



South Africa's Municipal Financial Management Patterns from 2016 – 2021

2016 – 2021 Yılları Arasında Güney Afrika'nın Belediye Mali Yönetim Modelleri

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Öz

Bu makale, Güney Afrika'daki apartheid sonrası modern yerel yönetim sisteminin hem kuruluş aşamasını (1995 – 2006) hem de düşüş aşamasını (2006 – 2016) eleştirel bir şekilde sorgulayarak başlamaktadır. Bu çalışma daha sonra, 2018 civarında meydana gelen sosyal, politik ve yasal değişikliklerin bir kombinasyonunun, Beşinci Dönemdeki mali yönetim ve hizmet sunumu modeli açısından Dördüncü Yerel Yönetim İdaresinin (2016 – 2021) performansını etkilemek için yeterli olup olmadığını araştırmaktadır. yıllık görev süresi. Bu, Dördüncü İdarenin devam edip etmediğini, tutuklanıp tutuklanmadığını veya yerel yönetimin gerileme aşamasını tersine çevirip çevirmediğini belirlemek için yapılır. Nicel bir yaklaşımın ardından bu çalışma, Güney Afrika Baş Denetçisinin denetim sonuçları ve izinsiz, düzensiz, sonuçsuz ve savurgan harcama kalıpları ve yılsonu olmak üzere iki göstergelye ilgili bir dizi raporundan ikincil verileri toplar. Dördüncü Yerel Yönetim İdaresi'nin beş yıllık görev süresinin tamamı boyunca yaklaşık 300 belediye ve belediye birimi için bütçe açıkları. Bu verilerin Cramer's V ile birlikte Pearson ki-kare istatistiği kullanılarak analizi, bu beş yıl boyunca hiçbir göstergede önemli bir değişiklik göstermez. Bunun ne bir gerileme ne de bir gelişme olduğu kaydedilerek, Dördüncü Yerel Yönetim İdaresi'nin yavaş bir dönüm noktası olarak rolü ve yeni Beşinci Yerel Yönetim için öneriler tartışılıyor.

Anahtar Kelime: Mali yönetim, Yerel yönetim, Kamu yönetimi, Hizmet sunumu, Güney Afrika Belediyeleri.

Abstract

This paper begins by critically interrogating both the establishment phase (1995 – 2006) and the decline phase (2006 – 2016) of the post-apartheid system of modern local government in South Africa. This study then investigates whether a combination of social, political and legal changes that occurred around 2018 were sufficient to influence the performance of the Fourth Local Government Administration (2016 – 2021) in terms of its pattern of financial management and service delivery over its five-year term of office. This is done to determine if the Fourth Administration continued, arrested, or turned around the decline phase of local government. Following a quantitative approach, this study aggregates secondary data from a series of reports from the Auditor-General of South Africa relating to two indicators, namely audit outcomes and patterns of

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unauthorised, irregular, and fruitless and wasteful expenditure, as well as year-end budget deficits, for approximately 300 municipalities and municipal entities over the full five-year period of the Fourth Local Government Administration's term of office. Analysis of this data using Pearson's chi-squared statistic together with Cramer's V, shows no significant changes in either indicator over these five years. Noting that this is neither a decline nor improvement, the role of the Fourth Local Government Administration as a slow turning point is discussed, together with recommendations for the new Fifth Local Government Administration.

Key Words: *Financial management, Local government, Public administration, Service delivery, South African Municipalities.*

INTRODUCTION

This paper begins by offering an overview of the two distinct phases of the evolution of post-apartheid local government in South Africa. The first phase involves the establishment of a new system of modern local government, and covers the terms of office of the transitional (1995 – 2000) and first (2000 – 2006) local government administrations, during which time new legislation, new structures, and new systems, were all being developed and implemented (Mathebula, 2014).

The second phase involves the decline of this system of local government into a morass of corruption, incompetence, and collapsed serviced delivery, which covers the terms of office of the second (2006 – 2011) and third (2011 – 2016) local government administrations, characterised by the system of grand corruption known as 'state capture' in South Africa and the brazen looting of the public purse (Fourie and Malan, 2022; Zweni, Yan and Juta, 2022).

However, several events happened during the course of the fourth (2016 – 2021) local government administration, such as the dogged tenacity of National Treasury in issuing MFMA Circulars to address widespread weaknesses in a practical manner, Cyril Ramaphosa's rise into the Presidency on a 'reformist' ticket, and the passage of the Public Audit Amendment Act, both in 2018.

This paper investigates whether or not this combination of new factors was enough to produce any measurable change in the overall patterns of financial management and service delivery throughout the local government sector in general.

1. CONCEPTUAL FRAMEWORK

1.1. The Establishment of a New System of Modern Local Government in South Africa

South Africa held its first democratic general elections in April of 1994, when Nelson Mandela was elected President. In South Africa, national and provincial elections are held every 5 years, with local government elections being held mid-cycle, two years after each general election. Each municipal council elected for each five-year period is commonly known as an 'administration'. At local government level, councillors are elected through a mixed-member system, with half the elected councillors being elected on a first-past-the-post system



within their geographically-defined wards, and the other half of the councillors elected on a proportional representation system throughout the wider municipal area (Mulaudzi and Liebenberg, 2017).

Since then, the local government sector has evolved through two major phases in terms of its financial management and service delivery, namely:

- Phase 1: Establishment (1995 – 2006); and
- Phase 2: Decline (2006 – 2017).

The ‘establishment phase’ commenced when the post-apartheid **Transitional Local Government Administration of 1995/96 – 1999/2000** was elected in most provinces on 1 November 1995, with the local government voting in the Western Cape province following on 29 May 1996 and in KwaZulu-Natal province on 26 June 1996 due to delays in the resolution of boundary disputes in those two provinces (Mulaudzi and Liebenberg, 2017).

These elections were held under the auspices of the temporary Local Government Transition Act No. 209 of 1993, and were then followed by a flurry of new legislation intended to firmly establish a new system of local government in South Africa, including:

- Constitution of the Republic of South Africa, 1996
- Organised Local Government Act No. 52 of 1997
- White Paper on Local Government of March 1998
- Municipal Demarcation Act No. 27 of 1998
- Municipal Structures Act No. 117 of 1998
- Municipal Systems Act No. 32 of 2000

These Acts provided a clear and modern framework for local government in South Africa, and remain in force until today.

The ‘establishment phase’ continued following the next round of local government elections on 5 December 2000, when the **1st Local Government Administration of 2001/02 – 2005/06** was ushered into being. Shortly after these elections, the new Department of Provincial and Local Government (DPLG) replaced the old Department of Constitutional Development, and the flurry of foundational legislation for the new system of local government continued unabated, including:

- Disaster Management Act No. 57 of 2002
- Traditional Leadership and Governance Framework Act No. 41 of 2003
- Municipal Finance Management Act No. 56 of 2003
- Municipal Property Rates Act No. 6 of 2004
- Public Audit Act No. 25 of 2004

- Intergovernmental Relations Framework Act No. 13 of 2005

For our purposes, the Municipal Finance Management Act (MFMA), together with the Public Audit Act (PAA), are arguably the most important pieces of legislation from this era, and lay the basis for the variables investigated in this research. The MFMA introduced the concepts of unauthorised, irregular, and fruitless and wasteful expenditure, while the PAA introduced the five categories of audit outcomes, from unqualified through to disclaimer, which form the variables in this study and are discussed in more detail below.

1.2. The Decline of the Local Government System in South Africa

The start of the ‘decline phase’ follows the local government elections on 1 March 2006, which brought the **2nd Local Government Administration of 2006/07 – 2010/11** into being. This 2nd Administration was, from the perspective of legislation, a very quiet period, dominated in part by the global financial crisis of 2008 – 2009, and by the dawning realisation that, in general, local government financial management and service delivery was starting to fail, and publicly to be seen to be failing, in South Africa (Mantzaris, 2014).

During this time, the new Department of Cooperative Governance and Traditional Affairs (COGTA) replaced the former Department of Provincial and Local Government in May 2009. Rather than focusing on higher-level legislative frameworks, COGTA conducted a thorough, nation-wide assessment of the performance of local government, published its State of Local Government in South Africa report in 2009, and quickly followed this with its practically-oriented Local Government Turnaround Strategy (LGTAS) of November 2009 (Kroukamp, 2016).

Both the report and the turnaround strategy were generally well-received as an honest attempt by government to admit and understand the failures of the local government sector, and to try turn them around by fast-tracking improvements in the five focus areas of service delivery, financial management, good governance, infrastructure development, and fighting corruption (Kroukamp, 2016).

However, the LGTAS failed in implementation, and ultimately made no measurable difference, and the ‘decline phase’ continued after the local government elections of 18 May 2011, which resulted in the **3rd Local Government Administration of 2011/12 – 2015/16**. Several months after these elections, South Africa’s National Planning Commission released its much-anticipated National Development Plan: Vision for 2030 (National Planning Commission, 2011). This was a significant effort, covering developmental goals for all spheres of government, including local government, which was by now widely perceived as a general failure, characterised by endemic corruption, incompetence, and a ‘couldn’t care less’ attitude towards the plight of the people (Fourie and Malan, 2022).

Unfortunately, the many good qualities resulting from the huge amount of professional and passionate planning that went into the National Development Plan: Vision for 2030 soon came to be overshadowed by the era of grand corruption, known as ‘state capture’, in South Africa, where ‘looting of the public purse’ in all its guises came to characterise the national, provincial and local government spheres from 2014 onwards, with sensational news headlines of increasingly brazen corruption exposed by courageous investigative journalists capturing the country’s attention (Martin and Solomon, 2016).



While there was no new legislation promulgated for the local government sector during the Third Administration, the National Treasury continued COGTA's practical approach by issuing multiple action-oriented circulars, which have a status similar to regulations within the local government sector. Many of these focused on correcting financial management and service delivery problems, such as:

- MFMA Circular No 62 – SCM: Enhancing compliance and accountability of August 2012
- MFMA Circular No 65 – Internal Audit and Audit Committee of November 2012
- MFMA Circular No 68 – Unauthorised, Irregular, Fruitless and Wasteful Expenditure of April 2013
- MFMA Circular No 76 – Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings of October 2015
- MFMA Circular No 77 – Model SCM Policy for Infrastructure Procurement and Delivery Management of November 2015
- MFMA Circular No 82 – Cost Containment Measures of March 2016 (National Treasury, n.d.).

In addition to the legal foundation for financial management within the local government sector previously laid by the MFMA and the PAA during the First Local Government Administration, the newer National Development Plan, and especially the MFMA Circulars, are also important for our purposes, as they laid the operational and procedural foundation for financial management during the next administration, on which this research focuses.

1.3. The Fourth Local Government Administration: A turning point?

After the local government elections on 3 August 2016, the **Fourth Local Government Administration of 2016/17 – 2020/21** came into being, with 2018, the midpoint of its term of office, being characterised by two potentially impactful events, namely:

- February 2018 – Mr Cyril Ramaphosa was elected as President of South Africa, and was lauded throughout South African society as a potential 'reformer' who was publicly associated with promises to turn back the era of grand corruption; and
- November 2018 – The office of the Auditor-General of South Africa (AGSA) successfully championed the Public Audit Amendment Act No. 5 of 2018, followed shortly by the Public Audit Act Regulations of 1 April 2019, into existence. These amendments only came into effect for the last two of the five years of the Fourth Local Government Administration's term of office (Masuku and Jili, 2019).

By this time, AGSA had become immensely frustrated with the seemingly intractable problems of poor financial management and service delivery within the local government sector. In the past, AGSA had identified and reported multiple recurring financial management and service delivery problems throughout the municipalities of South Africa, but had to rely on the same political leadership and administrative management

of the municipalities where the problems occurred to investigate and correct them. Not surprisingly, this hardly ever happened, with neither politicians nor officials being held accountable (AGSA, 2022).

After making multiple, increasingly strongly-worded, public statements highlighting and condemning this lack of accountability, and thus lack of improvement, over the course of many years, AGSA changed tack and pushed successfully for what might turn out to be important and effective new legislation. This new PAA Amendment Act of 2018, and its associated Regulations, now give AGSA new ‘teeth’. These new powers allow AGSA to define certain financial management problems as ‘material irregularities’, refer material irregularities that the municipality concerned fails to resolve to outside agencies for independent investigation, and to enforce the recovery of monies lost through material irregularities through a Certificate of Debt system (Deliwe, 2019).

After a lengthy quiet period of about 15 years during which there was no new local government financial management-related legislation, ie since the time of the MFMA of 2003 and the PAA of 2004, this new PAA Amendment Act of 2018 represents a significant new phase in the evolution of local government financial management and service delivery in South Africa, with the external auditor now also playing the role of ‘enforcer’. This represents a significant shift in an external auditor’s role (Dhansay, 2022; Erasmus, 2022).

Over the previous decades, when middle or senior managers failed in terms of financial mismanagement, AGSA only played the role of ‘reporter’ and turned to the Municipal Manager (also known as the Accounting Officer). When the Municipal Manager failed, AGSA turned to the elected political leadership of the municipality. When the local government politicians failed, AGSA turned to provincial and national politicians (eg reports to the respective legislatures), but with none of these levels of reporting achieving any consistent success (AGSA, 2022; Enaifoghe, 2022).

In fact, in her consolidated report on the local government sector of 2020-21, ie the fifth and final year of the Fourth Local Government Administration’s term of office, AGSA used the word ‘enforce’ or its cognates 18 times. For example:

‘Through our expanded mandate, and the ensuing material irregularities in particular, we have enriched our insights and strengthened our ability to influence and **enforce** performance, accountability, transparency and integrity in local government. In response to the material irregularities we identified, municipalities are taking action to recover losses, prevent further losses and harm through strengthening internal controls, and effect consequences for transgressions. We do not hesitate to use our **enforcement** mandate if material irregularities are not responded to with the required seriousness and urgency’ (AGSA, 2022: 6; emphasis added).

At the same time as AGSA was evolving from being a ‘reporter’ of problems to an ‘enforcer’ of solutions, the National Treasury continued with its own campaign of improving local government financial management and service delivery through additional action-oriented MFMA Circulars, such as:

- MFMA Circular No 92 - Municipal Public Accounts Committee of April 2018
- MFMA Circular No 95 - Interventions and Debt Relief of June 2019
- MFMA Circular No 96 - Implementation of SCM Regulation 32 of July 2019



- MFMA Circular No 97 - Municipal Cost Containment Measures of July 2019 (National Treasury, n.d.).

With a new President, new AGSA powers from the Public Audit Amendment Act, and new MFMA Circulars from National Treasury, the Fourth Local Government Administration found itself at a possible inflection point in South African local government – would all this be enough to create the conditions necessary to cause the local government sector to arrest its own decline, ‘turn the corner’, and start showing some measurable improvements?

2. RESEARCH METHODOLOGY

Following a quantitative approach, this study aggregates secondary data relating to two indicators, namely audit outcomes and patterns of unauthorised, irregular, and fruitless and wasteful expenditure over the five-year period of the Fourth Local Government Administration’s term of office.

The data are collected from a series of five reports, known as the ‘Consolidated General Reports on Local Government Audit Outcomes’ published by the Office of the Auditor-General of South Africa for each of the five financial years from 2016/17 until 2020/21.

The whole population of 257 municipalities, plus about 50 municipal entities, in the South African local government sector is included in this study, resulting in between 300 and 310 organisations being included in the study, with the numbers varying slightly across the five-year timeframe as not all organisations completed and submitted their financial statements by the deadline for auditing each year.

This data is tabulated, converted into graphical format for visual detection of any possible trends, and finally the homogeneity over time is measured using Pearson’s chi-squared statistic together with Cramer’s V.

2.1 Indicators of Local Government Financial Management and Service Delivery

This study uses two indicators of local government financial management and service delivery, which are:

- Audit outcomes; and
- Expenditure patterns.

2.1.1 Audit outcomes

Firstly, the power of AGSA to define audit outcomes is derived from the Public Audit Act of 2004. In terms of Section 20 of the PAA, audit outcomes represent a combination of discrete sub-audits that encompass financial statements, performance reports, and compliance with key legislation. AGSA has developed a set of five different categories of audit outcomes, which are:

- **Unqualified with no findings**, also commonly known as a ‘clean audit’, where the auditee has produced financial statements found to be free of material misstatements, produced performance reports that measure and report on performance in a useful and reliable manner, and has also complied with key legislation applicable to it;

- **Unqualified with findings**, where the auditee has produced satisfactory financial statements that were found to be free from material misstatements, but has not produced acceptable performance reports and/or has failed to comply with all key legislation;
- **Qualified with findings**, where the auditee has produced financial statements, but they were found during the audit to contain some material misstatements, which, although identified, were not corrected by the time the statements were published. The auditee also struggled to produce a credible performance report and/or to comply with key legislation;
- **Adverse with findings**, where the auditee has produced financial statements that were found to have multiple problems, including many material misstatements, to the extent that many of the amounts and disclosures contained in the financial statements cannot be trusted; and
- **Disclaimed with findings**, where the auditee was found to have failed significantly in terms of record-keeping that not enough evidence was available to substantiate the amounts and disclosures in the financial statements, leaving the auditor with no objective basis for forming an opinion on the credibility of the financial statements. Typically, municipalities with adverse and disclaimed audit outcomes also fail with regards to their performance reports and the degree to which they comply with key legislation.

While audit outcomes do not necessarily correlate with levels of service delivery in all cases, the experiences of AGSA suggest that there is indeed a relationship most of the time. As such, while a 'clean' audit is no guarantee of good service delivery, the institutionalised controls and systems that a municipality has in place that allow it to plan, measure, monitor and account for their finances and performance, while complying with all the critical regulations, form a solid foundation for good service delivery that will utilise, and benefit from, the very same controls and systems (AGSA, 2022).

As such, audit outcomes are a direct measure of the credibility of financial statements, performance reports, and compliance with key legislation, while at the same time they can also be interpreted as an indirect proxy indicator for the quality of service delivery (Ngwakwe, 2012; Goryakin et al, 2017).

2.1.2 Patterns of Expenditure

Secondly, while there are multiple expenditure patterns, the four that are used in this study are defined in the Municipal Finance Management Act of 2003, and include:

- **Unauthorised expenditure**, which means any expenditure that involves overspending on a vote within the budget or on the entire budget, or using funds from a certain vote within the budget or grant for the wrong purposes not related to that vote or grant;
- **Irregular expenditure**, which means expenditure incurred by following a process that is not in accordance with relevant legislation or the municipality's own policies;



- **Fruitless and wasteful expenditure**, which means expenditure that was made in vain, eg payments for goods or services that were not delivered or contributed nothing towards the achievements of the municipality’s integrated development plan, and would have been avoided had reasonable care been exercised; and
- **Year-end budget deficits**, which is arguably the most serious form of unauthorised expenditure, and closely associated with the sustainability of the municipality as a ‘going concern’, and, as such, is being treated separately here in order to measure the scale of the problem.

Again, while a pattern of expenditure does not necessarily correlate with service delivery in all cases, it usually does in most cases. For example, if there are high levels of unauthorised expenditure, then that means a significant amount of funds are being spent on the wrong objectives, or even non-objectives, resulting in insufficient funds remaining to achieve the necessary objectives. Similarly, high levels of irregular or fruitless and wasteful expenditure also leave insufficient funds remaining for the correct expenditure on the planned objectives of the municipality (AGSA, 2022).

As such, patterns of expenditure are a direct indicator of local government financial management, and an indirect proxy indicator of local government service delivery (Ngwakwe, 2012; Goryakin et al, 2017).

2.2. Findings

2.2.1 Fourth Administration Audit Outcomes

Firstly, in terms of audit outcomes, the 257 municipalities together with approximately 50 municipal entities each year achieved the audit outcomes presented in Table 1 below.

Table 1: Fourth Administration Audit Outcomes

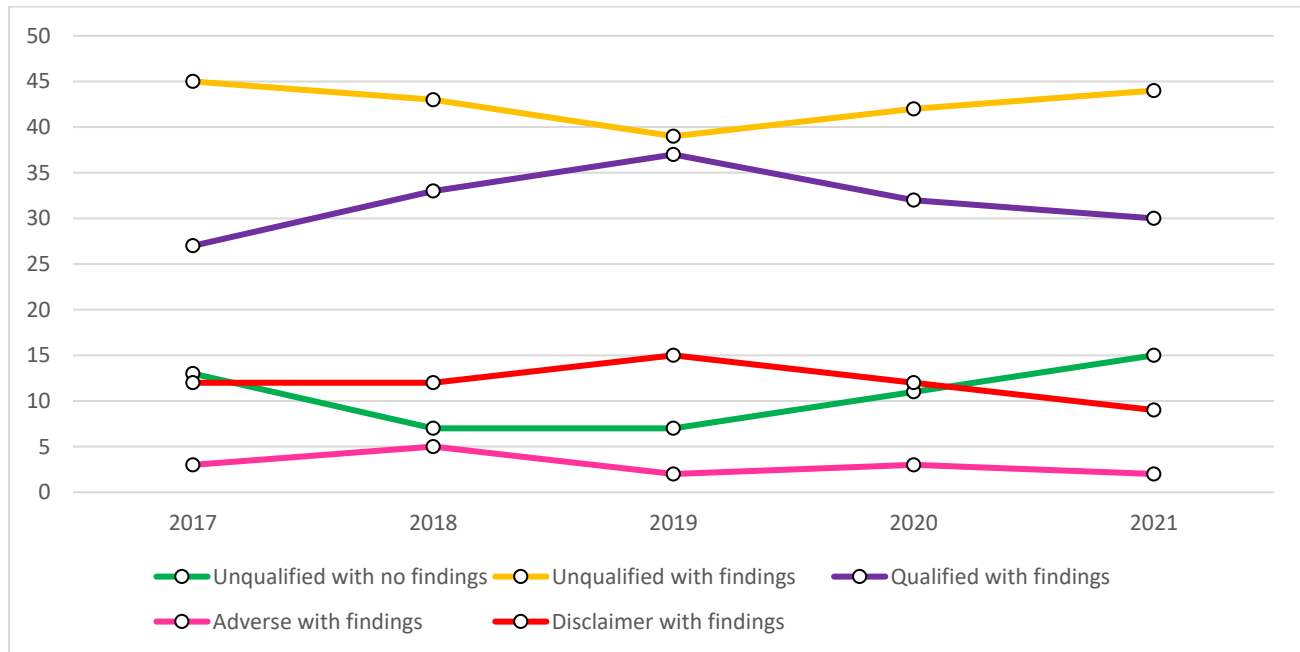
	2016-17		2017-18		2018-19		2019-20		2020-21	
Audit Outcomes	No.	%	No.	%	No.	%	No.	%	No.	%
Unqualified with no findings	40	12,90	23	7,42	23	7,44	35	11,36	47	15,67
Unqualified with findings	141	45,48	132	42,58	121	39,16	128	41,56	131	43,67
Qualified with findings	85	27,42	103	33,23	113	36,57	98	31,82	89	29,67

Adverse with findings	8	2,58	14	4,52	6	1,94	9	2,92	5	1,67
Disclaimer with findings	36	11,61	38	12,26	46	14,89	38	12,34	28	9,33
TOTAL	310	100	310	100	309	100	308	100	300	100

There were between 300 and 310 municipalities and municipal entities that were audited during this five-year period, with, on average each year, 34 of them achieving an unqualified audit with no findings, 131 of them achieving an unqualified audit but with findings, 98 achieving a qualified audit with findings, 8 achieving an adverse audit opinion with findings, and 37 achieving a disclaimer with findings.

Because a slightly different number of organisations were audited each year, the percentage version of this data, to maintain consistency, is presented in the form of a graph in Figure 1 below.

Figure 1: Fourth Administration Audit Outcomes – Line Graph



Visually, the lines in this graph appear to be substantially horizontal, suggesting that the respective distribution of audit outcomes is characterised by homogeneity over time, ie there is a stable pattern rather than a changing trend.

This possible pattern was tested statistically using Pearson's chi-squared test, which is commonly used to assess three types of comparison: goodness of fit, homogeneity, and independence. In this case, it was used to measure homogeneity over time, and the results are presented in Table 2 below.

Table 2: Fourth Administration Audit Outcomes – Chi-Squared Test

CHI-SQUARED	Alpha	0,05	DF	16	
	<i>chi-sq</i>	<i>p-value</i>	<i>chi-crit</i>	<i>signif</i>	<i>Cramer's V</i>
Pearson's	10,55	0,84	26,30	no	0,07

The statistical result of Pearson's chi-squared test is 10,55, which falls below the critical level of 26,30. The p-value shows that there is an 84% probability that this set of observations would occur if the null hypothesis were true, ie if there was no difference between the groups of audit outcomes over these five years (IBM, 2023a). In other words, this result is not statistically significant. The practical result of this test (Cramer's V) shows an effect size of 0,07, which means that the groups in this test are strongly associated with, and similar to, one another (IBM, 2023b).

2.2.2 Fourth Administration Expenditure Patterns

Secondly, in terms of patterns of expenditure, the same 257 municipalities together with approximately 50 municipal entities each year demonstrated the patterns of expenditure presented in Table 3 below.

Table 3: Fourth Administration Expenditure Patterns

	2016-17		2017-18		2018-19		2019-20		2020-21	
Expenditure patterns	Value (R mil)	%	Value (R mil)	%	Value (R mil)	%	Value (R mil)	%	Value (R mil)	%
Unauthorised expenditure	12 603	3,13	12 852	3,42	15 910	3,04	22 000	3,40	20 450	4,46
Irregular expenditure (known)	29 730	7,38	24 480	6,51	32 950	6,29	26 230	4,05	21 950	4,78

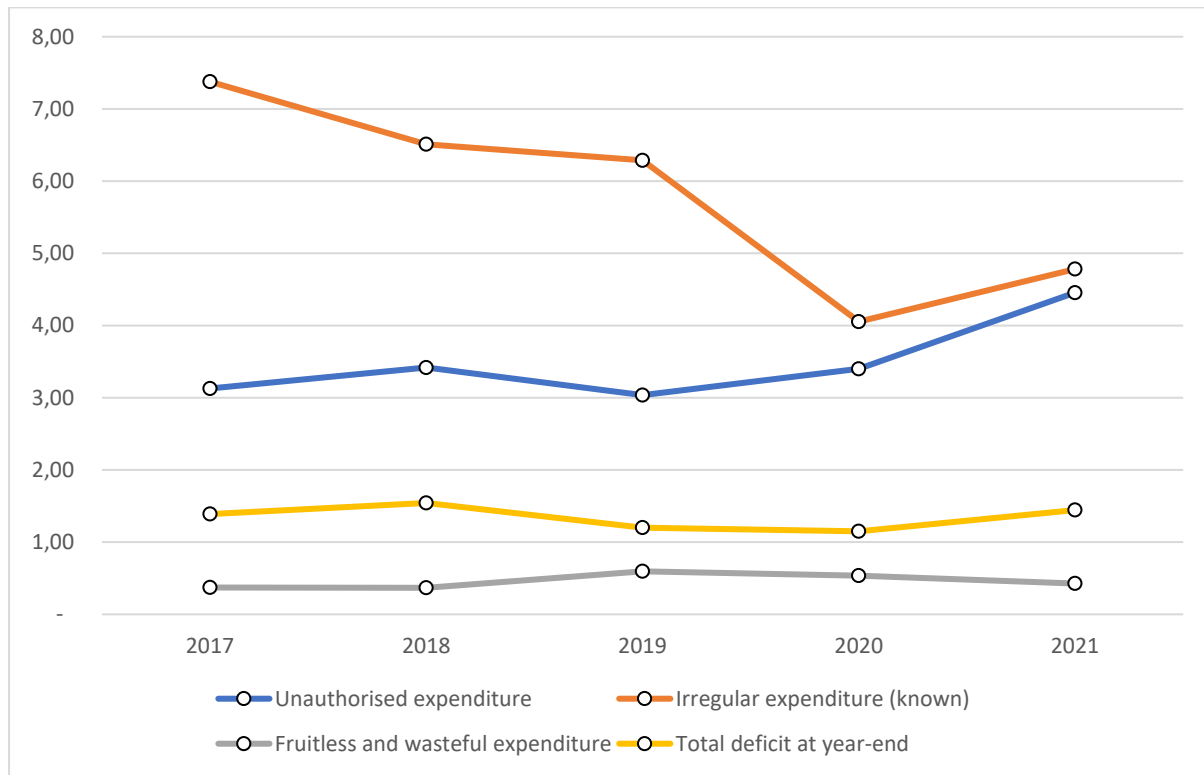
Fruitless and wasteful expenditure	1 500	0,37	1 382	0,37	3 120	0,60	3 470	0,54	1 960	0,43
Total deficit at year-end	5 600	1,39	5 800	1,54	6 290	1,20	7 440	1,15	6 630	1,44
Total Local Government Expenditure	403 000		376 000		524 000		647 000		459 000	

There was between R376 billion and R647 billion total expenditure by all organisations in the local government sector during the five years under review that was known to, and reported by, the Auditor-General of South Africa. On average each year, there was about R16,763 billion unauthorised expenditure, R27,068 billion irregular expenditure (known to the auditors), R2,286 billion fruitless and wasteful expenditure, with the sector's consistent over-spending resulting in an average deficit of R6,352 billion each year.

There is usually a discrepancy between these figures in different years' audit reports due to the fact that not all problematic expenditure is identified by the various audit teams by the time the AGSA compiles her final reports each year. Updated (usually higher) figures for the previous years' problematic expenditure can usually be found in the following year's audit reports.

Because a different total of all local government sector expenditure was reported each year, the percentage version of this data, to maintain consistency, is presented in the form of a graph in Figure 2 below.

Figure 2: Fourth Administration Expenditure Patterns – Line Graph



Visually, with the possible exception of what appears to be a slight downward trend in irregular expenditure, the lines in this graph generally appear to be substantially horizontal, suggesting that the respective patterns of expenditure are again stable over time.

This possible pattern was also tested statistically using Pearson's chi-squared test, and the results are presented in Table 4 below.

Table 4: Fourth Administration Expenditure Patterns – Chi-Squared Test

CHI-SQUARED	Alpha	0,05	DF	12	
<i>chi-sq</i>	<i>p-value</i>	<i>chi-crit</i>	<i>signif</i>	<i>Cramer's V</i>	
Pearson's	12,73	0,39	21,03	No	0,09

Similar to before, Pearson's chi-squared test result is 12,73, which falls below the critical level of 21,03. The p-value suggests that there is a 39% probability that this set of observations would occur if the null hypothesis were true, ie if there was no difference between each year's pattern of expenditure over these five years (IBM, 2023a). In other words, this result is not statistically significant. Cramer's V shows an effect size of 0,09, which shows that the groups in this test are strongly associated with, and similar to, one another (IBM, 2023b).

In conclusion, the homogeneity of both the audit outcomes and the pattern of expenditure by between 300 and 310 municipalities and municipal entities over the five-year period from 2016-17 until 2020-21 shows no changes, whether improvements or deterioration, of any statistical significance.

This bears witness to the Auditor-General's comments in her MFMA Consolidated Report of 2020-21, that:

'The audit outcomes were in a bad state when the previous administration took over in 2016-17 and this state has not improved since then. Some municipalities improved their audit outcomes, just to regress again in later years. Overall, only 61 municipalities now have a better audit outcome than in 2016-17, with 56 now having a worse audit outcome' (AGSA 2022a: 8).

3. DISCUSSION AND RECOMMENDATIONS

The original question raised in this paper was whether the combination of key events that occurred around the mid-point of the Fourth Local Government Administration, ie National Treasury issuing ongoing MFMA Circulars, Cyril Ramaphosa's rise into the Presidency, and the promulgation of the Public Audit Amendment Act, were sufficient to produce measurable change in the overall patterns of financial management and service delivery by the local government sector. The findings show that they were not sufficient, and both variables remained steady from 2016 – 2021.

To begin with, the National Treasury's MFMA Circulars, while providing practical guidance and support to municipalities, are not legally binding and do not have any specific or direct enforcement mechanisms to ensure compliance and accountability from municipal officials and political leaders (Jitsing et al, 2019; Selepe & Magagula, 2023; Madumo & Koma, 2019).

Furthermore, Cyril Ramaphosa's rise to the Presidency, although welcomed by many as a sign of reform and renewal, faced resistance and opposition from factions within his own party and from other political parties, which may have limited his ability to implement a reformist vision and fiscal discipline agenda for local government (Mngomzulu, 2023; Rapanyane, 2022).

In addition, the Public Audit Amendment Act of 2018 and its associated regulations only came into effect for the last two years of the Fourth Local Government Administration's term of office, which may not have been enough time to see significant changes in the audit outcomes and expenditure patterns of municipalities. Such changes may often only be institutionalised very slowly, requiring changes in corporate culture before their impact becomes apparent in later years (Dhansay, 2022; Gasela, 2022).

Finally, the Covid-19 pandemic, which hit South Africa hard in 2020 and 2021, posed unprecedented challenges and pressures on the local government sector, affecting its revenue collection, service delivery, infrastructure development, and financial management. The pandemic also disrupted the normal functioning of oversight and regulatory institutions, such as the Auditor-General and the National Treasury, as well as civil society and media organisations that play a role in monitoring and exposing corruption and maladministration in municipalities. It seems possible that the weakening of these control measures during 2020 and 2021 may, in fact, be associated with an opportunistic increase in financial mismanagement during this time (Bardosh, 2023; Kamara et al, 2023).



Noting that the Fourth Local Government Administration neither continued the decline associated with the two previous administrations, nor demonstrated measurable improvements on these indicators, it may be possible that this Administration represents a slow turning point in the evolution of local government in South Africa.

In other words, it took the full five years of this Administration's term of office to arrest the previous pattern of decline, and to lay the foundations for change that the Fifth Local Government Administration can build upon.

In terms of defining the problem to which solutions need to be recommended, the Auditor-General noted that:

'The poor audit outcomes and inadequate service delivery by many municipalities during the term of the [Fourth] administration were the result of a pattern of behaviour and conduct by leaders and officials that led to a local government culture in which performance, accountability, transparency and integrity were not prevalent' (AGSA, 2022a: 56).

Existing solutions have not proven adequate to reverse the decline of local government and turn around the financial management and service delivery associated with this sector (Enwereji and Uwizeyimana, 2019). As such, new key recommendations for the Fifth Local Government Administration to overcome these weaknesses, and turn around the financial management and service delivery of local government in South Africa during its term of office, include three critical areas, which are:

Prevention: Steps that can be taken to strengthen internal controls thereby preventing further financial and poor service delivery. Possible recommended actions that are suitable here include:

- Setting of clear long-term goals and short-term objectives, specifying on which programmes and projects the funds are intended to be spent, and what outputs those programmes and projects are intended to generate;
- Building a credible system of internal controls, including in-year reporting, which will ensure greater levels of protection against financial abuse and service delivery neglect, improved transparency and monitoring, and enhanced decision-making;
- Stabilising and capacitating the administration, through filling of key vacancies, training of managers in financial management and service delivery, and ensuring the retention of 'institutional memory and skills' through the retention of key managers across local government administrations; and
- Developing a corporate culture that promotes responsible revenue collection, effective and efficient spending, prompt identification and recovery of wasted funds, and a general respect for the sanctity of taxpayers' funds.

Recovery: Steps that can be taken to recover financial losses or from substantial harm. Possible recommended actions that are relevant here include:

- Investigating all instances where actual income and expenditure on the one hand, and service delivery on the other hand, vary from that which was planned, including an in-depth 'root cause analysis' of the factors and people contributing to the variance;
- Internal quarterly reporting, eg by senior management to the municipal manager, and by the municipal manager to the council, on all the identified variances in financial management and service delivery, and the steps taken to recover the financial losses (if any) and/or the service delivery backlog; and
- External accountability ecosystem, which involves activating the oversight function of the other two spheres of government outside of the municipality or entity itself, including the provincial legislatures and national parliament, the oversight and regulatory functions of coordinating ministries, such as the National Treasury and Department of Cooperative Governance and Traditional Affairs and their provincial counterparts, and also involving specialised investigative and law enforcement agencies where necessary.

Consequences: Steps that can be taken to ensure accountability for financial mismanagement and the associated legal transgressions, including both internal disciplinary actions and external law enforcement agencies. Possible recommended actions that are suitable here include:

- Civic education and empowerment, where voters are assisted to understand the link between the power of their vote, the use of their vote for a political party that promotes accountability, the value of their participation in public processes such as integrated development planning, and the power of their vote to remove political parties that condone financial mismanagement and sub-standard service delivery;
- Updating the relevant Codes of Conduct for both municipal councillors and officials to provide for standard consequences if audit queries remain unattended to in subsequent years, if audit recommendations are not implemented, and if financial losses and/or material irregularities are not recovered;
- Clarifying the extent of responsibility, accountability and liability by municipalities, their political leadership, and their administrative management for the costs and consequences of the appointment of external consultants, particularly in cases where value is not delivered; and
- Creating a 'blacklist' of both councillors and senior managers who may not stand for public office or be employed as officials in local government for a specified number of years if they have been identified in audit reports as being responsible for financial mismanagement, and/or for neglecting / failing / refusing to investigate financial mismanagement when reported to them, and/or for neglecting / failing / refusing to recover monies lost due to financial mismanagement when expected of them, etc. (AGSA, 2022; Fourie and Malan, 2022; Khaile, Davids and Khaile, 2021; Kroukamp and Cloete, 2018; Marais, Sheik and Schoeman, 2022; Mnguni and Subban, 2022; Moji, Nhede and Masiya, 2022; Zweni, Yan and Juta, 2022).



CONCLUSION

This paper investigates whether or not the combination of new factors around 2018, ie the tenacity of National Treasury in issuing MFMA Circulars to practically address widespread weaknesses, Cyril Ramaphosa's rise into the Presidency on a 'reformist' ticket, and the passage of the Public Audit Amendment Act, was enough to produce any measurable change in the overall patterns of financial management and service delivery throughout the local government sector in general.

A visual inspection of the data in both tabular and graphical formats suggested that there were no significant changes in either the audit outcomes or the patterns of expenditure over time. This was confirmed by the use of Pearson's chi-squared statistic together with Cramer's V, which show no significant changes in either indicator over the five-year time period.

Since the indicators show that financial management and service delivery neither declined nor improved during the Fourth Local Government Administration, there is the intriguing possibility that this Administration represents a slow turning point in the evolution of local government in South Africa. Enhancing the accountability ecosystem surrounding local government in South Africa through a variety of new strategies is critical for the Fifth Local Government Administration if they want municipal financial management and service delivery to start changing for the better during their term of office.

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