




Measures that may assist non-performing municipalities in improving their performance



Authors:

Lethiwe Nzama¹ 
 Tankiso M. Moloi² 
 Benjamin Marx² 

Affiliations:

¹Department of Commercial Accounting, College of Business and Economics, University of Johannesburg, Johannesburg, South Africa

²Department of Accounting, College of Business and Economics, University of Johannesburg, Johannesburg, South Africa

Corresponding author:

Lethiwe Nzama,
 lethiwen@uj.ac.za

Dates:

Received: 15 Mar. 2023

Accepted: 04 Aug. 2023

Published: 17 Nov. 2023

How to cite this article:

Nzama, L., Moloi, T.M. & Marx, B., 2023, 'Measures that may assist non-performing municipalities in improving their performance', *Journal of Local Government Research and Innovation* 4(0), a136. <https://doi.org/10.4102/jolgr.v4i0.136>

Copyright:

© 2023. The Authors.
 Licensee: AOSIS. This work is licensed under the Creative Commons Attribution License.

Read online:



Scan this QR code with your smart phone or mobile device to read online.

Background: Municipalities' non-performance in terms of service delivery is often considered to be a significant concern that affects the community. Municipalities constitute the most important sphere of government as they operate at grassroot level and are mandated to provide essential services to communities. A lack of governance, poor financial management reporting, poor supply chain and asset management processes are some impediments that affect the service delivery.

Aim: This study aimed to identify performance enhancing measures that non-performing municipalities in South Africa could apply.

Setting: The article focused on all 44 district municipalities and identified the best performing ones from the period 2017 to 2020 financial years before examining measures that assisted well-performing municipalities.

Method: A sequential exploratory research design was used in the study. The municipal performance measures were identified from the literature, confirmed, and validated through the content analysis of performing municipalities' annual reports. The performance of these municipalities was based on the audit outcomes from the Auditor General South Africa (AGSA).

Results: Forty-two measures were recommended to enhance non-performing municipalities' performance.

Conclusion: The overall view of all district municipalities and the identification of measures to focus on may assist municipalities in reflecting and implementing the suggested measures.

Contribution: Most of the available literature focuses on metropolitan municipalities and tends to focus on corporate governance. This study examined change drivers in district municipalities and focuses on governance, financial management, supply chain management, and asset management. Areas for improvement were flagged and improvement measurements were put in place to enhance performance.

Keywords: municipalities; performance enhancing measures; governance; financial management and reporting; supply chain management; asset management.

Introduction

Local government is close to the people and mandated to provide services to them. Thus, this sphere must have good governance and perform well to deliver mandated services. When good governance is in place in a local government, there will be an ethical culture and ethical leadership, which might promote integrity, transparency, and public participation within the municipalities. When these are in place, municipalities might be able to be kept accountable for their actions. In terms of governance, the South African Constitution, the *Municipal Financial Management Act (MFMA)*, the *Municipal Structural Act*, the *Municipal Systems Act*, the King IV report on municipal sector supplement, and other municipal legislations are in place to guide municipalities to govern and to obtain clean audit reports. Despite these guidelines, South African municipalities struggle to obtain clean audit outcomes and to meet performance targets. South Africa has numerous challenges regarding assets, liabilities, expenditures, and general financial management. Comparable challenges were also reported in the recent Auditor General South Africa (AGSA) (2022) report, indicating poor performance by most municipalities, as only 41 out of 257 municipalities managed clean audits.

All challenges must be addressed to ensure that non-performing municipalities improve their audit outcomes and performance targets. Identifying possible measures to enhance non-performing municipalities' performance may contribute to improved performance. The inability

of municipalities to obtain clean audits is linked to poor performance and financial management and a lack of governance with most of these issues being because of a lack of adequate skills and knowledge by those charged with governance, thus there is a lack of appropriately capable staff and a lack of budget management skills (Masegare 2016; Mathiba & Lefenya 2019; Moji, Nhede & Masiya 2022; Motubatse, Ngwakwe & Sebola 2017; Zweni, Yan & Uys 2022). Thus, municipalities must be adequately capacitated in the critical areas of their performance, such as governance, financial management and reporting, supply chain management (SCM) and asset management, as this can then result in proper service delivery. There are, however, notable issues in the governance area, as indicated in the literature. For example, Mathiba and Lefenya (2019) argue that struggling or non-performing municipalities lack transparency and opportunity for public participation, impeding accountability for those responsible for managing municipalities. However, there are limited studies on the possible measures of enhancing municipal performance.

In the financial management and reporting arena, there are many challenges, including a lack of record-keeping and financial processes (Glasser & Wright 2020), unwillingness by consumers to pay for services (Ambe 2012), and failure to implement budget-related and other policies (AGSA 2021; Ngcobo 2018; Nzama 2019). Further challenges include rating costs that cannot be paid because of liquidity issues (AGSA 2021; Ryan 2020), an increase in wasteful, unauthorised, and irregular expenditure (AGSA 2022) and non-existent financial recovery plans (Glasser & Wright 2020). Municipalities fail to pay debts timeously (National Treasury 2020a) and use expensive consultants (AGSA 2022; Laubscher 2012). Despite lacking the expertise, exorbitant salaries and bonuses are paid to councillors in non-performing municipalities (AGSA 2022; Laubscher 2012). Affirmative action resulted in nepotism, as well as the hiring of unqualified employees (Laubscher 2012). Municipalities are politically dysfunctional and have poor political leadership (Laubscher 2012; Magagula et al. 2022). This leadership should ensure that municipalities are guided into an adequate part of performance management and development (Magagula et al. 2022). These financial management issues continue to hinder municipalities' positive progress (Mishi, Mbaleki & Mushonga 2022).

Under SCM, municipalities often have challenges with non-compliance with SCM legislation, for example, failure to use competitive processes for quotations. Furthermore, the literature indicates that the issues in the bidding process are that there are incorrect procurement processes concerning threshold values for quotations and a lack of competitive bidding (AGSA 2021; Thobakgale & Mokgopo 2018; Zindi & Sibanda 2022). There is further lack of sufficient and credible motivation to deviate from SCM procedures (Thobakgale & Mokgopo 2018) and even more corrupt incidents of collusion between suppliers and municipal officials during tendering processes (Mantzaris & Ngcamu 2020; Zindi & Sibanda 2022). These incidents specifically happened during the COVID-19

pandemic when corruption and fraud cases were being reported for investigation and municipalities allocated funds to address socio-economic issues related to the COVID-19 pandemic (Mathiba 2020). Moreover, issues of poor procurement and contract management are present in local government, where SCM is of concern and where there is improper staffing in critical roles (AGSA 2020a). This issue of lack of skills, hiring of inexperienced and incompetent municipal officials, and political interference affected the governance of municipalities, the SCM process, financial reporting, and asset management areas, which subsequently resulted in poor service delivery (Mantzaris 2017; Zweni et al. 2022). Some of the critical committees in municipalities, such as bid committees that strengthen procurement and contract processes, are capacitated by members who lack appropriate skills and competencies. This lack of capabilities further affects the implementation process of available municipal legislation (Mantzaris 2017; Munzhedzi 2016; Zweni et al. 2022). The challenges in the asset management arena include inadequate budgeting, which negatively affects asset operations and maintenance, and the inheritance of highly deteriorated infrastructure requiring high maintenance costs (Ngcobo 2018). As a result, the article explains measures that enhance municipal performance.

Given the above-mentioned research background, the primary research question of this study is: What are the key measures contained in the literature and performing municipalities annual reports that non-performing municipalities may apply to improve their performance and audit outcomes? This article will set a tone by indicating the methodology followed by the study to address the research question. This is followed by the discussion of the literature relevant to four critical areas: governance, financial management and reporting, SCM and asset management challenges in the local government sphere and possible solutions for these challenges. The content analysis results of the reviewed municipal annual reports will be discussed, and recommendations will be made.

Research methods and design

The researchers conducted a literature review to identify challenges and possible measures that may assist municipalities in improving their performance. Four critical areas were focused on and these included governance, financial management and reporting, SCM and asset management. From the literature review the researchers explored measures in district municipalities that improved their performance between the FY2015/16 and FY2019/20 financial years. Forty-four district municipalities were listed in the AGSA website (AGSA 2021). From these, only 14 managed to improve their performance based on the status of their audit outcome; therefore, 32% of district municipalities managed to improve their performance during the period this study was conducted. Thus, covering the entire duration of the municipal administration's tenure might give a more complete overview of the municipalities' performance. The municipalities that improved their performance did not

necessarily obtain a clean audit. However, it includes those who improved from getting a disclaimer or an adverse audit opinion to getting an unqualified audit opinion with findings.

The study followed a quantitative content analysis. The annual reports of the district municipalities that managed to improve their performance were subjected to this analysis. Data collection involved compiling, interpreting, and analysing AGSA, MFMA audit reports and the municipal annual reports to identify well-performing municipalities. Content analysis is a data-collection approach that derives reliable and replicable conclusions from documents to provide concise and comprehensive accounts of phenomena (Drisko & Maschi 2016; Krippendorff 1980; Olowosegun 2019; Stemler 2001).

The procedure followed to identify measures used by municipalities to improve their performance is outlined as follows:

- **Step 1:** Access the AGSA website (<https://www.agsa.co.za>) and click on MFMA 2019–2020 reports.
- **Step 2:** Download Annexure 3: Auditee's audit opinions over the past 5 years.
- **Step 3:** From the 44 listed district municipalities, identify municipalities that have improved their performance between 2015–2016 and 2019–2020 financial years (FYs).
- **Step 4:** Download the annual reports of municipalities that improved their performance during the 2015–2016 and 2019–2020 FYs.
- **Step 5:** Review the relevant sections (Municipal Powers and Functions, Financial Health Overview, Auditor General Report, Political and Administrative Governance, Public Accountability and Participation, Corporate Governance, Service Delivery Performance, Financial Performance and AGSA audit findings) of the annual reports using the checklist of measures.
- **Step 6:** Perform content analysis on each annual report to identify other measures and repeat the process by checking the codes on ATLAS.ti to verify whether the relevant section, as per Step 5, has been coded and recorded in a spreadsheet.
- **Step 7:** Record data in a spreadsheet.
- **Step 8:** Analyse data from the spreadsheet and identify measures that have been noticed in the annual reports of municipalities that improved their performance, which would not have been reported on in the Auditor General (AG) audit report.
- **Step 9:** Present results.

Annual reports were downloaded for the content analysis for the 14 municipalities that improved their performance. Two of the 14 municipalities' annual reports were unavailable on both municipalities and the National Treasury websites as of 22 February 2022. Initially, 14 annual reports were reviewed for FY2015/16 and FY2016/17 and during the FY2017/18, FY2018/19 and FY2019/20. There was no significant difference between the measures applied within each of the three municipalities, as the years had similar

audit outcomes. For the remaining municipalities, the annual report of the initial period of the study FY2015/16 and the year where improvement occurred were considered. This resulted in 22 annual reports subject to a content analysis. However, three annual reports could not be found on the specific municipalities and National Treasury websites, resulting in 20 annual reports being analysed. Therefore, 34 annual reports from the 14 municipalities that improved their performance during the study period (2015–2016 to 2019–2020) were subject to a content analysis.

The researchers compiled a spreadsheet that included the list of municipalities that managed to improve their performance and this sheet included statements or measures of improving municipal performance. These statements were based on a literature review of academic journals and pieces of legislation. The researcher referred to the municipal annual reports and identified statements applicable to each municipality in each financial year covered in the study period. The researcher allocated three legends: 0 = statement was unavailable for each municipality, or 0.5 = statement was partially available, or 1 = statement was present for each municipality. Furthermore, the researcher consolidated all the financial years of the period and indicated municipalities that complied with most of the prescribed measures to improve performance. Lastly, the complete spreadsheet was used to draft the governance framework for non-performing municipalities, indicating statements that were critical in assisting municipalities in improving performance.

Literature review

Challenges in South African local government

South Africa has 278 municipalities (Republic of South Africa [RSA] 2000). Municipalities are classified into three types: metropolitan, district, and local. Metropolitan municipalities are located in urban areas, providing better compensation, and attracting superior talent (Republic of South Africa [RSA] 1998). Metropolitan municipalities design and deliver all local services in the metro region, whereas local and district municipalities share these responsibilities and, in some cases, also the legislative and executive authority. District and local governments are primarily found in rural and semi-rural areas. Remuneration levels and the ability to attract skilled personnel in these areas are frequently a challenge. Since 1994, the revolution in local government has been the most critical mission in the entire democratic governance transformation. However, there has been significant progress. Nevertheless, additional work is still required before all municipalities can be fully operational (COGTA 2009). Most districts and local governments are still not receiving clean audits (AGSA 2017). Hence, there is a need to find probable solutions to assist in improving their performance that may assist in achieving clean audit outcomes.

The path to better audit outcomes in many of these initiatives to improve municipal performance has proven elusive. According to the Auditor General's report, most districts and

local municipalities are still not receiving clean audits (AGSA 2017). The AGSA (2020a) states that 79% of municipalities require immediate intervention because of their poor financial health. District municipalities are responsible for broader issues such as integrated planning, infrastructure development, bulk supply of water and electricity, and public transportation, according to the South African Constitution of 1996. On the other hand, local municipalities are also responsible for all municipal functions not assigned to the district, particularly local service delivery (RSA 1996). As a result, the study's scope was limited to the district municipalities.

South African municipalities struggle to achieve clean audits and to meet the performance targets (AGSA 2022). The auditor general's office regularly reports on challenges including four critical areas that need to be focused on, namely governance, financial management and reporting, SCM and asset management.

Governance

South Africa's latest local government elections were held in November 2021. According to the audit results, their performance has not been improving. Because similar issues reported after the 2016 elections are still being mentioned in the most recent AGSA report for the 2019–2020 fiscal years, according to the AGSA (2020a) or, the audit outcomes of 76 municipalities had regressed in the previous three fiscal years – from 2016–2017 to 2018–2019. As a result, only 31 municipalities had improved their audit results. The primary areas of concern could be classified as a lack of good governance, instability in executive leadership, inappropriate executive appointments, municipal leadership's failure to provide adequate oversight, a poor internal control environment, and financial mismanagement. These all result from a lack of good governance. Thus, municipalities face challenges in achieving unqualified audits because of deficiencies in the internal control environment (Mofolo 2015). Mbewu and Barac (2017) demonstrate the importance of internal control measures in delivering unqualified audit results.

The *Municipal Systems Act* (RSA 2000) is crucial in establishing a governance system inside a municipality and clarifying and separating the roles of mayors, councillors, officials, as well as the transparency and oversight mechanisms. The municipal manager assumes the role of CEO in addition to the municipal accounting officer when reflecting on the act (Masegare 2016; Masegare & Ngoepe 2018). The local government law states that the accounting officer has many duties. Thus, sound legislation governs South African municipalities. However, most municipalities have not practically applied this legislation, as demonstrated by the persistent poor audit outcomes. For example, Van Niekerk and Dalton-Brits (2016) and Mathiba and Lefenya (2019) acknowledge that although these legislations are in place, there is still poor financial management and performance in municipalities and a lack of accountability. In addition, most municipalities do not promote transparency,

good governance, or public accountability (Mathiba & Lefenya 2019) and this has a negative effect on the proper functioning of municipalities (Magagula et al. 2022). Thus, it is imperative to identify critical measures that may be adopted by municipalities with poor governance practices that impede them from achieving clean audit outcomes and better performance.

Financial management and reporting

Most municipalities in South Africa are technically insolvent as the liabilities outweigh their assets and lack the liquidity to cover their operating expenditures (Ryan 2020). Municipal deficits have worsened and prevent municipalities from progressing (Glasser & Wright 2020; Mishi et al. 2022). The latest municipal financial sustainability index (NT Ratings Africa 2020) found that 54 municipalities had more than 5% operating deficits of total direct revenue and 146 had financial statement issues. A further issue reported by National Treasury is that some municipalities struggle to comply with Section 140(2) of the MFMA, with 82 municipalities failing to pay debts on time in the 2019–2020 financial year. Section 140(2) of the MFMA prescribes that municipalities have a financial recovery plan to meet financial obligations to provide service delivery. These recovery plans must include, (1) establishing spending and income goals, (2) establishing budget parameters that bind the municipality for a length of time or until certain circumstances are met, and (3) determining the exact revenue-raising methods required for financial recovery, including the municipal taxes or tariffs rates being set to achieve financial recovery. There were 82 municipalities (National Treasury 2020a) that were currently functioning without recovery plans; therefore, they could neither deliver services as per mandate nor were able to meet their financial needs.

Proper financial management can be comprehensive and complicated (Laubscher 2012). Interventions from government and legislation are expected to guide financial management. Despite interventions from provincial or national domains, municipal performance did not improve significantly. These interventions occurred in municipalities based in the North-West Province (Ditsobotla and Ngaka Modiri municipality), Mpumalanga Province (Mbombela and Pixley Seme Municipalities), Eastern Cape Province (Alfred Ndzo, Kiay-Kamma and Mnquma Municipalities), Free State Province (Mhokare and Xhariep Municipalities) and KwaZulu-Natal Province (Amajuba, Umzinyathi, Newcastle and Utrecht Municipalities) (Ntonzima 2011).

The literature further indicates other financial management challenges. Glasser and Wright (2020) identified challenges affecting municipal financial management, namely the 2018 failure of VBS Bank, which caused losses for municipalities that had illegally invested in this bank. Glasser and Wright (2020) further indicate that some of the financial distress in municipalities is because of internal processes. These include improper financial management processes, such as

under-collection of revenue or uncontrolled expenditure. The second internal process that affects municipalities negatively is political dysfunction. For example, in the City of Tshwane and Nelson Mandela Bay cases in 2019, there were issues with leadership and the political party running the municipalities (Glasser & Wright 2020). Laubscher (2012) concurs with Glasser and Wright (2020) on poor revenue collection. The challenge of revenue under-collection has been captured in the AGSA report (2021), which indicates an estimated loss of R182.3m with eight material irregularities as a result of revenue not billed and an estimated loss of R149.4m with two material irregularities because of unrecovered debt.

Regarding interests and penalties, municipalities had an estimated loss of R979.3m because of non-payment to Eskom, not paying water boards and suppliers on time and another estimated loss of R54.7m for not paying SARS on time or incorrectly calculating the amount payable. These are material issues and indicate poor financial management. Laubscher (2012) indicates the changes and restructuring of municipalities since 1994. Employees were offered severance packages, whereas others resigned, resulting in skills shortages. Laubscher (2012) further posits that this lack of expertise might be because of affirmative action by the SA public sector. As appointments were political, affirmative action brought about nepotistic weaknesses (Laubscher 2012; Moji et al. 2022). Inadequate oversight of internal or external municipalities constitutes another underlying cause of poor performance (Glasser & Wright 2020; Moji et al. 2022).

A further challenge indicated (Laubscher 2012) that municipal officials are paid exorbitant salaries and bonuses, whereas funds are insufficient to render services to residents. Some managers are rewarded with performance bonuses even though their municipalities neither performed well nor achieved a clean audit. For example, the poor performing Mangaung Metropolitan Municipality top officials requested a salary increases during the 2010–2011 financial year. A further challenge in the report indicated that Matjhabeng Municipality did not have expenditure evidence for R248m (AGSA 2020a). This Free State Municipality did not achieve a clean audit for a long time (AGSA 2011). The AGSA report (2021) indicates that municipalities have not kept proper financial records, resulting in repeatedly declaimed audit opinions. A lack of record-keeping is flagged as a material irregularity (AGSA 2021), resulting in none of the municipalities achieving clean audits for the 2019–2020 fiscal year. Most municipalities hire over-priced consultants to improve their financial management (AGSA 2020b), as in Moqhaka Municipality, where 83 financial officials work, but additional financial consultants are hired, at a cost of R26 805 660.27 for the 2019–2020 financial year. These consulting fees represent 5% of the total expenditure of the municipalities, equalling R132 654 136. Some municipalities spend millions on financial accounting consultants to assist in preparation of their financial statements however these municipalities still receive qualified audit opinions with some having issues with the quality of audit reports presented to AGSA (2021). Municipal

demarcation in 2000 was another issue that municipalities faced in managing budgets. There were 830 municipalities before delineation in 2000 (Laubscher 2012), whereas now there are only 257. As such, municipal boundaries are too large for effective and efficient service delivery and financial administration. Thus, municipalities cannot perform adequately in accordance with their mission and in attaining clean audit results (Laubscher 2012).

Supply chain management

Public procurement accounts for 5%–8% of most industrialised countries' gross domestic product (GDP) (Tshilo & Van Niekerk 2016). The South African public sector spent R500 billion on products, services, and construction projects in 2013–2014, suggesting that government procurement is critical. Consequently, the South African Government must ensure that public procurement is cost-effective and efficient (Tshilo & Van Niekerk 2016). As a result, the SCM rules and legal environment must be clear and straightforward to ensure that the services requested and received are of a high quality, efficient, and cost-effective (Fuzile 2015; Thobakgale & Mokgopo 2018). Despite comprehensive legislative frameworks, rules and regulations, the corruption trends relating to SCM, and procurement are rising (Mantzaris 2017). The South African Government has implemented an anti-corruption framework comprising relevant legislation, oversight bodies and enforcement agencies, and corruption awareness campaigns (Mathiba 2020). The conflict between citizen and customer expectations caused pressure on public SCM. The need for government control emerges from the delicate interplay between citizens' public demand for public goods and individuals' willingness to pay for such (Ambe 2012). Citizens have a wide range of conflicting interests; some are mutually incompatible. Taxpayers expect effective use of public resources. This generates significant challenges between citizens and the SCM assumptions (Ambe 2012; Essig & Dorobek 2006). Most service demand protests are by residents who demand services but do not pay for them.

Procurement corruption is another South African Government issue (Munzhedzi 2016). There is a variety of corrupt behaviour in the SCM and procurement landscape, including fraud, embezzlement, and irregular and undesired purchases (Mantzaris 2017; Woods & Mantzaris 2012). Corruption is the main issue affecting the effectiveness of SCM processes (Mishi et al. 2022; Mathiba 2020). In 2020, the COVID-19 pandemic caused many challenges and struggles. The South African Government was forced to purchase bulk essential medical equipment (e.g. personal protective equipment [PPE], testing instruments, etc.) to save community members. According to current ongoing court cases, these purchases resulted in corruption. Mantzaris and Ngcamu (2020) argue that the interventions enforced by the government during this pandemic through 'emergency procurement regulations' provided many opportunities for corrupt individuals.

Public municipal servants were part of this corruption during the pandemic. Controls were eased; processes and procedures streamlined, resulting in opportunities for corrupt dealings

by persons abusing the system and public funds (AGSA 2020b; Mathiba 2020; Mishi et al. 2022). Mantzaris and Ngcamu (2020) analysed SCM and procurement challenges because of COVID-19, finding that municipal SCM and procurement challenges were because of greed rather than misunderstandings of the SCM guidelines and procedures. Furthermore, Mantzaris and Ngcamu (2020) indicate that municipal officials often overlook SCM policies and collude during tendering processes. As a result of these vulnerabilities, such as a lack of internal controls, financial reporting, and oversight, it was easy to abuse the available funds (Mantzaris & Ngcamu 2020). The AGSA's (2020b) special report on COVID-19 expenditure in South Africa revealed severe procurement and contract management procedural flaws. The report also highlighted the inability to establish, implement, and monitor effective internal control systems and procedures and municipal officials' lack of financial reporting capabilities and skills as the primary contributors for non-compliance to SCM rules.

Some officials have been arrested and charged on suspicion of corruption connected with COVID-19 PPE purchases. Literature indicates further challenges in municipalities' SCM. Bizana, Naude and Ambe (2015) list challenges experienced specifically in acquisition management. The research participants held higher positions in four municipalities, from senior accountants to managers and assistant directors.

The first challenge in SCM included inadequate specifications caused by the inadequate quality of specifications obtained from the technical department. Inadequate internal controls follow this, as some service providers misrepresent their Historically Disadvantaged Individuals (HDI) status to secure contracts. Secondly, the lack of internal controls manipulated the bidding process, as well as the awarding of tenders to municipal employees. Thirdly, unfair or irregular practices occur because of manipulating the systems, agreeing on a matter that should be challenged or questioned, and sometimes even the bidding documents disappear. As a result, the bidder would have documents classified as incomplete and be disqualified from the bidding process. The last is problematic document submission, as potential bidders often had difficulty in understanding tender documents, resulting in incomplete documents and late submissions. Bizana et al. (2015) also list common challenges while dealing with service providers. These challenges were experienced in all four metropolitan municipalities, including late payment of service providers, which is frequently experienced when dealing with small- to medium-sized entities (SMMs) who often submit incorrect invoices. This challenge supports that most SMMs do not have appropriate accounting systems and are sometimes unsure where to send invoices. Another major challenge in SCM is political interference that affects the type of employees employed, as some senior administrative personnel were hired based purely on political connections (Munzhedzi 2016). As a result, these appointments do not consider qualifications, skills, or competence of the individual being hired.

Asset management

There are challenges for competent and skilled employees in asset management, often resulting in inadequate budgeting for proper asset operations and maintenance. In most situations, asset maintenance expenditure is lowered initially, as the assets are still functional (Ngcobo 2018). Many municipalities in South Africa are guardians of damaged infrastructure, necessitating significant expenditure to repair/update these assets. Such exaggerated expenditure is impossible in the current economic situation (Ngcobo 2018). As noticed in the Mangaung Metropolitan Municipality, Bloem Water reduced water pressure because of an unpaid debt of R247m (Glasser & Wright 2020). Poor asset management methods result in expensive maintenance and replacement, thus negatively impacting the communities (Ngcobo 2018). This ends in poor performance management, leading to municipalities' inability to achieve clean audits. The AGSA (2021) report indicates municipalities having nine material irregularities in asset management because of a lack of asset safeguarding mechanisms. The lack of asset safeguards resulted in an estimated loss of R116.6m in the 2019–2020 fiscal year. Owing to this lack of safeguarding, cases of stolen and vandalised assets were reported. These irregularities again prevent municipalities from achieving clean audits.

Possible mitigation measures from literature

Literature suggests measures for non-performing municipalities to improve performance. Possible interventions must be implemented when municipalities experience governance and financial management distress. Laubscher (2012) recommends that municipalities have a culture of support, encouragement, and enforcement of ethical standards and fundamental values. Laubscher (2012) and Glasser and Wright (2020) recommended that national and provincial governments render support to ensure sustainable municipalities. However, the shortcomings, such as the increase in non-compliance and rise in poor financial management in managing funds reserved for addressing issues resulting from COVID-19, need to be noticed. Moreover, the transparency and accountability prescribed by the constitution are not in place because of COVID-19 emergency procurement. These determine the effectiveness of the procurement process at local government level and affect municipalities' financial performance and the possibility of obtaining clean audit reports. A balance of integrity, competence, and political will has become imperative for clean audits to be achieved (Mofolo 2020). Mofolo (2015) reports that municipalities missed their targets of clean audits set in 2009. Breakdown in governance, corruption, and fraud are the reasons for this failure.

According to Mathiba (2020) and Mishi et al. (2022), a method that may be used to prevent or minimise corruption is the limitation and clarity of public officials' discretion, thus reducing the monopoly of power and increasing transparency. The National Treasury released Instruction Notes for the accounting offices to stop the misuse of government funds for emergency procurement (Mathiba 2020). The National

Treasury provided further guidelines on how emergency procurement processes should be followed and the methods used. For example, according to Mathiba (2020), the *National Treasury's Practice Notes (No. 8 of 2007–8)* mandate an accounting officer to notify all purchases of goods and services above R1m to the relevant AGSA provincial treasury within 10 working days. Furthermore, the National Treasury guided the type of supplier that offered a contract during the COVID-19 pandemic (Mathiba 2020; National Treasury 2020a). Transparency of these guidelines and other announcements made by the National Treasury and government kept municipalities accountable.

Transparency and public participation solved some of the challenges in SCM by complying with proper procurement processes by promoting the necessary checks and balances. Therefore, when an emergency occurs, adopted emergency measures should be accompanied by adequate control mechanisms such as auditing, oversight, accountability, and reporting (Mathiba 2020; Mishi et al. 2022; Moji et al. 2022). Mathiba (2020) argued that the lack of reporting and publication in the National Treasury (NT)'s instructions resulted in the inability of citizens to participate and keep public officials accountable. Thus, inaccessible information prevents funds from being managed and improves financial performance, resulting in no clean audits. Furthermore, Mathiba (2020) recommends e-procurement and claims to ensure transparent financial resource management during times of crisis. Thus, e-procurement results in the proper financial management of significant financial resources, thereby increasing municipalities' legitimacy and chances of clean audits.

Ambe (2012) recommended that purchasing managers be flexible enough to improve procurement performance. This recommendation addresses the weakness in negotiating the best deals with suppliers, as there is a lack of accountability and transparency. In addition, more flexibility in negotiation with bidders and respondents of tenders is also necessary. Furthermore, public procurement professionals must enhance contact with vendors and consumers by adopting innovative procurement risk management tools, such as LexisNexis Procure check for instance. This assists with cover-quoting, providing tenders to state employees, and misrepresentation (Ambe 2012; Bizana et al. 2015). Munzhedzi (2016) recommends that politicians and officials enforce SCM accountability. With the amended *Public Audit Act (2018)*, this recommendation is reasonable and achievable, as all material irregularities that AGSA noticed require investigation, need addressing, and perpetrators must be held accountable. Munzhedzi (2016) also advises that the interference of politicians in procurement must be limited because of conflict of interests. Possible interventions are recommended, including education, regular training workshops, and seminars. However, training has been taking place since 2005 (Ambe 2012).

Similarly, these recommendations (Munzhedzi 2016) indicate that frequent seminars explaining statutory prescripts can help improve skills and knowledge incompetence. Enwereji and Uwizeyimana (2020) endorse mandated, regular training of financial department employees to increase the chances of

achieving clean audits. Furthermore, (Munzhedzi 2016) capacity building should be performed through training, workshops, or university scholarships. However, recruiting and hiring skilled and experienced staff is less expensive and should be considered.

Lastly, the literature recommends that some of the sections in legislation be amended to address challenges faced by municipalities in SCM. For example, Thobakgale and Mokgopo (2018) believe that legislation regulating South African public procurement is excessively decentralised and it has created a vacuum for irregularities and fraudulent actions in municipalities. Therefore, laws should be centralised to combat corruption, as present legislation is too wide to be enforced, allowing for corruption to flourish (Thobakgale & Mokgopo 2018). According to Mofolo (2015), municipal managers who are accounting officers and have been employed for more than 10 years bring stability and continuity. Although there is the *Municipal Structural Act (Act No. 117 of 1998)*, there is a need to employ managers permanently, which is supported by literature (Mofolo 2015; Peters & van Nieuwenhuyzen 2012). Thus, it is evident that there is no list of measures that municipalities may implement to improve their performance. However, the literature suggests workable solutions. Thus, it adds value to conduct a content analysis of performing municipalities to identify measures that improve performance and maintain their status.

Results and discussion

This section presents the results of the content analysis performed on municipalities' reports that had improved performance between 2016 and 2020. A list of measures that may assist municipalities in improving their performance was compiled from the possible mitigations suggested by the legislation governing municipalities and literature. Table 1 presents a list of measures that may assist municipalities in improving their performance under the four critical areas that have been discussed here.

In identifying whether municipalities applied performance measures stated in Table 1 or any other measure to enhance their performance, three legends, 0, 0.5 and 1, were used to populate the spreadsheet as a form of Step 7 of the content analysis. Table 2 explains these three legends (0, 0.5 and 1) and the guidelines for using these measures.

Table 3 presents a list of district municipalities that improved within the period of study, the status of audit outcome in the initial year and the year of performance improvement and the year of annual reports analysed.

The annual reports of the district municipalities that managed to improve their performance were subjected to content analysis. The study period is the 2015–2016 to 2019–2020 financial years, which amounts to a five-year period. Downloaded from the AGSA website, 44 district municipalities were listed (AGSA 2021). Of these municipalities, only

TABLE 1: Measures identified in literature review.

Performance enhancement area	Measures
Financial management and reporting measures	<ul style="list-style-type: none"> • Appointment of suitably qualified and competent staff in finance. • Suitable and effective expenditure management. • Suitable and effective revenue management. • Suitable and effective budget planning, implementation, and monitoring. • Proper record-keeping. • Proper preparation and publishing of accounting reports. • The use of competent, dependable consultants. • Adequate and effective internal control and monitoring. • Regular education and training for staff in key roles (Continuous Professional Development). • Suitable and effective process of following up and implementation of AGSA findings and recommendations. • Suitable and effective process of following up and implementation of Internal Audit Function findings and recommendations.
Asset management measures	<ul style="list-style-type: none"> • Suitable and effective process to safeguard assets. • Appointment of suitably qualified and competent staff in asset management. • The existence of up-to-date asset registers. • Suitable and effective process of asset disposal. • Suitable and effective process of depreciating (or revaluations) assets. • Suitable and effective systems of recording assets.
Supply chain management measures	<ul style="list-style-type: none"> • Suitable and effective bid committees. • Proper procurement and contract management. • Appointment of suitably qualified and competent staff in supply chain management. • Suitable and effective performance management measures.
Governance measures	<ul style="list-style-type: none"> • Appointment of competent, skilled, and experienced leaders (municipal manager and other managers). • Capable political leadership that can provide oversight. • Suitable and effective performance management system (employee performance linked to municipal performance). • Municipal leadership embeds a culture of high ethical standards. • Transparency and public participation for checks and balances. • Adequate and effective audit committees. • Adequate and effective risk committees. • Adequate and effective internal audit functions. • Filling of vacant (acting) key positions with competent candidates.

Source: Nzama, L., 2023, 'A governance framework for non-performing municipalities in South Africa', Doctoral Dissertation, University of Johannesburg
AGSA, Auditor General South Africa.

TABLE 2: Guidelines for legends used.

	Not indicated	Partly indicated	Fully indicated
Guidelines	If a measure identified in Table 1 is not indicated in the annual report, 0 is allocated to the item.	If a measure identified in Table 1 is indicated in the annual report, but there is an AGSA finding relating to the measure, 0.5 is allocated to the item.	If a measure identified in Table 1 is indicated in the annual report, and no AGSA finding relates to the measure, then a 1 is allocated to the item.

Source: Adapted from Moloi, T. 2009, 'Assessment of corporate governance reporting in the annual reports of South African listed companies', Masters Dissertation, University of South Africa; Nzama, L., 2023, 'A governance framework for non-performing municipalities in South Africa', Doctoral Dissertation, University of Johannesburg; Olowosegun, O., 2019, 'An alternative corporate governance framework for the Nigerian banking sector', Doctoral Dissertation, University of Johannesburg

AGSA, Auditor General South Africa.

14 district municipalities managed to improve their performance based on the status of their audit outcome; therefore, 32% of district municipalities managed to improve their performance during the study period.

Annual reports were downloaded for content analysis for the 14 municipalities that improved their performance. Two of the 14 municipalities' annual reports were unavailable in both respective municipalities and the National Treasury websites as of 03 February 2022 (see Table 4a and Table 4b). Initially, 15 annual reports of these municipalities were reviewed for 2015–2016, 2016–2017, 2017–2018, 2018–2019, and 2019–2020 FYs and from that content analysis, it was noticed that there was no significant difference between the measures applied within each of the three municipalities as

some of the years had a similar audit outcome. As a result, they applied similar measures of performance.

For the remaining municipalities, the annual report of the initial period of the study 2015–2016 FY and the year where improvement occurred were considered. This resulted in 22 annual reports subjected to a content analysis. However, three annual reports could not be found for the specific municipalities and National Treasury websites, resulting in 20 annual reports being content analysed. Therefore, 34 annual reports from the 14 municipalities (see Table 4a and Table 4b) that improved their performance during the study period (2015–2016 to 2019–2020) were subjected to content analysis.

Table 3 presents a list of district municipalities that improved within the period of study. It also delineates the status of audit outcomes in the initial year, as well as the year of performance improvement and the year of annual reports that were analysed.

Financial management and reporting

In 2015–2016, annual reports from 11 municipalities indicated the implementation of most measures (see Table 1). For instance, nine measures were fully indicated out of 11 in about 75% of all analysed reports. The measure 'regular education and training for staff in key roles' was fully

TABLE 3: Selected municipal reports content analysis.

Municipal code	2015–2016 Audit outcome	Year of improvement and audit outcome	2019–2020 FY – Audit outcome	Content analysis	Annual reports analysed
DM1	Qualified	2017–2018 – Unqualified with findings	Unqualified with findings	2015–2016 and 2017–2018 reports	1
DM2	Unqualified with findings	2018–2019 – Unqualified with no findings	Unqualified with no findings	All years have been analysed	5
DM3	Unqualified with findings	2019–2020 – Unqualified with no findings	Unqualified with no findings	All years have been analysed	5
DM4	Qualified	2019–2020 – Unqualified with findings	Unqualified with findings	All years have been analysed	5
DM5	Unqualified with no findings	2019–2020 Unqualified with no findings	Unqualified with no findings	2015–2016 and 2019–2020 reports	1
DM6	Unqualified with no findings	2019–2020 Unqualified with no findings	Unqualified with no findings	2015–2016 and 2019–2020 reports	2
DM7	Qualified	2017–2018 Unqualified with no findings	An audit is still not finalised as of 03 February 2022	2015–2016 and 2017–2018 reports	2
DM8	Unqualified with findings	2018–2019 Unqualified with findings	Unqualified with findings	2015–2016 and 2018–2019 reports	2
DM9	Unqualified with findings	2018–2019 – Unqualified with no findings	Unqualified with no findings	2015–2016 and 2018–2019 reports	1
DM10	Unqualified with no findings	2018–2019 Unqualified with no findings	Unqualified with no findings	2015–2016 and 2018–2019 reports	2
DM11	Unqualified with no findings	2019–2020 – Unqualified with findings	Unqualified with findings	2015–2016 and 2019–2020 reports	2
DM12	Disclaimer	2018–2019 – Qualified	Qualified	2015–2016 and 2018–2019 reports	2
DM13	Unqualified with findings	2018–2019 Unqualified with findings	Unqualified with findings	2015–2016 and 2018–2019 reports	2
DM14	Unqualified with no findings	2019–2020 Unqualified with no findings	Unqualified with no findings	2015–2016 and 2019–2020 reports	2

Source: Nzama (2023) (AGSA 2015–2016 to 2019–2020 Annual Reports Content Analysis)

indicated in 90.9% of reports, followed by the ‘appointment of suitably qualified and competent staff in finance’, and ‘proper preparation and publishing of accounting reports’, which were both fully indicated in 81.8% of the reports. This implies that education and training, staff qualification and competency, and preparing accounting reports are critical in improving financial management and reporting.

However, out of 11 measures, two were not fully indicated in most reports. For instance, the ‘use of competent, dependable consultants’ was only fully indicated in 27.3% and not in 54.5% of municipalities. The ‘adequate and effective internal control and monitoring’ measure was fully indicated in only 54.5% and partially indicated in 36.4% of analysed municipalities. The ‘use of competent and dependable consultant’ complements the lack of internal capacity, while adequate and effective internal control and monitoring are critical in ensuring operational effectiveness and efficiency.

Similar results were found in the 2016–2017, 2017–2018, 2018–2019 and 2019–2020 FYs. However, municipalities still had issues with ‘suitable and effective expenditure management’, ‘proper recording keeping’, and ‘suitable revenue management’, a measure observed as a finding at 100% under the 0.5 legend. As AGSA noticed for the ‘proper record-keeping’ measure, certain documents were missing as evidence during their audits. Laubscher (2012) and Glasser and Wright (2020) report the weakness of record-keeping as a significant concern. The AGSA (2021) report indicates that this lack of record-keeping is a material irregularity in municipalities and results in negative audit outcomes. This must be addressed for clean audits, as auditors rely on evidence to give audit opinions; without these, there is no examinable evidence.

Moreover, most municipalities had expenditure and revenue management issues, resulting in poor financial management (Glasser & Wright 2020; Laubscher 2012). Another measure used was the Municipal Public Accounts Committee, which oversees and instils proper financial management. Some

municipalities managed to improve performance by using this committee. Therefore, it is important to comply with this legislation and to consider using the public accounts committee.

Supply chain management

Two of the four SCM measures, the ‘suitable and effective bid committees’ and the ‘appointment of suitably qualified and competent staff’, were fully indicated in just over 60% of reports. The other measures, ‘proper procurement and contract management’ and ‘suitable and effective performance management’, were fully indicated in 45.5% and 54.5% of reports, respectively. The fact that ‘proper procurement and contract management’ was only fully indicated in 45.5% of reports is concerning, as it must be implemented broadly to reduce corruption-related economic losses. Several studies indicated proper procurement and contract management issues in SCM (Mantzaris 2017; Mathiba 2020; Munzhedzi 2016; Thobakgale & Mokgopo 2018). The AGSA (2020a, 2020b) report also described poor procurement and contract management, specifically in improved-performance municipalities. The poor procurement and contract management was because of a lack of internal controls and municipal officials’ non-compliance with legislation (Mantzaris & Ngcamu 2020). However, the main contributor is corruption in SCM, specifically evident during the COVID-19 pandemic (Mathiba 2020; Munzhedzi 2016).

The AGSA annual 2020 report indicated that the ‘non-sitting of the bidding committees result in delays on the appointment of service providers’, affecting SCM. The findings show a lack of appropriate bid committees and that some did not use competitive bidding processes (Thobakgale & Mokgopo 2018). The findings further showed bid committee members’ lack of technical skills (Bizana et al. 2015; Mantzaris 2017; Munzhedzi 2016).

Asset management

Most of the measures identified in the literature were analysed in the annual reports, with no significant material

TABLE 4a: Content analysis findings summary.

Municipal code	Measures that may assist non-performing municipalities in improving their standing										
	Financial management and reporting					Asset management challenges					
	Appointment of suitably qualified and competent staff in finance	Suitable and effective expenditure management	Suitable and effective revenue management	Suitable and effective budget planning, implementation and monitoring	Proper record keeping and accounting reports	Proper preparation and publishing of reports	The use of competent, dependable consultants	Adequate and effective internal control and monitoring	Regular education and training for staff in key roles (CPD)	Suitable and effective process of following up and implementation of AGSA findings and recommendations	Suitable and effective process of following up and implementation of internal audit function recommendations
DM1	1.00	0.50	0.50	1.00	1.00	1.00	-	1.00	1.00	1.00	1.00
DM2	5.00	4.00	4.00	5.00	3.50	4.50	2.00	4.00	5.00	3.00	5.00
DM3	5.00	3.00	5.00	4.00	4.50	5.00	4.00	3.50	4.50	4.50	4.50
DM4	4.00	2.50	3.00	3.00	4.00	4.50	2.00	3.00	5.00	4.00	3.00
DM5	1.00	0.50	1.00	1.00	0.50	1.00	-	1.00	1.00	1.00	1.00
DM6	2.00	2.00	2.00	2.00	2.00	2.00	1.00	2.00	2.00	2.00	2.00
DM7	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
DM8	1.00	1.00	1.50	1.00	1.50	1.50	1.00	1.00	1.50	1.50	1.50
DM10	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
DM12	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
DM13	1.50	1.50	1.50	1.50	2.00	2.00	1.50	1.50	2.00	1.50	1.50
DM14	1.00	2.00	1.50	1.00	1.50	1.50	1.00	1.50	1.00	1.00	1.00
DM15	2.00	1.00	2.00	1.50	1.50	1.50	1.00	1.50	2.00	2.00	2.00
DM16	2.00	1.50	2.00	1.50	2.00	2.00	-	2.00	2.00	2.00	2.00

Source: Nzama, L., 2023. 'A governance framework for non-performing municipalities in South Africa', Doctoral Dissertation, University of Johannesburg
 CPD, Continuous professional development; AGSA, Auditor-General of South Africa.

TABLE 4b: Content analysis findings summary.

Municipal code	Measures that may assist non-performing municipalities in improving their standing												
	Supply chain management				Governance								
	Suitable and effective committees	Proper procurement and contract managements	Appointment of suitably qualified and competent staff in supply chain management	Suitable and effective performance management measures	Appointment of competent, skilled and experienced leaders (municipal manager and other managers)	Capable political leadership that can provide oversight	Suitable and effective management system (employee performance linked to municipal performance)	Municipal leadership embeds a culture of high ethical standards	Transparency and public participation for checks and balances	Adequate and effective audit committees	Adequate and effective risk committees	Adequate and effective internal audit functions	Filling of vacant (acting) key positions with competent candidates
DM1	0.50	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
DM2	5.00	4.50	4.50	4.00	4.00	4.00	4.50	5.00	5.00	5.00	5.00	5.00	2.50
DM3	5.00	3.50	4.50	3.00	4.50	3.00	4.00	5.00	5.00	5.00	5.00	5.00	4.00
DM4	2.50	3.00	4.00	3.00	4.00	3.50	5.00	5.00	5.00	4.50	4.00	5.00	2.50
DM5	1.00	1.00	1.00	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
DM6	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00
DM7	1.50	1.50	1.50	1.50	2.00	2.00	1.50	2.00	2.00	2.00	2.00	2.00	1.50
DM8	1.00	1.00	1.00	1.00	1.50	1.00	2.00	2.00	2.00	2.00	1.50	1.50	1.00
DM10	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
DM12	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
DM13	1.50	1.50	1.50	1.50	1.50	1.50	1.50	2.00	2.00	1.50	1.50	1.50	1.50
DM14	1.00	1.50	1.50	1.50	1.00	1.00	1.00	1.00	2.00	1.50	1.00	1.00	1.00
DM15	1.50	1.50	1.00	1.50	2.00	1.50	2.00	2.00	2.00	1.50	1.00	2.00	2.00
DM16	2.00	1.50	2.00	2.00	2.00	1.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00

Source: Nzama, L., 2023. 'A governance framework for non-performing municipalities in South Africa', Doctoral Dissertation, University of Johannesburg

TABLE 5: Measures for enhancing municipalities' performance.

Measures for enhancing municipalities' performance			
Financial management and reporting	Asset management	Supply chain management	Governance
Appointment of suitably qualified and competent staff in finance.	Suitable and effective process to safeguard assets	Suitable and effective bid committees	Appointment of competent, skilled, and experienced Leaders (municipal managers and other managers)
Suitable and effective expenditure management.	Appointment of suitably qualified and competent staff in asset management	Proper procurement and contract management	Capable political leadership that can provide oversight
Suitable and effective revenue management.	Existence of up-to-date asset registers	Appointment of suitably qualified and competent staff in supply chain management	Suitable and effective performance management system (employee performance linked to municipal performance)
Suitable and effective budget planning, implementation, and monitoring.	Suitable and effective process of asset disposal	Suitable and effective performance management measures	Municipal leadership embeds a culture of high ethical standards
Proper record-keeping.	Suitable and effective process of depreciating (or revaluations) assets	Shared services of central supplier database for the district and its local municipalities	Transparency and public participation for checks and balances
Proper preparation and publishing of accounting reports.	Suitable and effective systems of recording assets	Regular training and forums for Bid Committee Members	Adequate and effective audit committees
The use of competent, dependable consultants.	Shared services (District and its local municipalities) for recording assets	-	Adequate and effective risk committees
Adequate and effective internal control and monitoring.	-	-	-
Regular education and training for staff in key roles (Continuous Professional Development [CPD]).	-	-	-
Suitable and effective process of following up and implementation of AGSA findings and recommendations.	-	-	-
Suitable and effective process of following up and implementation of AGSA findings and recommendations.	-	-	-

Source: Nzama, L., 2023, 'A governance framework for non-performing municipalities in South Africa', Doctoral Dissertation, University of Johannesburg
CPD, Continuous professional development.

findings. Remarkably, the 'existence of up-to-date asset register' measure was fully indicated in 81.8% of reports. The 'appointment of suitably qualified and competent asset management staff', the 'suitable and effective process of depreciating assets', and the 'suitable and effective systems of reporting' measures featured prominently in 72.7% of all reports. The 'suitable and effective process to safeguard assets' was measured under the asset management area and indicated in less than 60% of reports. Furthermore, there is an indication that the analysed reports in the 2015–2016 FY managed to maintain proper safeguarding of assets as recommended in Section 96 of the MFMA and the literature (Ngcobo 2018; RSA 2003). Similarly, Ngcobo (2016) reports that there is proper asset management.

Regular education and training of staff was indicated 100% in all annual reports. Literature specifies that the education and training of municipal staff and managers often resolve challenges (Ambe 2012; Enwereji & Uwizeyimana 2020; Munzhedzi 2016). There can be an improvement in municipalities' budgeting process, as challenges in asset management are because of inflated budgets that prevent municipalities from repairing/maintaining assets (Ngcobo 2018). Often, findings of non-compliance are reported because budget plans and other policies are not implemented. Some municipalities either fail to adhere to the budget or meet their financial commitments (AGSA 2021; Nzama 2019; Rangwato, Mukonza & Molepo 2022; Ryan 2020). On the other hand, other municipalities fail to expend the Municipal Infrastructure Grant funds allocated to them by the National Treasury within the specified timeframes and need to return these funds without carrying out the mandate (Nzama 2019; Rangwato et al. 2022).

Governance

Within the governance arena, most measures (7 out of 9) were fully indicated in at least 81% of reports. However, two measures – 'capable political leadership that can provide oversight' and 'filling of vacant key positions with competent candidates' – were only fully indicated in 36.4% of reports and partially indicated in 54.5% and 45.5% of reports, respectively. This concern could undermine service delivery and result in undesired socioeconomic outcomes. These two measures are also concerns within the literature. The AGSA (2020a, 2020b) reports raise the issue of vacant key positions. Mofolo (2020) further found that municipal council members are only trained when a new political directive exists. The capability of political leadership as oversight has been scrutinised. Thus, the lack of oversight by leadership could be because of a lack of competency, as some leaders have neither matriculated nor do they have basic English language skills (Mofolo 2020; Sebola 2015). As such, Magagula et al. (2022) recommend that there should be educational programmes for political leaders to empower the leadership to guide and direct the performance and development of municipalities effectively.

In the 2019–2020 FY, eight out of nine quality measures in governance literature were fully indicated in at least 71% of all analysed reports. Notably, 'municipal leadership embeds a culture of the high ethical standard' and 'transparency and public participation for checks and balances' measures were fully indicated in 100% of all reports. Impressive municipal leadership embeds a high ethical standard fully indicated in the annual reports. It is recommended that municipal leaders embrace ethics and political will to mitigate conflict of interests (Mantzaris 2017).

Mofolo (2020) posits that there should be a balance between integrity, competence, and politics within municipal leadership. When an ethical culture exists, fraud, corruption, and irregular practices would be mitigated, especially in the SCM (Tshilo & Van Nierkerk 2016). The municipalities scored 100% in transparency and public participation, which aligns with legislation. Transparency and public participation promote necessary checks and balances (Mathiba 2020; Moji et al. 2022). When a lack of transparency occurs, there is no opportunity for accountability, which increases corruption and misuse of funds as indicated in Table 4a and Table 4b (Mantzaris 2017; Mishi et al. 2022).

The content analysis reported common findings because of a lack of follow-up and implementation of findings and recommendations on the internal audit function and the AGSA findings. Thus, indicating a lack of accountability for repeated findings may cause municipalities not to address all reported findings (Mathiba 2020; Matlala & Uwizeyimana 2020). Municipal internal audits are endorsed to follow up on recommendations (Aikins 2012; Matlala & Uwizeyimana 2020; Mbewu & Barac 2017). Most municipalities improved their performance but failed to achieve clean audits, so follow-ups are imperative, as indicated in Table 4a and Table 4b.

From the content analysis, there were other measures not recommended by literature but reported in the annual reports to assist in improving the performance, and these measures are stated next as extracts from the reports indicating the municipality number and the financial year of the report as indicated in Table 5:

Oversight:

- *Established the Municipal Public Accounts Committee (MPAC) for oversight purposes (DM14, 2018–2019).*
- *The municipality has the Municipal Public Accounts Committee, which oversees and instils proper financial management (DM5, 2018–2019).*

Performance management:

- *Performance management is applied to all staff. The day-to-day KPI of senior managers is linked to the municipality's long-term strategic objectives. The municipality complies with section 66 of the Municipal System Act, as the Performance Management System is applied to all employees (DM14, 2018–2019).*

Information communication technology:

- *Information and communications technology (ICT) Systems are important in improving the municipality's performance (DM7, 2015–2016).*
- *HGDM invested in the ICT systems = Tera Station, NAS Box, Orbit, Fortinet Firewall, and Network Switches (DM8, 2015–2016).*
- *The municipality invested in the ICT infrastructure for improved service delivery and swift communication (DM11, 2015–2016).*

- *The municipality also invested in ICT and met its target (DM12, 2015–2016).*
- *An ICT Unit has been established to offer critical communication services (DM7, 2017–2018).*
- *ICT Systems were purchased during the 2018–2019 FY. This ensured full functionality and adherence to the audit requirements raised in the previous year as findings – off-site backup system, telephone upgrades, network switches, laptops, software licenses, AD monitor and Fortigate Firewall (DM8, 2018–2019).*
- *The municipality embraced ICT and evaluated its ICT environment to embrace 4IR. The municipality engaged this opportunity to work differently (DM6, 2019–2020).*
- *The municipality has invested in ICT and is fully functional (DM14, 2019–2020).*

Asset management shared system:

- *Shared services for the recording of assets. The municipality created the Geographic information system (GIS) unit, supporting seven local municipalities and providing foundations for successful spatial planning and spatial referencing of municipal data sets, such as valuation rolls and asset registers (DM7, 2017–2018).*

District development model:

- *The municipality embraced the District Development Model, which President Ramaphosa launched in 2019. The District Development Model seeks a new integrated, district-based service delivery approach to fast-track service delivery and ensure municipalities are supported and resourced to carry out their mandate (DM14, 2019–2020).*

Collaboration within the municipality:

- *There were good collaborations within teams and divisions as there was a good working relationship (DM9, 2018–2019).*

Combined assurance:

- *The municipality continued incorporating a combined assurance approach of merging risk management and improving internal control (DM11, 2015–2016).*

Clear separation of duties and good working relations:

- *A good relationship between political and administrative leadership and respect for separation of powers indicates good governance (DM14, 2015–2016).*
- *There is also a good relationship and partnership between councillors and the administration team (DM1, 2017–2018).*

A centralised database for the district municipality and its local municipalities:

- *The municipality introduced a centralised supplier database for the seven (7) local municipalities (D7, 2017–2018).*

Financial misconduct board:

- *The municipality established the Financial Misconduct Board, which assisted the municipality in dealing with unauthorised, irregular, fruitless, and wasteful expenditures (DM14, 2018–2019).*

Regular training and forums for Bid Committee Members:

- *Members of Bid Committees for the district and local municipalities were taken to the National School of Governance for Bid Committees Meetings (DM10, 2018–2019).*

From the content analysis results, as indicated in Table 4a and Table 4b, the measures identified by the literature were verified as valid and reported on the reports of municipalities that improved performance. However, these measures indicated in Table 5 were partially reported; hence, municipalities did not obtain clean audits but still improved performance. As such, the initial analytical framework was updated to include a new measure not found in the reports to have assisted the municipalities in improving performance.

Conclusion

The study explains measures included in Table 5, that enhanced municipal performance, identified through a literature review, general legislation, and a content analysis of annual reports of municipalities with improved performance. There were new self-initiated measures that assisted municipalities in improving their performance. Forty-two measures were identified to enhance non-performing municipalities. This study was limited to the municipal annual reports for the 2015–2016 to 2019–2020 financial years. The study focused on district municipalities in South Africa.

The measures indicated in Table 5 will assist the municipalities in prioritising areas from non-performing to high performing. Furthermore, these measures guide non-performing municipalities in prioritising each critical area for improvement. As such, struggling municipalities may address their challenges by applying these performance-enhancing measures. The study also benefits key stakeholders, like community members. When non-performing municipalities improve, the principle is that the communities will also benefit because of improved service delivery. Policy members and overseers of municipal performance, such as provincial departments, AGSA, Corporate Governance and Traditional Affairs (COGTA), South African Local Government Association (SALGA), and National Treasury, must oversee functioning municipalities to ensure compliance with legislation and the adoption of suggested measures. Future studies can focus on all non-performing municipalities and the entirety of non-performing government entities and departments.

Acknowledgements

This article is partially based on the author's, Lethiwe Nzama, thesis entitled 'A governance framework for non-performing municipalities in South Africa' towards the degree of Doctor of Philosophy in Auditing at the College of Business and Economics, University of Johannesburg, South Africa on 2022, with supervisors Prof. Dr. Tankiso Moloi and

Prof. Dr. Benjamin Marx. It is available here: <https://hdl.handle.net/10210/504396>.

Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

Authors' contributions

L.N. was a doctoral student at the University of Johannesburg. T.M.M. and B.M. were the supervisors of the work. L.N. drafted the article that was reviewed by the supervisors and adjusted where necessary.

Ethical considerations

Ethical clearance to conduct this study was obtained from the University of Johannesburg School of Accounting Research Ethics Committee (SAREC) (No. SAREC20211105/01).

Funding information

This research received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

Data availability

Data sharing is not applicable to this article as no new data were created or analysed in this study.

Disclaimer

The views and opinions expressed in this article are those of the authors and are the product of professional research. It does not necessarily reflect the official policy or position of any affiliated institution, funder, agency, or that of the publisher. The authors are responsible for this article's results, findings, and content.

References

- Aikins, S.K., 2012, 'Determinants of auditee adoption of audit recommendations: Local government auditor's perspectives', *Journal of Public Budgeting, Accounting & Financial Management* 24(2), 195–220. <https://doi.org/10.1108/JPBAFM-24-02-2012-B002>
- Ambe, I.M., 2012, 'The perspectives of supply chain management in the public sector', *Journal of Contemporary Management* 9(1), 132–149.
- Auditor-General of South Africa (AGSA), 2011, *General report on audit outcomes of local government, MFMA 2009–2010*, AGSA, Pretoria.
- Auditor-General of South Africa (AGSA), 2017, *General report on audit outcomes of local government, MFMA 2015–2016*, AGSA, Pretoria.
- Auditor-General of South Africa (AGSA), 2020a, *General report on audit outcomes of local government, MFMA 2018–2019*, AGSA, Pretoria.
- Auditor-General of South Africa (AGSA), 2020b, *First special report on the financial management of Government's COVID-19 initiatives*, AGSA, Pretoria.
- Auditor-General of South Africa (AGSA), 2021, *General report on audit outcomes of local government, MFMA 2019–2020*, AGSA, Pretoria.
- Auditor-General of South Africa (AGSA), 2022, *General report on audit outcomes of local government, MFMA 2020–2021*, AGSA, Pretoria.
- Bizana, N., Naude, M.J. & Ambe, I.M., 2015, 'Supply chain management as a contributing factor to local government service delivery in South Africa', *Journal of Contemporary Management* 12(1), 664–683, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC175530>.

- Corporate Governance and Traditional Affairs (COGTA), 2009, *State of local government: National state of local government*, Corporate Governance and Traditional Affairs (CGTA), Pretoria.
- Drisko, J.W. & Maschi, T., 2016, *Content analysis. Pocket guide to social work research methods*, Oxford University Press, New York, NY.
- Enwereji, P.C. & Uwizeyimana, D., 2019, 'Exploring the key factors that can enhance municipal financial accountability in Africa: Experience from South Africa', *African Renaissance* 16(Special Issue 3), 143–165. <https://doi.org/10.31920/2516-5305/2019/SIn3a10>
- Essig, M., & Dorobek, S. 2006, 'Adapting the balanced scorecard to public supply chain management', in S. Croom, P. Carter & M. Day (eds.), Paper, 104.
- Fuzile, L. 2015, *Public sector supply chain management review*, Department of National Treasury Republic of South Africa, pp.4–8.
- Glasser, M.D. & Wright, J., 2020, 'South African municipalities in financial distress: What can be done?', *Law, Democracy & Development* 24(1), 413–441. <https://doi.org/10.17159/2077-4907/2020/ldd.v24.17>
- Krippendorff, K., 1980, *Content analysis: An introduction to its methodology*, The Annenberg School for Communication, University of Pennsylvania, Sage.
- Laubscher, L.H., 2012, 'Challenges on financial control and accountability in South African municipalities', *Journal for New Generation Sciences* 10(1), 63–79, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC126834>.
- Magagula, D.N., Mukonza, R.M., Manyaka, R.K. & Moeti, K., 2022, 'The role of district municipalities in service provision in South Africa: Dissecting challenges faced by Ehlanzeni District Municipality', *Africa's Public Service Delivery and Performance Review* 10(1), 628. <https://doi.org/10.4102/apsdpr.v10i1.628>
- Mantzaris, E. & Ngcamu, B.S., 2020, 'Municipal corruption in the era of a COVID-19 pandemic: Four South African case studies', *Journal of Public Administration* 55(3–1), 461–479, viewed 04 July 2022, from <https://hdl.handle.net/10520/ejc-jpad-v55-n3-1-a4>.
- Mantzaris, E.A., 2017, 'Trends, realities, and corruption in supply chain management: South Africa and India', *African Journal of Public Affairs* 9(8), 121–134, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC-ab5687741>.
- Masegare, P. & Ngoepe, M., 2018, 'A framework for incorporating implementation indicators of corporate governance for municipalities in South Africa. Corporate Governance', *The International Journal of Business in Society* 18(4), 581–593. <https://doi.org/10.1108/CG-11-2016-0216>
- Masegare, P.M., 2016, 'Critical analysis of corporate governance implementation and control systems within the municipal sector in Gauteng province in South Africa', Doctoral dissertation, University of KwaZulu Natal.
- Mathiba, G., 2020, 'Corruption, public sector procurement and COVID-19 in South Africa: Negotiating the new normal', *Journal of Public Administration* 55(4), 642–661, viewed 04 July 2022, from <https://hdl.handle.net/10520/ejc-jpad-v55-n4-a5>.
- Mathiba, G.L. & Lefenya, K., 2019, 'Revitalising the role of the auditor-general under the auspices of the public audit amendment Act 5 of 2018: A quest for public financial accountability', *Journal of Public Administration* 54(4), 532–545, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC-1bc62a939b>.
- Matlala, L.S. & Uwizeyimana, D.E., 2020, 'Factors influencing the implementation of the auditor general's recommendations in South African municipalities', *African Evaluation Journal* 8(1), 1–11. <https://doi.org/10.4102/aej.v8i1.464>
- Mbewu, B.W. & Barac, K., 2017, 'Effective internal audit activities in local government: Fact or fiction?', *Southern African Journal of Accountability and Auditing Research* 19(1), 15–33.
- Mishi, S., Mbaleki, N. & Mushonga, F.B., 2022, 'Financial mismanagement and efficiency trade-off in local municipalities: Lessons from Eastern Cape, South Africa', *Journal of Local Government Research and Innovation* 3, 16. <https://doi.org/10.4102/jolgr.v3i0.68>
- Mofolo, M.A., 2015, 'Achieving clean audits: Key considerations for a sound internal control environment in South African municipalities', *Journal of Public Administration* 50(4), 887–902, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC187516>.
- Mofolo, M.A., 2020, 'Ubiquity of qualified audits in South African municipalities: Case of Category B municipality in the Free State Province', *Journal of Public Administration and Development Alternatives (JPADA)* 5(1), 95–109, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC-1f1ff517ca>.
- Moji, L., Nhede, N.T. & Masiya, T., 2022, 'Factors impeding the implementation of oversight mechanisms in South African municipalities', *Journal of Local Government Research and Innovation* 3, 8. <https://doi.org/10.4102/jolgr.v3i0.94>
- Moloi, T. 2009, 'Assessment of corporate governance reporting in the annual reports of South African listed companies', Masters Dissertation, University of South Africa.
- Motubatse, K.N., Ngwakwe, C.C. & Sebola, M.P., 2017, 'The effect of governance on clean audits in South African municipalities', *African Journal of Public Affairs* 90, 90–102, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC-6a09833e2>.
- Munzhezdi, P.H., 2016, 'South African public sector procurement and corruption: Inseparable twins?', *Journal of Transport and Supply Chain Management* 10(1), 1–8. <https://doi.org/10.4102/jtsm.v10i1.197>
- National Treasury (NT), 2020a, *Municipalities meeting criteria for determining serious financial problems in terms of section 138 & 140 of the MFMA*, Treasury Office, Pretoria.
- Ngcobo, E., 2016, 'The role of executive leadership in municipal infrastructure asset management', *CIGFARO Journal Chartered Institute of Government Finance Audit and Risk Officers* 17(1), 18–21, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC-ca4207309>.
- Ngcobo, E., 2018, 'Redefining 21st-century asset management—a municipal perspective', *CIGFARO: Journal Chartered Institute of Government Finance Audit and Risk Officers* 18(3), 30–31, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC-ee5675c8a>.
- Ntonzima, L., 2011, 'Public financial controls: Can South African municipalities improve?', *Journal of Public Administration* 46(3), 1010–1022.
- Nzama, L., 2019, 'Do poor financial performance indicators affect municipal grants budget allocation in South Africa', *Journal of Reviews on Global Economics* 8, 1514–1528. <https://doi.org/10.6000/1929-7092.2019.08.135>
- Nzama, L., 2023, 'A governance framework for non-performing municipalities in South Africa', Doctoral Dissertation, University of Johannesburg.
- Olowosegun, O., 2019, 'An alternative corporate governance framework for the Nigerian banking sector', Doctoral Dissertation, University of Johannesburg.
- Peters, S. & Van Nieuwenhuyzen, H., 2012, *Understanding the dynamics of the capacity challenges at the local government level*, Technical Report: 2013/14 Submission for the Division of Revenue, Treasury Office, Pretoria.
- Rangwato, T.E., Mukonza, R. & Molepo, J., 2022, 'The spending of municipal infrastructure grant at Ba-Phalaborwa municipality', *Journal of Local Government Research and Innovation* 3, 11. <https://jolgr.org/index.php/jolgr/article/view/88>
- Republic of South Africa (RSA), 1996, *The Constitution of the Republic of South Africa (Constitution)*, No. 108 of 1996, Government Printing Works, Pretoria.
- Republic of South Africa (RSA), 1998, *The South African Local government: Municipal Structural Act*, No. 117 of 1998, Government Printing Works, Pretoria.
- Republic of South Africa (RSA), 2000, *The South African Local government: Municipal Systems Act*, No. 32 of 2000, Government Printing Works, Pretoria.
- Republic of South Africa (RSA), 2003, *The South African Local government: Municipal Finance Management Act*, No. 56 of 2003, Government Printers, Pretoria.
- Ryan, C., 2020, *Insight: Why municipalities, except in the Western Cape are failing miserably*, viewed 04 July 2022, from <https://citizen.co.za/business/business-news/2338777/insight-why-municipalities-except-in-the-western-cape-are-failing-miserably/>.
- Sebola, M.P., 2015, *Local government administration in post-Apartheid South Africa: Some critical perspectives*, Batalea Publishers (Pty) Ltd.
- Stemler, S., 2001, 'An overview of content analysis', *Practical Assessment, Research & Evaluation* 7(17), 137–146.
- Thobakgale, M.P. & Mokgopo, T.I., 2018, 'Public procurement and South Africa's 1996 constitution: Panacea for combating corruption?', *Journal of Public Administration and Development Alternatives (JPADA)* 3(1), 41–54, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC-107c325899>.
- Tshilo, M. & Van Niekerk, T., 2016, 'The management of suppliers as part of municipal procurement management practices in district municipalities of the Free State province: A theoretical perspective', *Interim: Interdisciplinary Journal* 15(2), 109–126, viewed 04 July 2022, from <https://hdl.handle.net/10520/EJC-6cf9ed817>.
- Van Niekerk, T. & Dalton-Brits, E., 2016, 'Mechanisms to strengthen accountability and oversight within municipalities, with specific reference to the Municipal Public Accounts Committee and the Audit Committee of Mangaung Metropolitan Municipality', *African Journal of Public Affairs* 9(3), 117–128.
- Woods, G. & Mantzaris, E.A., 2012, *The anti-corruption reader*, Accerrus, School of Public Leadership, Stellenbosch University.
- Zindi, B. & Sibanda, M.M., 2022, 'Barriers to effective supply chain management: The case of a metropolitan municipality in the Eastern Cape', *Journal of Local Government Research and Innovation* 3, 11. <https://doi.org/10.4102/jolgr.v3i0.54>
- Zweni A.G., Yan, B. & Uys, C., 2022, 'Modelling budget management for public service in South African Municipalities: A structural equation modelling approach', *Journal of Local Government Research and Innovation* 3, a73. <https://doi.org/10.4102/jolgr.v3i0.73>