

FACTORS THAT AFFECT EFFICIENCY IN PROCUREMENT SERVICES IN THE CITY OF TSHWANE

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Abstract: A review of the relevant literature shows that the quality of procurement services that are routinely provided to residents of the City of Tshwane depends on the capacity of the City of Tshwane to use modern financial management and accounting procedures for performance monitoring and evaluation exercises. Fiscal discipline, good governance and service delivery depend on the degree to which prudent financial, auditing and accounting procedures are implemented by finance employees working for the City of Tshwane. The aim of study was to explain the relationship between the degree of adherence to the South African Municipal Finance Management Act (Act no. 56 of 2003) and the degree of customer satisfaction with the quality of procurement services that are provided to residents, ratepayers and taxpayers living and working in the City of Tshwane. Data was collected from a stratified random sample of 146 employees of the City of Tshwane who were responsible for providing procurement services to customers. Data was collected by using a structured, pre-tested and validated questionnaire of study. Statistical methods such as frequency tables, cross-tab analyses and ordered probit regression analysis were used for performing data analyses. The perception of respondents on the efficiency in procurement services was assessed by assessing the degree of adherence of employees to the Municipal Finance Management Act (MFMA) based on a composite index defined by Adjei-Bamfo, Maloreh-Nyamekye and Ahenkan (2019). The study showed that 89% of the 146 employees who were selected for the study demonstrated adequate adherence to the Act, whereas 11% of employees failed to do so by the same standards. The study found that the degree of adherence of employees to the MFMA was significantly influenced by 3 factors. These 3 factors were degree of skills in financial accounting and auditing, duration of service, and degree of job satisfaction, in a decreasing order of strength. The results also showed that there was a statistically significant association between the quality of financial and auditing services that were provided to customers and the degree of adherence to the Municipal Finance Management Act.

Keywords: Procurement services, Efficiency, City of Tshwane, Municipal Finance Management Act (MFMA), Auditing and accounting skills, ordered probit regression analysis

Introduction and background of study

The main purpose of study was to assess the degree of adherence of municipal employees to the South African Municipal Finance Management Act (Act no. 56 of 2003). The secondary aim of study was to assess the degree of customer satisfaction in the quality of procurement services provided to customers living and conducting business in the City of Tshwane. The purpose of the Municipal Finance Management Act (MFMA) is to ensure optimal service delivery at municipal level. The Act is suitable for promoting social and economic developments at all South African municipalities and local governments. The Act stipulates sound financial, accounting and auditing procedures to be followed by all municipalities in South Africa. The Act is based on norms and standards to be followed by all South African municipalities in the course of service delivery. The Act is designed to ensure optimal utilisation of municipal finances and resources. The norms and standards stipulated in the Act enable assessors to evaluate compliance by employees.

The City of Tshwane (2019) is responsible for providing a wide variety of procurement services to residents, ratepayers, business enterprises, Government Departments and the general public. Adjei-Bamfo, Maloreh-Nyamekye and Ahenkan (2019) have identified a matrix of indicators that could be used for monitoring the degree of satisfaction of stakeholders in large municipalities such as the City of Tshwane. Aguilera and Cuervo-Cazurra (2009) have constructed a model that could be used for monitoring and evaluating important determinants in ensuring service quality to the general public. Agyepong and Nhamo (2017) have provided a list of bylaws that could be used for assessing the degree of compliance of residents, businesses and stakeholders to municipal

guidelines, legislations and Acts. Baloyi, Swanepoel and Venter (2019) have pointed out that internal efficiency and organisational factors affect the quality of procurement services that are provided to residents, ratepayers and stakeholders. Bienhaus and Haddud (2018) have proposed various models that could be used for monitoring and evaluating the quality of procurement services in service delivery institutions such as municipalities. The authors have shown that it is impossible to monitor the quality of procurement services without establishing a comprehensive database of key indicators of performance. This finding is in agreement with recommendations made to local municipalities by the United Nations Development Programme (UNDP, 2019). The South African Parliament (2019) has stated that all municipalities must be audited with a view to improve the quality of municipal service delivery and to minimize the abuse of public resources and infrastructure. The recommendation made by the South African Parliament is consistent with recommendations made by Sundt, Schwaeble and Merritt (2019).

The alleviation of poverty and unemployment in all South African local municipalities such as the City of Tshwane is a key strategic priority of the African National Congress (ANC, 2019). The ANC needs to enhance the quality of municipal service delivery in all local municipalities by way of implementing municipal projects efficiently. To do so, the ANC needs a highly efficient procurement policy at local municipality level. Aguilera and Cuervo-Cazurra (2009) have shown that highly efficient procurement procedures are essential for efficient service delivery in all developing nations. Brinkerhoff and Brinkerhoff (2011) have emphasised the benefits of using a comprehensive monitoring and evaluation of public finance in developing municipalities such as the City of Tshwane.

Brunette, Klaaren and Nqaba (2019) have proposed a model for ensuring financial control in the procurement of municipal services in local municipalities. According to the authors, adherence to guidelines and regulations is essential in all public finance expenditures. Adhering to guidelines minimises the unnecessary wastage of public resources. Surprise inspections are often used for establishing adherence and compliance to recommended guidelines and regulations. In comparison with the City of Cape Town (2019), the City of Tshwane (2019) needs to enhance the current degree of efficiency in implementing municipal projects. Edoho (2015) has argued that it is vital for local municipalities to use modern information technology systems for ensuring adequate compliance with financial regulations. The authors have pointed out the numerous benefits of monitoring and evaluating service delivery standards and key performance indicators. The City of Tshwane (2019) is required to meet a large number of service level agreements with the general public and stakeholders. All these agreements need to be verified for compliance. Accounting, auditing and financial skills are essential to ensure compliance with service level agreements. To do so, the City of Tshwane collects information on a large number of socioeconomic variables on a monthly basis. Examples of such variables are the cost of service delivery, the frequency of waste collection, the availability of electricity and water services at all times, the quality of interactions with customers, the attitudes and behaviours of employees, and the level of skills possessed by service providers and employees.

Egeberg, Gornitzka and Trondal (2019) have pointed out that the degree of satisfaction of residents depends on the perceived commitment of employees of local municipalities to render services with quality. Constitutional ideals and duties that are bestowed on local governments and municipalities require municipalities such as the City of Tshwane to provide quality services to all residents, ratepayers and stakeholders at all times. According to the African National Congress (2019), all 278 local municipalities in South Africa are required to use a performance monitoring and evaluation system for ensuring the successful accomplishment of municipal projects by way of adhering to the MFMA. Doing so entails adhering to local and international best practice in the procurement of municipal services. Following good leadership traits such as accountability, transparency and objectivity in the implementation of procurement services is a duty that is owed by local municipalities to residents, ratepayers, tax payers, businesses and stakeholders.

The study aims to assess the extent, to which financial practitioners working in the City of Tshwane adhere to guidelines stipulated in the Municipal Finance Management Act (MFMA), and identify and quantify predictors of non-adherence to the MFMA. The paper will also assess and evaluate the skills possessed by financial practitioners working in the City of Tshwane.

Objective of study

The overall objective of study was to identify and quantify key predictors of adherence to the South African Municipal Finance Management Act (Act no. 56 of 2003) in the City of Tshwane. The study aims to explain the relationship between the quality of service delivery and the proper utilization of financial management and

accounting procedures at municipal level in the City of Tshwane. The specific objective of study is to identify and quantify key factors that affect the degree to which proper accounting and financial management procedures are followed by employees working in the City of Tshwane Metropolitan Municipality.

Literature review

The Municipal Management Act of 2003 (MFMA, Act no. 56 of 2003) requires municipalities to build adequate capacity for resolving queries from customers. The MFMA calls for active participation and input from the public in the budgeting process of municipalities. The following Acts and pieces of legislation show that the general public has the right to demand quality municipal services: the South African Constitution, the Batho-Pele Principle, the Municipal Structures Act, the White paper on local Government of 1998, the Municipal Systems Act of 2000, the Municipal Finance Management Act of 2003, the Municipal Property Rates Act of 2004, Guidelines issued in 2005 on the operation of wards and their committees, and the 2007 National Policy Framework on Public Participation in municipalities. In addition to this, the South African Government has passed three key pieces of legislation. These are: the promotion of access to information Act, the Protection of Disclosure Act, and the Promotion of Administrative Justice Act.

Standardized and validated indicators must be used in the measurement and evaluation of service quality. In this regard, assurance refers to achieving 100% quality and maintaining that level of quality on an ongoing basis until the key objectives of the project being conducted are fulfilled. Frogeri, Pardini, Cardoso, Prado, Piurcosky and Junior (2019) have argued that highly efficient procurement services include essential features of good corporate leadership and good governance as a means of safeguarding the strategic interest of stakeholders such as customers, service providers and stakeholders. The City of Tshwane implements a large number of municipal projects as a matter of routine. By adhering to good governance principles, the City of Tshwane can save valuable resources. In this study, community refers to inhabitants of the City of Tshwane. Councilors are members of the City of Tshwane who are responsible for liaising with inhabitants of the City of Tshwane on matters of municipal service delivery. Leadership is a measure of the overall capacity and suitability of a service provider to accept full responsibility on specific and general tasks that must be accomplished to stakeholders by a service provider. A good leader demonstrates the ability to listen to the demands made by customers and clients and take appropriate action by utilizing feasible and affordable measures. Ishak, Hasibuan and Arbani (2020) have constructed a framework for efficient procurement at municipal level. The framework includes leadership traits such as objectivity, transparency, accountability, good governance and the ability to utilise scarce resources optimally. Good leaders are characterised by honesty, punctuality, fairness, accountability, objectivity, transparency and integrity. In this regard, the key attributes of good governance must be adhered to by all financial practitioners employed by the City of Tshwane.

Many researches define quality in different ways and there is no agreed definition of service quality, but from the viewpoint of business administration, service quality is an achievement in customer service. It reflects at each service encounter. Customers form service expectations from past experience, word of mouth and advertisement. A number of writers have examined government service delivery and its relation to service delivery and it was identified that South African constitution guarantees all people the right to access adequate and affordable potable water to meet basic domestic needs, A major part of populations in Africa (especially in the rural areas) live without access to basic public services. The reasons for dysfunctional service delivery are many and complex, but most often, they relate to lack of accountability, transparency and commitment in making services work for poor and marginalized citizens (United Nations Development Programme, 2019). In many cases, the lack of implementation and absorptive capacity of government agencies and citizens, respectively, are problems that hamper efficient service delivery.

Inadequate targeting of the poor, supply-driven planning, elite capturing of programmers, lack of voice of the poor and their inability to reach the government and service providers, are among the most common reasons. Often, government services fail to reach the poor in rural and remote areas, and when services are provided, they rarely reduce poverty (United Nations Development Programme, 2019). Kanyane and Sisi (2019) have shown that the market is not an effective mechanism for indicating needs for or allocating public products or service. Thus, in the absence of effective market mechanisms, various levels of government carry out supply and market intervention activities designed to ensure the availability of community services when and where a need has been expressed.

Loots, Van Dijk, Van Vuuren, Bhagwan and Kurtz (2014) have pointed out that procurement procedures should be enhanced, monitored and evaluated at all local municipalities in South Africa as a means of saving valuable resources such as money, equipment, manpower and the general infrastructure. Madonsela (2019) has argued that failure in adhering to good leadership and procurement services has resulted in the loss of valuable resources in almost all South African local municipalities. The author has attributed the massive loss of municipal resources in the past decade to failure in leadership and good governance. The critical aspect of good leadership is the use of good procurement services. Matlala and Motsepe (2015) have pointed out that South Africa is faced with a number of challenges in terms of service delivery, including problems with poverty, inequality, democracy, respect for human rights and corruption. The theoretical allocated efficiency argument is that productivity of public services can be maximised by enabling local governments to take decisions on the allocation of scarce resources, since they have a better sense of local preferences.

Molefe, Tauoatsoala, Sifolo, Manavhela and Henama (2018) have shown that the adjudication of procurement and maintenance services must be accompanied with a strict application of monitoring and evaluation in all local municipalities. Mukonza and Mukonza (2015) have proposed a framework that could be used for ensuring compliance with good governance and good leadership principles. Owusu and Ameyaw (2019) have argued that all local municipalities should be encouraged to comply with monitoring and evaluation principles and guidelines in all procurement procedures. The authors have argued that failure to adhere to good procurement procedures is a key cause of loss of municipal resources and protests in all local municipalities. It is also responsible for the failure of local municipalities to provide satisfactory municipal services (Onwujekwe, Agwu, Orjiakor, McKee, Hutchinson, Mbachu & Balabanova, 2019). Corruption is a common result of failure to use efficient and accountable procurement procedures. Local municipalities have lost massive resources due to failure to procure services efficiently (South African Parliament, 2019).

Ossorio and Zhou (2019) have shown that overall productivity in municipal service delivery depends on sound financial management. In this regard, the sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government must be followed. The MFMA Act requires adherence to norms and standards that are set out by the South African Department of Finance as a means of ensuring optimal service delivery. Owusu, Chan, DeGraft, Ameyaw and Robert (2019) have pointed out that the MFMA is designed for minimising the unnecessary wastage of financial resources at municipal level. The Act is also designed for ensuring efficient municipal service delivery in all local governments and municipalities in South Africa.

The study is vital for the City of Tshwane Metropolitan Municipality in view of the fact that finance will enhance light on the degree to which proper financial management and accounting procedures are followed in the municipality. There are few studies conducted in this area to date. As such, the study stands to contribute significantly to the body of knowledge in this area. The stakeholder theory (Ruiters and Matji, 2016) shows that failure to satisfy the expectations and demand of customers in municipalities has the potential for leading to dissatisfaction and disruption of service delivery. A stakeholder is defined as an individual, multiple or diverse groups who may exert influence over an organization whose behaviours may be influenced by the organisation as well. Ryall, Cooper and Ellis (2019) define the stakeholder as any group or individual who can affect or is affected by the achievement of the organisation's objectives.

Annual reports issued by the South African Auditor General (South African Auditor General, 2019) and the City of Tshwane (2019) show that finances and resources are not utilised and managed according to plans of actions that have been approved by the City of Tshwane. The root cause of this problem is lack of skills in sound financial management and lack of adherence to the MFMA Act. Both reports show that the municipality is losing finances due to lack of skills and competencies in accounting and financial management. In comparison to the City of Tshwane (2019), the City of Cape Town (2019) has managed to receive an unqualified financial report by the Auditor General for the financial year 2017/2018. This seems to suggest that the City of Tshwane stands to benefit from taking vital lessons from the City of Cape Town (City of Cape Town, 2019).

The City of Tshwane (2019) utilises an integrated development planning as a means of assessing and evaluating the degree of compliance with the MFMA. The stakeholder theory states that stakeholders remain loyal as long as service delivery agreements and expectations of service quality are satisfied (Thiankolu, 2019). Stakeholders need to interact effectively as a means of optimising service delivery. The South African Local Government Authority (SALGA) is mandated with the task of ensuring adequate service delivery by all municipalities. As such, it interacts

with stakeholders and municipalities on a regular basis. Its stakeholders are expected to make a collective effort towards advancing the interest of all South Africans. SALGA’s main objective is to ensure quality service delivery and sound financial discipline in local municipalities and governments in South Africa by using innovative and cost-effective methods on a sustainable basis. The stakeholder theory indicates that it is not possible for large municipalities such as the City of Tshwane to win the loyalty of customers on a sustainable basis without optimising and ensuring the quality of municipal service delivery to customers at all times. In order to achieve this goal, the City of Tshwane needs to adhere to good governance and good leadership principles in the adjudication of all municipal procurement procedures (Madonsela, 2019).

Methods and materials of study

The study was based on a stratified random simple of size 146 employees of the City of Tshwane who are responsible for the provision of financial, accounting and auditing services to customers who live and conduct business in the various parts of the City of Tshwane. The design of the study was cross-sectional and descriptive as data was collected from the enterprises that took part in the study only once during the period of study. For each one of the 146 employees who were selected for the study, the degree of adherence to the Municipal Finance Management Act (Act no. 56 of 2003) was assessed by using a composite index defined by Adjei-Bamfo, Maloreh-Nyamekye and Ahenkan (2019). Data analyses were performed by using methods such as frequency tables, cross-tab analyses and ordered probit regression analysis (Daniel & Cross, 2018). Ordered probit analysis was used because the model allows the estimation of parameters for a dependent variable of study with 5 possible levels of adherence to financial guidelines and regulations. Ordered probit is an ordinal regression analysis procedure. The reliability of estimated models was assessed based on standard diagnostic procedures.

Results of study

Table 1 shows frequency proportions that indicate the degree to which finance staff working in the City of Tshwane in various capacities adhere to sound financial management principles, procedures and guidelines. It can be seen from the table that 130 of the 146 employees who were selected for the study (89%) were efficient in financial management, whereas the remaining 16 of the 146 employees (11%) were not efficient in financial management. Efficiency in financial management was assessed by assessing the degree of adhere of employees to the Municipal Finance Management Act (Act no. 56 of 2003) based on a composite index defined by Adjei-Bamfo, Maloreh-Nyamekye and Ahenkan (2019).

Table 1: General assessment of employees (n=146)

Variable of study	Percentage
Overall efficiency in procurement services	Efficient: 89% Inefficient: 11%
Visibility in implementing financial controls	Good: 13% Above average: 48% Average: 29% Below average: 10% Poor: 0%

Good example set by senior officers	<p>Good: 14%</p> <p>Above average: 35%</p> <p>Average: 31%</p> <p>Below average: 19%</p> <p>Poor: 1%</p>
Supervision of all bank accounts	<p>Good: 15%</p> <p>Above average: 30%</p> <p>Average: 38%</p> <p>Below average: 16%</p> <p>Poor: 1%</p>
Training of financial officers	<p>Good: 5%</p> <p>Above average: 30%</p> <p>Average: 33%</p> <p>Below average: 31%</p> <p>Poor: 1%</p>
Rotation or transfer of financial employees	<p>Good: 0%</p> <p>Above average: 16%</p> <p>Average: 32%</p> <p>Below average: 41%</p> <p>Poor: 11%</p>
Rules are observed dutifully	<p>Good: 22%</p> <p>Above average: 38%</p> <p>Average: 26%</p> <p>Below average: 12%</p> <p>Poor: 2%</p>
Documenting of financial records	<p>Good: 19%</p> <p>Above average: 42%</p> <p>Average: 23%</p> <p>Below average: 13%</p> <p>Poor: 3%</p>
Commitment to sound accounting procedures and guidelines	<p>Good: 13%</p> <p>Above average: 43%</p> <p>Average: 29%</p> <p>Below average: 14%</p> <p>Poor: 1%</p>
Tax laws are obeyed dutifully	<p>Good: 11%</p> <p>Above average: 56%</p> <p>Average: 27%</p> <p>Below average: 6%</p> <p>Poor: 0%</p>

Procedures are followed rigorously	Good: 8% Above average: 46% Average: 38% Below average: 6% Poor: 2%
Separation of key functions is respected	Good: 9% Above average: 36% Average: 40% Below average: 10% Poor: 5%
Authorisation of expenditures	Good: 13% Above average: 49% Average: 33% Below average: 3% Poor: 2%
Computations and costing are verified	Good: 12% Above average: 44% Average: 39% Below average: 5% Poor: 0%
Prevention of over-spending	Good: 19% Above average: 37% Average: 34% Below average: 10% Poor: 0%
Detection of fraudulent activities	Good: 5% Above average: 35% Average: 47% Below average: 12% Poor: 1%
Penalisation of wrong activities	Good: 2% Above average: 10% Average: 55% Below average: 24% Poor: 8%

The Pearson chi-square test of association (Daniel and Cross, 2018) was used for performing a preliminary screening of influential factors that were significantly associated with the degree to which employees adhered to the MFMA Act by way of following the basic principles, regulations and guidelines of the Act. A total of 44 tests of associations were performed between the dependent variable of study (degree of adherence to the MFMA Act), and each one of the 44 independent variables of study that are well known to affect the degree to which finance officers adhere to sound procurement principles and guidelines.

Values of the dependent variable of study, Y (Efficiency), were defined as follows:

$$\text{Efficiency} = \begin{cases} 1 & \text{if adequate} \\ 2 & \text{if inadequate} \end{cases}$$

Pearson’s chi-square tests of association were performed between values of variable Y and each of the values of 44 factors that are known to affect efficiency in procurement services in the City of Tshwane. The results showed that efficiency in procurement services in the City of Tshwane was significantly associated with 9 of the 44 variables of study at the 5% level of significance. At the 5% level of significance, significant two-way associations are characterized by large observed chi-square values and P-values that are smaller than 0.05. It can be seen from Table 2 that all 9 variables listed in the table are significantly associated with sound procurement services at the 5% level of significance.

Table 2: Results obtained from cross-tab analyses (n=146)

Factors significantly associated with sound procurement services	Observed chi-square value	P-value
Degree of skills in financial accounting and auditing	11.0206	0.000
Duration of service in City of Tshwane	9.2318	0.000
Degree of job satisfaction	8.2578	0.000
Adherence to terms of contracts	6.1705	0.000
Adherence to bidding procedures	5.7010	0.000
Adherence to rules	4.7010	0.001
Training opportunities	4.8867	0.007
Verification of eligibility requirements	3.7464	0.012
Making decisions based on merit	3.5812	0.029

It can be seen from Table 2 that the efficiency in procurement services working in the City of Tshwane on financial management was significantly influenced by degree of skills in financial accounting and auditing, duration of service in City of Tshwane, degree of job satisfaction, adherence to terms of contracts, adherence to bidding procedures, adherence to rules, training opportunities, verification of eligibility requirements, and making decisions based on merit, in a decreasing order of strength. The 9 predictor variables shown in Table 2 were subsequently used for performing ordered probit regression analysis.

Table 3 shows a comparison between 2 categories of finance employees with regards to the 11 significant factors identified above. Category 1 consists of 130 employees (89%) who have adequate efficiency in financial management. Category 2 consists of 16 employees (11%) who lack efficiency in sound financial management.

Table 3: Comparison with regards to efficiency in procurement services (n=146)

Factors significantly associated with efficiency in procurement services	Efficient (n1=130)	Inefficient (n2=16)

Degree of skills in financial accounting and auditing	Yes: 72% No: 5%	Yes: 8% No: 15%
Duration of service in City of Tshwane	Yes: 72% No: 5%	Yes: 8% No: 15%
Degree of job satisfaction	Yes: 73% No: 4%	Yes: 15% No: 8%
Adherence to terms of contracts	Yes: 70% No: 7%	Yes: 16% No: 7%
Adherence to bidding procedures	Yes: 70% No: 7%	Yes: 16% No: 7%
Adherence to rules	Yes: 57% No: 20%	Yes: 11% No: 12%
Training opportunities	Yes: 42% No: 35%	Yes: 6% No: 17%
Verification of eligibility requirements	Yes: 42% No: 35%	Yes: 6% No: 17%
Making decisions based on merit	Yes: 57% No: 20%	Yes: 11% No: 12%

It can be seen from Table 3 that respondents in categories 1 and 2 differ from each other with regards to degree of skills in financial accounting and auditing, duration of service in City of Tshwane, degree of job satisfaction, adherence to terms of contracts, adherence to bidding procedures, adherence to rules, training opportunities, verification of eligibility requirements, and making decisions based on merit. Efficient employees were found to be relatively more prudent and rule-bound on fiscal issues.

Regression coefficients obtained from ordered probit regression analysis were used for estimating odds ratios (Daniel and Cross, 2018). At the 5% level of significance, influential predictors of efficiency in financial management have odds ratios that are significantly different from 1, P-values that are smaller than 0.05, and 95% confidence intervals of odds ratios that do not contain 1.

Table 4: Estimates from ordered probit regression analysis (n=146)

Variable	P-value	Odds Ratio	95% Confidence Intervals of Odds Ratio
Skills in financial management	0.000	3.68	(1.74, 7.09)

Duration of service	0.000	3.26	(1.58, 6.69)
Degree of job satisfaction	0.000	2.87	(1.44, 5.37)

Accordingly, 3 of the variables used for ordered probit regression analysis were found to be influential predictors of efficiency in procurement services. These 3 predictor variables of study were degree of skills in financial management, duration of service in the City of Tshwane, and degree of job satisfaction, in a decreasing order of strength.

Interpretation of odds ratios

The odds ratio of the variable “skills in financial management” is equal to 3.68. This indicates that a finance employee who lacks skills in financial management is 3.68 times more likely to be inefficient in procurement services in comparison with another finance employee who possesses adequate skills in financial management.

The odds ratio of the variable “duration of service” is equal to 3.26. This indicates that a finance employee who has not served the City of Tshwane for 5 years or more is 3.26 times more likely to be inefficient in procurement services in comparison with another finance employee who has served the City of Tshwane for 5 years or more.

The odds ratio of the variable “degree of job satisfaction” is equal to 2.87. This indicates that a finance employee who lacks job satisfaction while working for the City of Tshwane is 2.87 times more likely to be inefficient in procurement services in comparison with another finance employee who enjoys job satisfaction while working for the City of Tshwane. The P-value obtained from the likelihood ratio test was equal to $0.0000 < 0.05$. This indicates that there was no reason to doubt the reliability of the fitted ordered probit regression model.

Discussion of results

The key finding of study was that 89% of the 146 employees who took part in the study adhered adequately to the Muncipl Finance Management Act based on the criterion set out by Adjei-Bamfo, Maloreh-Nyamekye and Ahenkan (2019), whereas the remaining 11% of employees did not adhere to the Act adequately by the same criterion. This figure sounds good considering the fact that Tshwane is a developing municipality.

Results obtained from cross-tab analyses showed that the efficiency of finance staff working in the City of Tshwane on procurement services was significantly influenced by the degree of skills in financial accounting and auditing, duration of service in City of Tshwane, degree of job satisfaction, adherence to terms of contracts, adherence to bidding procedures, adherence to rules, training opportunities, verification of eligibility requirements, and making decisions based on merit. Efficient employees were found to be relatively more prudent and rule-bound on fiscal issues.

Results obtained from ordered probit regression analysis showed that the degree of adherence of employees to the Municipal Finance Management Act was significantly influenced by 3 factors. These 3 factors were degree of skills in financial accounting and auditing, duration of service, and degree of job satisfaction, in a decreasing order of strength. The results also showed that there was a statistically significant association between the quality of financial and auditing services that were provided to customers and the degree of adherence to the Municipal Finance Management Act.

According to Ishak, Hasibuan and Arbani (2020), the City of Tshwane should develop a model for good governance as a means of supporting stakeholders who expect quality service delivery from the municipality. The view of the City of Tshwane is that good governance models in financial management must be used for encouraging financial management employees to improve their performance. There are suitable models that could be used for identifying potential risks that are associated with financial management in municipalities such as the City of Tshwane. Such models are useful for implementing policies from the South African Local Government Authority (SALGA), and for minimizing the risk involved in wasting financial resources that are meant for providing essential procurement services to residents of Tshwane. Good governance entails transparency, accountability and fairness in the administration of public finance. Finance employees working for the City of Tshwane must reflect such essential attributes in their daily activities (Kanyane & Sisi, 2019).

Sound financial management practices are essential to the long-term sustainability of municipalities. They underpin the process of democratic accountability. Weak or opaque financial management results in the misdirection of resources and increases the risk of corruption and abuse of resources. The key objective of the Municipal Finance Management Act (2003) (MFMA) is to modernize municipal financial management in South Africa so as to lay a sound financial base for the sustainable delivery of services. Municipal financial management involves managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is developmental, effective and efficient and that local municipalities can be held accountable (Frogeri, Pardini, Cardoso, Prado, Piurcosky & Junior, 2019).

Conclusion of study and recommendation

The study has found that the degree of adherence of employees to the Municipal Finance Management Act was significantly influenced by 3 factors. These 3 factors were poor level of technical skills in financial accounting and auditing, short duration of service, and poor degree of job satisfaction, in a decreasing order of strength. These findings suggest that the City of Tshwane must provide workplace training opportunities to employees working on auditing and accounting tasks as a means of building capacity and improving the quality of procurement services that are provided to customers of the City of Tshwane.

Basic principles of good corporate governance such as accountability, objectivity and transparency are vital for ensuring adequate municipal service delivery. Governance analysis constitutes mechanisms that are used for the assessment of key deliverables. Analysis of policy includes the setting up of chains, the evaluation of chains, and the need to make amendments based on what is required for efficient service delivery. A good business plan is useful for analysis and evaluation. Business plans take financial issues into account, and are practical. The analysis of performance must account for discrepancies between expected outputs and tangible results. Major discrepancies must be accounted for by those who are responsible. The issue of leadership is crucial for sound financial management. Leading by example is the most important tool for prudent financial management in the City of Tshwane and other local governments and municipalities. The study conducted by Egeberg, Gornitzka and Trondal (2019) has shown that ensuring quality and efficiency in municipal procurement services requires sufficient adherence to the basic principles of good leadership and good corporate governance.

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