Overview of misconduct influencing ethical culture in the Local Government Sector Education Training Authority, South Africa

Pinky Mothabi(a) Shikha Vyas-Doorgapersad(b) *

(a) Postgraduate Student, School of Public Management, Governance and Public Policy, College of Business and Economics, University of Johannesburg, South Africa
(b) Professor, School of Public Management, Governance and Public Policy, College of Business and Economics, University of Johannesburg, South Africa

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ABSTRACT

Misconduct, in any form, whether corruption, theft, mismanagement of funds, maladministration, non-compliance of rules, etc. may create unethical environment in an organisation. This situation, if not get corrected timely, may have a negative impact on organisational performance as employees may be more inclined to focus on personal gains than working towards realising organisational vision. Authors of this article have utilised various official reports to substantiate this statement, and hence avoid a biased approach. The study focuses on the Local Government Sector Education Training Authority (LGSETA), to assess whether there is misconduct that limits the organisation’s ability to establish ethical culture. The study is based on qualitative desktop analysis utilising literature and document reviews to gather information. The findings explore varied ethical challenges and thus discusses measures to combat misconduct in LGSETA. The study recommends the adoption of the Governance Operating Model, suggested by Deloitte (2013) that can assist LGSETA to minimise misconduct by implementing measures to institute and promote ethical culture.

Introduction

Misconduct is often defined as an intentional violation of rules in the workplace. These rules are usually set out in an employee’s contract or in a policy or a disciplinary code of the company or are general practices in the workplace (Solidarity, 2012:1). An ethical culture takes into consideration (anthropologically) how an organisation performs as well as the priorities it values (National Association of State Boards of Accountancy (NASBA), 2021:1). Specifically, the ethical culture of an organisation educates employees regarding whether doing the right thing matters; makes doing what is right expected; and includes formal ethics programme elements, rewards, and punishment systems, as well as organisational myths aimed at ensuring compliance to ethical standards (NASBA, 2021:1). All forms of misconduct can only be eliminated “if the right ethics climate has been established in the public sector in terms of which the ethics behaviour of public officials can be measured. Unless public officials are informed regarding ethical behaviour and conduct, and what constitute” (Vyas-Doorgapersad, 2007:299) maladministration, any measures to combat misconduct will not be realised successfully.

The study aims to discuss cases of misconduct and measures to establish ethical culture in the Local Government Sector Education Training Authority (LGSETA). The LGSETA was created with the goal of promoting and coordinating skills development initiatives and strategic sectoral training interventions (Yes Media, 2021:10). The aim with the LGSETA was to improve the efficiency and effectiveness of the local government sector by: 1) conducting sectoral skills planning and research, 2) developing and implementing quality learning programmes and relevant occupational qualifications, 3) monitoring and evaluating the performance of training...
initiatives, and 4) communicating the results of training initiatives (Yes Media, 2021:1). LGSETA was established with the purpose of developing the skills of individuals operating in the public sector. As part of LGSETA’s endeavour, 21 Sector Education Training Authorities (SETAs), together with LGSETA itself, are to be established under the Skills Development Act (SDA) (97 of 1998) (Government Gazette Vol. 605, No. 39386). According to Lundall (2003, in Abrahams, 2014:12), these SETAs are expected “to drive new interventions which are aimed at addressing skills development needs within their respective sectors as outlined in the National Skills Development Strategy (NSDS)”. This expectation is based on how the SETAs operate under the NSDS, which is reviewed every 5 years and, as a result, has been restructured a number of times since its inception (Abrahams, 2014:12). The study focusses on the LGSETA legislative mandate and explains, in detail, the portfolios and measures put in place to instill good governance, hence adhere to the principles of corporate governance. In other words, this study highlights the current measures put in place to help the LGSETA to address and mitigate with misconduct within the organisation. The study also explores the elements of good governance that the LGSETA is currently lacking.

In addition, there were issues that resulted in the organisation being placed under administration for a period of almost 3 years, which confirmed that a comprehensive ethical culture was still in need of development and promotion within the LGSETA. The rationale to choose a local government sector can be justified using opinions of Vyas-Doorgapersad and Ababio (2010:425) who emphasised that, “it appeared that the phenomenon of ethical conduct in public activities and all the circumstances surrounding them could be subjected to scientific investigations, in order to analyse the implications thereof. This serves as a motivation for the study, in order to research the phenomenon of good local governance within the context of ethics”, hence LGSETA forms a locus of the study.

**Problem Statement**

The existing SETAs have been lambasted by the news media for poor performance, maladministration, fraud, and corruption (Barclay & Cloete, 2013:18). Grawitzky (2007:1) further states that “the criticism towards the SETAs has not been abated but has been exacerbated by reports that questioned whether the SETAs are responsive enough to the needs of the public and private employers within their respective sectors as well as those of the entire country”.

The LGSETA is itself one of the SETAs that has grappled with the implementation of principles of [good] governance (Parliamentary Monitoring Group (PMG), 2014a:1), and of corporate governance. The public sector has, to a great extent, begun to adopt corporate governance practices in order to better ensure that the activities of mainly the parastatals or public entities, as well as other organisations that function as business units within the broader context of the governance sector, are properly managed (Koma, 2009:451). Corporate governance has also become one of the issues dominating the agenda of many organisations, both in South Africa and globally, as it is seen as the sine qua non for well-managed and financially stable organisations (Koma, 2009:452). The focus in South Africa, specifically, is based on how between 1961 and 1994, the country was literally isolated from the global economy due to its oppressive political environment (Hajer & Versteeg, 2006:505). In particular, South Africa was excluded by the United Nations (UN) from taking part in international organisations and sanctioned from economic and general trade activities (Hajer & Versteeg, 2006:505). The result was that corporate practices and national laws and regulations in South Africa fell behind international norms (Malherbe & Segal, 2001:3). By the late 1980s, many South African corporates had become unfocussed and were managed by complacent and entrenched managers (Malherbe & Segal, 2001:3). When the new dispensation came to power, the South African government began adopting the corporate governance system through the employment of the King Code Reports (I-IV) originally developed by Judge Marvin King (Institute of Directors in Southern Africa (IoDSA), 1994). The details of King Codes and its impact on organisations may form part of future studies. However, it is important to note that corporate governance demands the incorporation of King Codes principles. As a result, “an application of the principles in this regard is presumed, and enterprises must explain how they have incorporated the principles in order to achieve good governance processes and outcomes inside their organisations” (Grant Thornton, 2017:2). Attempts to establish a corporate culture are imperative to better ensure the establishment of good governance that simultaneously emphasises ethical culture. The study herein uses the term good/corporate governance to emphasise the need of both good governance and corporate governance principles to promote ethical culture in an organisation.

However, LGSETA faced implementation challenges to establish and/or adhere to the principles of good/corporate governance. This "struggle has led to the institution being placed under administration for 2.5 years (i.e., March 2013-September 2015)" (PMG, 2014a:1). The LGSETA has also obtained a disclaimer from the Auditor General (AG) (PMG, 2014a:1) report. Furthermore, the Financial and Fiscal Commission (FFC, 2020:148) has found that the LGSETA has failed to meet its key performance indicator (KPI) of enhancing the training competencies of local municipalities for 3 consecutive years (i.e., 2016-2018). The LGSETA had also recorded an underspending of R150 million, as of March 2018 (FFC, 2020:148). Due to the AG’s statement that every transaction reported by the LGSETA was suspicious, the institution was put under administration to mitigate difficulties related to such poor performance in “2013 due to failed governance” (PMG, 2014a:1). The LGSETA was also found to have failed to file its Annual Financial Statements, a Performance Report, or an Annual Report (PMG, 2014b:1). Thus, the LGSETA was found to be in violation of the Public Finance Management Act (PFMA 1 of 1999).

Of further note is that the LGSETA’s (2014:8,9) 2013/2014 Annual Report highlights that “one of the main reasons that led to that decision by the Minister, Dr Blade Nzimande was the collapse of the business systems within the organisation, amongst others”. Therefore, in order to overcome the challenges faced by the LGSETA, the Administrator had to first ensure the implementation of good governance practices at the institution. Such implementation and practices were achieved by developing a business model
intervention that included culminating detailed business processes and clear job profiles for staff (LGSETA, 2014:8,9). These processes and profiles had to be in line with the main performance sections of the organisation, and were to ensure that those processes and profiles are also aligned to the organisation’s overall vision, strategic outcomes, and objectives so as to improve the LGSETA’s performance in and across all fields (LGSETA, 2014:8,9) According to the LGSETA (2014:7), “the Administrator had discovered that LGSETA had lost touch and/or become irrelevant within the sector”.

In order to improve on its performance and deliver better on its mandate, the LGSETA commissioned a research study with the aim of exploring how the implementation of governance practices within municipalities are carried out (Sutcliffe & Bannister, 2020:13). This study also examined any related entities in order to identify factors constraining effective governance and regulation at local government institutions as well as to highlight enabling factors facilitating effective corporate governance and regulation at local government institutions (Sutcliffe & Bannister, 2020:13). Based on the study findings, the main challenges facing the local government sector was not that the laws and policy frameworks were not in place, but rather that there was poor implementation of those laws, as well as ineffective systems and poor leadership within the local government sector (Sutcliffe & Bannister, 2020:110). Another earlier study undertaken by Cloete, Eigelaar-Meets, Fortuin and Sewell (2020), also on behalf of the LGSETA, had similarly concluded that there was a general lack of support to management in local municipalities by both the LGSETA and the South African Local Government Association (SALGA). Based on the background presented in this section, the guiding research question for the study was formulated as follows: “What are the ethical challenges faced by the LGSETA? and What are some practical recommendations that can be presented to the LGSETA to aid it in improving its ethical culture?”

The research methodology utilised in this study is based on the qualitative research approach, as ‘it emphasises the careful and detailed description of social practice’ (Sibanda 2015,45 cited in Nyikadzino and Vyas-Doorgapersad, 2020:235) and is defined as “the study of the nature of phenomena” (Busetto, Wick & Gumbinger, 2020:3). The study made use of exploratory and descriptive research designs. According to DeFranzo (2011:1), exploratory research “is understood to be used as a means of understanding the underlying reasons, opinions and motivations”. Furthermore, an exploratory approach “is also used to uncover trends in thoughts and opinions, and dive deeper into the problem” (DeFranzo, 2011:1). A descriptive approach to the current study was also considered as it is “concerned with finding out ‘what is’” (Center for Innovation in Research and Teaching [CIRT] n.d., cited in Bangani 2019:12). Rashid, Rashid, Warrabich, Sabir and Waseem (2019:1) further attest that the case study method has been the most widely used method in academia by researchers interested in conducting qualitative research. The popularity of this approach is based on how a case study has “a level of flexibility that is not often found in the other qualitative approaches such as grounded theory or phenomenology. Case studies also are also tailored to suit the case and research question and published case studies often provide wide diversity in the study design” (Ebneyamimi, Reza & Moghadam, 2018:1). The LGSETA is considered to be a case under investigation in this current study. Data required for the current study was secondary in nature and were obtained from literature and document reviews.

Theoretical and Conceptual Background

Theoretical Framework of the Study

An African perspective on corporate governance ethics is largely based on an ‘inclusive’ ethic of governance (in Khomba, 2012:207). In other words, in line with an Inclusive Approach, an organisation is explicitly committed to serving the interests of both shareholders and non-shareholding stakeholders. African socio-cultural values, thus, have an influence on an organisation’s adherence to a stakeholder-centred approach to corporate governance (in Khomba, 2012:208). Community, solidarity, coexistence, and community members’ inclusion are all important aspects of the African ubuntu ideology (in Khomba, 2012:208). The substantial presence of State-owned Enterprises (SOEs) in Africa also influences such ‘inclusiveness’, with the pursuit of both social and economic agendas. There is, furthermore, a strong reliance on internal corporate governance in Africa, as regimes pertaining to external corporate governance are generally poorly developed and enforced. In compliance with these observations regarding inclusion, study “seeks to emphasise the inclusive approach to governance” (IoDSA, 2009, in Khomba, 2012:208). The current study needed to adopt a theory that could best link the aspect of ethics in and to good/corporate governance. Thus, Inclusive Approach formed this present study’s theoretical framework.

Legislative and Institutional Frameworks Regulating LGSETA In South Africa

There are various legislative frameworks that regulate various aspects of the LGSETA. Section 1951(a) of the Constitution of the Republic of South Africa (1996) specifically seeks to instill ethics and professional conduct in public offices. The LGSETA is one of the SETAs that was founded in 2005 in compliance with the Skills Development Act (97 of 1998), as amended. This Act established the LGSETA’s powers and mandate, and resulted in the LGSETA becoming a government body, as defined in Schedule 3A of the PFMA (1 of 1999), as amended (LGSETA, 2020:5). Of note is that because the LGSETA was established in terms of the SDA, some of its related functions include: 1) developing a Skills Sector Plan (SSP) within the framework of the NSDS; 2) implementing said SSP by establishing learnerships; and 3) approving Workplace Skills Plans (WSP) (Mohlala 2011:6). The LGSETA, as a public entity covered by Schedule 3A of the Public Finance Management Act (1 of 1999), is required to follow the PFMA’s rules. In this instance, the Act is intended to oversee financial management in both the federal and provincial governments (LGSETA, 2019:6). Upholding accountability in public financial matters is viewed as imperative for good governance (Roman, 2008:10; Vyas-
Doorgapersad & Aktan, 2017:8) as it may eliminate financial misconduct. Local government is, furthermore, mandated by Section 68(1) of the Municipal Systems Act (2 of 2000) to adhere with the Skills Development Act, and to improve human resource (HR) competencies (LGSETA, 2019:1) that may include training, development, induction, etc. regarding maintaining and adhering to ethics in the organisation. To “this end, the Municipal Systems Act, is primarily concerned with the regulation of internal processes and systems in municipalities, such as planning, performance management (PM), and human resource development (HRD)” (Maapa, 2017:30). All the areas regulated by the Act also have an impact on the management of ethics in an institution and are, thus, of relevant to this study.

In terms of institutional framework, the Executive Management of the LGSETA consists of the offices of the Chief Executive Officer (CEO), Chief Accounting Officer (CAO), Chief Financial Officer (CFO), Executive Manager Corporate Services, and Executive Manager Strategy and Planning (LGSETA, 2021:3). The LGSETA’s National Management, in turn, “includes the offices of the Senior Manager-Monitoring and Evaluation; Head of Internal Audit and Risk; Information and Communications Technology Manager; HR Manager; and Research Manager” (LGSETA, 2021:3). Furthermore, the office focuses on giving reports to managers, including the Performance Management Unit Manager; Marketing and Communications Manager; Education and Training Quality Assurance Manager; Sector Skills Planning Manager; Finance Manager; Learning Programmes Manager; Supply Chain Management Manager; and Manager-Office of the CEO (LGSETA, 2021:3). Finally, the Provincial Management of the LGSETA consists of Provincial Office Managers who operate in and across each of the country’s nine provinces (LGSETA, 2021:3). The LGSETA’s main objective is to establish a highly competent and capable local government (LGSETA, 2021:4). Through the adoption of creative approaches, effective capacity-building, and strategic collaborations, the LGSETA is required to strengthen local government’s ability to meet developmental goals (LGSETA, 2021:4). To achieve this mission, Nosizo (2016:51) argues that the LGSETA must ensure adequate training and development; proper leadership that knows and can practice sound financial management; and “the upholding of ethics in service delivery, in line with the Batho Pele principles” (LGSETA, 2019:17).

Ethics is listed as one of the core values of the LGSETA, together with the organisation being passionate, responsive, agile, collaborative, and engaging (LGSETA, 2021). Ethics’ is the study of morality – it involves careful and systematic reflection on moral decisions and behaviour and helps achieving a correct analysis of situations (Pitak-Arnnop, Dhanuthai, Hemprich & Pausch, 2012:92). Ethics [therefore] can be defined as a system of moral principles relating to that branch of philosophy dealing with values on human conduct, with respect to rightness or wrongness of certain actions and to the goodness and badness of the motives and ends of such actions. It constitutes the basic principles of correct action undertaken based on rules of conduct (Fox & Meyer, 1995: 55, in Thonzhe & Vyas-Doorgapersad, 2017: 138-139). To instill ethics as well as the other values outlined within the LGSETA Strategic Plan Reports (i.e., profession-, regulations-, and work-related ethics), and to ensure that the organisation is dedicated to delivering on its appointed tasks and targets, the LGSETA has become an entity that is responsible for (up)skilling and training employees within the local government (LGSETA, 2018:32). Thus, the organisation has to ‘lead by example’ by ensuring that its own employees live up to the values outlined within the organisation (LGSETA, 2018:9). In so doing, it becomes possible for the LGSETA to ensure that the local government sector, as a whole, excels in service delivery, and that it has a capable, committed, and loyal workforce that can translate vision into action (LGSETA, 2018:9). Despite of giving preference to ethics, there are cases of recorded misconduct in the LGSETA hampering the effective implementation of ethical culture, hence causing ethical challenges.

**Ethical Challenges at the Local Government Sector Education and Training Authority**

Matsiliza (2013:107) highlights various corrupt behaviours as being detrimental to economic development in South Africa. While Government is expected to maintain the moral fabric of the country, it often fails to do so. Therefore, “for governmental entities, such as the LGSETA, to be successful, it is important that they become agents of good governance by promoting an ethical culture” (Matsiliza, 2013:107). Chauke (2019:601) further claims that an existing standard practice, in addition to an ethical code, can and should be employed to make local government more successful in meeting its mandate. The “strengthening of ethical leadership by displaying good morals has, thus, become vital to and for” (Chauke, 2019:601) good/corporate governance.

While striving to promote an ethical culture, however, the LGSETA itself has come across several challenges related to misconduct. Such misconduct ultimately resulted in the organisation being placed under administration for the period 2013-2015 (Auditor General South Africa (AGSA), 2013:173). This administration period coincided with a 2013/2014 Audit Report by the Department of Higher Education and Training (DHET) that identified the LGSETA as being amongst those SETAs that were failing to adhere to legislation. Furthermore, the LGSETA was found to have not taken reasonable steps towards preventing irregular expenditure (AGSA, 2013:173). Amongst the root causes identified for the Governing Body of the LGSETA to address were: 1) the poor addressing of training; and “the upskilling and training employees by management, which led to the need for 2) improvements to action plans in line with audit demands (AGSA, 2013:107). Addressing such internal issues could reveal progress on poor operational issues. Open vacancies were also found in need of being filled by qualified experts as soon as possible so as to mitigate the extant skills gap (AGSA, 2013:107). A further finding was that the organisation’s poor performance should attract punishment, and staff should be constantly reminded of internal procedures that seek to enhance their performance (AGSA, 2013:107).

At the Parliamentary Portfolio Committee (PPC) meeting held on 13 August 2013, then Chairperson of the LGSETA reported that the LGSETA was unable to meet its obligations in law. The LGSETA had also, prior to this report (i.e., in 2011/2012), received a disclaimer from the AG that raised a concern about its lack of capacity (PMG, 2014:1). The Portfolio Committee had then taken a
decision to place the LGSETA under administration, suspended its Constitution, and disbanded its Board (PMG, 2014:1). During the 2014 PMG meeting, the Administrator of the LGSETA, Mr Nqaba Nqandela, reported at the PPC meeting held thereafter that the AGSA’s report had revealed loopholes in various transactions (PMG, 2014:1). These issues were raised, based on how the LGSETA had not provided Annual Financial Statements (AFS), a performance report, or an Annual Report (PMG, 2014:2). The non-submission of these documents resulted in the LGSETA’s contravention of the PFMA (PMG, 2014:2). One of the issues identified in this regard was the LGSETA’s minimal discretionary projects in 2012/2013, due to projects not being implemented as a result of Supply Chain Management procedures hindering the advertising of tenders (PMG, 2014:2-3). Another issue related to the LGSETA’s administration programme, which had been underspent by R9 million in the 2012/2013 financial year due to empty roles not being filled (PMG, 2014:2-3). The failure of filling positions was owing to a prohibition placed on all recruiting until November 2012, after which only a restricted number of contractors were allowed to be hired for a short period of time (PMG, 2014:2-3).

As revealed in a 2012/2013 Auditor Report, a further concern was that Information Communication Technology (ICT) controls aimed at supporting accurate and reliable information had not been put in place, and that the LGSETA’s risk management was inadequate (PMG, 2014:3). During the 2015 PMG meeting, some other issues surfaced related to “leadership, and the AG said that ‘despite numerous interventions by the Administrator and the External Audit’s efforts to improve the internal control, enhance the audit outcome, management did not adequately execute recommendations to implement internal control, objectives, processes, and responsibilities in numerous areas of financial administration and performance management’” (PMG, 2015:3). This also included a lack of implementation of an action plan to endorse internal control deficiencies, while the plan did not cover all recommendations (PMG, 2015:3).

In addition, the Skae (2021:44) report that “in 2018/19, the LGSETA was undergoing a forensic investigation relating to discretionary grants disbursements which took place in 2016/17 financial year”. Currently, “both legal and civil claims have been instituted by the entity. The expanded scope for forensic investigation as well as the extent of the irregularities fund at the LGSETA have not been finalised to date” (LGSETA, 2020:65). The matter, as of 2020’s year-end, resides with the Directorate for Priority Crime Investigations (i.e., the Hawks) (LGSETA, 2020:65).

The LGSETA was identified as one of the SETAs that were found not to be compliant with legislation (i.e., with the PFMA). As a result, the organisation did not receive a clean audit, even though the issues flagged by the auditors had been addressed in the 2019/2020 financial year (Skae, 2021:42), such that: “(1) A public entity’s accounting authority must keep complete and accurate records of the public entity’s financial affairs” (Skae, 2021:42); and “(2) Unless the Accounting Standards Board (ASB) approves the application of generally recognised accounting practice for that public entity, the accounting authority for a public entity must prepare financial statements for each financial year in accordance with generally accepted accounting practice” (Skae, 2021:42). The AG also raised a finding that the LGSETA’s exiting action plans were not properly monitored, which had resulted in repeat audit findings. The organisation’s record keeping processes were, in addition, found to be wanting, as the entity could not provide accurate records of their management procedures that portrayed sound reporting and/or the effective management of performance (Skae, 2021:42-43). These reported cases are against the norms of public administration and/or normative public administration whereby according to Vyas-Doorgapersad and Simmonds (2011:56) a “normative approach is necessary to induce ethical structures in Public Administration/Management, [and] it is vital for Public Administration to work in conjunction with the normative tools of ethics, integrity, and honesty to create an environment of good/corporate governance. Vyas-Doorgapersad and Shava (2021:45-46) hence stressed that, “obtaining a value driven public administration therefore results from effective implementation of ethical practices” and ethical culture in an organisation.

Measures to Promote an Ethical Culture in the Local Government Sector Education and Training Authority

Several measures are in place to establish and promote ethical culture in the LGSETA, discussed below.

Code of Conduct

According to “the Public Service Commission (PSC), officials should be directed by a Code of Conduct that details ethical values regarding interactions with fellow officials at work. A Code of Conduct can be understood as principles and standards related to the acceptable conduct of employees operating within a given organisation” (Chapman, 1993:18, in LGSETA, 2018:65). The LGSETA (2018:65) further reiterates that ethics, regulations, and guidelines in public entities should all be contained in a Code of Conduct. Similarly, the SETA Constitution (2011:52) stipulates various principles by which the Accounting Authority, its Committees, and its Chamber members are expected to conduct themselves. These principles include:

“standing in a fiduciary relationship to the SETA; complying with all the applicable laws and regulations that regulate the activities they are engaged in for and on behalf of the SETA; performing their functions fairly, honestly and in good faith, giving full effect to the obligations and spirit of the Act and this Constitution; protecting and promoting the reputation of the SETA and promote goodwill towards it; and performing their duties conscientiously and in the best interest of the SETA; and conducting themselves ethically and in accordance with the principles of good governance” (SETA Constitution, 2011:52).
The SETA Constitution (2011) encompasses all SETAs, including the LGSETA. The same Code of Conduct, thus, applies to all and is available in Annexure 2 of the LGSETA Constitution (LGSETA, 2019:33). Of further note is that the “LGSETA requires Accounting Authority members, including Executive Committees, to abide by the Constitution, as outlined. The Code of Conduct, as outlined in the LGSETA Constitution” (LGSETA, 2019a:28), also binds members to the performance and execution of their duties and functions. However, the Code of Conduct only makes reference to the Board/Accounting Authority, Subcommittees, and Chamber members (LGSETA Constitution, 2019). There are, thus, no documents available and/or easily accessible in public domain that provide information regarding the conduct of employees.

Based on these missing aspects, the Skae (2021:124) “recommend an update to the SETA Code of Conduct provisions so that it is more in line with the King IV. The LGSETA should also consider a complementary Code of Ethics”. There is, furthermore, a need for the organisation to better articulate its consequences management. The LGSETA’s processes for follow-up should also be reviewed and improved. Vanclay, Baines, and Taylor (2013:244) additionally assert that the LGSETA should consider adopting a Code of Conduct and then train its members in this code’s implications to create an ethical culture.

Whistle-Blowing Procedure

Barclay and Cloete (2013:18) state that “the SETAs have been at the centre of media attention for the last 5 years”. Note that at the time of writing the reference was 5 years. During “this time, the SETAs were lambasted by the news media for poor performance, maladministration, fraud, and corruption. It is, therefore, important that the LGSETA be seen to be rising above these prior challenges. The only way to do so would be to have the right policies in place. Such policies should, specifically, encourage honesty and professionalism on the part of LGSETA employees” (Barclay & Cloete, 2013:18). Motshwane (2018:92) further states that “dishonest behaviour is intolerable, as such behaviour as fraud and corruption have destroyed several organisations”. It is also advised by Masegare (2016:94) that “every organisation should conduct regular assessment to determine the risk and fraud an entity might find itself in”. Modia (2019:56) similarly denotes that having ethical guidelines based on a corporate framework is essential for gaining trust and mitigating fraud.

To “address its past issues, the LGSETA is committed to safeguarding its reputation against any attempt by anyone to obtain financial or other advantage in an illegal, dishonest, or unethical manner. It invites all stakeholders to report any suspected fraudulent actions affecting the organisation by calling its fraud line (0809 339 337) or sending an email to the Ethics Line, which is completely anonymous. The Ethics Line is managed by an independent service provider via https://lgseta.org.za/about/contact” (refer to LGSETA website: https://lgseta.org.za/ for these services). The King IV under Principle 2(9)(c) encourages the Board to utilise whistle-blowing measures to identify unethical conduct (LGSETA website, 2022).

Leaders are meant to create a culture of integrity and honesty in the workplace, which, in turn, should result in stronger employee performance, more loyalty and retention, and fewer levels of employee fraud and misbehaviour cases (Chauke, 2019:604). There should also be provision for safe reporting in the form of whistleblowing, which can be used as a tool for anyone who wants to anonymously disclose unethical behaviour. Despite the LGSETA making provision for whistleblowing, with the murder of Ms Babita Deokaran, a whistle-blower for the Department of Health, many other potential whistle-blowers are now scared to speak out (Groenewald, 2021:1). Furthermore, while the country’s legislation promises to protect whistle-blowers, the Protected Disclosures Act (26 of 2000) has failed most, if not all, individuals who report fraud and other such crimes (Groenewald, 2021:1). Therefore, the LGSETA has a responsibility to ensure that any whistle-blower who comes forward be protected at all costs. Those managing the LGSETA’s hotline also have an even greater responsibility by putting relevant measures in place to ensure the safety of individuals who wish to report any wrongdoing.

Disciplinary Measures

The LGSETA’s Constitution outlines the procedure to be followed when a party is found to be in contravention of the organisation’s Code of Conduct (LGSETA, 2018:58). This procedure is as follows:

“Any violation of the Code is a serious offense that may result in criminal prosecution, depending on the circumstances. Any member who feels he or she has broken the Code must promptly notify the Chairperson. If the Chairperson suspects a member has broken the Code, the Chairperson should promptly inform the Minister and other members of the Accounting Authority in writing of the alleged infringement. Any member who suspects that another member has broken the Code shall report it in writing to the Chairperson, who must keep the information confidential and guarantee that such matter is thoroughly examined. If a member violates the Code, disciplinary action may be taken, which may include removal from office, termination of employment, or expulsion from a committee or chamber of the SETA” (LGSETA, 2019:58).

The LGSETA Constitution (2019:42 also to outlines the procedure to be followed when attempting to address conflict. The conflict can be a challenge to form good relationship between employees; between employees and LGSETA; and between LGSETA and third parties. However, the procedure for addressing conflict, only currently applies to Board, Subcommittee, and Chamber members, and does not extend to the employees of LGSETA. The reason to address conflict is deemed imperative so to abide to codes of
behaviour and conduct where employees and employers are expected to work in harmony and respect each other’s beliefs. These codes therefore be considered significant to establish good governance and ethical culture in the organisation.

In line with the information, it is possible to assert that the LGSETA needs to put relevant policies in place that can better assist the organisation in becoming an ethical entity. Currently, the LGSETA Annual Reports as well as other relevant reports pertaining to the organisation offer little information on how ethical culture is implemented internally.

Conclusions

The findings show that there is a clear link between good/corporate governance and ethical culture, which suggests that an entity should be seen as a ‘good citizen’ that practices ‘good governance’ and abide to the principles of good/corporate governance. In such cases, the entity would have ethics embedded in and throughout all its structures, processes, and daily operations.

It also became clear that the legislative frameworks in the public sector provide entities with relevant guidance and direction on how to ensure that they effectively deliver on their mandates. An organisation such as the LGSETA, in turn, plays a vital role in ensuring that the local government sector and all its employees are equipped with the necessary skills to help them carry out their functions effectively. Despite the role of the LGSETA, the reality is that there remains much outcry from both specific local communities and society at large regarding a lack of service delivery by their respective municipalities. Much of this lack of service delivery is due to local government sector employees remaining insufficiently skilled to effectively deliver on their mandates. It was possible, thus, to conclude that the LGSETA is not, to a great extent, providing relevant skills development programmes to the sector and is, thus, failing in its own mandate.

The Strategic Plan is the most senior plan guiding the LGSETA, as every other plan, framework, or policy developed in and for the organisation needs to be aligned to the Strategic Plan. This is because the Strategic Plan provides and confirms the overall objectives, values, and mission of the organisation’s mandate. Therefore, if the LGSETA’s Strategic Plan is lacking in areas of importance, the entity will likely find itself (as it practically did between 2013 and 2015) being placed under administration. A review of the LGSETA’s past few years’ worth of Strategic Plan indicated that although the term ‘ethical’ is listed as one of the organisation’s values, there is little that is stated within any of the Plans on how the entity aims to actually become ‘ethical’. Little information was also found regarding how, practically, the LGSETA aims to meet any of the other values highlighted in its Plans either.

It is recommended that organisations are encouraged to have governance operating models that holistically encompass organisational activities. As stated by Deloitte (2013:2), a governance model has the potential to address issues such as ethics and/or inclusive (i.e., stakeholder) approaches and, thereby, enhance both Management’s ability to implement governance and the Board’s ability to provide oversight. A Governance Operating Model is, thus, an important tool for any organisation to possess in that it assists the Board and Management in fulfilling their respective governance roles. Such a model is also likely to enable the Board and Executive Leadership to organise governance structures as well as the mechanisms by which governance is to be implemented (Deloitte, 2013:3). The LGSETA may, therefore, consider adopting such a model to fill the gap between the theoretical framework of the Inclusive Approach and the practical adoption and implementation of ethics-driven processes, structures, tasks, mechanisms, and operations for good/corporate governance.

The Governance Operating Model could also assist the LGSETA in identifying gaps in its current structures and processes related to its Board and Stakeholder involvement. The proposed model might also aid in improving the LGSETA’s communication strategies aimed at enhancing inclusivity, oversight processes, and monitoring and evaluation procedures. In so doing, the model could help the organisation better enhance its ethical culture.

There have been various studies conducted that explore different aspects of organisational ethics, such as ethical conduct, ethical behaviour, ethical leadership, ethical governance, and ethical standards. However, few studies have specifically highlighted only the aspect of ethical culture in totality. The current study, thus, explored the ethical culture in a single organisation in a bid to begin filling this noted gap in extant knowledge.

To obtain insights regarding the ethical challenges in the LGSETA, it was necessary to conduct interviews with relevant role-players at the institution. The request was, however, declined. The reason, as assumed, could be that the study topic is sensitive in nature. The research approach then changed to a qualitative desktop study.

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