

STAKEHOLDERS PERCEPTIONS ON FACTORS INFLUENCING CORPORATE GOVERNANCE IN A SOUTH AFRICAN LOCAL GOVERNMENT MUNICIPALITY

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Abstract

Despite the promulgation of corporate governance frameworks there is an increase in the number of municipalities receiving unqualified audits indicating failures in corporate governance and poor service delivery in South Africa. The study comprises one-hundred and twenty (120) respondents drawn from municipalities' internal and external stakeholders. Data collection used semi-structured interviews and self-completion questionnaires. The main findings on factors influencing corporate governance include dysfunctional organisational cultures, ineffective human resource management systems, dearth of managerial skills, poor organisational communication, political interference, cadre deployment, corruption, and fraud. The study conclusions are that the non-enforcement of mandated corporate governance provisions by the respective government structures compounded by political interference and deployment of unqualified cadres account for failures in corporate governance systems and the subsequent poor service delivery in the municipality. The recommendations include the need for the national government to enforce compliance with established corporate governance processes and implement consequence management policies across-the-board. Further to the need for reviewing the merits of the cadre deployment policy and addressing the political interference in municipal operations.

KEYWORDS: corporate governance, legislation compliance, stakeholders, leadership, accountability, service delivery

INTRODUCTION

An efficient public sector creates a conducive environment for employment, wealth creation and service delivery (Bastida et al. 2020; Feeney & Stritch, 2019) and attainment of sustainable development goals (United Nations 2021). Further to the complexity and management challenges in public sector institutions (Franken, Plimmer & Malinen, 2019) the institutions are susceptible to inherent risks that compromise the implementation of strategic goals (Obicci, 2017) and service delivery (Newton & Norris, 2018). Non-compliance with corporate governance mechanisms (Vallet et al., 2019); poor management and leadership (Ahmed & Muneerali, 2019; Omarjee, 2016) and financial mismanagement (Zhou, Oyegoke & Sun, 2019) account for the collapse of service delivery in South African municipalities (Niyimbanira, 2017). Relatedly, the shortage of qualified personnel (Utkina, 2014; Gnade, Blaauw & Greyling, 2017); conflict of interest (Abid & Ahmed, 2014:851; Zondi, Nzimakwe, and Mbili, 2017), and political interference have collectively weakened corporate governance oversight and service delivery in the public sector (Bialluch, Hiemer, Kitshoff & Tschappe, 2017; Masuku & Jili, 2019; Reimsbach, Hahn & Gürtürk, 2018; Meissner et. al., 2018; Regoliosi & d'Eri, 2014; Wang & Sarkis, 2017; Barney & Harrison, 2020; Department of Public Enterprises, 2020).

The gaps in service delivery (Acca Global, 2016) are reflected by the growing levels of dissatisfaction (Marutha, 2016) emanating from non-accountability and corruption within the South African government sector (Erasmus & Coetzee, 2018). Failures in the public sector corporate governance systems compromise the provision of infrastructure maintenance, upgrading and service delivery (De Waele, Polzer, Van Witteloostuijn & Berghman, 2021). This study explores stakeholders' perceptions on the factors influencing corporate governance in a South African local government municipality.

LITERATURE REVIEW 2.1 Corporate governance

Corporate governance refers to the system of rules, practices, and processes by which an organisation is controlled and directed for the protection of the rights and privileges of stakeholders (Smith, 2015; Chen & James, 2020; Dzomira 2020). In turn, corporate governance systems provide mechanisms that ensure transparency, accountability, and fairness (Abid, Khan, Rafiq & Ahmad, 2014) compliance with practices, processes, and norms (Kovermann & Velte, 2019; Aguilera, Judge & Terjesen, 2018; Ugoani, 2019). While corporate governance is critical in the public and private sectors (Padayachee, 2013) the public sector is expected to do more (Gali, 2020) primarily with respect to compliance with corporate governance systems (Ferguson, 2017; Yermack, 201; Jiyane, 2020). There are significant gaps in the monitoring of performance in the South African public sector (De Lange, 2019; Erasmus & Matsimela, 2020) hence the need for effective resource management (Gali, 2020), upholding ethical practices and effective leadership (Chauke, 2019; Olivier, 2017; Mokgopo, 2016; Directors South Africa, 2016; South African Department of Public Enterprises, 2020).

2.2 Stakeholder theory

Stakeholder theory identifies stakeholders in the value creation chains of commerce and public management institutions (Meyer, 2019). In turn, stakeholders are defined variously as individuals, groups and communities who have a direct and indirect stake in an institution (Freeman, Phillips & Sisodia, 2020) as well as those potentially affected by the operations of an organisation (Painter, Pérezts & Deslandes (2021). The achievement of organisational goals (Freudenreich, Lüdeke-Freund & Schaltegger, 2020; Greenwood & Mir, 2018) renders legitimacy of organisations in the eyes of

stakeholders (Vitolla et al, 2019) and the effective management of diverse, multiple, and often conflicting stakeholder interests (Pinto, 2019; Plichta, 2019; Freeman & Dmytriiev, 2017). Thus, managers need to understand the assumptions, ethics, and philosophies surrounding the interests of stakeholders in organisational activities (Freeman, 2017; Yusoff & Alhaji, 2012) as well as the implicit and explicit risks (Uribe, Ortiz-Marcos & Uruburu, 2018) and related stakeholder issues that influence organisational decision-making (Waheed *et al.*, 2019; Richter & Dow, 2017). The expectations are underpinned by three distinct stakeholder theory approaches/assumptions namely the normative, instrumental, and descriptive assumptions (Susnieré & Sargūnas, 2011; Rose, Flak & Sæbø, 2018) which propose how respective stakeholders' interests should be addressed and considered. The normative approach advocates for morally and ethically balancing stakeholders' and organisational interests (Richter & Dow, 2017; Valentinov & Hajdu, 2019) and ensuring active involvement of stakeholders in organisational decision-making processes (Miles, 2019). While the instrumental approach emphasises upholding high levels of trust, cooperation, and information sharing (Wojewnik-Filipkowska et al. 2019; Herold, 2018; Jones, Harrison & Felps, 2018) in the alignment of stakeholder interests' groups with the organisational goals (Jabbour et al, 2019). In turn, the descriptive approach prescribes a framework that emphasises active engagement and participation of stakeholders in organisational decision-making processes (Soin, 2018; Wojewnik-Filipkowska et al., 2019) and the significance of balancing the often-competing stakeholder interests (Vitolla et al., 2019; De Gooyert et al. 2017).

2.3 Municipal stakeholders

In the South African context, municipal stakeholders include residents, local chiefs, elders, and traditional rulers who reside within specific municipalities and the business community at large (Poku-Boansi, 2021; Gullino, Devecch & Larcher, 2018; Hernández-Castorena, CorreaCruz, & Jiménez-Fajardo, 2019; Mkhize, 2018). Cooperation, trust, and ethical conduct (Clarkson & Jones, 2016; Olivier, 2017) (Tallberg et al. 2021); enhances cordial institutional relationships between internal and external stakeholders (Berman & Johnson-Cramer, 2019). In turn effective stakeholder engagement and participation (Meyer 2014; Ncube & Monnakgotla, 2016); promotes social inclusion (Bae, Masud & Kim, 2018; Horsbøl, 2019); trust and confidence in municipal operations (Specht, 2018) and minimises resource mismanagement. Effective stakeholder engagement bridges the legitimacy gap and promotes the delivery of better socio-economic conditions for all (Schwartz, 2013; Aguilera, Marano & Haxhi, 2019; Kahane et al. 2020). Notwithstanding the multiple and often conflicting expectations (Freudenreich, 2020); mutual relationships between stakeholders and service providers (Freudenreich, 2020); improves the standards of living for all (Ndaguba & Hanyane, 2019). Stakeholders expect accountability and transparency in the corporate governance systems that ensure effective delivery of social services (Jones, Harrison & Felps, 2018; Ferry & Ahrens, 2017; Luan, Chen, Huang & Wang, 2018; Boateng & Poku, 2019; Chauke, 2021).

Internal stakeholders are expected to uphold ethical standards and shared values (Tshamano, Shopola & Mukonza, 2021) in the implementation of corporate governance systems (Kaur & Lodhia, 2018; Dewi, Azam & Yusoff, 2019; Mitchell, 2022) Fourie, 2018). Municipal management levels are mandated to comply with corporate governance systems (Menge, Mulyono & Sukirman, 2021; Enwereji & Uwizeyimana, 2019) in their interaction with external stakeholders (Soma et al., 2018) and to deliver consistent services (Odehalshawabkeh & Alsawalhah, 2019). More importantly,

councillors as the representative voice of democracy are expected to provide effective strategic oversight, accountability, and support for corporate governance in municipalities (Tan, Morris & Grant, 2016; De Lange, 2019; Galanti & Turri, 2021).

The government ministries are mandated to support municipalities and ensure broader participation and consensus building among the citizenry (Remoaldo et al. 2017) and compliance with the legislation (Córdova & España-Nájera, 2021). While the provincial-level oversight committees are mandated to ensure compliance with finance-related matters, policy implementation and monitoring (Gullino, Devecch & Larcher, 2018; Falcone, 2018). Where appropriate surrounding district municipalities with shared services (Mqadi, 2020; Kroukamp & Cloete, 2018) are expected to actively participate in shared local corporate governance processes (Motubatse, Ngwakwe & Sebola, 2017; Eyenghe & Ibama, 2019; Matlala & Uwizeyimana, 2020; Chidavaenzi, 2017; Reddy, 2018).

2.4 Corporate governance in municipalities

Municipalities are mandated to provide a range of social services and infrastructure as well as health-related services in collaboration with the Department of Health (Cameron, 2021; Khambule, 2020). The overarching emphasis is on ensuring prudent financial management that translate into service delivery and improved quality of life of the citizens (Pollanen, 2015). In turn corporate governance regulations stipulate effective stakeholder participation and engagement and adherence to mandated oversight roles (Aribaba et al., 2020) and adherence to the rules and policies on resource allocation and utilisation for the benefit of all stakeholders (Vallet et al., 2019).

Section 56 of the Municipal Systems Act prescribes the governance authority vested in the municipality executive management and emphasise the importance of collaboration and interactions between the council, executive management team, and stakeholder groups (Höglund, Mårtensson & Safari, 2018). The enabling corporate governance legislation stipulates the protection of government assets, stakeholder oversight functions (Regoliosi & d'Eri, 2014; Wang & Sarkis, 2017; Barney & Harrison, 2020), proper management, coordination, and communication (Ahmed & Muneerali, 2019); prevention of resource mismanagement (Department of Public Enterprises, 2020).

Stakeholders oversight roles include monitoring and evaluation of management processes (Kurniasih *et al.* 2019); evaluation of managerial and leadership competencies (Van der Wal, 2020). Relatedly, the import of the collective stakeholders' intellectual, ethical, and social capital (Freeman, Phillips & Sisodia, 2020) ensures checks and balances on governance processes (Hickman & Akdere, 2019). While the internal audit department is mandated to monitor compliance with corporate governance guidelines to minimise fraud and corrupt tendencies in municipal operations (Jackson, 2015; Du Plessis, Hargovan & Harris, 2018).

Compliance with corporate governance principles strengthens the effectiveness of internal controls, risk management and strategy development (Enwereji & Uwizedeyimana, 2019; Simona & Elisabeta, 2013; Van der Wal, 2020); detection of fraud, risks, and corruption in municipalities (Du Plessis 2020). Managers are expected to implement the strategic goals (Agbim, 2018); maintain high leadership standards, integrity, decency, and ethical conduct (Rix, 2015; Bose et al. 2018; Bryson & George, 2020). However, shortages of qualified personnel (Utkina, 2014; Gnade, Blaauw & Greyling,

2017) result in poor management, leadership, resource mismanagement and failures in service delivery failures in municipalities (Omarjee, 2016).

Poor service delivery in municipalities is compounded by political interference in the administrative system culminating in ineffective monitoring processes, poor implementation of policies and performance evaluation (Meissner et. al., 2018; Bialluch, Hiemer, Kitshoff & Tschappe, 2017; Masuku & Jili, 2019). In many ways, political interference compromises the effective execution of financial management processes (Halmosi, 2013; Ehsan, Abbas & Nawaz, 2018; Sibanda, Zindi & Maramura, 2020); implementation of municipal strategies and service delivery goals (Reimsbach, Hahn & Gürtürk, 2018). Thus, the imperative for senior municipal management to be shielded from political pressures so that they can focus on service delivery (Ramalho, 2019; Voorn & Van Genugten, 2021; Coetzee, 2018; Alabdullah, Ahmed & Muneerali, 2019). Ineffective and unethical leadership practices (Ives 2015; Tavares, 2017; Casse & Walravens, 2015); conflicts of interest (Abid & Ahmed, 2014:851; Zondi, Nzimakwe, and Mbili, 2017) collectively undermine governance in the public sector and negatively impact service delivery (Madumo & Koma, 2019; Connolly, 2017; The Governance Newsletter 2014)).

Lack of stakeholders' involvement in decision making processes affects the long-term sustainability of public institutions (PR Conversations, 2016) thereby creating dissatisfaction with public sector governance systems among the citizenry (Acca Global, 2016; Kara, Acarerdur & Karabiyik, 2015; Marutlulle, 2019). Effective execution of stakeholder oversight roles protects their interests (Shah, Sarfraz & Ivascu, 2021; Andersen, Brewer & Leisink, 2021) and reduces political interference in governance processes (Ashayea & Irani, 2019). Notwithstanding the existence of corporate governance legislation and structures, the South African government continues to struggle with service delivery (Glinkowska & Kaczmarekpoints, 2015; King, 2018); arising from recurrent failures in corporate governance systems (Klingelhöfer et.al, 2015; Morrison, 2016; Shahab & Ye, 2018; Thabane and Snyman-Van Deventer, 2018).

METHODOLOGY

The study adopted a qualitative research approach which elicited participants' meanings, experiences, perceptions, and accounts of reality on the phenomena of research interest (Quinlan, Zikmud, Babin, Carr, & Griffin, 2015; De Vos, 2015; Hiatt, 1986). The case study design enhanced the rich understanding of participants' experience, perspectives, and thoughts within their natural settings (Yin, 2009; Denzin and Lincoln, 2005) and generated empirical data and information important for understanding the research context (Eisenhardt et al, 2007) and enacted processes (Rittenhofer (2015; Morris and Wood, 1991). The purposive sample comprise one hundred and twenty (120) participants drawn from the municipality stakeholders.

Data collection used a semi-structured interview schedule and self-administered questionnaire. Questionnaires are widely used in collecting survey information (Saunders et al., 2009; Bryman and Bell, 2007; Erikson and Kovalainen, 2008). The questionnaires were pilot tested to check the relevance and usability of the items. All the questions were clear to participants. Ethical clearance was granted by the University of the Western Cape (Reference number HS 18/10/21). Consent was obtained from all participants prior to the study and explanation on the nature of the research was provided at the beginning of the interviews and participants were informed that participation was

voluntary and that they were free to withdraw at any stage. To ensure anonymity identification information was not written on the questionnaire and participants were assured that their responses were confidential and that the research was for academic purposes only.

FINDINGS

The main findings draw from the thematic analysis and descriptive statistical analysis of the data obtained from the internal, external, and special interest stakeholders (see Table 1 below).

Table 1 Internal and external stakeholders

Participants Groups	Frequency
Internal stakeholders	
<i>Employees</i>	
Office of the Municipal manager	3
Engineering and Technical services departments	1
Corporate services departments	4
Office of the mayor	1
Finance and Treasury department	1
Community services division	1
Councillors	3
Total of Employees	14
<i>Provincial and National Government officials</i>	
Provincial Treasury official	1
National Cooperative Governance and Traditional Affairs Official	1
Total other internal stakeholders	2
External stakeholders	
Residents	90
Business community (Companies/Business Owners/Entrepreneurs)	8

Special stakeholders	
District Municipality Officials	1
Former Councillors	1
District municipality Councillors	1
Neighbouring Municipalities officials	2
SALGA	1
Special Interest stakeholders	
Total	120

Source: Researchers' own work

The internal stakeholders comprise employees, councillors, provincial and national government officials with oversight responsibilities on municipal operations (14%), External stakeholders comprising residents (74%), business owners (7%) and Special interest stakeholders drawn from officials and councillors from surrounding districts who have oversight on areas that directly impact their respective district areas (5%).

The next section presents the main findings from each stakeholder group as per the study classification.

Internal stakeholders

Table 2: Profile of Internal stakeholders

CODE	Respondent description
IS1	Office of municipal manager
IS2	Engineering & Technical Services Department
IS3	Corporate Services Department
IS4	Office of the Mayor
IS5	Municipality Councillors
IS6	Finance and Treasury Department
IS7	Provincial Treasury Official
IS8	National Cooperative Governance and Traditional Affairs Official
IS9	Community Services-Waste Management Department

Key: IS = Internal stakeholder

Table 2 above indicate the internal stakeholders who participated in the study and their official designations. The key findings are presented below.

4.1 Delays in the appointment of executive managers

Most of the respondents cited the delays in the appointment of the municipal executive management team as a factor that impacted compliance with corporate governance processes.

Respondent IS1 stated that:

“Succession plan is a problem in our municipality, executive managers are appointed on fiveyear contracts. When the contract expires it takes time to find a replacement and the replacement might be inexperienced. Another issue is political dynamics may be an issue for a new person to succeed which leads to resignation within two or three years after joining the Municipality...”

Respondent IS9 noted that:

“The delay in appointing executive managers hampers the smooth running of the municipality, the Municipal Manager Vacancy appointment was delayed for so long...”

Delays in appointments of senior staff in key positions compromise the timely execution of municipal decisions (Utkina, 2014; Gnade, Blaauw & Greyling, 2017) and negatively impact the implementation of governance systems (Nyamita, Dorasamy & Garbharran, 2015; Zonke, 2016; Chikulo 2017) and often promotes illegal practices (Kikeri, 2018). Ineffective oversight (Shah, Sarfraz & Ivascu, 2021; Barney & Harrison, 2020) weakens corporate governance systems (Dzomira, 2020) and negatively impact service delivery (Utkina, 2014; Gnade, Blaauw & Greyling, 2017).

4.1.1 Organisational culture

The organisational culture was cited as a key factor influencing the conduct of municipal work.

Respondent IS6 pointed out that:

“There is a culture of appointing without proper task allocation. The municipality should make sure that if a current position is not filled it should be combined with another one to fully utilise the current personnel...”

Respondent IS1 stated that:

“There is a culture of delays in submitting reports ...in various departments/units, and senior management cannot discipline such acts because of political interference. It is difficult to discipline or act against the people who are not complying. People expect a lot from the Municipal Manager to act on such people...”

Organisational culture influences employee performance (Nzewi, 2017) and the effective implementation of corporate governance in municipalities (Maropo, 2018). Effective management (Mokgopo, 2016) improves resource management, and service delivery (Chauke, 2019; Gali, 2020; Ferguson, 2017).

4.1.2 Organisational communication

Respondents highlighted ineffective organizational communication (De Nobile, 2017) as one of the factors influencing corporate governance in the municipality.

Respondent IS3 pointed out that:

“There is little interaction between Municipal departments and the [other] District municipalities at the departmental level. Maybe there is little more discussion at an executive level which is a concern because the information is not communicated to us at the lower levels...”

Organisational communication promotes effective discussion on service delivery (Valentinov, Roth & Will, 2019; Hasnas, 2013; De Nobile, 2017) and ensures execution of stakeholders’ oversight on corporate governance practices (Hickman & Akdere, 2019; Umar, 2021). **Compliance with the Municipal Financial Management Act (MFMA)**

Most respondents cited factors related to financial governance practices that fall under the MFMA.

Respondent IS5 highlighted the following with respect to the Audit Committee:

“Internal Audit is a good committee, but the municipal environment is run by politicians where the Internal Audit findings are presented for implementation, but nothing gets done. Same on council resolutions but management does not implement them. I am disappointed that we have regressed from Unqualified to Qualified Audit opinion because of noncompliance...”

Respondent IS5 noted that:

“Internal audit should audit the departments during the process or before the process is complete to ensure compliance before an AG (Auditor General) after a year or two to pick up non-compliance. Processes such as recruitment and procurement processes are an example ... and this should be done on a quarterly basis...”

Collaboration among internal stakeholders (Höglund, Mårtensson & Safari, 2018), minimises resource mismanagement and protects government assets and resources (Department of Public Enterprises, 2020; Mokgoro, 2018; Nwoke, 2019; Baber, Kang, Liang & Zhu 2015; Masuku & Jili, 2019). While non-compliance with financial management systems (Fuo, 2018; Regoliosi & d’Eri, 2014; Wang & Sarkis, 2017) compromises the financial integrity and external governance (Kikeri, 2018; Du Plessis, 2020).

4.1.4 Political interference

Most of the respondents cited political interference as a key factor in the execution of municipal affairs.

Respondent IS5 stated the following:

“There is political interference in the administration system, there is no differentiation between administrative and political leadership. Administration leadership is more accountable to politicians than the communities...”

Political disagreements (Mile, 2017; Shair-Rosenfield, 2016) compromise performance (Masuku & Jili, 2019) and Reimsbach, Hahn, and Gürtürk, 2018) and service delivery (Meissner *et. al*, 2018).

External Stakeholders

Table 3: External Stakeholders respondents

Code	Respondent description
<i>Residents</i>	
ERS1	External Stakeholder resident
ERS2	External Stakeholder resident
ERS3	External Stakeholder resident
ERS4	External Stakeholder resident
ERS5	External Stakeholder resident
ERS6	External Stakeholder resident
ERS7	External Stakeholder resident
ERS8	External Stakeholder resident
ERS9	External Stakeholder resident
ERS10	External Stakeholder resident
ERS11	External Stakeholder resident
<i>Business community</i>	
EBS1	External Stakeholder Business
EBS2	External Stakeholder Business
EBS3	External Stakeholder Business

Key: ES – External stakeholder

Table 3 above shows the external stakeholders who were interviewed. The findings are presented below.

4.2 Inexperienced elected representatives

Most of the respondents cited inexperienced elected representatives as a key factor influencing corporate governance in the municipality. Respondent ERS2 indicated that:

“The ward councillors are not effective in ensuring service delivery because they do not have capacity and competency to manage and govern their areas of jurisdiction nor do they have a budget to provide services...”

Inexperienced and incompetent elected representatives (Mello (2018); negatively impact the quality of oversight and corporate governance systems (Erasmus and Matsimela 2019). Lack of participation by external stakeholders (Nyawo and Mashau 2019) diminishes compliance in municipalities (Krige and Orrie, 2018).

4.2.1 Corruption

Most of the respondents cited corruption and fraud tendencies as factors that impact corporate governance in the municipality.

Respondent ERS3 stated that:

"Corruption ...the leaders only care for themselves, they don't care about other people. The municipality does not provide efficiently for the community e.g. lack of water and there are a lot of areas which could be improved like the water crises and roads..."

Unethical management practices (Specht, 2019, Beukes, 2019; Maropo, 2018) promote corruption and fraud (Mlambo, Zubane, & Thusi, 2022; Lethoko, Musandiwa & Njoko, 2018; Agbim, 2018) in municipalities.

4.2.2 Non-compliance with the Municipal Financial Management Act (MFMA)

Most of the respondents cited challenges of compliance with the Municipal Acts and enabling legislation.

Respondent ERS4 stated the following:

"I do not see the use of MFMA, why can't the council evaluate the finance committee's work using the MFMA? We get very surprised that money goes missing under the watch of the committees in the municipality."

Respondent ERS5 noted that:

"Looking at how officials can manipulate processes, it shows that it does not benefit the municipality. The Systems Act, Structures Act, and MFMA legislations must be followed as our guiding tools..."

Non-compliance with corporate governance persists in municipalities and government sectors (Aksu & Espahbodi, 2016; Sulemana, Musah, & Simon, 2018; Glasser & Wright, 2020; Glinkowska & Kaczmarekpoints, 2015; King, 2018; Jackson 2015).

4.2.3 Cadre deployment policy

Most of the external stakeholders cited the challenges of politically deployed cadres as councillors and employees. Respondent ERS6 pointed out that:

"Cadre deployment is a very serious threat; officials should hold the relevant qualifications for their positions..."

Respondent ERS7 noted that:

"Cadre and political deployment to municipal positions affects the administration and leads to corruption in the financial management of the municipalities..."

Political interference in municipal operations (Sulemana, Musah, & Simon, 2018; Mello, 2018) weakens oversight on financial management and upholding ethical practices (Kroukamp & Cloete, 2018; Zvavahera & Ndoda, 2014; Kariuki & Reddy, 2017; Malik, 2015; Erasmus and Matsimela, 2019; Bobonis, Fuertes, and Schwabe, 2016).

4.2.4 Procurement and Tendering system malpractices

Most respondents cited procurement and tender processes as factors impacting corporate governance in the municipality.

Respondent ERS8 noted that:

"Poor management, bad planning of finances and poor tender issuing, lack of knowledge and negligence are corporate governance matters failing service delivery..."

Respondent ERS39 cited the following example with respect to procurement challenges in the municipality:

"Two security companies fought in the municipality for a tender. It took time to resolve. Internal audit should have resolved such internal issues, but it seems municipality doesn't have a good team and system..."

Respondent EBS1 expressed the view that:

"Municipal projects and tenders are not being monitored..."

Weak procurement processes and tendering systems (Mlambo, Zubane & Thusi, 2022); promote illegal practices, corruption, and fraud in municipalities (Govender & Reddy, 2019; Shahab & Ye, 2018).

4.2.5 Stakeholder consultations

Most of the respondents cited stakeholder consultations as a factor influencing corporate governance in the municipality.

Respondents ERS10 pointed out that:

"Consultations must be done with communities at least two times a year to avoid risks of strikes..."

Respondent ERS11 highlighted that:

"The Municipality should create a stakeholder consultative framework for service delivery..."

Stakeholder consultations (Top & Sungur, 2018; Lawrence & Rogerson, 2019; Khambule, 2018); enhance corporate governance in municipalities (Van der Wal, 2020).

4.2.6 Special Interests Stakeholders

Table 4 below indicates the special stakeholders who were interviewed in the study.

Table 4: External Special Interests

CODE	Respondent description
ESIS1	Former Municipality Councillor
ESIS2	District Municipality Official
ESIS3	District Municipality Councillor
ESIS4	Local District Municipalities Official
ESIS5	Member of the South African Local Government Association (SALGA)

Key: ESIS – External Special Interest Stakeholders

The findings are presented below:

4.2.7 Cooperation with stakeholders

Most of the respondents cited issues around cooperation between the municipality and stakeholders.

Respondent ESIS3 stated the following that:

"Cooperation with other institutions through working relations or exchange programs allows people coming from outside to come in and assist. The Municipality can use consultants but limitedly...". Respondent ESIS2 expressed the view that:

"The role players should have an overall say in designing and introducing plans for the municipalities on their strategic objectives and goals..."

Respondents ESIS5 noted that:

"The performance of the municipality should be measured in terms of annual performance plans drafted by all role players consulted...".

Cooperation with stakeholders (Govender & Reddy, 2019); promotes public accountability in the public sector (Stafford & Stapleton, 2017) and improves internal controls, monitoring, and oversight (Sibanda, Zindi and Maramura, 2020; Shive & Forster, 2020).

4.2.8 Lack of accountability

Respondents noted the effects of accountability on corporate governance in the municipality.

Respondent ESIS4 highlighted that:

"To ensure that processes are okay, services should be delivered to the communities and make sure that the people are aware of what activities are taking place in their municipality ..." Respondent ESIS3 noted that:

"It [accountability] puts emphasis on timelines. Compliance and ... good corporate governance in government because the government doesn't have accountability..."

Corporate governance systems promote effective oversight (Enwereji & Uwizedeyimana 2019; Simona & Elisabeta, 2013) and competent leadership improves ethical practices in municipalities (Agbim, 2018; Madumo & Koma, 2019; Connolly, 2017).

4.2.9 Skills and capacity challenges

Respondents cited the impact of skills and role performance in the operations of the municipality.

Respondent ESIS5 expressed the view that:

"The national government is aware of the challenges facing our municipalities, if you were to do a skill audit you will find that most of the councillors do not have matric. Most of the councillors take time to grasp and participate in workshops because of their poor level of education. This leads to many people wanting to become councillors because there are opportunities without minimum competency..."

Respondent ESIS3 pointed out that:

"Let me remind you that skills transfer after 1994 was a challenge, since then we have been battling to put our systems in order. Another challenge is when a new Mayor comes, we have been witnessing a regular change of management triggered by new Mayors, this somehow

disturbs the smooth running of governance as some will take long to grasp and be comfortable with their work...".

Respondent ESIS2 noted that:

"The municipal sector faces collapse as financial governance continues to deteriorate. Unless corrective action is taken, a crisis is inevitable. Municipalities' leaders need to root out corruption, appoint managers with the right skills and experience, and apply sound budgetary practices and strict financial discipline...".

The shortage of qualified personnel in critical positions retards development (Omarjee, 2016; Asha & Makalela, 2020); compromises service delivery (Utkina, 2014; Gnade, Blaauw & Greyling, 2017; Bobonis, Fuertes, and Schwabe, 2016; Sulemana, Musah, & Simon, 2018); perpetuates the culture of noncompliance and weak corporate governance in municipalities (Kariuki & Reddy, 2017; Omarjee, 2016).

DISCUSSION

The absence of coherent and stable municipal organizational structures and systems (Zvavahera & Ndoda, 2014) promotes dysfunctional organisational cultures and non-compliance with policies and goals (Masouleh & Allahyari, 2017). Delays in the appointment of senior municipal management executives result in the proliferation of unqualified executives in acting capacities (Kikeri, 2018), thereby creating leadership and management lapses in the municipality. Political interference and the deployment of unqualified political cadres (Erasmus and Matsimela 2019) compromises the administrative processes in municipalities (Mngomezulu, 2020; Kroukamp & Cloete, 2018). Stakeholders' participation and engagement in decision and policy making processes (Lasyté, 2019; Kamal, 2021) enhances buy-in to the policies, practices, and decisions (Almagtome, Khaghaany & Önce, 2020; Esser & Chalaczkiewicz-Ladna, 2018; Flórez-Parra et al. 2021; Visconti, 2019; Gersel & Johnsen, 2020; Younas & Al-Faryan, 2021). While organisational consultations and communication improves the understanding of stakeholders' interests (Doleman, Twigg & Bayes, 2020).

Compliance with corporate governance provisions on public finance legislation (Schultz & Hendrickse, 2018) and supply chain management systems (Mawela, Ochara & Twinomurinzi, 2017; Gcora and Chigona, 2019, Shahab & Ye, 2018; Kara, Acarerdur & Karabiyik, 2015; Marutlulle, 2019) improves financial decision-making processes (Harmain, Nurlaila, & Daulay, 2020), and minimises corruption and fraud (Govender & Reddy, 2019). The employment and retention of skilled personnel (Mhlanga, Mjoli & Chamisa, 2019) and effective internal audit functions (Krouman & Cloete, 2018) enhance the coordination of financial activities in municipal institutions (Glasser & Wright, 2020). Ethical leadership practices (Sanchez & Cerda-Bertomeu, 2018) and facilitating effective engagement and participation of stakeholders in crafting and implementing improves attainment of strategic goals and objectives (Kemp, 2018; Krause, 2015) for the benefit of all stakeholders (Van der Wal, 2020; Gnade, Blaauw, and Greyling, 2017). Overall, compliance with corporate governance legislation should be non-negotiable across all management levels in the public sector (Battaglio Jr et al., 2019).

Conclusions

Enforcement of corporate governance systems depends on the employment of experienced and qualified senior executives, reduction of political interference and cadre deployment. Implementation of consequences management policies on non-compliance with corporate governance systems will improve service delivery in the municipality. More importantly, the recruitment and retention of qualified personnel, enforcement and monitoring of ethical management practices, training and curtailing political interference will strengthen corporate governance systems in municipalities.

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