



Conceptualization of Accountability and Municipal Finance Management within the South African Local Government Environment

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Abstract

This article conceptualizes accountability and municipal finance management within local government. It is evident that adherence to accountability will contribute to sound financial management within the municipal environment. The aim of this study is to identify and investigate the root causes of accountability failures, as well as the challenges related to accountability within the local government environment in South Africa. The study seeks to identify the mechanisms that will improve accountability within municipalities. However, political interference in municipal finances administrative processes makes it difficult for municipal officials to comply with accountability legislation. The study adopted the qualitative research methodology that relies heavily on secondary data using a conceptual approach. The article also highlights the importance of accountability in municipal financial management. The article concludes with an exposition of possible mechanisms that will contribute to strengthening accountability and reducing embezzlement within the municipal environment. The main findings of the study are the root causes of the deterioration of accountability in municipalities, the challenges of accountability, and the mechanisms that can strengthen accountability. The study recommends the management of consequences for perpetrators of the law.

Keywords: *Accountability; Financial Management; Municipality; Mechanisms; Government; Community; Officials*

1. Introduction

The problem of non-compliance with municipal financial legislation has been unrelenting and pervasive for many years in South Africa. The Auditor-General of South Africa has repeatedly highlighted noncompliance with municipal financial legislation in numerous consecutive annual audit outcomes. Reports indicate that the persistent failure to ensure compliance has persisted despite several interventions such as the local government turnaround strategy. Similarly, the failure of Operation Clean

Audit 2014 to curb noncompliance with municipal financial management law and regulations is well documented (Khaile, Davids and Khaile,2021).

Although few municipalities have managed to ensure a strong internal control environment and compliance, in 2019 the Auditor-General indicated that the pocket of excellence is very limited and is unfortunately dwarfed by the pervasive incidents of non-compliance in many municipalities across South Africa. According to the Auditor General (2019: 2), the impact of non-compliance is that the “fiscal resources placed at the disposal of municipalities are either misused or not properly accounted for as required by laws and regulations. Consequently, the problem of noncompliance with municipal finance laws and regulations has effectively disabled the very foundation in which many other municipal processes, including service delivery, are anchored (Khaile, et al.,2021).

The disheartening municipal audit shows improper procurement processes; poor adherence to financial controls; an ongoing culture of poor accountability; a reluctance to hold wrongdoers accountable; an over-reliance on consultants for financial reporting services; a high rate of vacancies in key positions; poor project monitoring; weak supply-chain management; high levels of noncompliance with legislation governing municipal finance and accounting processes; poor record-keeping and documentation; and increased levels of false declarations regarding municipal tenders (Khaile et al.,2021).

In addition, municipalities are in dire financial and operational straits, with most unable to meet their legislated obligations and showing reluctance to account for the use of public resources (Kariuki,2020).

Accountability is conceptualized as giving account or being responsible for the decisions that have been made or actions that have been taken. It is further stated that accountability, or rather a lack thereof, is central to most governance failures in the public sector. Similarly, most of the governance reforms have been driven by findings that leaders of public institutions or public entities have simply not been willing to answer for their actions. Accountability eventually forms the basis of providing a formal explanation or justification of one’s own conduct, which is the ability to account for one’s actions, conduct, and decisions (Botlhoko, 2017:17).

Mechanisms to improve financial accountability include constitutional and legislative bodies, policies, and rules. These mechanisms also include the adoption of a code of conduct and administrative mechanisms that are crucial in enhancing accountability in the organization, such as role models and supportive leadership, training and development, performance evaluation and the reward system (Khanyile, 2016:34).

2. Problem Statement

Inadequate skills led to a lack of oversight by councils (including mayors). Insufficient implementation and maintenance of financial and performance management systems by the administration contributed to accountability failures. Political infighting at the council level and interference in the administration weakened oversight, which hindered dealing with the consequences and made local government less attractive for professionals to join. Leadership inaction, or inconsistent action, created a culture of ‘no consequences’, often due to inadequate performance systems and processes.

The Auditor General (AG)'s office is convinced that if municipal leaders, supported by their provincial leadership, are fully committed to turning around local government and moving it towards the capable, efficient, ethical and development-oriented institutions envisaged by the Constitution,

improvements are bound to follow. Great results were achieved where leadership has taken clear strides toward a better future for the communities they serve. The AGSA remains concerned that the recommendations made to municipalities by her office are not implemented. Furthermore, municipalities are still failing to master the basics of financial reporting, and only 28% of municipalities submitted quality financial statements for audit. Financial reporting has cost the local government over R5 billion, and this estimate is based only on the salary cost of finance units and the costs of financial reporting consultants, the latter group accounts for 18% of the cost. Another concerning finding is that only 2% of municipalities had a genuine need for consultants, to bridge the vacancy gap, and other municipalities sought and paid consultants while they have capable finance units. The issue of consultants becomes more alarming when noting that 64% of municipalities failed to provide records of consultants, who were appointed late, or did not manage the consultants' work efficiently to benefit the municipalities (Dlamini,2021).

According to Harper (2022), only 16% of South Africa's 257 municipalities have received a clean audit by the auditor general for the 2020-21 financial year, with the overall standard of financial management having regressed in the past five years. Forty-one municipalities received a clean audit with no findings, while 100 received unqualified audits with findings, and 25 municipalities received disclaimers, meaning that their financial statements cannot be relied upon.

3. Methodology

The study adopted a qualitative research methodology that relies heavily on secondary data using the conceptual approach. The author prefers this approach because it is a method that explores data from existing documents and previous research to gather information on a particular topic. This methodology provided solid arguments and assisted the author in getting relevant secondary data to support the accountability variables and various aspects of municipal finance management. The author used the conceptual approach because it is based on the use of existing literature and studies from which inferences were drawn. This approach is adopted to reduce the existing knowledge gap on accountability and municipal finance management. As the conceptual research relies on preexisting studies and literature, the researcher collected relevant information relating to accountability and municipal finance management. The researcher used reliable sources and data from well-reputed scientific journals and papers. The researcher used Sabinet and Google databases to get reliable and quality sources related to the study. In this study, the analysis of fact-based studies is reinforced. The study used qualitative data analysis to analyse data because it is the process of organising, analysing, and interpreting qualitative data, which are nonnumeric, conceptual information, and user feedback to capture themes and patterns.

4. Key Role Players in Strengthening Accountability within the Local Government Environment

4.1 Auditor-General of South Africa

South Africa's Auditor General (AGSA) is a constitutional body and a key mechanism to promote accountability in the Government. Section 4(3) of the Auditor General Act, 12 of 1995 stipulates that the AGSA's office shall transmit a report of a municipality's accounts to the chairperson of a municipality (Mayor) and to the municipality's accounting officer. Sections 4(c) and (d) of the 1995 Auditor General Act stipulate that there may not be a meeting behind locked doors to discuss the AGSA report. Through its audit activities, AGSA plays an important role in enabling accountability and thus promoting sound financial governance practices in South Africa.

4.2 The Municipal Council

The municipal council has the duty to exercise the executive and legislative powers of the municipality, as well as the use of the municipality's funds in the community's best interests. A municipal council may establish one or more portfolio committees necessary for the effective and efficient performance of its functions or to exercise any of its powers (De Wet, 2008:8). The functions of a portfolio committee are determined by the municipal council. The municipal council may delegate powers and duties to the committee. The executive committee appoints a person from the executive committee or mayoral committee to chair each committee and is entrusted with the power and duties of delegation. The portfolio committee reports to the executive committee or the executive mayor in the manner prescribed by the executive committee or the executive mayor (Fourie and Opperman, 2011).

4.3 The Municipal Audit Committee

The municipal audit committee must advise the municipal council, the political office bearers, and the accounting officer on matters related to internal financial control and internal audits; risk management; accounting policies; financial reporting; performance management; effective governance to ensure compliance with MFMA, 2003. The audit committee also reports to the municipal council of a municipality on any issues raised by the Auditor General of South Africa (AGSA) and should carry out any investigation into the financial affairs of the municipality and municipal entities (Van Nierkerk, 2016:123).

4.4 The Public Protector (Ombudsman)

As an accountability mechanism, the Public Protector has the power to investigate any conduct in state affairs or in public administration in any sphere of government that is alleged or suspected to be improper or to result in any impropriety or prejudice (Van Nierkerk, 2016:126). Chapter 10 of the 1996 Constitution of the Republic of South Africa, 1996 states that the Public Protector shall, on his or her own initiative or on receipt of a complaint, investigate any alleged maladministration, abuse or unjustifiable exercise of power, improper or dishonest act, corruption, and unlawful enrichment. The Public Protector shall also investigate any receipt or any improper advantage, or promise of such enrichment or advantage, by a person as a result of an act or omission in the public administration of public institutions, or omission by a person in the employ of any sphere of the government, or a person performing a public function, which results in unlawful or improper prejudice to any person (Mafunisa, 2003:15).

4.5 Special Investigating Unit (SIU)

The primary mandate of the unit is to recover and prevent financial losses to the state caused by acts of corruption, fraud, maladministration, and improper conduct of elected officials. Unlawful expenditure of public funds, unapproved transactions, negligent loss of public money or damage to public property, and public sector corruption (Minnaar, 2010:17). SIU works closely with Hawks, South African Police Service (SAPS), and the National Prosecuting Authority (NPA). The role of the NPA is to ensure that there are effective investigations and prosecutions of alleged corruption, fraud, and maladministration (Moeti, 2014:122).

The hawks have the powers and expertise to recover losses of the states appropriately and effectively from the perpetrators. Hawks apply a multidisciplinary approach to their investigations by combining the expertise of forensic investigators, forensic lawyers, forensic accountants, cyber-forensic specialists, and data analysts supported by specific law enforcement powers as provided for by the SIUs and Special Tribunals Act, 1996 (Act 74 of 1996). All these SIU investigators may, with the permission of the magistrate or judge, enter and search the premises and remove documentation on the basis of

reasonable suspicion that would assist the investigation. The role performed by the SIU is very significant in the sense that its functions cannot be performed by any other constitutional body (Moeti, 2014:123).

5. Theoretical Financial Framework Local Government

The study adopted the principal agent theory and the policeman theory because they resonate and coincide with accountability and monitoring, as well as investigation, detection, and prevention of fraud.

5.1 Principal-Agent Theory

This theory was introduced in the 1970s and is often regarded as the most important paradigm for explaining research accountability and monitoring, particularly in government (Gailmard, 2012). This theory proposes that non-compliance issues arise because of municipal officials breaking the law and acting unethically while downplaying municipal councils' role as primary perpetrators of non-compliance with municipal budget standards (Khaile, Davids & Khaile, 2021). The principals-agents relationship is based on the notion that agents have conflicting interests and act opportunistically, while principals always act in good faith, and agents need to be constrained and regulated (Gailmard, 2010; Akpanuko & Asogwa, 2013). Similarly, according to Roach (2016: 31), "an agent may engage in self-serving shirking behaviours, and by doing so, an agent engages in noncompliance activities that divert their attention away from achieving the principals' primary objectives outlined and expected, to secure their secondary interests. This concept is often regarded as implying that the client has an obligation to ensure compliance (Gailmard, 2010; Döhler, 2018). Agent activities are limited to complying with the limits set by civil servants through laws and norms and preventing them from deviating, avoiding, or deviating from them (Bruehl, McCubbin, & Harden, 1999). As a result, the principal agent theory is seen as requiring inspection as a deterrent to non-compliance. Preventing and dealing with agent shirking is regarded critical (Thomann, Van Engen, & Tummers, 2018).

Mofolo and Adonis (2021:2) agree that the issue of effective accountability in municipalities has been widely considered in the literature. However, apparently this phenomenon still eludes these public institutions. It is high time that the Municipal Public Accounts (MPAC) be structured around the principles of Principal Agent Theory (PA). Theory) in South African municipalities should be reengineered to address the challenges incidental to accountability. The practice of AP theory, particularly in the public sector, regards the principal as the legislator that represents the public interest. The agent as an official should carry out some tasks or activities of providing public services on behalf of the principal. Although this could be seen as a perfect operational relationship between the principal and agent, it has been established that sometimes the agent resorts to pursuing his or her own interest, which might not be in the mind of the principal. This is called the 'agency' problem. The principal agent theory claims that the agency problem occurs when there is some sort of 'information asymmetry' between the principal and the agent. In other words, this happens when the principal does not know what the agent is doing. This is a matter that should be handled by monitoring.

5.2 The Policeman Theory

The policeman theory was introduced in the 1940s in the United States of America (USA). Policeman theory believes that investigators are responsible for finding, detecting, and preventing fraud (Enofe, Omagbon & Ehigiator, 2015). The auditor's focus has recently, the emphasis has turned to giving reasonable confidence and verifying the accuracy and authenticity of financial accounts (Hayes, Dassen, Schilder & Wallage 2005: 44). Fraud detection remains a hot topic in the auditor's liability debate, and there is often a demand to increase auditor liability in fraud detection after financial statement fraud is detected (Ittonen, 2010).

Agents are more prone to participate in fraudulent actions if they are not supervised; according to this notion, as a result, the auditor's responsibility is to look for and halt fraudulent acts (Ittonen, 2010). The auditor (serving the interests of the business owner or citizens) duties of detecting fraud and other irregularities appear to be the emphasis of the policeman theory (Hayes, Dassen, Schilder & Wallage 2005:44). This is especially important for government and other corporate governance organizations that work to promote honesty and protect consumers from deceptive practices such as swindling or embezzlement, tax evasion, and money laundering, among others (zkul & Pamukçu,2012).

6. Objectives

The objectives of this paper are outlined below as follows:

- To find out if financial statements submissions are credible and promote accountability and transparency.
- Identify the root causes of the deteriorating state of accountability.
- Establish challenges related to the accountability of municipal finance.
- Identify the mechanisms that will strengthen accountability within municipalities.

7. Review of the literature

Accountability is an important part of any organization, but it is especially important in local government. Governments must responsibly use their resources to meet the needs of their constituents. Governments consist of various Departments, and there can be a wide variance in standards between them. Accountability measures help departments meet goals and work together. In addition, organizations that emphasize accountability can recognize problems and continually improve. However, accountability in local government is more than just efficient internal operations. Ultimately, government accountability is about maintaining the trust between government officials and citizens (PowerDMS,2020).

Sikhakhane and Reddy (2011) opine that one of the major challenges faced by municipalities in South Africa is quality service delivery and lack of accountability. Public accountability is an important component of local governance as it promotes community involvement and participation. Local government is viewed as the vehicle for service delivery given the notion of wall-to-wall local government. All programs and projects, such as housing, water supply, sanitation, and roads, require accountable municipal functions so that they gain the confidence and trust of local communities who will then take ownership of it, thereby ensuring that it is successful and the final analysis sustainable. The continued success of a municipality is determined to a large extent by the accountability of all key role players and stakeholders in the local governance process. Public accountability is a tool for participatory local democracy. The government has introduced legislation to ensure that all key local role players and stakeholders discharge their respective obligations and responsibilities to facilitate the delivery of quality municipal services. Despite these measures and initiatives, public accountability remains a buzzword and is certainly not taken seriously by particularly municipal functionaries.

Smoke (2015) accentuates that the complexity of decentralisation and the context in which it unfolds clearly create challenges to realize the potential of local governments to deliver services more effectively and responsibly. If performance lags expectations, the first step is to try to understand the nature of the problem. This may seem obvious, and practitioners will say this is what they do, but there is a reason for concern that some of the problems identified and targeted by policymakers are symptoms of underlying phenomena that also require attention.

According to Govpilot (2023), as stewards of public trust and funds, politicians and government officials are expected to meet high ethical standards for good reason. Without fail, constituents will hold local government leaders accountable for any problems that arise in their community.

7.1 The Credibility of Municipal Financial Reporting

The municipal council uses financial statements to call the municipal manager to account and to make financial and related service delivery decisions. Creditors, banks, and rating agencies use them to determine how much risk there is in extending debt to a municipality, and the public uses them to see how well the municipality is using the rates and taxes collected to provide services. Financial statements are a key instrument for accountability (Auditor General Report,2021).

Financial reporting does not only occur at the end of the year, but also takes place during the year in the form of quarterly reports to councils and treasuries. These reports are used for decision making and to monitor spending, revenue generation, and the use of conditional grants. Municipal managers are responsible for credible and reliable in-year financial reports and quality year-end financial statements that can be relied upon by users of such financial statements. Municipal managers are supported by finance units led by chief financial officers, internal audit units, and audit committees, consultants, and coordinating departments (Auditor General Report,2021).

In 2020-21, only 7% of municipalities used consultants to bridge a vacancy gap and 62% appointed consultants to provide skills that the finance unit did not have. The remaining 31% used consultants due to both a lack of skills and a vacancy gap. The inability of these municipalities to master credible financial reporting means that they appoint consultants year after year without ensuring that skills are transferred to municipal staff; hence, what was intended to be a short-term solution, continues indefinitely. In total, 79% of municipalities reappointed consultants used in the previous year. In seven municipalities (6%) (one each in the Eastern Cape, Northwest, Northern Cape, Limpopo, and KwaZulu-Natal, as well as two in Mpumalanga), consultants were not effective because they did not provide the required services. For example, consultants adjusted the accounting records that could not be supported or their work contained errors, and they could thus not produce financial statements without any material misstatements and the task for which they were appointed. Municipalities paid these consultants a total of R78,8 million (Auditor-General Report,2021). Based on the exposition given above, it is evident that the financial statements and financial reports from various municipalities are not credible and they do not promote accountability and transparency.

7.2 The Root Causes of the Deterioration of Root Causes Accountability in Municipal Finances

The financial statements of the municipalities in South Africa are prepared by big Accounting and Auditing firms and when the statements reveal irregularities and non-compliance the Auditor General will announce and report to Parliament and the municipal officials are not held accountable for non-compliance. Lack of credible financial statements contributes to the failure of leadership, senior management, and officials to develop, implement, and monitor effective systems and internal control processes, including corrective action (Lev, 2018:465). As a result, vacancies and instability in key positions slowed systematic and disciplined improvements and affected the ability of councils to hold individuals accountable. Key officials lacking appropriate skills and competencies in financial reporting led to overreliance on consultants and had a negative impact on financial planning, record keeping, and reporting. Therefore, leadership does not take repeated recommendations and warnings of risks for which they needed to prepare seriously. Poor quality of performance reports is also one of the root causes of deterioration of accountability (Bothoko, 2017:1).

Non-compliance with legislation such as supply chain management laws and regulations as well as high irregular expenditure result from the Municipal Council and municipal officials who are

deliberately and negligently ignoring their duties. There is a trend of disobeying the municipal finance legislative framework, which must be dealt with through mechanisms of enforcing consequences management. However, there are processes or monitoring tools that have been developed, implemented, monitored or consistently applied to identify applicable legislation and changes in legislation, but are not adhered to. Therefore, inadequate skills and competencies to appropriately interpret legislative requirements negatively affect the ability of municipalities to comply with key accountability regulations (Laubscher, 2012).

7.3 Current Challenges Related to the Accountability of Municipal Financial Management

It is alleged that key politicians in government contribute to accountability failure, and when the Auditor-General presents the findings to them, it becomes very complex for them to investigate themselves and give detailed accountability reports pertaining to their respective areas of responsibility. The latest auditor general report for 2018 calls for leadership accountability. The Auditor General (AG) highlights the importance of accountability in the management of municipal affairs, starting with appropriate planning focused on the needs of citizens and instituting appropriate internal control and supervision that will ensure proper financial and performance management. The AG also mentions respect for the law in the running of municipalities, monitoring by all political and administrative leadership that budget and performance targets are appropriately achieved, and consequences for mismanagement and non-compliance (Makwetu, 2018).

Makwetu (2018) stated that if these basic principles of accountability, built around a central theme of strong internal control and good governance are in place, municipalities should be well-gearred to live up to the expectations of the communities they serve. The AG's report also singled out the slow response of the leadership in improving key internal controls and addressing risk areas. Some of the concerns are that key officials lack appropriate competencies to manage finances.

7.3.1 The Municipal Financial Constraints

The increase in population is one of the main causes of the increased demand for municipal services. However, even if the government does not capacitate service delivery, public agencies will need more resources to maintain the current levels of service delivery to be more effective and efficient (Mehrotra, 2006). Municipal councillors and officials will have to focus on creativity and ingenuity in municipal expenditure to address the increasing demand for efficient and effective service delivery. Service delivery backlogs in the provision of services in poor communities exert more pressure on municipal budgets (Mutiganda, 2013).

7.3.2 Increased Widespread Corruption

It is a generally accepted legislative requirement that municipalities do not spend more than 30% of their budget on salaries. The remaining 70% must be reserved for the creation and maintenance of infrastructure and service delivery. Municipal councillors and officials are, however, regularly in the media because of the huge salary packages they earn while the municipalities do not have adequate budgets to render services (Kahla, 2019).

Municipalities directly contribute to economic development initiatives by providing a variety of essential services to households, commercial enterprises, industries, and other institutions.

7.4 The Mechanisms That Can Be Used to Address Accountability Failures in Municipal Finances

The document seeks to persuade politicians and municipal officials to implement accountability mechanisms to eradicate accountability failures. The mechanisms are documented and legislated, but there are no implementation plans and time frames.

Accountability mechanisms are used with specific reference to the tools and techniques for achieving accountability in municipal financial management. Mechanisms are simply guidelines that ensure that the behavior and conduct of political office bearers and municipal officials yield accountability. The accountability mechanism can be recognized in a relationship where a contractual provision marks a concrete input in relation to the finances of the municipality. It is a rule that expects officials to report and justify their conduct to the municipal disciplinary committee, which may make them responsible for the outcome of their conduct (Fourie and Opperman, 2011).

The study argues that South Africans should be concerned about the state of municipalities because sound financial management practices are essential not only to the long-term sustainability of municipalities, but also to the democratic accountability process. It is the legislative right of the community members to be vocal during the community participation forum about the collapse and dysfunctionality of municipalities (Bontenbal, 2009). The collapse of municipalities is due to a lack of oversight by the Council. Legislation provides several mechanisms for strengthening accountability. It involves separating and clarifying the roles and responsibilities of the Municipal Council. Separation of political and management roles is critical for good governance and administration of a municipality (Bevir, 2009).

According to Mehrotra (2006:273), mayors and executive committees are expected to provide political leadership by proposing policies, guiding the development of budgets and performance targets, and overseeing implementation by monitoring institutional and individual performance. Members of the municipal council according to the councillors code of conduct are not allowed to use their position to manipulate the decision-making processes for personal gain. The municipal manager is the accounting officer of a municipality. The municipal manager has a legal duty to act with integrity, honesty, and fidelity in the best interests of the municipality and the community. The accountability mechanisms are outlined below, and there is a need to integrate consequences management initiatives as and when the officials are breaking the law and there is no accountability linked to unlawful behaviour.

The paper suggests that municipalities at large must craft strategies to implement these possible mechanisms to strengthen accountability initiatives related to municipal financial management.

The government consists of several accountability mechanisms, such as budgets, performance evaluations, internal auditing, monitoring, and incentives. The legislation also provides accountability bodies, such as national and provincial parliamentary committees, political and legal oversight bodies, the Auditor General's Office, and citizen participation. At national and provincial levels, public accounts committees ensure that, among other things, executives are held accountable for the effective and efficient use of resources (Bouwman, 2007:37). The mechanisms outlined below must be implemented to strengthen accountability on municipal finances.

7.4.1 Effective Provincial Monitoring Over Municipalities

The provincial government, especially the local government department as well as the Treasury, should assume a more strategic and focused role with a view to providing support and resources to low-capacity municipalities (Koma, 2010:117). This role should involve, among others, the provision of training programmes in areas such as supply chain management and financial management. The establishment of performance management systems to assist municipalities in the formulation of their

integrated development plans is also essential to ensure accountability. The key task is to better align and coordinate the varied interventions of departments and agencies that impact local government and provide better oversight and support to municipalities. To achieve this, it is critical that the specific roles and responsibilities of different sectors that interact with local government are clearly defined. This will lay a foundation for cooperation between sectors and ensure accountability (Koma, 2010:117).

Poor administrative and financial management and the lack of effective controls and accountability systems have a negative impact on the delivery of services to communities, from the lack of water and other services to inadequate funds for technical equipment to service basic infrastructure (Van der Waldt, 2015:58). The ineffective management of many municipalities has been attributed to a combination of factors, from the improper political and administrative interface to weak institutional arrangements and poor supervision and accountability mechanisms. The implementation of sound administrative and financial management practices as set out in local government framework legislation remains a challenge in many municipalities. In the future, it will be critical to pay attention to improving the financial and administrative capabilities of municipalities (Van der Waldt, 2015:58).

7.4.2 Develop a Framework to Guide Accountability on Municipal Finances

Municipalities should endeavor to pull together this support to aid in the work of accountability committees. Social accountability should be institutionalized (established as a convention or norm in the local government sector), and the South African Local Government Association (SALGA) should also develop an accountability framework to guide communities on how to hold local government accountable. This framework should also contain indicators to evaluate municipal performance on social accountability in general and municipal finances (Williams, 2015).

7.4.3 Independent Monitoring for Accountability

Mutual accountability between donors and governments and alignment with domestic accountability are at the center of aid effectiveness and national ownership. Where the aid relationship is characterized by competing agendas, vested interests, perverse incentives, and a lack of transparency, it tends to distort overall accountability relationships. Independent monitoring offers a promising instrument to improve and maintain mutual accountability. It recognizes the inherent imbalances in aid relations and offers a concrete way to redress this imbalance (Khalo, 2013:579). In so doing, it can help strengthen national ownership, create opportunities for meaningful capacity development, and provide an agreed point of reference for monitoring progress and for engagement in support of these objectives. Key characteristics include the country level as the epicenter for decision making and monitoring. Multi-stakeholder engagement comprising governments, civil society, and the international community and independence to evaluations that derive credibility from the independence of the evaluators and the process within which they operate (Madue, 2013).

7.4.4 Move Accountability Mechanisms Closer to People

It is generally assumed that by bringing decision-making about the provision of public goods and services closer to citizens, decentralization allows poor people to voice themselves more clearly. It also facilitates communication and information flows between local policymakers and their constituents and fosters improved accountability. Political office bearers and municipal officials accountable to the local government may have different incentives to perform as compared to being dependent on a faraway authority. Users of the services that have an actual opportunity to influence them are more likely to articulate their demands. However, transferring responsibilities is not synonymous with poverty reduction (Gordon, 2009).

A wide range of external factors can determine whether the outcomes of decentralization are poor or not. For example, the political commitment of the central government to the reduction of poverty, overall literacy rates, the strength and effectiveness of central government institutions and functions, and gender sensitivity in the management of public and expenditure. Record keeping for the transfer of responsibility (for financing, provision, and regulation) to lower levels of government is very important. With potentially weaker capacity and greater political patronage at the local level and the reduced scope for redistribution, drawbacks sometimes outweigh the benefits of greater local participation governance (Dubnick and Frederickson, 2011:395).

The standards of public accountability refer to the criteria for which public officials are held accountable to citizens. The objectives and norms that shape such standards were traditionally socioeconomic growth, maintenance of law and order, alleviation of poverty and public welfare, and maintaining values like equality, impartiality, fairness, representation, citizenship, and justice. However, with the paradigmatic shift in public governance, its objectives have also shifted to economic growth and productivity, and its normative standards have changed (Poulsen, 2009:117).

8. The Importance of Accountability in Municipal Finance

It is evident that accountability failures contribute to the dysfunctionality of municipalities. According to Laubscher (2012), municipalities in South Africa are under pressure due to poor financial control and lack of accountability, leading to extensive corruption and financial mismanagement with detrimental consequences for effective and efficient service delivery. Financial control is of the utmost importance when it comes to determining the success or failure of the local government in South Africa. Currently, there are several challenges that hamper effective and efficient financial management in municipalities. Therefore, such challenges also contribute to the ineffective and inefficient delivery of municipal services. If municipalities want to overcome these challenges, it is essential for those involved to address matters in a sincere, honest, and ethical manner. Financial control should always be linked to the enforcement of strict financial control measures for public accountability. This, in effect, serves as a guarantee for sound municipal financial management in South Africa (Botlhoko, 2017:10).

8.1 The Role of the Municipal Finance Legislative Framework

The paper argues that municipal finance is the lifeblood of municipalities because it is impossible to manage municipal affairs and deliver adequate services to the community, which is the primary stakeholder of a municipality without a proper financial model. Municipal finance consists of revenue and expenditure including a range of systems that establish how finances are to be spent for the purpose for which they have been allocated and budgeted. Municipal financial management practices, such as following proper budgetary processes, are also crucial for the sustainable delivery of public services to affected communities under the jurisdiction of a municipality (Mtwesi, 2015).

The MFMA prescribes measures to ensure transparent financial reporting by the local sphere of government. South Africa faces the challenge of increasingly limited resources that should be used to provide services to all South Africans. Therefore, it has become critically important for the government to measure and report on programme performance. There is a growing belief that the ability to obtain maximum benefits from increasingly limited resources can be enhanced by understanding the results of the programme for which budget resources have been expended. The report on program performance measures is not only an appropriate reporting statement, but is likely to be the most important statement for those persons interested in how the government entity is using the resources (Kanyile, 2016:38).

Municipal finance control has an annual cycle that includes four broad activities.

- **Planning and Budgeting:** Each year, municipalities are required to review their IDP and budgets. This process starts in June of the year before the municipality implements its IDP and spends its budget on service delivery. The budget is the municipality's financial plan and indicates how much money will go towards each of the activities outlined in the IDP. The budget should outline where the municipality gets its money, how much it will receive and how much it will be spent on things like salaries, goods and services, infrastructure, and equipment.
- **Implementation and Spending:** The municipality starts to spend the money provided in the budget on activities outlined in the IDP. Pay salaries and service providers, buys goods needed to deliver services, buys and maintains machinery and equipment, and develops and maintains infrastructure.
- **Monitoring:** To ensure that it is performing the IDP and spending its budget as it should, the municipality must carefully monitor its activities and spending. To do this, the municipality must have systems that track the payment of salaries, the purchase of goods, and the payment of service providers and building contractors. The municipality must also physically verify that services are being delivered and infrastructure is being developed in line with set norms and standards; and
- **Evaluation:** At the end of each year, the municipality must look back over the year and assess how well it has delivered on its promises in the IDP and if it has spent its money in line with its budget. The municipality must publish this review in an annual report in January each year (Kanyile, 2016: 35-36).

8.2 The Role of Accountability within the Local Government Environment

The study confirms that accountability and transparency play an important role in ensuring the delivery of services in accordance with the municipalities' legislative framework. There is an obligation of Municipal Officials such as accounting officers and Political Office Bearers with reference to the mayor to account for their decisions including activities they have undertaken in executing their roles and responsibility within a municipality. Such municipal officials and Political Office Bearers must be able to accept responsibility for their actions and to account in a transparent manner (Ford and Ihrke, 2015:198). Thornhill (2015:79) states that accountability refers to an obligation to provide independent and impartial observers holding the right of reporting their findings at the highest levels of the state with any available information about financial administration that they may request. Oversight entails the proactive control mechanisms initiated by the legislature for the executive and administrative organs of the state to encourage compliance with the statutory and legislative frameworks and to ensure the effective delivery of agreed objectives for the achievement of government priorities.

8.3 The Importance of Effective Municipal Financial Management

The paper argues that both municipalities and members of the community must forge synergies that enhance accountability. It is evident that accountability is about a collective approach, and it is legislated that municipalities have the responsibility to encourage public participation.

Effective financial management plays an important role in helping municipalities transform and improve the socio-economic conditions of communities. Councillors and members of the community at large understand the nature of services that the municipality must provide. The key responsibility of the Municipal Council is to approve and monitor the municipal budget on a regular basis, as well as the implementation of the Integrated Development Plan (IDP) (Rich and Zhang, 2014:58).

Conclusions

The focus of the study was to conceptualize accountability and municipal finance within the local government. This article has argued that the lack of accountability negatively impacts the functionality of municipalities. Current accountability failures have a negative impact on service delivery and on the lives of citizens. Financial accountability is concerned with the allocation, utilization, tracking, and reporting of financial resources. This is done using audit, budgeting, and reporting tools. This type of financial accountability is used to ensure that government officials comply with laws, rules, and regulations that promote financial management and control.

In terms of Section 79 of the *Local Government: Municipal Structures Act, 2000* (Act 32 of 2000) (hereafter referred to as the *Municipal Structures Act*), a municipal council may establish one or more committees for the effective and efficient performance of any of its functions. A Municipal Public Account Committee (MPAC) is established in terms of this Act to serve as an oversight committee and exercise oversight over the executive obligations of the council. The MPAC helps to increase the council's accountability function and ensures public awareness of the financial and performance issues of the municipality.

In a nutshell, financial accountability is concerned with the allocation, utilization, tracking, and reporting of financial resources. This is done by using auditing, budgeting, and reporting tools. This type of financial accountability is used to ensure that government officials comply with laws, rules, and regulations that promote financial management and control. Proper government accounting systems for financial accountability should be used to improve effective budgetary control and financial management. An external audit system that reinforces the need to reduce unnecessary expenditure and corruption must be in place so that follow-up action can be taken to remedy the problems identified.

Recommendations

The study recommends the implementation of consequence management by the government. Control measures to deal with accountability failures are outlined in legislation such as Section 32, of the Municipal Finance Management Act regarding irregular expenditure, unauthorized expenditure, and wasteful and fruitless expenditure. Second, Section 83(1) of the Public Finance Management Act (PFMA) also outlines consequence management regarding irregular expenditure. Therefore, it is recommended that the South African government enact a new legislative framework that will incorporate Consequence management that will be vested with the authority to work and prosecute the perpetrators. The approach should directly involve law enforcement agencies, the Auditor-General, and the Public Protector. It is also recommended that municipalities screen candidates who are going to be employed within the municipality regarding the knowledge of the legislation governing municipal finance through competency tests prior to their appointment. It is also recommended that the Special Investigative Unit (SIU) and other law enforcement agencies such as the Hawks and South African Police Services must be used as an effective mechanism to deal with corruption. The study further recommends that accounting officers (Municipal Managers) must take all reasonable steps to ensure that all procedures and processes are being adhered to through regular monitoring when working with the finances of the municipality, particularly when procuring services for the municipality.

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