy in place effective and functional.	Occasionally publish annual report and finance report as prescribed by legislation. Audit Committee in place, Credit Control Policy in place and operational, Procurement Policy in place and but somewhat ineffective.	Irregular publication of annual report and finance report. Audit Committee in place but not functional, Credit Control Policy in place and but not operational, Procurement Policy in place but there is history of nepotism and corruption in the awarding	Does not publish annual report and financial report as prescribed by legislation. Audit Committee does not exist, Credit Control Policy does not exist, Procurement Policy in place but not applied.

Independent credit rating sought and given			of tenders.				

7.15 SERVICE RELATED INDICATORS

IDP TARGETS AT WARD LEVEL	SERVICES - LEVEL OF SERVICE ENVISAGED	TIME FRAME FOR SERVICE ENVISAGED	SERVICE LEVEL ACHIEVED	TIME FRAME FOR SERVICE ACHIEVED	SPECIAL MAINTANANCE – (What needs to be done to maintain / upgrade – not routine)	NEW INFRASTRUCTURE OR FACILITIES TO BE INSTALLED AND TIMEFRAMES
WATER						
ELECTRICITY						
SEWERAGE						
REFUSE / SANITATION / ENVIRONMENTAL SERVICES						
ROADS						
STORMWATER DRAINAGE						
PRIMARY HEALTH CARE						
HOUSING						
OTHER						
FIRE SERFVICES						
ABATTOIRS						
COMMUNAL LIBRARIES						
RECREATIONAL / SPORTS FACILITIES						
SERVICE RELATED COMMUNICATION						

CREDIT CONTROL & INDIGENT POLICY	
LED INITIATIVES	

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