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AUDITOR GENERAL OF SOUTH AFRICA (AGSA) AS AN OVERSIGHT BODY IN LOCAL GOVERNMENT SPHERE

Xolani Thusi [1], Mandisi Matyana [2]

[1] University of Limpopo, Department of Public Administration, South Africa*
[2] University of Zululand, Department of Public Administration, South Africa

E-mails:[1] xolani.thusi@ul.ac.za (Corresponding author); [2] matyanam@unizulu.ac.za*

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Abstract. The Auditor-General of South Africa (AGSA) has a constitutional mandate as the country's Supreme Audit Institution (SAI), and it strengthens democracy by providing monitoring, accountability, and governance in the public sector through auditing, hence increasing public trust. The AGSA, throughout the years, has been auditing municipalities throughout South Africa and giving them audit outcomes with the hope that the financial management and reporting in the local government sphere will improve. Unfortunately, the local government sphere in South Africa has worsened over the years, even though the AGSA has provided them with reports that speculate what is working and what is not working within the sphere, especially regarding the issues of using state funds. This paper examines the root causes of poor audit outcomes and proposes strategies the local government can implement to improve their audit outcomes. This paper will use a qualitative approach to review current literature and MFMA reports from 2014 to 2021 from the AGSA to meet its objectives and answer the research problem. The authors agree that AGSA has done outstanding work as an oversight and accountability enabler in the Local Government sphere and that the recent material irregularity process, which was implemented as an enforcement tool to compel municipal managers to take action, is making progress towards ensuring that AGSA fulfils its constitutional mandate as the Supreme Audit Institution (SAI).

Keywords: Audit; Government; Reports; Service delivery

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1. Introduction

The arrival of freedom in 1994 has brought many hopes for the South African citizens. They believe the government must uplift their living standards while developing local communities. In achieving this hope, the South African government has established local government as the closest sphere of governance for the people, whose primary purpose is to render services to the communities and the local citizens. The main aim of local government is to ensure that services are accessible and provided at a ground level (Matyana & Mthethwa, 2024). Hence, the provision of these services involves the use of public funds by local government officials; the Auditor General of South Africa has been appointed in terms of Section 188 of the South African Constitution to audit municipalities. This appointment aimed at ensuring an openness and better use of these funds in local government (Matyana & Mthethwa, 2022).

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According to the provisions of the South African Constitution, the Auditor General "has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence." In other words, the role of the auditor general is to ensure that public spending is within the values of good governance and complies with the minimum standards of prescribed legislation for that institution. Mojapelo & Ngoepe (2021) defines the Auditor General of South Africa (AGSA) as "the external auditor of all national and provincial state departments and administrations, all municipalities and any other institution or accounting entity required by national or provincial legislation to be audited by the AGSA". AGSA audits any institution funded by the National or a Provincial Revenue Fund or by a municipality, any institution authorized in terms of any law to receive money for a public purpose. The AGSA fulfils its responsibility of defending democracy as the supreme audit institution by fulfilling its pledge to promote our country's democracy by enabling monitoring, accountability, and governance in the public sector through auditing, consequently strengthening public trust (Dhansay, 2022).

Over the years since 1994, local government, particularly the municipalities, have been at the centre of debate by many scholars such as Matlala & Uwizeyimana (2020), Thusi et al. (2023); Matyana & Thusi (2023a). According to these scholars, local government is viewed as the sphere of government mainly affected by poor management of public funds. In other words, this sphere of government is regarded as the main looter of state funds, especially the municipalities. Most of the officials engage themselves in practices such as corruption, irregular and unauthorised expenditures, fruitless expenditures, etc. AGSA has also raised concerns about the growing number of municipalities that need to do better to get clean audit outcomes in South Africa. Such a failure means that the rights of citizens are infringed, and their well-being is affected. Therefore, this study highlights the importance of AGSA in local government and financial administration and management. The aim is to ensure that AGSA provides for and enforces effective oversight and accountability in local government. These two governance tools ensure that public funds are better utilised in local government and other spheres.

2. Review of functions of Auditor General of South Africa

2.1 Role of Auditor General of South Africa

In terms Section 188 of the South Africa Constitution the AGSA has the following duties:

- ✓ "The Auditor-General must audit and report on the accounts, financial statements, and financial management of— (a) all national and provincial state departments and administrations; (b) all municipalities; and (c) any other institution or accounting entity required by national or provincial legislation to be audited by the Auditor-General.
- ✓ In addition to the duties prescribed in subsection (1), and subject to any legislation, the Auditor-General may audit and report on the accounts, financial statements and financial management of— (a) any institution funded by the National Revenue Fund or a Provincial Revenue Fund or by a municipality; or (b) any institution that is authorised in terms of any law to receive money for a public purpose.
- ✓ The Auditor-General must submit audit reports to any legislature directly interested in the audit and to any other authority prescribed by national legislation. All reports must be made public.
- ✓ The Auditor-General has the additional powers and functions prescribed by national legislation".

Based on the above constitutional mandate of the AGSA, this institution is established to audit the entire public sector. Firstly, the role of the AGSA is to ensure that all state organs receiving money for public purposes use that money according to the relevant legislation and regulations. For example, for national and provincial organs of the state, the AGSA must ensure that their spending is within the provisions and requirements of the Public Finance Management Act. Meanwhile, for the local government, the AGSA has the mandate to ensure that public funds are used in accordance with the Municipal Finance Management Act. Murray (2006) contends that by increasing the AGSA's accountability, its independence practically allows for the check and balance of the

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government. Through its external auditing function, the AGSA guarantees accountability in the public sector. The purpose of the external audit role is to enhance financial institutions' dependability and credibility while encouraging accountability (Mojapelo & Ngoepe, 2021). These scholars further indicate that such external audit promotes what we call examination independence of the financial statements and information included. The benefits of external auditing include giving information more credibility, supporting the improvement of oversight, accountability, and governance in the public sector, accelerating the process of changing financial management in the public sector, and offering insights to help decision-makers be more foresighted. The AGSA is only accountable to the national assembly, not the state's executive. This ensures that the state's executive does not interfere with the audit outcomes as they are regarded as the implementers of state policies. This is also done to ensure that the municipalities are not able to intervene with the findings of the AGSA.

2.2. Conceptualisation of Audit reports

Audit reports are all about issuing the audited outcomes for the audit that has taken place. Independent auditors issue the audit report after reviewing the entity's financial statements and accompanying reports. This report contains the audit's opinion. These consist of management reports, management accounts, and financial statements. Possibly additional reports such as compliance reports. These reports are often released after a professional audit by auditors against established standards or measuring criteria. These standards include the IFRS, US GRAAP, Local GRAAP. The auditor (AGSA) then releases the audit report on the financial statements they just examined after finishing their examination. They will also assess the financial statements in this report, popularly known as audit opinion. According to Tian & Xin (2017), “an audit opinion directly reflects whether the financial statement is true and fair or not, which is why the audit is necessary and important". This is important because it gives a clear sense of all the documents and reports the auditor scrutinises, expressly, by the AGSA. Therefore, the audit outcome by the AGSA could be based on criteria/dimensions, which are discussed below:

- ✓ **Unqualified Audit Report:** This kind of report shows that the financial statement of an entity, particularly the municipality, is fair and true. It proves that all financial accounting practices have been followed and that effective financial management is in place. This resulted in an unqualified opinion by the AGSA. Shava (2024) states that this kind of audit report emphasises that the entity's financial statements have no material misstatements, and the entity has complied with all statutory requirements in place.

- ✓ **Qualified Audit Report:** This audit report is the opposite of the above-explained report. It proves that some financial accounting practices must be correctly followed and applied in that entity or municipality. This results in a qualified opinion by the AGSA. That qualified opinion emphasises that there is a material misstatement, and the entity has failed to comply with the statutory requirements.

- ✓ **Adverse Audit Report:** This kind of report explains inaccuracies in financial statements that are not restricted to specific amounts (rands) or that make up a significant portion of the financial statements. This indicates that shareholders, investors, and other stakeholders could not trust any items and accounts in the financial statements.

- ✓ **Disclaimer Audit Report:** Shava (2024) states that “this audit report forms an audit opinion; the auditee did not provide sufficient documentation. It does not only pertain to specific sums or a sizable section of the data in the financial statements that lacks appropriate support.”.

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2.3. Legislative frameworks guiding Auditor General South Africa

A couple of legislations regulate the Auditor General of South Africa in conducting its work. These legislations are discussed below. The main purpose of these legislations is to give clear guidelines to AGSA on how to audit public funds throughout the state. Further, they ensure that all state organs are aware of the role of AGSA in their spending and finance management for the state.

- **Constitution of South Africa**

South African Constitution mandates that local governments provide sustainable services to communities, and this will be possible if the public funds are managed and utilised in an economical, effective and efficient manner (Wall,2021). The Constitution of South Africa recognises the AGSA in Chapter 9, Section 188. In this chapter, the AGSA is recognised as an independent institution that is not accountable to the state president/ executive but to the national legislature, particularly the National Assembly. By doing so, AGSA is regarded as the institution that supports the constitutional democracy of the state. The primary purpose is to ensure this institution operates independently and without fear, favour, or prejudice. The AGSA primarily conducts its audits based on the requirements of the Public Audit Act. The AGSA's annual report, budget, and strategy plan presented to the National Assembly each year, serve as the primary tools for accountability. On behalf of the National Assembly, the Standing Committee on the Auditor-General (SCoAG), founded under section 10(3) of the PAA, supervises the AGSA's operations. According to Nzewi & Musokeru (2014), the existence of AGSA promotes public accountability and transparency in financial management in all spheres of government. Furthermore, AGSA plays a crucial role in promoting the oversight of state operations, especially over executive exercise powers.

- **Public Audit Act, 2004**

As already highlighted above, for the AGSA to practice its power efficiently and effectively, the Public Audit Act (PAA) was established in 2004 to support the AGSA. PAA looks at various angles that the state administration must fulfil. Firstly, this Act "gives effect to the provisions of the Constitution establishing and assigning functions to an Auditor-General"; this is due to the fact that the provisions of the Constitution are too narrow in scope. Therefore, the establishment of the PAA was to close this gap. The PAA serves as the strategic action plan for conducting the audit of public funds. Secondly, this Act "provides for auditing institutions in the public sector". These institutions include all organs of the state as defined in Section 239 of the South African Constitution. The AGSA, in terms of the PAA, has the mandate to appoint the auditors to take care of the audit in all these institutions. These auditors must be guided in conducting audits at the AGSA constitutional mandate standard. This assertion is also supported by Mashile et al. (2020), who state that the quality of the audit findings depends on the level of professionalisation and competency of the employed auditors at the ground level. According to these scholars, it is essential to ensure that the auditors hired by AGSA refrain from illegal practices of audit, such as accepting bribes and providing relevant information. Thirdly, this Act "provide for accountability arrangements of the Auditor-General", emphasising how to conduct an audit at a ground level and consolidate it for the National Assembly submission. Lastly, this Act also supports the repeal of certain obsolete legislation.

- **Public Finance Management Act, 2003**

Effective financial management leads to economic stability and sustainability for an organisation. It helps a company to make better use of its resources and plan more successfully. South Africa's governmental finance management has declined over time (Mabelane, Mongwe, Mbuvha & Marwala,2022). This Act emphasizes how public funds must be managed to promote efficient and effective service delivery. Its primary focus is to ensure that all state organs at national and provincial levels comply with this Act. It is the main law in South Africa governing public finance management. It lays up guidelines for public entities' spending, bookkeeping, and reporting. National Treasury regulates the provisions and recommendations of this Act. It governs the "financial management in the national and provincial government; ensures that all revenue, expenditure, assets and liabilities are managed efficiently and effectively; provide for the responsibilities of persons entrusted with financial management in that government". This Act plays a crucial role in ensuring that public funds are managed and

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spent accordingly, and the democratic rights of citizens are protected. This assertion is also supported by Saliterer et al. (2021), who state that properly implementing this Act in national and provincial governments promotes effective service delivery while increasing citizens' happiness and trust in government. Therefore, the Auditor General of South Africa needs to ensure that the provisions of this Act guide its audits and that the spending of public funds is within the guidelines of this Act.

- **Municipal Finance Management Act, 1999**

The AGSA is mandated to follow the principles of the Municipal Finance Management Act when it conducts the audit for local government. This is because AGSA cannot use the Public Finance Management Act in local government; hence, local government governance is similar compared to national and provincial governments. The local government is regarded as the closest sphere of government to the people, so the people are given a chance to select the council of the municipality (Matyana & Thusi, 2023b). In other words, in terms of Section 156 of the South African Constitution, municipalities hold both legislative and executive powers, which makes the local government sphere different from the governance style used in national and provincial governments. According to the National Treasury of South Africa, "the MFMA aims to modernise budget, accounting, and financial management practices by placing local government finances on a sustainable footing to maximise the capacity of municipalities to deliver services to communities. It also aims to establish a sound financial governance framework by clarifying and separating the roles and responsibilities of the council, mayor, and officials." The aim is to ensure that all funds due to the municipality are collected, spent, and managed well. So, the use of this Act by AGSA ensures that public funds are not wasted due to bad management practices and that there is accountability and oversight for the use of funds by local government.

This article concludes with an exploration of remedial measures to address the AGSA's findings best, seeking to contribute to developing effective solutions for municipalities to improve their financial accountability and responsiveness. As such, it contributes to the existing corpus of knowledge by providing a guide for municipalities to translate theoretical concepts of financial oversight into actionable steps.

3. Analysis of AGSA MFMA Reports

AGSA MFMA Reports over the years	Improvement	No Improvement
MFMA General Report 2014-2015	• From 2010-11 to 2014-15 – municipalities in South Africa have reported a steady improvement in audit outcomes, with 53% having improved.	• From 2010-11 to 2014-15, 13% regressed, and 34% remained unchanged. • Irregular expenditure has more than doubled since 2010-11 to R14,75 billion and is incurred by an increasing number of municipalities. • 105 municipalities (42%), the financial statements submitted for auditing included material misstatements • Two hundred and seven of the 217 municipalities (95%) with material findings on compliance in 2014-15
MFMA General Report 2015-2016	• 15% municipalities in South Africa have reported a steady improvement	• 13% municipalities regressing and 67% remaining unchanged • The number of municipalities with clean audit opinions decreased • Irregular expenditure had increased by just over 50% since the previous year to R16,81 billion • 130 municipalities (57%), the financial statements submitted for auditing included material misstatements • (94%) of the municipalities with material findings on compliance in 2015-16

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MFMA General Report 2016-2017	• municipalities in South Africa have reported a steady improvement 16 improved. • Only 33 municipalities (13%) received clean audits	• The audit outcomes of 45 municipalities regressed • Fruitless and wasteful expenditure amounted to R1,5 billion (a 71% increase from the previous year). • Irregular expenditure increased from R16,212 billion to R28,376 billion (a 75% increase) • 62% of the municipalities that produced reports had material flaws and were not credible • We reported material noncompliance with key legislation at 86% of the municipalities
MFMA General Report 2017-2018	• 22 municipalities in South Africa have reported a steady improvement • Irregular expenditure remains high but decreased from R29,7 billion to R25,2 billion • 7% municipalities received clean audits	• The audit outcomes of 63 municipalities regressed • 65% of the municipalities that produced such reports had material flaws and were not credible • We reported material noncompliance with key legislation at 92% of the municipalities
MFMA General Report 2018-2019	• 33 municipalities in South Africa have reported a steady improvement • 8 % of municipalities received clean audits	• 46 municipalities regressed • Irregular expenditure increased to R32,06 billion • 67% of the municipalities that produced such reports had material flaws and were not credible • In total, 91% of the municipalities did not comply with legislation
MFMA General Report 2019-2020	• 46 municipalities in South Africa have reported a steady improvement • 27 Municipalities received clean audit	• 22 municipalities had received disclaimed opinions by 4 June 2021 • municipalities 61 regressing • Irregular expenditure 79,22 billion • 96 material irregularities • We again observed widespread noncompliance with legislation and reported material noncompliance at 86% of municipalities
MFMA General Report 2020-2021	• 27 municipalities were able to maintain their clean audit status throughout the term of the previous administration, while 14 achieved a clean audit for the first time over the five-year period. • 54% of municipalities, the noncompliance was material	• six lost their clean audit over the five-year period. • At the 2020-21 year-end, the balance of irregular expenditure totalled R119,07 billion • 185 material irregularities

Table 1. AGSA MFMA Reports Over the years
*Source***:** AGSA (2015, 2016, 2017, 2018, 2019,2020, 2021)

Effective financial oversight procedures are crucial for municipalities successfully implementing AGSA findings (van der Waldt, Fourie & Malan, 2024). Table 1 provides a clear picture of the status of South African municipalities over the years. South African municipalities' financial situation has deteriorated since 2014, according to MFMA reports from 2014 to 2021. This is concerning because, over the years, the AGSA has provided municipalities with valuable insights into what works and what does not work in terms of municipal financial management. If the audit reports provided over the years were taken seriously, they would improve municipalities' economic status. The AGSA has identified noncompliance with legislation as one of the most severe problems that have harmed municipalities' status.

The main root cause of poor audit outcomes in the Municipalities according AGSA Reports

Lack of Consequences Management

Local government's failure to address noncompliance, poor audit results, SCM violations, and excessive spending highlights a lack of consequences for poor performance and transgressions in local government (AGSA,2016). Poor consequence management techniques in municipalities may lead to corruption and fraud when officials are not held responsible for their actions (AGSA,2017). Concerns about 55% of municipalities failing to comply with

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legislation on implementing consequences have been raised despite repeated calls to increase them. Municipalities are failing to address our findings on supply chain management and indicators of potential fraud or misconduct, indicating a lack of accountability (AGSA,2018). A culture of irresponsibility has emerged due to tolerance for noncompliance and the absence of consequences (AGSA,2019). The lack of consequence management for legislative violations led to significant irregular expenditure (AGSA,2020). Municipalities have failed to investigate and address suspected supply chain fraud and abuse, demonstrating contempt for consequences (AGSA,2021). Poor audit outcomes in municipalities (49%) are caused mainly by a lack of consequences (AGSA,2022). Since the 2014/2015 financial period, the AGSA has been reporting a lack of consequence management and pushing municipal leadership to implement consequence management to hold transgressors accountable. With the 2022/2023 period set to be reported in 2024, there is a good chance that the AGSA will flag the lack of consequence management.

Noncompliance

Noncompliance with SCM legislation continues to lead to an increase in irregular expenditure (AGSA, 2016). Municipal managers are responsible for preparing financial statements, preventing wasteful spending, managing strategic and performance goals, and managing expenditures, assets, revenue, and human resources. Noncompliance was prevalent in these areas (AGSA,2017). Inadequate monitoring and review processes by senior management resulted in errors and noncompliance going undetected (AGSA,2018)—significant noncompliance with essential legislation in 92% of municipalities.

Municipalities with material compliance findings in supply chain management improved from 72% to 81%. These are the most significant noncompliance rates during 2011-12 (AGSA,2019).

Municipalities did not achieve clean outcomes due to noncompliance with legislation. However, all eight towns that did not achieve a clean outcome had material findings on their performance reports, up from five the previous year (AGSA,2020). Across 86% of municipalities, there was widespread noncompliance with regulations. As seen in previous years, non-compliance with supply chain management regulations contributed to R26 billion in irregular spending (2021). The audit results and noncompliance with regulations indicate weak financial and performance management in local government. This circumstance caused significant financial losses for certain municipalities and hindered their ability to provide public services (AGSA,2022).

Inadequate skills and capacity

Overreliance on consultants indicates a need for more competence and abilities in local government to produce unqualified financial statements (AGSA,2016). Inadequate skills resulted in inadequate monitoring by councils, including the mayor, and the administration's poor installation and maintenance of financial and performance management systems led to poor audit opinions (AGSA,2018). Inadequate financial reporting abilities among key officials resulted in excessive dependence on consultants, severely impacting financial planning, record keeping, and reporting (AGSA,2019). Municipalities that attract and retain skilled staff achieve positive audit outcomes. Skill transfer was not prioritised, and some officials became complacent after hiring consultants, failing to perform their duties. At the end of the year, only nine municipalities had vacancies for chief financial officers and four needed more municipal managers (AGSA,2020). Municipalities often hire consultants for financial reporting because their finance staff needs more expertise to generate financial statements and supporting schedules (2021). In 2020-21, 7% of municipalities engaged consultants to fill vacancies, while 62% hired them to supplement the finance unit's expertise (2022). Vacancies and instability in key positions, including municipal manager and chief financial officer, resulted in minimal improvement in audit outcomes and delays in addressing serious errors and violations (2023).

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The instability in leadership/Political infighting

Effective leadership with a culture of honesty, ethical business practices, and strong governance is necessary to improve and sustain audit outcomes while preserving auditee interests. The political will to step in and take decisive action against violators and repeat offenders is lacking among the municipal leadership (AGSA,20216). Inadequate performance systems and processes led to a culture of 'no repercussions' owing to inaction or inconsistent action from leadership (2017). Leadership should have prioritised risk preparation despite repeated warnings and suggestions—the action plans needed to be more adequate and implemented (2018). The political leadership required to create a conducive atmosphere for accountability, good governance, and consequences, hindering clean administration (2019). Most municipalities experienced leadership instability, poor control by councils, severe financial issues, protests and strikes, lack of consequences and ineffective remedies (2021). Council instability and inefficient public accounts committees hindered government effectiveness.

Internal audit units and committees lacked the necessary effect due to inadequate implementation of recommendations (2023).

Slow response in improving internal controls

Municipalities use internal controls to protect financial information, encourage accountability, and avoid fraud and errors (AGSA,2020). Most municipalities' internal controls failed to prevent and identify noncompliance with legislation, resulting in certain deviations that were only discovered and addressed after audits (AGSA,2016). Monitoring compliance remains the weakest control area in municipalities, with a slight regression seen. During the audit process, it was discovered that several towns needed to comply with regulations, leading to irregular expenditures. Most municipalities' internal controls did not prevent noncompliance with legislation or discover variations promptly. Some deviations were only identified and addressed after our audits (2017). Only some municipalities have strong internal controls for leadership, financial management, and governance. Most municipalities needed to integrate daily, weekly, monthly, and yearly disciplinary requirements into their systems and procedures (2018). Internal controls deteriorated overall. The lack of responsibility within the leadership culture, sluggish implementation of suggestions, and inadequate procedures to guarantee compliance with laws and regulations contributed to this outcome (AGSA,2019). Slow reaction to strengthening internal controls remains the core reason for local government's poor performance (AGSA,2021).

Material misstatements in financial and performance information

In 42% of 105 municipalities, the financial statements presented for auditing had serious misstatements in areas where consultants worked, which they recognised and remedied. The consultant is not in charge of the audit process. Concerns exist about the effectiveness of using these experts (AGSA, 2016). All municipalities had material findings on compliance with essential laws. These include financial statement errors, procurement and contract management issues, unauthorised and wasteful spending, inadequate consequence management, and strategy and performance management deficiencies (AGSA, 2017). The quality of financial statements declined, and those supplied for auditing were poorer than in prior years. Only 22% of municipalities provided financial statements without substantial misstatements (AGSA, 2018). 96% of the municipalities had material findings on compliance with legislation (AGSA, 2019). The 2018-19 financial statements contained several material misstatements due to insufficient control implementation in the finance unit, which were addressed (AGSA, 2020). Financial statements are credible and dependable, with no material misstatements (errors or omissions). 72% of municipalities provided poor-quality financial statements for audits (2021). Municipal management controls needed to be more sufficient to prevent material misstatements in financial accounts, even with available resources and support (AGSA, 2022). The financial statements of 12 municipalities contained material errors that needed to be detected by the governing structures' assessments. Most audited municipalities needed more adequate performance management systems and processes, making applying consequences and improving accountability challenging (AGSA, 2023).

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3. Suggested strategies stemming from the analysis results

Lack of Consequences Management	➢ Robust Internal Control needs to be implemented by municipalities across the country. The MFMA reports from 2014 to 2022 indicated that internal controls are inferior, and Political and Municipal Leadership need to appropriately monitor them. ➢ Improve municipal public accounts committees, disciplinary boards, and investigative processes. ➢ Councils, local public accounts committees, provincial leadership and legislatures should monitor and encourage the settlement of material anomalies by accounting officers.
Non- Compliance	➢ The political and municipal leadership should enforce consequence management and hold officials who transgressed the legislation accountable. ➢ Robust internal controls will guide the implementation of legislation during administration processes.
Inadequate skills and capacity	➢ The municipal leadership should ensure the transfer of skills from consultants to municipal officials who work in the finance section. ➢ Implementation of robust recruitment and selection systems within the municipality ➢ Meritocratic appointment over Cadre Deployment ➢ Implementation of new adopted Framework for Professionalisation in the public sector.
The instability in leadership/ Political infighting	➢ Promoting Political will in governance structures ➢ The executive council for local government must aim to improve the quality and timeliness of their reporting to provincial legislatures on municipal action plans and performance. ➢ Maintain stable councils and local public accounting committees and increase mayors' oversight and monitoring. ➢ Promoting a culture of accountability and transparency ➢ Implement recommendations from internal audit units and committees to leverage their expertise fully.
Slow response in improving internal controls	➢ Allow oversight structures to review whether institutions have adopted the most significant preventative controls to address their principal risk areas. ➢ Allow the accounting officer or authority and the executive authority to address the assurance requirements of preventative control monitoring structures effectively. ➢ Create a public understanding of the job of the accounting officer or authority, as well as their legally mandated responsibility to adequate financial and performance management in their organisations.
Material misstatements in financial and performance information	➢ Professionalisation of public finances ➢ Implementation of robust recruitment and selection systems within the municipality ➢ Meritocratic appointment over Cadre Deployment ➢ Implementing effective and preventative internal controls ➢ Addressing prior year audit issues

Table 2. Possible Solutions to the root cause of poor audit outcomes in the Municipalities

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Novelty of the findings

This study revealed that the AGSA, South Africa's supreme audit body required by the South African constitution to audit and report on public finance management of provincial and local government agencies and municipalities, is doing an excellent job. The issue is that South African municipalities must execute AGSA audit results or implement consequence management. The research suggests that the government should give the AGSA more power to enforce its audit results. This is demonstrated by the fact that the situation of public finances in local government deteriorates rather than improves year after year.

Notable Gabs in Literatuere

Even though this problem has occurred in South African municipalities for many years, there has been little investigation into the causes of noncompliance with regulations. More research is needed into whether AGSA audit objectives are executed by local government in South Africa, even though municipalities are deteriorating rather than improving. There has been little research into the role of the AGSA in fulfilling its constitutional mandate in South Africa, which is surprising given that the AGSA plays a critical role in a country plagued by corruption, maladministration, noncompliance, and a lack of public accountability, to name a few. There is a shortage of literature on the employment of consultants in the local government sphere, as well as an examination of the costs involved; this is remarkable given that the local government sphere wastes millions of rands each year on consultants, even though AGSA has recognised their work as having errors and there is no skill transfer between consultants and municipal officials who work at finance sections.

Conclusion

The practical and efficient management of public finances in the local government sphere is imperative in South Africa to promote sustainable public service delivery. Over the years, the AGSA has done exceptional work as an oversight institution to promote and stabilise the management of public finances in the sphere. However, the municipalities' performance has deteriorated, which has come at a considerable cost to citizens who are beneficiaries of service delivery. The material irregularity process was put in place by AGSA as an enforcement tool to push municipal managers to take action regarding the failure to submit financial statements, the pollution caused by abandoned wastewater treatment plants, the non-payment of water boards and Eskom, the improper use of financial reporting consultants, the reasons behind and economic impact of audit opinions that are disclaimed, and the need to strengthen internal controls. The material irregularity process is causing significant influence. This approach has resulted in financial losses of around R479,56 million, which are either being recovered or prevented. The AGSA is about to publish audit outcomes for 2022/2023, and the status of municipalities has yet to be determined.

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Xolani THUSI
ORCID ID: https://orcid.org/0000-0001-7316-6165

Mandisi MATYANA
ORCID ID: https://orcid.org/0000-0001-6928-4724

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