

# CORPORATE MUNICIPAL GOVERNANCE FOR EFFECTIVE AND EFFICIENT PUBLIC SERVICE DELIVERY IN SOUTH AFRICA

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## Abstract

This research acknowledges the current service delivery chaos manifested through numerous protests justifying the weakness of the “Batho Pele” good governance principles to facilitate, improve and sustain service delivery by local governments. The success of corporate governance in corporate companies and state owned enterprises is recognised prompting suggestions that local governments should too adopt corporate governance principles or King III to be effective. The research reviews the King III and literature to ascertain the lack of research on corporate governance in local governments in South Africa. Considering the particular set-up of local governments, the research doubts the successful application of King III in local governments. Through critical research theory, the current service delivery crisis in local governments in South Africa is described. The success of corporate governance systems in the United Kingdom and Australian local governments justify the need for a separate corporate municipal governance system as a solution to the crisis. A specific change of legislation and corporate governance guidelines is necessary to address the uniqueness of local governments. Hence, corporate municipal governance should be compulsory and based on ten standardised good governance principles via a code of corporate governance and a corporate governance framework responding to specific prerequisites for success.

**Keywords:** Corporate Governance, Service Delivery, Local Government, Good Governance, King III

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## Introduction

“Have you had to live in a two-bedroomed home with 20 people? Have you been ignored and insulted – not once but on many occasions – by the very people supposed to be helping you?” These words are from irritated service delivery protesters as reported by Kamcilla Pillay on 24 July 2012. The South African media has been inundated with front page titles on service delivery such as: “Rebellion of the poor: South Africa’s service delivery protests – a preliminary analysis”, “A State of Deep Crisis in South Africa’s Local Government”, “Rebellions of the poor, by the poor, for the poor”, “Resident protest over lack of housing” and many more. These protests are caused by frustrations of the people for poor or no provision of public services by local governments in South Africa.

The role of local government as the focal point of public service delivery is undeniable. Yet, some of the limiting factors of service delivery are related to the interference of politicians in the running of municipalities. Aminuzzaman (2010), cited by Makanyeza, Kwandayi and Ikobe (2013), argues that

the scope and quality of service delivery are the most critical areas that have significantly tinted the credibility and institutional image of local authorities. For Gwayi (2010), cited by Makanyeza, Kwandayi and Ikobe (2013), the councillors’ interference in administration and the lack of political and administrative leadership are key causes of poor service delivery. In South Africa, Mc Lennan (2009) refers to a state-driven public services delivery system whereby politics define a power relationship between the state, the citizens and the economy. In such a scenario politics take over the control of service delivery making it ineffective and inefficient if not impossible. For the Public Sector Working Group (PSWG) Position Paper 2 on Local Government and King III as recorded by PriceWaterhouseCoopers (PWC) and the Institute of Directors in Southern Africa (IoDSA), politicians interfere in supply chain management processes contrary to the legislation (PWC and IoDSA, 2010).

Debating on good governance in local government and the relevance of King III, the PSWG highlights the importance of the harmony between local government officials and politicians in enabling

service delivery. The dilemma is that “*how does one balance effective service delivery, political affiliations, the need for a political party to remain in power and good governance?*” (PWC and IoDSA, 2010: 1). Corporate governance can clarify the powers, roles and responsibilities of politicians and public servants to facilitate service delivery in local governments. However, discussions on implementing corporate governance principles in local governments have not produced evidences on how to proceed. The objective of this article is therefore to produce evidences on how corporate governance can be designed and implemented in local governments in order to facilitate, improve and sustain service delivery.

A critical social research theory as a way of describing societal conditions to favours the use of imagination to inspire a better future was appropriate for this study though literature review. The literature review focussed on explaining the notion of corporate governance and its application in public service. A separate analysis of best practices on the successful implementation of corporate governance in local governments informs the design and promotion of corporate municipal governance in local governments in South Africa.

## **Literature Review**

Corporate governance has contributed in facilitating effective and efficient management especially in corporate companies and state owned enterprises (SOEs). This literature defines and explains the progress of corporate governance and its success in the public sector. The review of best practices of good governance in the local governments prompted the recommendation of corporate governance to facilitate, improve and sustain service delivery in local governments in South Africa.

Reaching a universally accepted definition of corporate governance is impossible as each country has its own culture, financial and legal systems and political and management systems. Mulili and Wong (2011: 14) view corporate governance as encompassing the authority, accountability, stewardship, leadership, direction and control exercised in the process of managing organisations. These authors link corporate governance with the need for checks and balances in the process of managing organisations for positive results. For Mulili and Wong (2011: 14) the concept of corporate governance originated in the nineteenth century with incorporations advocating for ways of limiting liabilities. The concept corporate governance became more popular and in use from the 1980s when stock markets crashed in different parts of the world and some corporations due to poor governance practices (Mulili and Wong, 2011). Corporate governance became then a strategy by which owners of firms stopped directly controlling the actions of their firms

leaving such role to professional managers. Corporate governance started in the United Kingdom with the Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report of 1992) which identified integrity, openness and accountability as three key principles of corporate governance. The same Cadbury Report informed the King Report on Governance which is at its third version (King III) and relies on leadership, sustainability and corporate citizenship.

Audit Commission (2003: 4), a United Kingdom independent watchdog on public service, defines corporate governance in the public service as the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives. Organisations with good corporate governance have the capacity to maintain high-quality services and to deliver improvement. Poor corporate governance contributes to serious service and financial failures (Audit Commission, 2003: 7).

The Oxfordshire County Council ([Sa]) adopts the above definition of corporate governance and emphasises the notion of governance as how the Council ensures it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Corporate governance comprises of systems, processes, cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads its communities.

The Reading Borough Council ([Sa]) considers corporate governance in local government as the system by which local authorities direct and control their functions and relate to their communities. In other words, corporate governance reminds local authorities of their role in leading communities.

A review of best practices on corporate governance in local governments is important to hypothesise that corporate governance is key to successful service delivery. Corporate governance systems in Oxfordshire County Council, Reading Borough Council and Leicester City Council illustrate the case and support this hypothesis. A particular attention to corporate governance in developing countries introduces discussions about implementing corporate governance in local governments in South Africa.

## **Corporate Governance in Oxfordshire County Council**

Corporate governance in Oxfordshire County Council was a response to the proliferation of public service scandals in the United Kingdom consequent to insufficient accountability for decisions and procedures on spending by local authorities. A weak or no checks and balances system was also observed in the management of country. The Council

developed principles and practices for the achievement of corporate governance using the national and local framework of good governance. The Council's Corporate Governance is based on seven public service employees' conduct: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Corporate governance in Oxfordshire County Council is implemented through the code that guides the process on how to achieve good governance and the framework that makes corporate governance happen using six core principles. These principles are explained as part of recommendations for the design and implementation of corporate governance in local governments in South Africa.

Corporate governance is effective in Oxfordshire County Council because it is well-planned, implemented and evaluated in a way of harmonising the relations between councillors and public servants, thus facilitating effective and efficient service delivery within the County. Oxfordshire County Council is an appropriate good practice on corporate governance in the local government.

### **Corporate Governance in Reading Borough Council**

The Reading Borough Council understands that credibility and confidence in the services delivery are the consequence of establishing and maintaining the public's confidence in both elected members and public servants. Effective local government relies therefore upon such confidence. Corporate governance in Reading Borough Council concerns firstly, leading by example in the decision-making and other processes and actions by providing a vision for the community. Secondly, it is to ensure that councillors and public service managers behave in accordance with high standards of conduct.

Openness, integrity and accountability are the three key principles for effective corporate governance in Reading Borough Council. Openness ensures public's confidence in the decision-making and management processes. The Reading Borough Council promotes consultation of the local community, their participation in the decision making process and information provision to achieve openness. Integrity means honesty, selflessness and objectivity. Through integrity the Reading Borough Council presumes accountability and control of the management of the council's administration and finances. Accountability means that councillors and public servants are responsible for their decisions and actions and are available for external review.

Similar to the case of the Oxfordshire County Council, the Reading Borough Council has established a good corporate governance culture. For the Council, corporate governance ensures the trust of

the public into the Council and public servants thus facilitating service delivery.

### **Corporate Governance in Leicester City Council**

The Leicester City Council (2013) approved its local code of corporate governance on the 9th April 2013. A list of key policies of the City's corporate governance was finalised on the 8th May 2013. The focus of the Leicester City Council's code of good governance is the community. Through the local code of corporate governance, the city council undertakes to work for and with the local community to exercise leadership in the local community; to undertake an ambassadorial role to promote the wellbeing of the city through maintaining effective arrangements for accountability, integrity, openness, inclusivity and clear vision and corporate strategy.

The City relies on a number of Service Delivery Arrangements through which it monitors the implementation of agreed policies and decisions aiming at achieving continuous improvement in the procurement of service delivery. The service delivery arrangements are meant to (1) demonstrate accountability for service delivery at local level; (2) ensure effectiveness through measurement of performance; and (3) demonstrate integrity in its dealings with service users and partnerships to ensure right provision of services locally within the resources and powers available.

The Leicester City Council's corporate governance relies on consultation with stakeholders including service users; flexibility to meet user needs and aspirations. The structures and processes of the corporate governance include an effective political and managerial structures and processes governing decision-making and the exercise of its authority. The city council focusses on defining the roles and responsibilities of council members and public servants to ensure accountability, clarity and ensure integrity through a fair balance of power and authority. The city council also establishes and maintains a systematic strategy, framework and processes for managing risks.

The three case studies above ascertain that corporate governance facilitates cooperation and collaboration between politicians and public servants through the clarification of roles and responsibilities. In all three cases issues such as separation of power and authority, defined roles and responsibilities for proper accountability; public participation; openness and transparency; measurement of performance and external auditing are emphasised.

The above good practices being from a developed country, a quick review of the corporate governance in local governments in developing countries especially in Africa is important. Mulili and Wong (2011) provide a good succinct account of

corporate governance in developing countries from the perspective of the public sector reform.

### **Corporate Governance in Public Service in Developing Countries**

Effective and efficient management of public sector organisations is an issue of concern in many countries argue Mulili and Wong (2011: 14). They mean that corporate governance is one of the business-oriented techniques used by some public service organisations to improve their management and consequently satisfy their services users. For Mulili and Wong (2011) encouraging improvements in productivity is a way of promoting corporate governance in the public service in developing countries. Public service is not competitive because there is no barometer of the satisfaction of the needs of the people. A number of developing countries have adopted corporate governance but their models are different from those of developed countries according to Rabelo & Vasconcelos (2002) cited by Mulili and Wong (2011). Developing countries are characterised by state ownership of firms; interlocking relationships between governments and financial sectors; weak legal and judiciary systems and limited human resource capabilities amongst the reasons for the weakness of corporate governance practice according to the authors.

For Mulili and Wong (2011) problems facing developing countries require more elaborate solutions than simply adopting corporate governance concepts. The lack of corporate governance research in developing countries is a consequence of corporate governance not receiving adequate attention in the developing world according to the authors.

Attempting to implement successful corporate governance in developing countries should therefore start by reconsidering the essence of its practice based on the realities of the concerned developing countries, through research as it is the case for this article. In South Africa, some corporate companies and SOEs have recorded noticeable successes through the implementation of corporate governance. Introducing it in local governments to facilitate service delivery is therefore a necessity. Since such attempt has not yet materialised adjusting corporate governance to fit the realities of local governments is therefore critical as suggested in this article.

### **Theoretical Background**

Critical research theory in public administration offers critique of public institutions and possibilities for a better future according to Box (2005). It describes issues such as inequity and social trends as results of actions by those with power, politicians and public servants in this case. Box (2005: 14) argues that critical theory offers critique of public institutions and possibilities for a better future. He

warns that normative vision of social change challenges the status quo and threatens the economic and political equilibrium. This article queries the status quo in service delivery fiasco in South Africa with an emphasis on the roles of administrative and political local government leaderships in facilitating service delivery. Critical research theory proposes a solution to service delivery fiasco in South Africa by suggesting a corporate governance system adjusted to local governments realities as discussed below.

### **Corporate Governance in South Africa's Local Governments**

Corporate governance system interested the new democratic government since 1994 as a way of restructuring and governing corporate companies and SOEs through standardised principles or rules. Corporate governance embodies processes and systems by which corporate enterprises are directed, controlled and held accountable (Department of Public Enterprises, 2002: 3). Corporate governance was institutionalised in South Africa through the publication of the King Report on Governance in November 1997 and the King Code in 2002. The purpose of the King Report on Governance is to promote the highest standards of corporate governance in South Africa.

South Africa has not yet implemented corporate governance in local governments although it has a good legislative framework and policies on managing local governments. Sections 152 and 153 of the 1996 Constitution determine the essence of local government as to provide public goods and services to the communities and to enable their social and economic development. The mandate and duties of local governments include planning, prioritisation and provision of basic needs to communities, thus managing its administration, budgets and finances. The processes of planning and managing local governments are contained in the Municipal Systems Act (Act 32 of 2000) or Systems Act. The Municipal Structures Act (Act 117 of 1998) or Structure Act and the Municipal Finance Management Act (Act 56 of 2003) or MFMA establish frameworks and legislation to regulate the internal systems and structures and to secure sound and sustainable management of the financial affairs of local governments. The Protocol on Corporate Governance in the Public Sector provides guidance to SOEs in achieving the socio-economic objectives of the Government without particular emphasis on local governments although it applies to all Schedule 2 and 3 (B) and (D) of the Public Finance Management Act (PFMA). All these legislative frameworks and policies have no indication on how corporate governance can transpire in local governments. Consequently, they have not facilitated service delivery in local governments. It is appropriate to assume that introducing an appropriately designed corporate governance system

that considers the realities of individual local governments is an appropriate alternative to facilitate, improve and sustain service delivery.

Until 2009, the King Report II and Code of Corporate Governance applied only to big corporate companies and SOEs not to local governments. Debates on implementing corporate governance in local governments scaled with the advent of the King III. The PSWG Position Paper 2 argues that King III opened up debates on good governance in local governments (PWC and IoDSA, 2010: 1).

Proponents of corporate governance in local governments understand that the responsibility entrusted in the local government leadership necessitates ethical values to enhance accountability, fairness and transparency as dictated by corporate governance principles without considering that the current King III is not easily implementable in local governments for various following reasons.

The PSWG Position Paper 2 acknowledges that corporate governance system can facilitate management in local governments in South Africa but is doubtful of the independence of local governments' political leaders who are guided and politically assessed in terms of party manifestos instead of sound business principles of corporate governance (PWC and IoDSA, 2010). The Structures Act defines the critical functions and powers of local government mayors as to provide leadership in identifying and prioritising the needs of the local government through the Integrated Development Plan (IDP) process; to review the performance of the local government and monitor its management; and to oversee the provision of public services. The local government managers act as the accounting officers of the local government (Section 56 of the Structures Act). They are custodians of compliances such as the supply chain management in the local government according to the MFMA. Although the Constitution, the Systems Act, the Structures Act and the MFMA provide guidance on the running of local governments, the political system of the country creates confusions. For instance, the PSWG Position Paper 2 (PWC and IoDSA, 2010) does not see the municipal council as the custodian of good governance. Similarly, most of local government mayors and councillors do not take an active role in the strategic planning and performance assessment of local governments. Local government mayors and councillors are elected and represent political parties therefore not being independent as are board directors in the corporate companies and SOEs. They are not liable for their actions. The powers and roles of the local government mayors are assessed by the relevant political party whilst the legal accountability remains with the accounting officer, the local government managers. In brief, the roles, powers and responsibilities of local government managers cause conflict and confusion. Yet, King III is not specific

on the separation of such powers and roles and responsibilities.

The realities of the private and business sectors are not the same as those of local governments. The corporate companies and SOEs have board directors and Chief Executive Officers whereas in local governments the leadership is comprised of the Councils (councillors) and the local municipal managers. A simple translation of councillors into board members and municipal managers into chief executive officers is not possibly easy.

The key aspects of King III are leadership, sustainability and corporate citizenship. Leadership is an important factor to facilitate good governance. Leaders should rise to the challenges of modern governance and should therefore be characterised by ethical values of responsibility, accountability, fairness and transparency. They must observe morality and promote the spirit of solidarity and humanity referred to as "Ubuntu". Sustainability is a source of both opportunities and risks for businesses according to King III. Responsibility in the management promotes sustainability. Corporate citizenship means that the company contributes in creating higher standards of living and quality of life in the communities in which its operate (PWC and IoDSA, 2010). This is the noble mission of local governments, thus their interest in embarking fully and investing on and complying with all corporate governance principles. Considering the failure of the "Batho Pele" good governance principles in facilitating, improving and sustaining service delivery and learning from the best practices, these three key principles are not sufficient to instil responsibility and accountability in local government leadership in South Africa.

Corporate governance is applied differently in South Africa as compared to the case of the United Kingdom. King III uses a flexible ('apply or explain') approach whereas in the United Kingdom it's a 'comply or explain' approach, requiring compliance with the principles and then explanation if there is non-compliance to any of the detailed provisions supporting the principles. In South Africa, King III requires entities to state whether or not they apply corporate governance principles and then explain their practices. KPMG (2009) is sceptical, and it is reasonable to agree, that the softer approach to corporate governance disclosure is too flexible therefore opened to abuse if entities fail to justify their deviations from recommended principles.

### **Towards a Corporate Government System in Local Governments in South Africa**

The above reasons and others not explored in this article show that it is difficult to implement King III in local governments in South Africa. The best practices of corporate governance in local governments in the United Kingdom and in Australia

inform an appropriate process of designing corporate municipal governance for local governments or corporate municipal (local) governance in South Africa. To design a good corporate governance system that facilitates, promotes and sustains service delivery in local governments in South Africa, the following key recommendations from the best practices are indispensable.

Firstly, it is impossible to have a unique and uniform corporate governance system that is suitable for all municipalities in South Africa. The three best practices of the United Kingdom are similar but not identical, yet facilitate corporate in those specific local governments. All the principles used are from the Cadbury Report, only their applications differ. In South Africa, the Ministry of Cooperative Governance and Traditional Affairs formerly known as Ministry of Local and Provincial Government can therefore provide expertise and facilitate the development of corporate governance frameworks applicable to each local government.

Secondly, corporate governance must be compulsory for all local governments to facilitate, improve and sustain service delivery following the chaos in recent years in South Africa. The United Kingdom's 'comply or explain' principle, requiring compliance with the principles and then explanation if there is non-compliance to any of the detailed provisions supporting the principle seems appropriate in South Africa. Currently King III requires entities to state whether or not they apply corporate governance principles and then explain their practices. KPMG (2009) is sceptical, and it is reasonable to agree, that the softer approach to corporate governance disclosure is too flexible therefore opened to abuse if entities fail to justify their deviations from suggested principles.

Thirdly, the three fundamental principles of the King III are important but not sufficient. The principles from the Cadbury Report (openness, integrity and accountability), the seven principles of public life recommended by the Committee on Standards in Public Life or the Nolan Committee of 1995 (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and the three general principles (mostly applicable to politicians) recommended by the Relevant Authority Order of 2001 in the UK (respect for others; duty to uphold the law and stewardship) are essential and appropriate to guide a successful corporate governance for local governments in South Africa.

Llyod (2007: 5) writing on behalf of the United Kingdom Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the United Kingdom Chartered Institute of Public Finance and Accountancy (CIPFA), argue that the Cadbury Report defined the three principles of corporate governance in the context of the private sector, and, more specifically, of public companies, but they are as relevant to public service bodies especially local

governments as they are to private sector entities. Openness is required to ensure all interested parties are confident in the organisation itself. Being opened in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation. Accountability is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of the responsibilities, and having clearly defined roles.

The seven principles of public life include those of the Cadbury Report. They are clearly explained by Llyod (2007: 6) as follows. Selflessness means that public officers should take decisions solely in terms of the public interest not personal financial gain or other material benefits. Integrity implies that public officers should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties. Objectivity means that public officers should make choices on merit in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits. Accountability means that public officers are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office. Openness means that public officers should be as open as possible and give reasons for their decisions and actions. They should restrict information only when the wider public interest clearly demands. Honesty means that public officers should declare any private interests relating to their duties and take steps to resolve conflicts arising to protect the public interest. Leadership means that public officers should promote and support these principles by leadership and example.

Considering the three general principles from the Relevant Authority Order of 2001 in UK as applicable to politicians is necessary. For Llyod (2007: 7), these principles apply to the elected members of local governments to guide their conduct and behaviour. Respect of others means that elected members should treat people with respect, promote equality and avoid unlawful discrimination based on age, gender, sex and disability. Duty to uphold the law means that elected members should act, on all occasions in accordance with the trust from the public. Stewardship means that elected members should use resources prudently according to the law.

Corporate governance has been possible and successful in local governments through the implementation of the three fundamental principles by the Cadbury Report, the seven principles of public life by the Nolan Report (which include the fundamental principles) and the three additional

general principles by the Relevant Authority Order. The combined ten principles of corporate governance are therefore selflessness, integrity, objectivity, accountability, openness, honesty and leadership, respect for others, duty to uphold the law and stewardship.

Fourthly, the process of designing and implementing a successful corporate governance system for local governments can be eased by three important elements: a code of corporate municipal governance; a corporate municipal governance framework and a consideration of key prerequisites or catalysts of corporate municipal governance.

### **Code of Corporate Governance for the Local Government**

A code of corporate governance is a set of principles that govern the application of corporate governance in a particular organisation, the local government in the case of this article. The code of corporate governance for a local government consists of selecting and defining principles and setting out how the local government will comply with and adhere to the requirements of such principles.

Selflessness, integrity, objectivity, accountability, openness, honesty and leadership, respect for others, duty to uphold the law and stewardship are the ten principles of public life that guide corporate governance according to Lloyd (2007: 7). These principles originate from the Cadbury Report in the United Kingdom, the model and reference to corporate governance. Using the same principles can facilitate corporate governance in South African local governments.

### **Corporate Governance Framework for Local Government**

A corporate governance framework is a document that provides a broad description of the elements of corporate governance and the process and guidelines that will provide assurance that the organisation operates effectively and efficiently in fulfilling its vision according to the City of Prospect (2011: 3). The City of Prospect (2011: 2) argues that corporate governance applicable to local governments is generally more complex than in the private sector. The objectives of local governments are broad with impact on communities whereas private organisations are interested in maximising profits. The different components of appropriate corporate governance system can include the following:

a) Definition and statement of the corporate municipal governance

Although a national description of corporate governance is necessary, a detailed definition and explanation by specific local governments will determine its application in that local government. The City of Prospect (2011: 4) defines corporate

governance as the framework established by Council to provide the Prospect community, ratepayers and other stakeholders with confidence the organisation is fulfilling its stewardship of the City with due diligence; ethically, transparently and accountably. This definition interprets the definition of corporate governance of the Australian government into the local government set-up.

b) The purpose of corporate municipal governance

In general, corporate municipal governance framework clarifies the roles and responsibilities of both the Council and the municipal manager in meeting their governance responsibilities and guides their actions in achieving the vision of a particular local government.

c) The roles functions and composition of the Council and the municipal manager

Clarifying the roles and functions of the Council and the municipal manager is important. In South Africa, these roles are contained in Section 56 of the Structures Act. They need to be explained in details in order to clear possible conflicts between the two structures. The composition of the council must also be clearly defined with emphasis on the committees and reporting structures.

d) Relationship between Council and the municipal manager

The distinctions between the responsibility of the Council and that of the municipal manager must be emphasised. The Council is responsible of the formulation of policies, strategies and vision whereas the municipal manager is responsible and accountable for the implementation of the Council's strategies, plans and policies. The areas of collaborations need to be ironed out to avoid confusions and conflicts.

e) Corporate Municipal Governance Principles

It is important for each local government to select, define and explain the corporate governance principles it intends to implement. The Oxfordshire County Council for instance prioritised the following six principles to facilitate its corporate municipal governance.

- Focussing on the purpose of the authority and on outcomes for the community. This principle covers the creation and implementation of a common and clear vision for the County Council.
- Councillors and officers working together. This principle clarifies and defines the functions and roles of councillors and municipal manager and states their commitment to working together to achieve a common purpose and vision of the County Council.
- Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- Taking informed and transparent decisions subject to effective scrutiny and risk management.
- Developing the capacity and capability of councillors and public officers. This principle promotes the effectiveness of councillors and public servants by developing their capacity and capability.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The experience of the Oxfordshire County Council can better inform South African local governments in the prioritisation of the principles to be considered according to their needs and available means. Other principles can be added during the improvement of the initial good governance system of a local government. The selected principles need to be clearly defined. In Oxfordshire County Council for instance, each principle is defined according to its requirements, the commitment of the County Council and the evidence that the Council complies with the fixed requirements.

f) Key documents, policies and legislation supporting the corporate municipal governance

The corporate municipal governance framework results from different documents, legislation and policies. Such documents, legislation and policies must be recorded and used as reference in support of the process of corporate municipal governance. Strategic Plans, Annual Business Plans, Integrated Development Plans, By-laws, Municipal Structures Act, Municipal Systems Act, King III, Municipal Finance Management Act and the Constitution are amongst the documents, policies and legislation important to conserve and refer to.

### **Prerequisites for success of Corporate Governance in Local Governments**

The success of corporate municipal governance depends on some prerequisites or catalysts responding to the situation of each local government. Most of the preconditions are the capacity and capability in terms of skills, competence and expertise in the management of the local government; the autonomy of the local government to function without the interference of the provincial and/or national government; the coordination among different departments or sections of the local government and between them and the community, the civil society, the private and business sectors; the collaboration and networking with all existing entities within and outside the local government and the availability of sufficient funding for service delivery in the particular local government. The decision-making mechanisms (laws and policies; and structures such as ICT strategy) are also very important to facilitate corporate governance in local governments.

### **Conclusion**

The PSWG Position Paper 2 estimates that governance in South African local governments has so far not been as effective as envisaged by legislation (PWC and IoDSA, 2010). The numerous public service protests confirm such assertion. The enthusiasm of the working group to suggest that awareness and advantages of good governance in municipal Council should be promoted in line with the principles of King III is limited by the fact that King III applies a “one size fits all” approach and therefore not easily feasible in local governments. The three key principles of King III are not sufficient to instil good governance habit into local government politicians and public servants. Considering the combination of the ten standard principles of good governance from the best practices can therefore facilitate the task. It is obvious that, crafted to serve corporate companies and SOEs, the practical implementation of King III are beyond the reach of local governments which have dismally failed to implement the “Batho Pele” good governance principles. As attempts to instil governance principles in local governments are often met with resistance from politicians, corporate governance can remedy the relationship between the administrative and political leaderships in local governments since it is more concerned about responsibility and accountability. For Barac ([Sa]), the essence of accountability is an obligation to present an account of and to answer for the execution of responsibilities, to those who entrusted those responsibilities to the public servants and politicians. Barac ([Sa]) believes that, in the traditional public administration model public servants implement and execute government policies determined by the political authorities within the framework of the law. He justifies corporate governance as a priority of recent public sector reforms to promote accountability in the management of the public sector. The roles and responsibilities of politicians and those of municipal managers should be clarified in a corporate government code and framework for each local government.

The change of legislation and corporate governance guidelines to accommodate the uniqueness of local governments as proposed in the PSWG Position Paper 2 is therefore urgent if corporate governance has to be a successful reality in local governments. Corporate governance in local governments should therefore be compulsory to ensure compliance and to remedy the current service delivery crisis fuelled by the interference of politicians in many instances. The process in designing corporate municipal governance should take in consideration the reality of each local government. Each local government should therefore adapt the national corporate municipal governance system to its realities. For this reason a code and framework for corporate municipal governance must



consider key prerequisites for the success of such corporate municipal governance.

<http://www.reading.gov.uk/council/performance-and-spending/CouncilFinances/CorporateGovernanceandAudit/what-is-corporate-governance/>.

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