

**An assessment of clean audit
outcomes as an effective
determinant of good service
delivery: A case study of
Midvaal Local Municipality**

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of the requirements for the degree
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Declaration

I Khasodi Mzwakhe Samuel, student no. 29339332 hereby declare that the dissertation titled **an assessment of clean audit outcomes as an effective determinant of good service delivery: A case study of Midvaal Local Municipality** is my own original work that made use of other sources that informed this study.

- This dissertation is submitted in partial fulfilment of the requirements for degree Master's in Public Management & Governance at North West University, Vaal Campus. It has not been submitted before for any degree or examination to any other University.
- It is my own unaided work; that made use of other sources, which are referenced accordingly in accordance with NWU Policy on Plagiarism. See reference list attached.

Khasodi Mzwakhe Samuel

(Signature of Candidate)

22 March 2023

Dedication

I dedicate this dissertation to my dearest daughter Nokukhanya Uyinene, whom at the time of the submission of this study had just turned 1 year 7 months. I want her to learn from me that life has no short cuts; and that – “all things work together for good to those who love GOD, to them who are called according to his purpose”

Romans 8:28.

In times of distress – ***she should learn that Prayer is a mighty weapon at the disposal of every man!***

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“Last but not least, I wanna thank me

I wanna thank me for believing in me

I wanna thank me for doing all this hard work

I wanna thank me for having no days off

*I wanna thank me for, for never quitting” **Snoop Dogg***

I, therefore, congratulate myself for putting together this important dissertation on Auditor-General Reports and Service Delivery. Lastly, I would like to thank **God almighty** for his Grace, Wisdom and Blessings to allow me to successfully finish this study.

Abstract

Local government, like many other public-sector organisations in South Africa, get audited by the office of the Auditor-General, to obtain the current state of the municipal financial status and audit opinions for a specific financial year. Clean audits are a standard, which municipalities are required to uphold, but clean audit outcomes have no prospective significance, if they do not yield tangible differences such as good service delivery into the lives of their constituencies. Through the findings of the office of the Auditor-General, it is commonly found that some municipalities achieve clean audits, even though they are overwhelmed by extreme poor performance when it comes to service delivery. Although majority of municipalities faces the crisis of achieving desirable audit outcomes; South Africa has specific utmost success stories of municipalities with clean audits such as Midvaal Local Municipality.

The purpose of this study is to assess if clean audit outcomes of Midvaal Local Municipality can be used as effective determinants of good service delivery within the municipality. The study adopted Theory of Change that underpin Management Performance Assessment Framework as the main theoretical framework of the study; complimented by Management Performance Assessment Framework and Tool (MPAT) as the conceptual framework of the study. The study utilised online qualitative survey with open ended questions and literature review as data collection method to investigate the extent in which clean audit outcomes of Midvaal Local Municipality can be used as an effective determinant of good service delivery within the municipality.

Central to the purpose and outcome of the study, it was established that clean audit outcomes of Midvaal Local Municipality cannot be used as an effective determinant of good service delivery within the municipality. Moreover, the study established that the Midvaal Local Municipality has effective management practices that place the municipality in good position to delivery services effectively and efficiently. Wherein, this management practices can be used as effective determinants of good service delivery within the municipality; since they yield positive impact on the municipal financial viability, which solely translate to clean audit outcomes.

Key words: audit outcomes, auditor-general, service delivery, local government, municipalities.

LIST OF ACRONYMS AND ABBREVIATION

| | |
|-------|--|
| AG | Auditor-General |
| AGSA | Auditor-General South Africa |
| COGTA | Cooperative Governance and Traditional Affairs |
| DA | Democratic Alliance |
| DPME | Department of Planning, Monitoring & Evaluation |
| FSDM | Frontline Service Delivery Monitoring |
| IAFs | Internal Audit Functions |
| IDP | Integrated Development Plan |
| ISA | International Standard on Auditing |
| ISS | Institute of Security Studies |
| KPA | Key Performance Areas |
| LED | Local Economic Development |
| MLM | Midvaal Local Municipality |
| MPAC | Municipal Public Accounts Committee |
| MPAT | Management Performance Assessment Framework and Tool |
| MTSF | Medium Term Strategic Framework |
| NDP | National Development Plan |
| NPM | New Public Management |
| NSG | National School of Government |
| PFMA | Public Finance Management Act |
| PM&E | Performance Monitoring and Evaluation |
| PMS | Performance Management System |
| RAC | Rural Area Committees |

| | |
|-------|---|
| SAI | Supreme Audit Institutions |
| SCOPA | Standing Committee on Public Accounts |
| SDBIP | Service Delivery & Budget Implementation Plan |
| TBVC | Transkei, Bophuthatswana, Venda & Ciskei |
| WHO | World Health Organisation |

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CHAPTER 1

ORIENTATION, BACKGROUND OF STUDY AND PROBLEM STATEMENT

1.1 Introduction

Midvaal Local Municipality is applauded for good governance and sound financial management (MLM IDP, 2015/6:79). The following study assessed if clean audit outcomes of Midvaal Local Municipality can be used as effective determinants of good service delivery within the municipality. Midvaal Local Municipality is recognized by Municipal Structures Act as a Category B municipality that is divided into 15 wards. The following chapter is a blueprint that outlines the structure of the study. It firstly, delves into providing a detailed orientation and background of the study, which is followed by the identification of the problem statement, and the conceptual and theoretical framework of the study. It specifies research questions, objectives, methodology, literature study, data analysis and interpretation. Lastly, it highlights the significance of the study, limitations, and ethical considerations. The chapter serve as a detailed blueprint that defines the scope of the study and how the research was to be conducted procedurally for the purpose of compiling the research report.

1.2 Orientation and background

In South Africa's historiography, the existence of the office of the Auditor General of South Africa emerged from a series of various Acts passed from Dutch and British colonial powers to the current democratic parliamentary system that conferred significant reforms within the public sector. In such instances, the struggle to professionalize the public sector came into effect in the late 1930s during the global economic depression. Precisely, New Public Management school of thought in the early 1970s did not only affect the public sector, but Supreme Audit Institutions also such as the office of the Auditor-General were immensely affected by its wide-reaching reforms. According to (Keita, 2014:9) New Public Management principles became significant and were seen as a means for government to recover from budget deficits.

Moreover, one of the largest reforms in the public sector came in the early 1960s and 1970s “with the ideas that grew out of the New Public Management Movement” (Holzer & Schweste, 2011: 32). Reforms of New Public Management deliberately enhanced the role of governance, based on transparency, accountability, effectiveness and efficiency in the public sector. On the other hand, the enactment of the new South Africa Constitution in 1996 brought about far-reaching changes in the office of the Auditor-General. Chitiga-Mabugu *et al.* (2014:21) stated that among many other historic policy shifts in the Supreme Audit Institution, was the incorporation of the pre-1994 Auditor-General offices of the former independent states TBVC (Transkei, Bophuthatswana, Venda and Ciskei) into South Africa governance.

Prior to democracy, South Africa had a fragile history of public service, which was dominated by apartheid bureaucratic policies. Hence, in 1990s according to Posel (1999) several policies were speedily produced in order to bring about the desired transformation of South Africa, in general, and the public service in particular. The transformation of the public service became increasingly linked to the broader project of nation-building (Chitiga-Mabugu *et al.* 2014:3). As such extensive scholarly literature (McConnachie, 2017; Mhlauli, Mokotedi, & Salani, 2015; Van der Westhuizen & Swart, 2015) provides evidence that post-apartheid, the new democratic governance in South Africa was geared to reform the public sector from national, provincial, to local government. Therefore, it was pre-eminent at that time for the office of the Auditor-General to gain full independence from other states organs and that independence became enshrined in the country’s democratic constitution. These reforms particularly in the local sphere of government were informed by newly adopted legislative frameworks such as:

- Public Service Act, 1994;
- Constitution of the Republic of South Africa, 1996;
- The White Paper on Local Government, 1998;
- Public Finance Management Act, 1999; and
- Public Audit Act, 2004.

Fast-forward to a democratic state, (De Visser, 2005; Madumo, 2012; Makwebere & Munzhedzi, 2019) opine that local sphere of government in South Africa is democratised and therefore, widely known as the closest sphere to the people and

also known in terms of service delivery as enacted in the constitution. In such instances, municipalities are entrusted with the constitutional responsibility of managing municipal funds and the actual delivery of services such as water, electricity, weekly refuse removal and sewage services within their communities for the establishment and realisation of Local Economic Development (LED). Despite such constitutional obligations, literature provides an important plethora of evidence (Chakrapani & Sahgal, 2003; Mathebula, 2014; Ngoepe & Ngulube, 2013) that the fulfilment of such realisation within South Africa municipalities is delusional and is not as easy as it may seem.

Since many municipalities are overwhelmed with a backlog of maladministration, mismanagement of funds, poor-performance and disruptive service delivery, which often trigger poor service delivery or non-delivery of services, at all in certain municipalities. Currently, a sizeable number of South Africa municipalities are known for ageing municipal infrastructure, lack of proper operation and maintenance thereof. Furthermore, according to (Laubscher, 2012:63) municipalities are confronted with significant challenges that hinder effective and efficient financial control. Amongst many others, such challenges can be attributed to lack of expertise, an inability to collect arrear debt, extensive corruption, exorbitant public official's salaries and bonuses.

With many municipalities already having strained cash flows; financial mismanagement has accelerated the inability of municipalities to collect sufficient income from citizens to pay for services delivered. Poor recruitment system of inexperienced municipal officials and councillors is at the helm of the inefficient service delivery on the local sphere of government. Dorasamy *et tal* (2015:32) further outlined that the importance of well-functioning municipalities in the development process of the public sector is indisputable in South Africa. Dorasamy *et tal* (2015) also argued that the challenge, however, within municipalities is finding ways to establish effective structures capable of managing funds and administering services in an effective and efficient manner.

Therefore, in some instances, it appears that internal measures, such as audit committees, placed to prevent mismanagement of funds in municipalities, are not always sufficient, and can be easily contaminated by the culture of corruption and

mismanagement. Although public sector financial management reforms and effective service delivery have been on the agenda of municipality development patterns for decades, municipalities are still faced with financial management problems and lack of service delivery (Owusu, 2012).

Evidence demonstrates that many municipalities lack corrective measures; as such, the following legislative framework requires municipalities to be audited:

- Public Finance Management Act, 1999;
- Municipal Finance Management Act, 2003; and
- Public Audit Act, 2004.

According to the Office of the Auditor-General (2019) the road for South African municipalities to achieve clean audits appears to be a difficult one, since there is lack of proper monitoring and evaluation systems within municipalities; hence municipalities fail to monitor their actual income and expenditure that often results to the compromise of budget, through irregular financial reporting and improper corrective action. The 2014/15 Auditor-General report outlined that majority of municipalities failing to obtain clean audits emanate from weaknesses within the municipal internal control drivers such as:

- Lack of proper financial and performance management;
- Lack of financial governance structures;
- Lack of compliance with laws and regulations; and
- Poor internal audit functions.

Daily Business Insider article (2020) provided an analysis that in 2019/2020 financial year close to 90% of municipalities failed to obtain clean audits. However, according to (AGSA, 2019) although majority of municipalities faces the crisis of achieving desirable audit outcomes, South Africa has specific utmost success stories of municipalities with clean audits. In that case, Midvaal Local Municipality, which this research entirely seeks to study forms part of the 8 % of municipalities in South Africa that has successive history of clean audits (Gerber, 2020). The municipality according to (AGSA, 2020) has a well-structured organisational culture with a deliberate political and administrative leadership, which comprises of transparency, accountability and good financial practices that has benefited the municipality with clean audit outcomes for years; therefore, applauded as the best municipality with good governance in Gauteng.

However, according to Institute of Security Studies, (2015) clean audits are a standard, which municipalities are required to uphold, but clean audit outcomes have no prospective significance, if they do not yield tangible differences such as good service delivery into the lives of their constituencies. Good Governance Africa (2019:2) further argued that good performance on paper “good municipal financial statements” may not necessarily translate into good service delivery. Hence, there is a significant need to carefully assess if the recognition of clean audit outcomes relatively translates into improved service delivery and higher levels of satisfactions amongst citizens in the grassroots levels. Given this background this study seeks to assess if clean audit outcomes of Midvaal Local Municipality obtained from the period of 2015-2021 financial years, can be used as an effective determinant of good service delivery within the municipality.

1.3 Problem statement

Local government, like many other public-sector organisations in South Africa, get audited by the office of the Auditor-General, to obtain the current state of the municipal audit opinions for a specific financial year. As such, the office of the Auditor-General plays a significant role in ensuring that municipalities account on how they use taxpayer’s money; therefore, enhancing pillars of a constitutional democracy.

According to (AGSA-Report, 2019) municipalities spent an estimated amount of R1.26 billion on consultants to assist in drafting municipal financial statements, yet majority of municipalities failed to obtain clean audits. From the outcomes of the audits of the Auditor-General, it is commonly found that some municipalities achieve clean audits, even though they are overwhelmed by extreme poor performance when it comes to service delivery. This appears to be the case across provinces, with audit regression within their municipalities in South Africa. In such instances, according to Ncapayi & Ntsebeza (2019) municipalities in question struggle to provide adequate basic services at the community level and are failing to fulfil one or more of the essential requirements of the functions of the Office of the Auditor-General, which is to avoid unauthorised expenditure, irregular expenditure, and wasteful expenditure.

In that context, history of South African municipalities, comprises of crippled governance with debts, inadequate payment of water and electricity, unauthorised

expenditure and inaccurate revenue collection; thus, entirely seeking intervention from national government. In contrast, it is the assumption of this study, that although good financial statements of a municipality often tell the story of how well a municipality is managed financially; it does not relatively mean good service delivery, which is a point of departure also supporting the argument of this study. It is also paramount according to (Motubatse, 2017) to demystify the misconception held by many public officials within South Africa municipalities and the public at large, that public institutions with clean audit outcomes have good service delivery. On the other hand, Mashalaba (2016) further argued that continuous clean audit outcomes awarded to municipalities and relative citizens dissatisfaction when it comes to service delivery, often make the concept of clean audit problematic on face value.

In such instances, this study will focus on 2015-2021 financial year clean audit outcomes of Midvaal Local Municipality. The study will investigate if clean audit outcomes of the municipality can be used as an effective tool to determine good service delivery within the municipality. This will be achieved by assessing whether the opinions of 2015-2021 clean audit outcomes of Midvaal Local Municipality reflects the actual idealization of associating the municipality with good service delivery. Furthermore, evidence will be retrieved from analysing the Auditor-General (2020) Integrated Annual Report and Municipal Audit results themed “not much to go around, yet not the right hands at the till”. These reports make some inherent findings that irregular expenditure within municipalities remained high, while non-compliance in relation to supply chain management legislation continued to increase; therefore, causing the deterioration of municipal financial health in 2019/2020 financial year.

1.4 Conceptual framework for the study

This study will be guided by the **Management Performance Assessment Framework and Tool (MPAT)** as the conceptual frameworks for the study. Camp (2001) defines conceptual framework as a combination of concepts, constructs and empirical research, which the researcher uses to best explain natural progression of the studied phenomenon. According to Maphela (2015) Management Performance Assessment Framework and Tool is a collaborative initiative led by the Department for Performance Monitoring and Evaluation (DPME). This has been done in

collaboration with the transversal departments responsible for improving management practice.

Management Performance Assessment Framework and Tool (MPAT):

The framework and tool present a structured, integrated and aligned approach that has clear roles and responsibilities for stakeholders, including reporting and accountability measures (Department of Planning Monitoring and Evaluation, 2011). This framework is paramount since, it seeks to promote the assessment of the public service towards improved service delivery through an institutionalised monitoring and evaluation system.

The conceptual framework understanding is.....

Improved management practices are the key to an improved public service and will contribute to improving service delivery through providing a holistic picture of the quality of management practices within a department or municipality, against common standards. This information can be used by management to inform improvements and can be used by transversal departments to provide support where it is needed most (Department of Planning Monitoring and Evaluation, 2015).

The Management Performance Assessment Framework and Tool (MPAT) process is designed to assess the quality of management practices in four key performance areas (KPA).

- **Key Performance Area 1: Strategic Management** - It “includes the deployment and implementation of the strategic plan throughout the organisation, the measurement and evaluation of results, and the implementation of improvements based on monitoring and evaluation.” (Presidency, 2013: 17).
- **Key Performance Area 2: Governance and Accountability** - Focusing “on a select number of management practices that underpin good governance and promote accountability in public administration.” (Presidency, 2013: 21).
- **Key Performance Area 3: Human Resource Management** - Addresses the quality of human resource management practices as they influence on the

overall performance of the organisation and its delivery of services (Presidency, 2013: 27).

- **Key Performance Area 4: Financial Management** - Builds on the work of the Accountant General of National Treasury to assess the economic use of public finances (Presidency, 2013: 33-34).

Stakeholders who can use the framework include:

The office of the Auditor-General of South Africa

According to Maphela (2015:20) this framework can thus be used as a transparent basis for assessing levels of compliance. This will help departments and the office of the Auditor-General of South Africa by making the basis for audit in these areas clear as well as making provision for a lead-in period for new policy.

1.5 Theoretical framework for the study

This study will be guided by **Theory of Change** that underpin Management Performance Assessment Framework and Tool (MPAT) as the theoretical framework of the study. Theoretical framework according to (Grant & Osanloo, 2014) is an integral part that guides research inquiry. Thus, theoretical framework is the basis that resonates with every aspect of the study, and it also significant to outline the structure that defines the methodology, epistemology, philosophy, and the analytical approach of the research.

Theory of Change that underpin Management Performance Assessment Framework and Tool (MPAT)

The theory states that “quality management practices such as – how institutions plan; manage staff, finances, and infrastructure; how institutions are governed and how institutions account for performance - has a significant influence on the quality of the outputs the institution produces, the outcomes achieved, and ultimately, the impact services have on society. Therefore, to improve the performance of an organisation, it is essential that management practices of an organisation are assessed and strengthened”.

The theoretical framework understanding is..... “Good management practice is a precondition for effective, sustainable service delivery” (Department of Planning Monitoring and Evaluation, 2015).

1.6 Research questions

Primary research questions for the study:

How effective is clean audit outcomes in determining good service delivery at Midvaal Local Municipality.

This study is proposed to answer the following sub-questions, specifically in relation to Midvaal Local Municipality:

- What influences levels of compliance with legislative frameworks guiding municipal audits and service delivery at Midvaal Local Municipality?
- What are management practices that enforce good financial management & good service delivery at Midvaal Local Municipality?
- To what extent do clean audit outcomes, good governance and Municipal Public Accounts Committee (MPAC) work together to improve the service delivery performance of Midvaal Local Municipality?
- What recommendations can be made for Midvaal Local Municipality to continuously obtain successive clean audit outcomes?

1.7 Research objectives

The following study is categorized into two objectives:

How effective is clean audit outcomes in determining good service delivery at Midvaal Local Municipality.

Specific research objectives:

- To determine what influences levels of compliance with legislative framework guiding municipal audits and service delivery at Midvaal Local Municipality.
- To identify management practices that enforces good financial management & good service delivery at Midvaal Local Municipality.
- To determine the extent in which clean audit outcomes, good governance, Service Delivery & Budget Implementation Plan (SDBIP) and Municipal Public

Accounts Committee (MPAC) work together to improve service delivery performance of Midvaal Local Municipality

- To make recommendations for Midvaal Local Municipality to continuously obtain successive clean audit outcomes.

1.8 Preliminary literature review

In recent years, the term clean audit opinion has come under significant scrutiny as a result of repeated local government failure to achieve better audit outcomes and good service delivery in South Africa (Cooperative Governance and Traditional Affairs, 2009; National Treasury, 2014). The office of the Auditor-General, Ministry of Cooperative Governance and Traditional Affairs along National Treasury has confirmed and emphasized the importance of municipalities to achieve clean audit opinions as an essential standard of good governance (National Treasury, 2014; COGTA, 2009; AGSA, 2011/12). In contrast, Mashalaba (2016) further argued that continuous clean audit outcomes awarded to municipalities and relative citizens dissatisfaction when it comes to service delivery, often make the concept of clean audit problematic on face value. Poor leadership, weak financial management, and weak governance has been attributed as challenges that hinder the achievement of clean audit outcomes (Mazibuko & Fourie, 2013; Deloitte, 2013a); and these challenges are not unique to South Africa municipalities (COGTA, 2009).

Although, much of the preliminary literature like the ones conducted by (Mathebula, 2016); (Musokeru, & Nzewi, 2014); (Mofolo, 2015) and (Aadnesgaard, & Willows, 2016), focused on various aspects such as challenges faced by the office of the Auditor-General, budgeting at the local sphere of government, efficiency of good governance on audit outcomes. While the one conducted by (Mathiba, 2020) focused on investigating the role of the Auditor-General in promoting efficient financial management in municipalities. As such even though, Mashalaba (2016) and Graig (2017) conducted studies to assess the relationship between municipality audits outcomes and service delivery. In overall the findings of these studies thus appear to be limited in assessing if clean audit outcomes of municipalities can be used as an effective determinant of good service delivery.

In comparison, related literature conducted by (Deloitte, 2013; Van der Walt, 2012; Mazibuko & Fourie, 2013) mainly focused on mechanisms put in place by the office

of the Auditor-General to certainly improve municipal audit opinions from “disclaimer”, to “adverse” through to “qualified” and ultimately “clean audit” status. In such instances, previous studies failed to extensively provide a comprehensive and structured analysis about any interrelations clean audits have on good service delivery. Therefore, there is little literature about effective management practices that places the municipality in good position to deliver services effectively and efficiently. Wherein, this study specifically aims to address that gap in literature and showcase management practices that can be used as effective determinants of good service delivery within Midvaal Local Municipality and elsewhere in local government; since they yield positive impact on the municipal governance and financial viability, which solely translate to clean audit outcomes and good service delivery.

Therefore, if researchers, municipal officials, and the public at large want a better understanding of how clean audit outcomes interrelates with good service delivery, then examining internal and external control that influences good service delivery such as effective management practices is critical. This study necessitated future research, which for instance, could contribute to providing literature and further investigate how the achievement of clean audit outcomes interrelates with good service delivery within municipalities and elsewhere in public institutions within South Africa. Such research could contribute to identifying useful strategic mechanisms, which if fully implemented will enable municipalities to achieve good service delivery along with clean audit outcomes.

1.9 Research design and methodology

In its nature this study employed qualitative exploratory design (Riviera, 2011:615; Polit *et al*, 2001:19; Burns & Grove, 2003:201; Mouton, 1996:133). This method was appropriate for the researcher to conduct this study. Underneath, the researcher explores the nature of the research design and methodology adopted in this study through a thorough discussion.

1.9.1 Research design

This study employed qualitative research method which is explorative in nature (Riviera, 2011:615; Polit *et al*, 2001:19; Burns & Grove, 2003:201; Mouton, 1996:133). Amongst other things, in this study the focus was on the assessment of

clean audit outcomes as an effective determinant of good service delivery: A case study of Midvaal Local Municipality.

1.9.2 Qualitative research

According to Riviera (2011:615) qualitative research is an investigational paradigm, which connects the philosophical bearing to the observable facts. Qualitative research provides information by case studies, narrative analysis or by proposition. Qualitative researchers are mainly vested in understanding how people attach and make meaning of the world and experiences they have in the world” (Merriam, 1998:6).

1.9.3 Exploratory approach

Exploratory approach is commonly used in qualitative research. Exploratory approach is undertaken when little information is known about the studied phenomenon with research problem that has not been clearly explored (Saunders *et al.*, 2007). For instance, explanatory research looks for causes and reasons and also provides evidence to support or refute an explanation or prediction.

1.10 Data collection methods

1.10.1 Survey: Online qualitative questionnaire with open-ended questions

Survey is a common tool in social research. According to (Braun, *et tal.*, 2021:641) as a primary method of data collection, online qualitative surveys extract qualitative data to offer detailed in-depth new understanding about social issues. In such instances, online qualitative questionnaire surveys are self-administered by the researcher to participants and are made up of open-ended questions, drafted by the researcher for the purpose of understanding the proposed studied phenomenon.

1.10.2 Literature review

This study employed desktop research method for data collection. Desktop research method is generally accepted as equated to literature review and is very concisely defined by Jackson (1994:21) as “the process of accessing published secondary data”. Desktop research exclusively relies on already existing published secondary

data such as books, journals, articles indexed in many databases, which have been collected in the past.

Therefore, for the purpose of this study, it is important to note that the researcher was limited within the boundaries of relevant documented information addressing the studied phenomenon.

Amongst many, this study made use of the following sources:

- i. Theses and Dissertations (South Africa and international).
- ii. Journal Articles.
- iii. Reports from the office of the Auditor General of South Africa (AGSA).
- iv. Government Reports from the municipality and other relevant departments.
- v. Library books from North West University.
- vi. Internet Sources such as relevant pdf documents, newspapers, jstor, and government websites.
- vii. Legislative frameworks governing municipalities

1.11 Population of the study

The population for this study consisted of government officials from Midvaal Local Municipality and selected number of few community members. This targeted population was studied conveniently to contribute to knowledge production of this study.

1.12 Sampling technique

This study employed purposive sampling for selection of research participants, who received an invitation to part-take in the study. Palinkas, *et tal* (2015) “purposeful sampling is commonly utilized in qualitative research for the identification and selection of information-rich cases related to the phenomenon of interest”. This involves identifying and selecting individuals or groups of individuals who are especially knowledgeable about or experienced with a phenomenon of interest (Cresswell & Plano Clark, 2011).

This sampling method was useful to the researcher since it enables the researcher to critically find answers to the proposed research questions.

Table 1: Sample size of the study

| Key Individuals | Number to be interviewed |
|---|--------------------------|
| Chief Financial Officer | 1 |
| Municipal Manager | 1 |
| Executive Mayor | 1 |
| Executive Directors | 3 |
| Performance and Audit Committee | 4 |
| Members of Mayoral Committee | 4 |
| Municipal Public Accounts & Oversight Committee (MPAC) | 6 |
| Ward Councillors | 10 |
| Community members: De Deur/Walkerville, Eikenhof, Meyerton, Vaal Marina | 20 |
| Total | 50 |

Source: (Author 2022)

1.12.1 Data analysis

1.13 Data analysis: online qualitative questionnaire survey

For online qualitative questionnaire survey this study employed thematic analysis. Braun & Clarke (2006) argued that thematic analysis is the basis for qualitative analysis, since it can provide significant skills to undertake other alternative forms of qualitative analysis. Therefore, thematic analysis is a research analysis method for “identifying, analyzing, organizing, describing, and reporting themes found within a data set” (Braun & Clarke, 2006).

1.14 Data analysis: literature review

For Literature review this study employed qualitative content analysis. According to (Schreier, 2012) this method is one of the several qualitative methods currently available for analysing desktop data and interpreting its meaning. Qualitative content analysis can be applied in either inductive or deductive format. Elo & Kyngäs (2008) both inductive and deductive content analysis processes involve three main phases: preparation, organization, and reporting of results. In this study qualitative content

analysis was used to analyse coded data from secondary sources. It was further, used to review data validity, reliability, and trustworthiness of content categories (Dey, 1993).

1.15 Significance of the study

This study is significant, since few studies in the context of South Africa municipalities were conducted to determine if clean audit can be used as an effective tool to determine good service delivery; particularly in municipalities with successive clean audit outcomes such as Midvaal Local Municipality. The study is also paramount to demystify the misconception held by many public officials within South Africa municipalities and the public at large that public institutions with clean audit outcomes have good service delivery. There is little literature about effective management practices that places the municipality in good position to deliver services effectively and efficiently. Wherein, this study is significant since it aims to address that gap in literature and showcase management practices that can be used as an effective determinants of good service delivery within Midvaal Local Municipality and elsewhere in South African local government; since they yield positive impact on the municipal governance and financial viability, which solely translate to clean audit outcomes and good service delivery. Furthermore, the study also aims to enlighten municipal officials about internal and external control that influence good service delivery.

1.16 Delimitation of the study

This study focused on the assessment of clean audit outcomes and service delivery of Midvaal Local Municipality through document analysis and administration of online qualitative questionnaire survey. Though the researcher reach-out to select few Midvaal Local Municipality officials to participate in the study as research respondents of the online qualitative questionnaire survey, it was not possible for the researcher to get all responses of the officials. Furthermore, participants did not finish answering all open-ended questions in the online qualitative questionnaire survey. Apart from collecting data from online survey questionnaires, the researcher mainly relied on available data from secondary literature sources.

1.17 Ethical consideration

The researcher complied with ethical requirements of the North West University in conducting this research. Goddard and Melville (2001:108) assert that the researcher should be certain that the research topic is morally acceptable. In such instances, the researcher should ensure that methods adopted to research the topic are morally acceptable.

While conducting this study, the researcher ensured that the following moral principles of ethics are always upheld by the researcher:

- **Ethics training**

The researcher attended sessions of research training facilitated by Basic and Social Sciences Research Ethics Committee (BaSSREC). Furthermore, the researcher undertook an online ethics course from the University of Hong Kong and successfully obtained Introduction to Research Ethics, Research Ethics Evaluation, and Informed Consent & South Africa certificate from TRREE training programme in research ethics evaluation.

- **Gatekeeper Letter and ethics approval**

The researcher sent a request letter to conduct research at Midvaal Local Municipality to the Municipal Manager and obtained confirmation from the authorities to conduct the study. Upon receiving gatekeeper letter the research applied for ethics approval and the study was approved by chairperson of Basic and Social Sciences Research Ethics Committee (BaSSREC) **NWU – 00975 – 22 – A7**(See attached).

- **Consent form**

A consent form was sent and communicated to all research participants by the researcher. The form clearly detailed the role of the participants in this study and the intent of the research. Furthermore, research participants got consent forms send by the researcher stating that the researcher is for academic purpose and entirely voluntarily.

- **Confidentiality of participants**

The researcher always ensured that the identity of participants is always kept confidential. This was maintained and safeguarded by using numbering and letter system i.e. (1A). Therefore, each questionnaire handedover to research participants was identified through a letter and a number. Thus, ensuring that participants are protected, and their identity is kept secured and safely.

- **Foreseeable risk**

In its nature the study had no foreseeable risks for research participants. Data collection in the form of online qualitative questionnaire survey with open-ended questions was conducted with officials of Midvaal Local Municipality and few selected members of the community, the researcher sent the link of the survey to participants and at all times ensured that the privacy of participants is guaranteed. The study was also supplemented by literature review.

- **Compensation**

It was clearly stated that the study is entirely voluntarily, and no participant was compensated in any form, this was clearly detailed and communicated in the consent form.

- **Plagiarism**

The researcher always acknowledged the intellectual property of all secondary literature data used by properly referencing them.

Dissemination of the study results

For the purpose of making this study publicly accessible, the researcher intends to disseminate the findings of the study as follows:

- Publish the study on the Institutional Repository of the North-West University (NWU-IR), which is an open access database.
- Publish an academic article from the study, to capture academic audience of public administration scholars and other interested parties such as office of the Auditor-General.
- Employees of Midvaal Local Municipality as participants may also become more knowledgeable about the relations between clean audit outcomes and good service delivery.

- Provide the municipality with a copy of the study upon request.

1.18 Chapter Layout

CHAPTER1: ORIENTATION, BACKGROUND OF STUDY AND PROBLEM STATEMENT

This chapter provided a detailed orientation and background of the study to the audience. It served as a detailed blueprint that defines the scope of the study and how the research was to be conducted procedurally for the purpose of compiling the mini-research report.

CHAPTER2: EXPLORATION OF PUBLIC SECTOR AUDITING AND SERVICE DELIVERY IN THE PUBLIC SECTOR

This chapter provided a detailed exploration of literature on public sector auditing and service delivery in the public sector. The chapter highlighted the historical background of the Office of the Auditor-General and its manifestation in South Africa. It further analysed auditing of the public sector and the role of the Auditor-General in auditing the public sector. In such instances, three types of auditing namely compliance auditing, performance auditing and financial auditing that informs auditing of the public sector are also incorporated. The chapter further revised legislative framework guiding the office of the Auditor-General for municipal audits and provide insights on public sector audit outcomes. In addition, the chapter discussed the state institutions supporting auditing of the public sector in South Africa.

As a result, in the second segment this chapter discussed the state of financial management and financial management and accountability cycle in the public sector. Lastly, the chapter discussed state of service delivery in South Africa from the perspective of the office of the Auditor-General. To this end, the chapter reviewed the legislative framework supporting public service and made a review of Monitoring and Evaluation (M & E) of service delivery at local sphere of government along with a highlight of various mechanisms that enhance Monitoring and Evolution (M & E) of municipal services.

CHAPTER3: CONCEPTUAL AND THEORETICAL FRAMEWORK UNDERPINNING AUDIT OPINIONS AND SERVICE DELIVERY

This chapter provided an omnibus of the understanding of theories of public administration. In attempt to understand if clean audit outcomes of Midvaal Local Municipality can be used as an effective determinant of good service delivery within the municipality. This chapter interrogates Management Performance Assessment Framework and Tool (MPAT), as the conceptual framework of the study. Whereas the last part of the chapter analyses Theory of Change that underpin Management Performance Assessment Framework and Tool (MPAT) as the theoretical framework of the study.

CHAPTER4: RESEARCH METHODOLOGY

This chapter primarily focused on providing an overview of research methods adopted to undertake this research study. The chapter highlights objective inquiry employed to conduct the study; along with research methodology, data collection method, data analysis technique and ethical consideration pertaining the study. This chapter is instrumental as it set precedent for (chapter 5 and 6) of the study.

CHAPTER5: RESEARCH RESULTS AND FINDINGS: ASSESSMENT OF CLEAN AUDIT OUTCOMES AS AN EFFECTIVE DETERMINANT OF GOOD SERVICE DELIVERY AT MIDVAAL LOCAL MUNICIPALITY

In this study, the researcher endeavoured to assess if clean audit outcomes of Midvaal Local Municipality can be used as effective determinants of good service delivery within the municipality. In its entirety this chapter discussed crucial findings, interpretations, analyses, results and discussions of this study. The key issues investigated were management practices utilized by Midvaal Local Municipality administrators to achieve good service delivery along with successive clean audit outcomes. Hence the central argument encapsulating this study was that Midvaal Local Municipality has managerial practices that have benefitted the municipality with good service delivery and the achievement of successive municipal clean audits outcomes.

The study adopted Theory of Change that underpins Management Performance Assessment Framework as the main theoretical framework of the study complimented by Management Performance Assessment Framework and Tool (MPAT) as the conceptual framework of the study. The theoretical framework understanding is that good management practice is a precondition for effective,

sustainable service delivery. Whereas the conceptual framework understanding is that improved management practices are the key to an improved public service and will contribute to improving service delivery through providing a holistic picture of the quality of management practices within a department or municipality, against common standards.

CHAPTER6: CONCLUSION AND RECOMMENDATION

The focus of the previous chapter was to present results, with regards to the assessment of clean audit outcomes as an effective determinant of good service delivery at Midvaal Local Municipality (MLM).

The findings of the study in chapter (5) were retrieved from the results obtained from the online qualitative survey with open-ended questions. Then document analysis technique was also employed by the researcher to present the data from literature reviewed. Chapter (5) of the study answered three research questions of the study posed and outlined in chapter (1). This chapter (6) presented summary of the findings of the study and answered research question four of the study outlined in chapter (1), by providing key recommendations for Midvaal Local Municipality to continuously obtain successive clean audit outcomes.

CHAPTER 2

EXPLORATION OF PUBLIC SECTOR AUDITING AND SERVICE DELIVERY IN THE PUBLIC SECTOR

2.1 Introduction

Precisely, this chapter explores literature related to the assessment of public sector auditing and service delivery in the public sector. It briefly reviews the history of the office of the Auditor-General and its manifestation in South Africa. Furthermore, auditing of the public sector is also assessed in the context of South Africa. The chapter further discusses the role of the Auditor-General in auditing the public sector. In such instances, three types of auditing namely compliance auditing, performance auditing and financial auditing that informs auditing of the public sector are also incorporated. The chapter will take a further stance to revise legislative framework guiding the office of the Auditor-General for municipal audits and provide insights on public sector audit outcomes. In addition, the chapter discusses state institutions supporting auditing of the public sector in South Africa. As a result, in the second segment this chapter discusses the state of financial management and financial management and accountability cycle in the public sector.

Lastly, the chapter discusses state of service delivery in South Africa from the perspective of the office of the Auditor-General. According to (Community Survey, 2016) surveys revealed that progressive tremendous impact has been made over past few decades in terms of the delivery of basic services. In quest to understand current challenges, this chapter will discuss current constraints that impede service delivery in the public sector. To this end, the chapter will review legislative framework supporting public service and make a review of Monitoring and Evaluation (M & E) of service delivery at local sphere of government along with a highlight of various mechanisms that enhance Monitoring and Evaluation (M & E) of municipal services. This chapter is structured into three sections such that section one from (2.2 – 2.7) present literature related to public sector auditing, followed by section two (2.8 - 2.8.2.1) on financial management in the public sector. Lastly, section three (2.9 - 2.11.1.3) makes literature exploration on service delivery and monitoring & evaluation in the public sector.

2.2 Rethinking the history of the office of the Auditor-General and its manifestation in South Africa

In South Africa's historiography, the existence of the office of the Auditor General of South Africa emerged from a series of various Acts passed from Dutch and British colonial powers to the current democratic parliamentary system that conferred significant reforms within the public sector. In 1911 the first South Africa's auditing legislation was passed and got amended in 1916 and remained unchanged until the enactment of the New Exchequer and Audit Act 32 of 1956 (Kluever, 2000). Up until performance auditing was incorporated into the Exchequer and Audit Act 66 of 1975, compliance and control auditing remained unchanged.

Though, the idea to professionalize the public sector came into effect in the late 1930s during the global economic depression. Precisely, New Public Management school of thought in the early 1970s did not only affect the public sector, but Supreme Audit Institutions also such as the office of the Auditor-General were immensely affected by its wide-reaching reforms. According to (Keita, 2014:9) New Public Management principles became significant and were seen as a means for government to recover from budget deficits. In 1989 the first piece of legislation within the office of the Auditor-General, since 1975 was promulgated through the Auditor-General Act 52 of 1989, which enhanced the independence of the office of the Auditor-General.

Furthermore, reforms of New Public Management deliberately enhanced the role of governance, based on transparency, accountability, effectiveness and efficiency in the public sector. Kluever (2000) stated that the transformation of the Audit Office cannot be isolated from South Africa's political history. Hence, post-1994, the enactment of the new South Africa Constitution in 1996 brought about far-reaching changes in the office of the Auditor-General. However, before the enactment of democratic reforms, the Audit Arrangements Act 122 of 1992 came into effect on 1 April 1993 to solely transform the office of the Auditor-General. Chitiga-Mabugu *et al.* (2014:21) stated that among many other historic policy shifts in the Supreme Audit Institution, was the incorporation of the pre-1994 Auditor-General offices of the former independent states TBVC (Transkei, Bophuthatswana, Venda and Ciskei) into South Africa governance. The Auditor-General also got international recognition and was appointed as an independent external auditor of World Health Organisation

for the two biennium's 1996/7 and 1998/99 (Kleuver, 2000). However, the current office of the Auditor-General is then, in terms of legislation, a very different entity to what preceded it.

Post-1994, evidence demonstrates that many municipalities lacked corrective measures; as such, the following legislative framework required municipalities to be audited:

- i. Public Finance Management Act, 1999;
- ii. Municipal Finance Management Act, 2003;
- iii. Public Audit Act, 2004;and
- iv. Public Audit Amendment Act 5 of 2018.

2.2.1 Auditing of the public sector: A South Africa perspective

Post-1994, the newly formed South Africa democratic government inherited a public sector with utmost challenges that impeded its ability to deliver services to the public. To address these challenges, government had to undergo a series of alternative reforms within the public sector; particularly, in municipalities to improve their operations, financial management and governance. This implied the adoption of various legislative frameworks post-1994, to address major governance ills and establish internal auditing in the public sector, as a mechanism to transform municipal governance. Respectively, Public Finance Management Act, 1 of 1999, Municipal Finance Management Act, 56 of 2003 and Public Audit Act, 25 of 2004 enforced internal audit functions (IAFs), to become integral part of public sector financial management (Barac & Van Staden, 2014).

In a democratic governance system such as South Africa, auditing became the centre of governance as an overriding component of good public sector management. By providing unbiased, objective assessments of how public resources are effectively and responsibly managed towards the achievement of intended results; public sector auditing helps municipalities to achieve accountability and integrity, to improve daily municipal operations, and instil confidence among citizens and stakeholders (Korje 2016:21). However, the recent outcomes of the South Africa's municipal financial statement continue to deteriorate, as lack of accountability and poor governance engulf the public sector. In such instances, the

way municipalities manage their finances needs to be relooked, just like South Africa; many countries are debating ways to improve auditing in the private, and particularly, the public sector to regain public trust in the profession.

Furthermore, National Development Plan 2030 recognises significant contribution played by municipalities towards economic growth and local development (National Development Plan, 2013). Therefore, to deliver on their developmental priorities, public sector institutions need to be financially sound and self-sustaining. Hence, the anatomy of the above-mentioned legislative frameworks concurrently requires Chief Financial Officers and Accounting Officers in municipalities to establish government department with effective, efficient and transparent system of financial and risk management, and internal control (Madue, 2007:313). In general, literature describe auditing in the public sector as a systematic task of fairly obtaining municipal financial statements and evaluating evidence to determine whether information or actual conditions conform to established auditing criteria. In the context of South Africa, internal auditing is performed both in the public and private sector. However, in the public sector, internal auditing is a concept that has infiltrated municipal governance literature, but there are many instances where internal auditing is poorly understood and not well performed in the public sector, thus endorsing the appropriateness of a research focus on internal auditing within municipalities. Currently few of these public sector institutions “municipalities” remain in good financial standards; whereas several are not and pose risks to the public funds.

According to Institute of Directors South Africa (2010:96), the 1994 first King report on corporate governance (King 1) and the 2010 third King report on governance for South Africa (King 3) brought internal auditing in the public sector to spotlight. Hence, the Independent Regulatory Board for Auditors (2019:4) stated that auditing of the public sector is significant, since it provides those charged with governance and the general public with information as well as independent and objective assessments concerning the stewardship and performance of government policies, programmes and operations.

2.2.2 The role of the Auditor-General of South Africa in auditing the public sector

The essence of the Constitution of the Republic of South Africa Act 108 of 1996 is based on accountability, transparency and efficiency. In such instances, as the Supreme Audit Institution of the republic of South Africa, the office of the Auditor-General plays an important oversight role of promoting financial accountability in government (Musokeru & Nzewi, 2014:36).

The office of the Auditor-General is entrusted with the responsibility of conducting financial regularity audits of all three spheres of government such as government departments, identified public entities, municipalities and municipal entities. Furthermore, the office of the Auditor-General oversees the conduction of discretionary audits, such as performance audits, special audits and investigations. Its compiled audited reports are made accessible to the public and passed to be tabled in parliament, provincial legislature and municipal councils. In addition to these audit reports, on yearly basis the Auditor-General publishes an analysis of reports of the outcomes of the audits of government entities.

In such instances, in terms of section 20 of the Public Audit Act 25 of 2004 the office of the Auditor-General is mandated to indicate:

- I. If audited annual financial statements fairly present, in all aspects, the financial position of its operations at a specific dates and cash flow in accordance to the period in which it ended with applicable financial framework and legislation;
- II. Auditee's comply with government legislation of financial management and other related matters; and
- III. The reported information in-relation to the performance of the auditee against predetermined objectives.

Furthermore, through its constitutional obligations, the office of the Auditor-General enforces democracy and enables accountability and thus promotes sound financial governance. In its independency the office checks if government entities management comply with relevant legislative frameworks, if it manages its finances in accordance with legislation and sound financial principles, and if entities provide credible information on the achievement of their financial and performance status.

Primarily, according to (Matlala & Uwizeyimana, 2020) Auditor-General reports gives citizens an opportunity to hold custodians of public resources accountable.

2.3 Three main types of public sector auditing

As a prerequisite for financial accountability, in many countries, public sector auditing is essential for good public sector administration. AGSA (2019) stated that public sector auditing, particularly within municipalities in South Africa is not being achieved at the desired pace, since majority of municipalities are dysfunctional and barely viable. Encouragingly, principles, rules, regulations and standards require public officials to use public funds in the best interest of the people, by spending funds for the intended purposes, and in line with the authorities. Multiple instances of non-financial compliance hinder service delivery, since municipalities fail to adhere to their constitutional mandate.

In such instances, public sector auditing within municipalities can be accelerated, if municipality governance frameworks and leadership are aligned to policies and objectives of good financial management systems within the public sector. Therefore, effective, efficient and accountable local government in Africa and elsewhere is necessary for a capable and a functional local government (Laubscher, 2012). Although, public sector auditing differs depending on the type of audit that is conducted; however, they all contribute to good governance by:

- Contributing to transparency and accountability of public sector;
- It helps identify challenges and recommend potential improvements and reform the public sector; and
- Serve as an instrument of policy change for sound financial management.

In general, public-sector audits can be categorised into one or more of three main types: **compliance audits, performance audits, and financial audits.**

2.3.1 Compliance auditing

Compliance audit is an assessment of the extent in which an institution or entity is audited to check if it has been compliant with laws and authorities (ISSAI, 2012:7). In essence, compliance audit strives for transparency, accountability and good governance by showcasing reliable information of how public officials use public

funds. While conducting compliance audit, auditor's duties is to assess if financial transactions, institutional activities and information are, in all material respect, complaint with established authorities governing the audited institution.

The exercise of compliance audit, also mean the evaluation of financial management control systems, internal auditing, managerial decision-making of an institution in relation to planning, management, reporting and control of budget and other public resources and activities (Adam, *et tal.* 2018). Therefore, for effective audit results, compliance audit can be conducted simultaneously with other types of audits. For example, it can be coupled with performance audit or audit of financial statements of an audited entity for assurance of non-compliance.

2.3.2 Performance Auditing

Despite its popularity in literature, performance audit is yet to be known for what is about. It is sometimes considered as an alternative of traditional audit; however, it is important to reiterate its worth within the public sector. In some countries, performance auditing forms part of audit requirements; as such, public sector organisations are required by authorities and legislation to report on performance. According to (ISSAI, 2012) performance auditing "is a systematic, objective assessment of the accomplishments or processes of a government program or activity for the purpose of determining its effectiveness, economy, or efficiency". In the perspective of New Public Management (Holzer & Schweste, 2011) outlined that performance auditing, is relatively a sound financial management systematic innovation that developed through accountability concerns within the public sector.

Performance auditor's responsibility is to measure and provide an opinion of public sector institutions performance management. Performance auditing is important to modernize public sector and provide a variety of benefits for good service delivery. In its roots performance auditing is necessary to assess if stakeholders of the public sector institutions get value for money (Guthrie & Parker, 1999); whether public funds are reserved for investment (Adam, *et tal.* 2018); and whether public official take right decisions in relation to authorities and legislative frameworks for advancement of public sector activities. If well-executed within the public sector,

performance auditing can provide quality; economy and competency of service delivery, and most significantly, make governments more publicly accountable.

2.3.3 Financial auditing

Much of the literature indicates that types of public sector auditing has an important role in fighting corruption in the public sector (Assakaf, *et tal.* 2018; ISSAI, 2012), particularly higher quality sound financial auditing in the public sector according to (AGSA, 2020) has pronounced effect on reducing the verge of corruption in South Africa. In implementing sound financial auditing, public sector institutions must be well-resourced and capacitated in strengthening accountability and transparency. According to (Guthrie & Parker, 1999) financial auditing it is a type of audit often conducted in the public sector and “focuses on determining if institution financial statements are represented accordingly with applicable financial reporting and regulatory framework”. According to Goodson, *et tal.* (2012), in the context of municipalities, financial auditing is a fundamental element of efficient governance, since it supports public official’s roles of insight, foresight and oversight.

Furthermore, effective financial audit is the cornerstone of good governance (ISSAI, 2012). In comparison, private sector institutions with sound financial management systems and good effective management tend to produce quality audit report (Assakaf, *et tal.* 2018), this is because majority of private sector institutions with sound financial management systems demand for high audit quality to retain the value of the institutions reputation in the market. However, this is not the case in public sector institutions with severely malfunctioning systems of governance and financial management. Financial auditing in the public sector, often represent new opportunities for many institutions; as such, through financial auditing, municipalities and other government entities can learn new information about governance of public finances and discover shortcomings in terms of policies, processes and identify inefficiencies and risks related to public finances (Jacobs, *et tal.* 2021).

2.4 Legislative framework guiding the office of the Auditor-General for municipal audits

In South Africa, the essence of the role of the office of the Auditor-General lies within enacted legislative frameworks. In the public sector, particularly within municipalities,

the office of the Auditor-General has established itself as a chapter 9 institution that pursues a transparent, accountable, and effective public sector in South Africa. In such instances, legislative frameworks" guiding the office of the Auditor-General requires municipalities to manage finances prudently and in an efficient way. This has been made possible by the democratic government through consultative policies, programmes, legal frameworks, and statutory structures.

2.4.1 Constitution of the Republic of South Africa, 1996

The Constitution of the Republic of South Africa, 1996 is the cornerstone of the pillars of democracy and the rainbow nation. It was legally approved by the Constitutional Court on the 4th of December 1996 and came into effect on 4th of February 1997. The negotiations of Convention for a Democratic South Africa (Codesa) 1 and 2 gave birth to this well-documented piece of legislative framework through support of the Declaration of Intent. Today it is regarded as the supreme law of the land and no other laws supersede its constitutional mandates. Chapter 9 of the Constitution of the Republic of South Africa, 1996 recognises the office of the Auditor-General of South Africa as one of the state institutions that aid and spearheaded constitutional democracy.

Section 188 of the Constitution (1996) outlines the functions of the office of the Auditor-General of South Africa as follows:

- I. The Auditor-General must conduct audits of national, provincial departments, and municipalities. This is done to report on their accounts, financial statements and financial management;
- II. The Auditor-General reports must be made public and submitted to any legislature that has vested interest in the reports and also tabled in parliament, provincial legislatures and municipal councils;
- III. Auditor-General must conducts discretionary audits, such as performance audits, special audits and investigations; and
- IV. Furthermore, Auditor-General has the additional powers and functions prescribed by national legislation.

Mathebula (2016) asserts that the Public Audit Act, 2004 has the constitutional obligation and functions to regulate the role of the Auditor-General outlined in

section 188 of the Constitution. The constitution embraces the office of the Auditor-General for its ability to enforce accountability, proper governance and proper assurance given on the financial statements, which are reported publicly.

2.4.2 The Public Finance Management Act, 1 of 1999

This legislative framework intends to modernize effective financial management of public funds within the national and provincial spheres of government. It has the legislative mandate that is enacted within the public service to enhance processes of public administration and good service delivery. According to (Madue, 2007:308) “Public Finance Management Act, 1 of 1999 is part of a broader government strategy to improve the general state of financial management in the public sector”. In essence, Public Finance Management Act, 1 of 1999 is aimed at reforming systems of public financial management, so that financial management compliance can be enforced within the public sector.

Public Finance Management Act, 1 of 1999 in relation to the office of the Auditor- General of South Africa:

- I. The accounting officer of public entity must keep records of financial statement of the entity;
- II. At the end of each financial year, the accounting officer must prepare financial statements to be submitted to the auditors of the public entity for auditing; and
- III. Financial statements of public entities are subjected to Public Finance Management Act and must be submitted to the Auditor-General for auditing in compliance with the correct format.

Public Finance Management Act, 1 of 1999 tabled down basic rules for effective and efficient sound financial management to effect section 216 of the Constitution. It is, therefore, important for municipalities to have public officials and recruit individuals who have deeper understanding of the requirements of Public Finance Management Act, 1 of 1999.

2.4.3 Municipal Finance Management Act, 56 of 2003

National Treasury has over the years made significant efforts in reforming financial management across government since 1994 and in local government since 1996. In

an ideal government system, this piece of legislation represents an integrated governance of deliberate democracy founded upon accountability, effectiveness and efficiency of the use of public funds. According to (Motubatsane, 2014) the basis of National Treasury reform initiatives was realised through the implementation of Municipal Finance Management Act No. 56 of 2003, which became effective in July 2004 and supported by the annual Division of Revenue Act. This legislation serves to set parameters on the management of municipal finances; it sets how budgets allocation should be utilized, with a view to stretch resources optimally, therefore enhancing service delivery.

Municipal Finance Management Act, 56 of 2003 in relation to the office of the Auditor-General of South Africa:

- I. Administer oversight role on behalf of government for financial accountability within municipalities;
- II. It requires municipalities to submit their financial statements and the audit thereof within certain deadlines;
- III. It requires chief financial officers be responsible for the effective financial management of municipalities including the exercise of sound budgeting and budgetary control practices;
- IV. Ensure transparency and accountability, when it comes to fiscal and financial affairs of municipalities and municipal entities; and
- V. The act provides consolidated general reports, which are based on audit work performed on municipalities and their entities by the office of the Auditor-General.

In attempt to achieve a developmental local government, according to (Erasmus & Matsimela, 2020) Municipal Finance Management Act, 56 of 2003, prescribes a conventional legislative procedural rule for a performance based local government that is well-capacitated to deliver good service delivery. In the context of South Africa, there is no doubt that good financial management within municipalities, as a function of governance is complicated in nature for municipalities. Therefore, promoting a system of sound financial governance is significant to reform budgetary mechanisms of the public sector.

2.4.4 Public Audit Act, 25 of 2004

This legislation is mandated to formalise the Constitutional obligations for public sector external audits. In South Africa, it is a legislated requirement according to Public Audit Act, 25 of 2004 for municipalities to report annually on the performance of the institutions against predetermined objectives of legislations and the office of the Auditor-General. In such instances, Public Audit Act, 25 of 2004 regulate and outline functions performed by the office of the Auditor-General (South Africa, 2004). The aim of consolidating auditing of municipalities into legislations attempted to improve accountability and create a measurement environment for performance of municipalities.

Public Audit Act, 25 of 2004 in relation to the office of the Auditor-General of South Africa:

- I. To give effect to establish and assigning functions to an Auditor-General to provide audits of institutions in the public sector;
- II. To provide for accountability arrangements of the Auditor-General;
- III. To repeal certain obsolete legislation; and
- IV. To provide for matters connected therewith.

Conversely, with its efforts to support Auditor-General to execute its roles, Public Audit Act, 25 of 2004 lacked necessary powers to enforce its implementation and recommendations within office of the Auditor-General. This led to the signing of the long-awaited Public Audit Amendment Act, 5 of 2018, which subsequently amended the Public Audit Act, 25 of 2004, on 18 November 2018. Deliwe (2019) the amendment Act strive to replace what was traditionally the roles of those responsible for oversight. It further, seeks to amend the Act, to allow the Auditor-General to take remedial action, inter alia, recover losses suffered by state, and conduct further investigations in cases of suspected material irregularities.

2.5 Insights on public sector audit opinion outcomes: Auditor-General perspective

All three categories of municipalities designated according to Municipal Structures Act 117 of 1998; as metropolitan, district and local, get audited annually and receive audit outcomes from the office of the Auditor-General depending on their

performance for that specific financial year. Aadnesgaard & Willows (2016:547) stated that audit outcomes vary and are categorized firmly into financially adverse audit opinions, disclaimers of audit opinion, qualified audit opinions, and unqualified audit opinions. Considerations of the legislation of auditing of the public sector is aimed at enhancing democracy and improves accountability and create a measurement tool for performance of municipalities. According to Fahami, *et al.* (2016) “an audit outcome is the auditor’s published statement of his opinion of the state of the financial statements”. There is no doubt, that auditing of municipalities in South Africa is a fundamental instrument of good public sector governance.

2.5.1 Adverse audit opinions

According to AGSA (2011/12:5) an adverse audit opinion is issued when auditors have managed to obtain appropriate sufficient audit evidence, and concluded that “misstatements, individually or in the aggregate, are both material and pervasive to the financial statements”. In the context of municipal audit, it simply means the municipality financial statements are restricted within specific amounts, or the misstatements represent considerable amounts of the financial statements. In a study conducted by Ryu (2015) on audit opinion on Korea companies, the investigation found out that organisations that prioritise designated auditors are likely to be issued adverse audit opinions as compared to organisations without a designated auditor. In such instances, Ryu (2015) further outlined that conditions of lower-quality financial reports by audit committees may result in an adverse audit opinion.

2.5.2 Disclaimers of audit opinion

Disclaimer audit opinion, also known as Disclaimer, is issued when the auditor could not form, and consequently refuses to present, an opinion on the financial statements. According to LaSalle, *et al.* (1996), auditors often issue out disclaimer audit opinion for entities where financial statements presented to auditors are suspected to have substantial doubt about the on-going organisations financial concern status. For example, this type of audit report is issued when the auditor tried to audit an entity but could not complete the work due to various reasons that led to an opinion not being issued. The AGSA (2011/12) has significantly in a narrow

manner simplified International Standard on Auditing definition, suggesting that a disclaimer audit opinion should be issued when “the auditee has provided insufficient evidence in the form of documentation on which to base an audit opinion”.

2.5.3 Qualified audit opinions

A qualified audit opinion according to Council (2016) is issued under two conditions encountered by the Auditor-General. Firstly, “the auditors have obtained sufficient appropriate audit evidence, which confirms that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements”. Secondly, when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor can confirm that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive”. On the other hand, AGSA (2011/12) stated that qualified audit opinion is when for instance; municipality financial statements have findings of material misstatements on certain amounts, or the office of the Auditor-General lack sufficient evidence to prove that certain amounts found on the financial statements are not misstated.

2.5.4 Unqualified audit opinions

Unqualified audit opinion is a curator of majority of private sector organisation, and one of the most desirable audit opinion organisations in the public sector often strive to achieve. It communicates the quality of financial reporting. Just as in the private sector with auditor reports of the quality of financial statements, the AGSA (2011/12:4-5) issues an “unqualified audit opinion” to municipalities when financial statements contain no material misstatements and there are no findings raised on either the reporting on predetermined objectives or non-compliance with legislation aspects of government affairs. This audit opinion simply illustrated that there are no material misstatements found within the financial statement of the municipality. However, the audit opinion is under the condition of determining clean audit outcome, with findings of reporting on predetermined objectives or non-compliance with legislation, or both outlooks.

2.5.5 Clean audit opinion

A clean audit outcome is issued when financial statements submitted by an auditor to the Auditor-General are free from material misstatements, and there are no material findings on reporting on performance objectives and non-compliance with legislation (AGSA, 2011/12). In layman's terms clean audit solely translate to an unqualified audit outcome and a “clean audit” is based on three material conditions; that there are no material findings on the annual performance report, that there are no material findings on non-compliance with key legislative frameworks, and lastly audited financial statements are free from material misstatements.

2.6 Types of Modified Opinions

Table 2: Auditor’s judgement about the nature of the matter

| <i>Nature of Matter Giving Rise to the Modification</i> | <i>Auditor's Judgment about the Pervasiveness of the Effects or Possible Effects on the Financial Statements</i> | |
|---|--|-------------------------------|
| | <i>Material but Not Pervasive</i> | <i>Material and Pervasive</i> |
| Financial statements are materially misstated | Qualified opinion | Adverse opinion |
| Inability to obtain sufficient appropriate audit evidence | Qualified opinion | Disclaimer of opinion |

Source: International Standard on Auditing (2020)

Table 2 clearly demonstrate how the judgments of the auditor about a given matter rise to the modification, and the pervasiveness of its effects or possible effects on the financial statements, affects the type of opinion to be expressed. In such instances, two conditions of the auditor’s judgement determine unmodified opinion. This includes, but not limited to financial statements, which are not free from material, misstatement or the auditor was unable to obtain sufficient appropriate evidence. Whereas the conditions of an issued modified opinion by the auditor depends upon

the nature and severity of the matter under consideration and these include qualified opinion, adverse opinion, and disclaimer of opinion.

2.7 State institutions supporting auditing of the public sector in South Africa

Chapter 9 institutions also known as oversight institutions serve as significant structures supporting constitutional democracy and fundamental rights in South Africa. These institutions are established and mandated by chapter 9 of the Constitution of the Republic of South Africa, 1996. However, there are other state institutions supporting auditing of the public sector although not forming part of Chapter 9 institutions of the Constitution. It is also significant for this study to touch base on their role and though they may be seen as interrelated, they all have unique specific mandates and powers, in order to achieve an essential element of robust public sector accountability. In a broader view according to (Bilchitz, *et tal*, 2016) Chapter 9 institutions operate independently outside of the jurisdiction of the legislature, the executive, and the judiciary. However, as independent institutions outside of traditional government structure, these institutions are subject only to South Africa's Constitution and - they are relatively entangled to monitor and assess performance of other state organs.

2.7.1 The office of the Auditor-General South Africa (AGSA)

The essence of the Constitution of the Republic of South Africa Act 108 of 1996 is based on accountability, transparency and efficiency. In such instances, as the Supreme Audit Institution of the republic of South Africa, the office of the Auditor-General plays an important oversight role of promoting financial accountability in government (Musokeru & Nzewi, 2014:36). The Constitution and other supportive legislative frameworks task the office of the Auditor-General with the responsibility of supporting democracy by auditing public funds. This system of auditing public institutions re-enforces a developmental capable state with functional capable institutions, it is a system that should be firmly embraced in the interest of good governance.

AGSA (2011/12); Barac & Van Staden (2014); and Musokeru & Nzewi (2014:36) stated that Auditor-General checks how public funds are spent, by looking at whether public funds are used for the intended governance purpose. This is achieved by

performing and checking yearly government spending's, and this is called an audit. In such instances, the Auditor-General annual reports significantly examine the following:

- I. Fairly representation and absence of misstatements in the financial statements;
- II. Reliability and credibility of performance indicators for predetermined objectives; and
- III. Proper compliance with legislative frameworks and laws governing financial matters.

This subheading was thoroughly covered in section 2.2 (also refer to subsection 2.2.2).

2.7.2 The Public Protector

The independency and impartiality of the office of the Public Protector lays within the protection of the Constitution and it is safeguarded in the interest of pursuing effective public finance management and a high standard of professional ethics in the public service. The office of the Public Protector was established as part of Chapter 9 institution of the Constitution of the Republic of South Africa, which support and strengthen constitutional democracy. Its establishment has afforded citizens an opportunity to hold government institutions such as municipalities' accountable, demand transparency, and redress for service delivery (Thornhill, 2016:131).

In accordance with Section 182 (1) of the Constitution, the office of the Public Protector is assigned the following functions in support of auditing of the public sector.

- I. To conduct investigations in-relation to state affairs, or any administration of the three spheres of government, that is alleged or suspected to be in improper conduct, or results in prejudice;
- II. To report on that conduct; and
- III. To take remedial action.

However, in accordance with section 6(4) of the Public Protector Act 23 of 1994 the office of the Public Protector is assigned additional powers to investigate:

- I. Maladministration affairs of spheres of government;
- II. An improper or dishonest conduct in connection to public administration affairs; and
- III. Improper or unlawful enrichment or receipt of any improper advantage using states funds.

Therefore, to fundamentally understand the roles of the office of the Public Protector in auditing the public sector, it is important to understand the idea of constitutionalism and separation of powers.

2.7.3 Public Service Commission

South Africa public service strives to have a developmental orientated public administration. The government has over the years made a conscious decision to have institutions that fundamentally support a capable developmental state. In such instances, public service commission is such an institution that is aimed to advance a more capable, more professional and more responsive public sector institutions. Public Service Commission Discussion Document (2016:3) describes Public Service Commission as an impartial and independent constitutional institution vested with responsibilities of investigating, evaluating, monitoring, issue out directives, measures and advice on organisational administration, and the effective and efficient performance of the public service.

In supporting auditing of the public sector and quest for a developmental state, public service commission in South Africa is aimed at advancing capacity-building, financial innovation and strategic macroeconomics. Bilchitz, *et tal* (2016) a prerequisite for effective financial management is having good institutions and legislative frameworks supporting auditing of the public sector. In accordance with Section 196(4) (a) of the Constitution of 1999 (South Africa, 1996).

Public Service Commission is responsible to promote the following key values within the public service.

- I. An accountable public administration;

- II. Effective and efficient use of public resources must be encouraged;
- III. Promote service provision which is impartial, fair, equitable and not biased;
and
- IV. A standardized ethical conducts of public financial management.

2.7.4 National Treasury

From its inception, National Treasury has resolutely committed itself on delivering on its responsibility of sustainable fiscal management. The National Treasury has redoubled its effort to encourage fiscal relationship between spheres of government by encouraging sound budgetary planning, fiscal management, and capacity building in the provincial and local spheres of government; to enable good public finance management through internal and external auditing. Barac & Van Staden, (2014); Barac, *et tal.* (2015:401) stated that South African National Treasury internal audit function is confronted with numerous challenges. Some of those relevant to this study and municipalities include poor management support; lack of audit monitoring exercise; poor understanding of the public sector environment by internal auditors; and lack of cooperation between external and internal auditors.

National treasury in the public sector plays its role as part of public sector auditing and financial management (Barac & Van Staden 2014). According to (Motubatsane, 2014) National Treasury is “entrusted with the role of policy guideline and operational frameworks that guide the internal audit function’s performance in the broader South African public sector”. In 2003/2004 financial year, National Treasury committed itself to develop the Internal Audit (IA) Framework. This framework was established based on mandates derived from Public Finance Management Act, (Act No. 1 of 1999 as amended by Act 29 of 1999) (PFMA), and the Municipal Finance Management Act, (Act No. 56 of 2003) (MFMA). However, internal public sector auditors recommended the office of the Auditor-General to review the framework. Therefore, its mandate was updated to serve the public sector as follows:

- I. To enhance the quality and standard of public sector auditing;
- II. To reflect developments in the discipline of internal auditing;
- III. Oversee the co-ordination of audit programs conducted by internal and external audit;

- IV. Review all external audit and internal audit plans and reports and monitor management's implementation of audit recommendations; and
- V. Advise Accounting Officers, Chief Financial Officer and the Auditor-General on the adequacy of resources needed to carry out auditing responsibilities, including the completion of the approved external and internal audit plan.

2.7.5 Financial and Fiscal Commission

Financial and fiscal commission is mandated by section 220 of the Constitution of the Republic of South Africa to perform its own function to support constitutional democracy. The commission is an independent state institution that is impartial and entrusted to advice government on the division of revenue amongst three spheres of government for the enactment of legislation pertaining to provincial taxes, municipal fiscal powers and functions, and provincial and municipal loans.

In accordance with Section 220 of the Constitution of the Republic of South Africa, 1996, Financial and Fiscal Commission is responsible to promote the following key values within the local sphere of government.

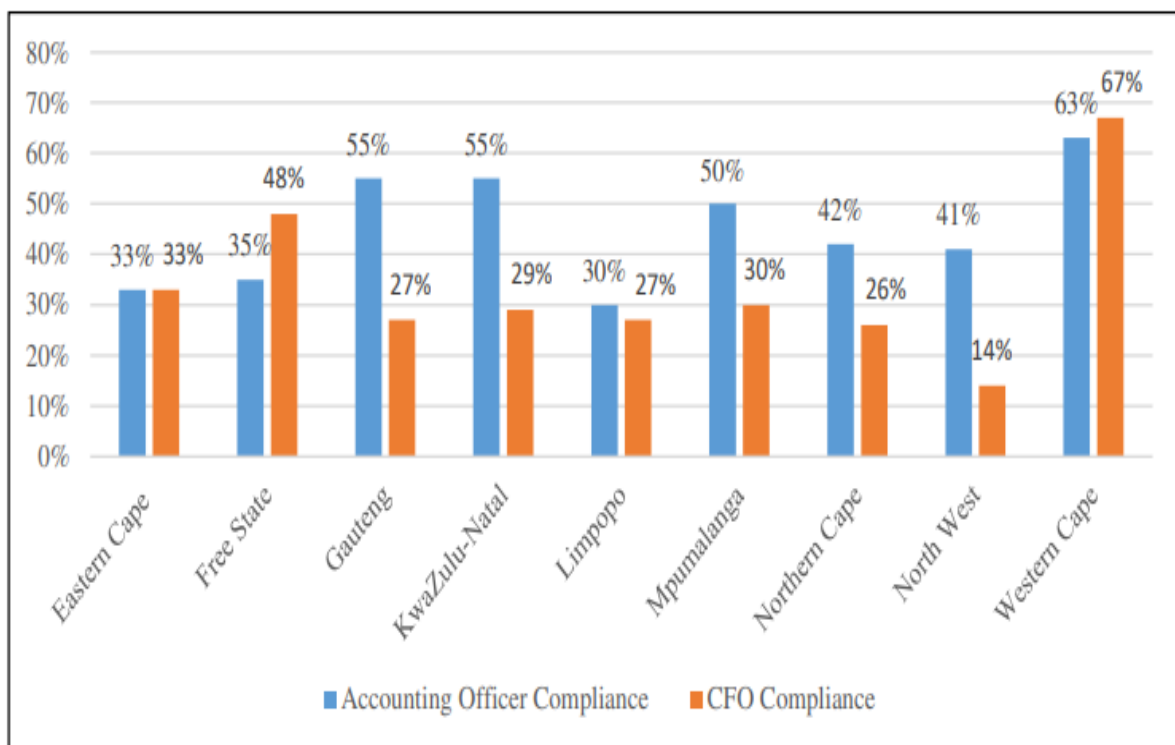
- I. Ensure financial sustainability of municipalities;
- II. Municipal functionality and the interventions invoked to improve the performance of municipalities;
- III. The Commission encourages active engagements between the three spheres of government, led by the Department of Planning, Monitoring and Evaluation (DPME); and
- IV. To offer recommendations and advice on behalf of three spheres of government on the equitable division of revenue and on any other financial and fiscal matters.

2.8 Financial management in the Public Sector

Financial management is not an end. It is, however, significant for the successful function of successful developmental organisation since it relates to how resources and funds available to an organisation should be used. In such instances, local municipalities unlike district and metropolitan municipalities in South Africa have continuous complex multiple challenges, majority which are susceptible to poor

financial management. Some of the inabilities to good financial management in these various categories of municipalities include recruitment of unqualified Chief Financial Officers (CFOs) and Accounting Officers. The auditor general has on many occasions over the years identified lack of appropriate competencies of public officials as the core root causes that obstruct legislative outcomes of Public Finance Management Act and Municipal Finance Management Act (AGSA, 2019).

Figure 1: Financial management compliance of CFOs and Accounting Officers by province, October 2018.

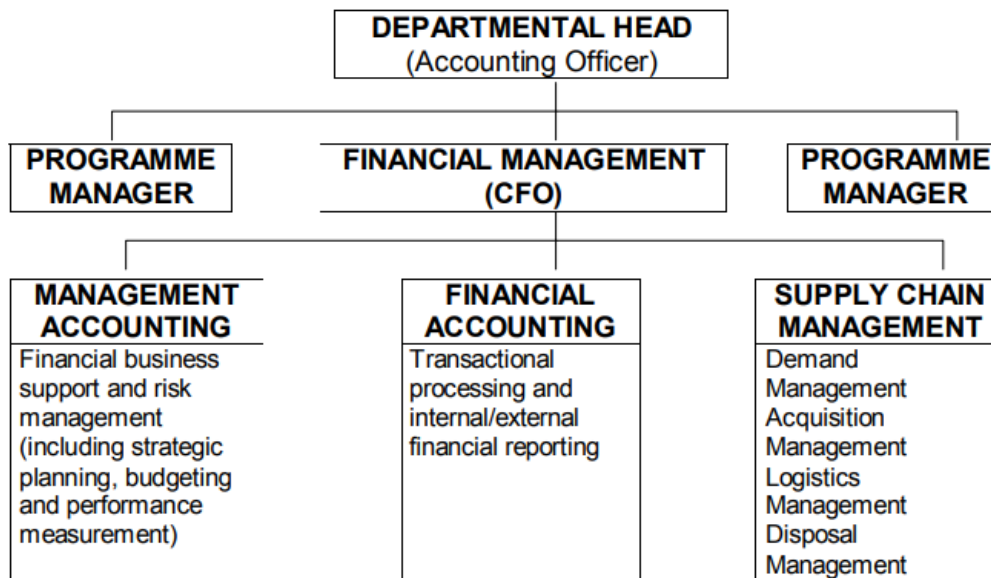


Source: National Treasury Data as of October 2018, Commission’s calculations.

Figure 1 illustrates provincial level of financial management compliance from CFOs and Accounting Officers within municipalities. It confirms and demonstrates lower levels of non-compliance particularly within provinces with majority of rural municipalities in comparison to their counterparts (metros, secondary cities and large towns). In October 2018 the situation was found to be dire in the Limpopo, Eastern Cape and the North West provinces. Given these background, inappropriate human resources recruitment systems such as cadre deployed within municipalities negatively affect financial management and service delivery.

2.8.1 Recommended structure of the Office of the Chief Financial Officer and related duties

Diagram 1: Structure of the Office of the Chief Financial Officer



Source: National Treasury (2011)

This diagrammatic representation 1 shows how the recommended component structure of the chief financial officers should be. In accordance with Treasury Regulation 2.1.2, the chief financial officer should be directly accountable to the accounting officer. As such, there should be an appropriate structure that supports and enables the chief financial officer to have sufficient time to provide analysis, interpretations and appraisals for effective decision-making within the institution.

Furthermore, on the other hand, according to (Lawson, 2015) public finance management refers to set of laws, rules, systems and processes used by government to mobilize revenues, allocate public funds, and undertake public spending to account for funds and credit results. In the perspective of budget process, public finance management includes formulation, execution, reporting and in the public sector is likely more concerned with resource mobilization and expenditure management. On yearly basis and the beginning of each financial year from 1 July of each year to 30 June of the following year, South Africa municipalities according to section 214 (1) of the South Africa Constitution receive equitable revenue from national government. However, public finances within municipalities

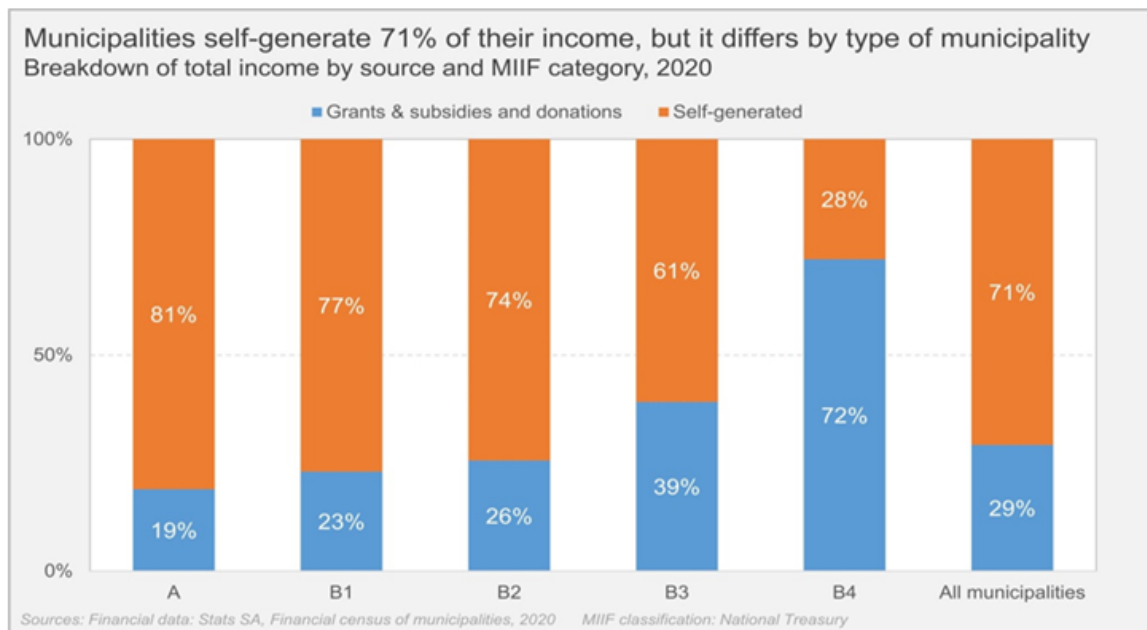
remain tight and managing budgets and public services is complex and an ever more challenging task for public officials (Maepa, 2014).

Over the years, the private sector has adopted and successfully implemented quality financial management reforms. It is, therefore, significant when considering financial reporting in the public service to use private sector financial reporting as a benchmark. Literature Review from the study conducted by (Barac & Van Staden, 2014) demonstrated the absence of cross-sector evaluation and willingness to assess the effectiveness of financial management reforms between the two sectors. Currently in the context of South Africa, it can also be argued that there is absence of cross-municipal evaluation and willingness to assess financial management strategies of municipalities performing well financially. It is therefore vital to disseminate that the well management of municipal finances depends on qualified public officials, to make management decisions with respect to legislative frameworks governing the public service.

Therefore, scrutinizing public financial spending using legislative frameworks is an equally important element of modern democratic systems. Globally, the public sector is on a quest to improve the quality of public financial management, with many municipalities developing important and effective strategic financial management reforms and skills as a prerequisite for good fiscal management. Van der Waldt (2004:34) municipal fiscal performance has been an issue in government for as long as government has been around. In such instances, there is plethora of evidence (Coetzee & Kleyhans, 2019; AGSA, 2019) that public financial management should be improved and prioritized in the public sector particularly within municipalities, as governments grapple with achieving fiscal sustainability and managing fiscal risk. In South Africa, municipalities are often reported widely on news bulletin, scholarly articles, and government reports to have worse financial status. Municipalities and public officials will have to work more effectively to ensure that budgets are linked to Local Economic Development Plan (LED), Integrated Development Plan (IDP), and Service Delivery and Budget Implementation Plan (SDBIPs). Most municipalities in South Africa have financial problems, and few ever receive a clean audit from the Auditor-General (AGSA, 2016). In the 2019/20 financial year Covid-19 pandemic exacerbated negative impact on municipal revenue, leaving majority of municipalities having strained cash flow (Department of Planning Monitoring and Evaluation, 2020).

Furthermore, Financial and Fiscal Commission (2014) made an analysis that the nature of South Africa municipalities is diverse, and most govern in unique social, economic, and demographics jurisdiction; as such, these has the potential to significantly influence municipal financial conditions.

Figure 2: Financial census of municipalities



Source: Stats SA (2021)

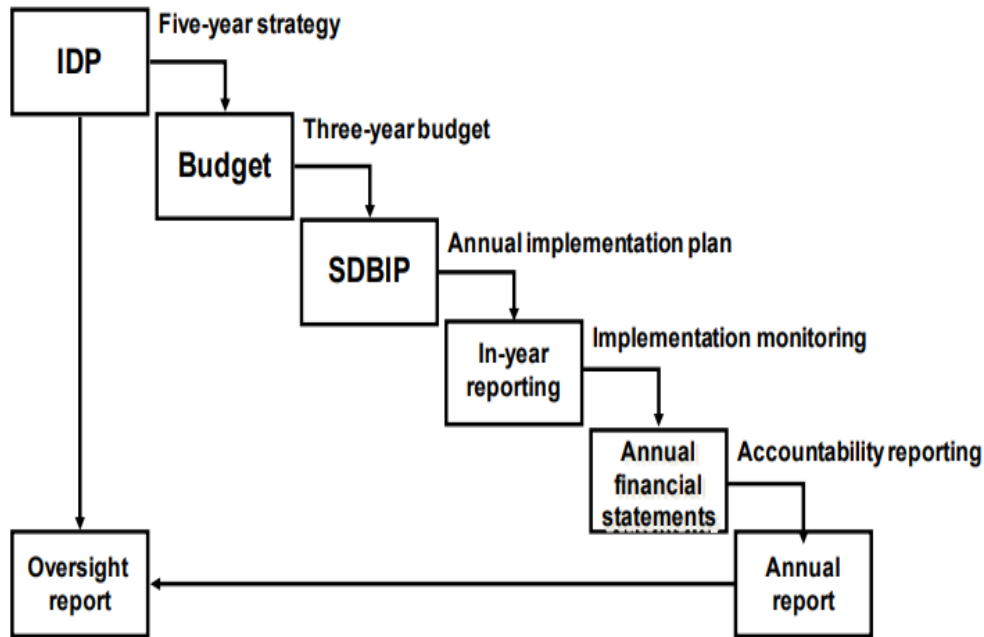
The figure 2 illustrates Municipal Infrastructure Investment Framework (MIIF) developed by the Department of Cooperative Governance and Traditional Affairs along with Development Bank of South Africa. It categorizes metropolitan and local municipalities into five essential groups. Metropolitan municipalities (A), secondary cities (B1), municipalities with a large town as its core (B2), municipalities with small towns (B3), and municipalities that are predominantly rural (B4). District municipalities are pointed out as C1 (those not responsible for water service provision) and C2 (those responsible for water service provision). The figure reveals how South Africa’s eight largest cities remain dominant when it comes to municipal finances, with almost 60% of total municipal income. These urban based municipalities have the capacity to generate a large proportion of their own income, skewing the national picture. Findings from financial census of municipalities forming part of Municipal Infrastructure Investment Framework (MIIF) report illustrates that in the 2019/20 fiscal year, metropolitan (A) councils self-generated 81% of their

income, compared with 28% recorded by rural (B4) municipalities. While B1 municipalities, those with a large town as its core decreased. If grouped together according to the figure, in 2020 municipalities self-generated 71% of their income, a rise of 1% point from 70% in 2017.

2.8.2 Public sector financial management cycle

Municipality capacity to meet its constitutional obligation of providing services, today and in future, to their constituencies lies within the municipality financial status (Coetzee & Kleyhans, 2019:5). Therefore, municipalities should at all-time embrace good public financial management, since it is the driving force for good governance and better-quality service provision. Proper effective public finance management and service delivery is regarded as a continuous process of planning, implementation, evaluation, auditing and improvement based on outcomes in the public sector. To ensure that quality financial decisions are implemented within municipalities, a financial management cycle becomes a significant source of financial information, so that expenditure management and risk management are managed effectively to improve good governance in the South African Public Service. It is important for municipalities to safeguard their finances, to be able to operate efficiently and promote success. Over the years, financial management within municipalities has become one area, which poses a threat to good governance. Hence, effective public financial management through budgeting ensures that there are funds available to implement the municipality's policies and deliver services that affect the lives of the people (Imuezerua & Chinomona, 2015:361).

Diagram 2: Municipal financial management and accountability cycle



Source: National Treasury (2011)

2.8.2.1 Municipal financial management and accountability cycle

This diagram shows how the main components of financial management and accountability cycle are aligned. The figure further highlights that municipality proper organisational structure, sound policies, processes and procedures including performance management, and implementation of standard chart of accounts is dependent on municipality ability to have accurate information set out in each of the accountability documents.

- I. **Integrated development plan (IDP):** According to section 25 of Municipal Systems Act 32 of 2000, each elected municipal council, at the start of its term, must adopt a five-year Integrated Development Plan to set out the municipality's goals and development plans with accordance to municipal resources. The Integrated Development Plan derives its mandate from White Paper of Local Government and Municipality Systems Act of 2000. It functions through national policy and legislative framework mandates and firmly aims to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in an area.
- II. **Budget:** According to section 26 of Municipal System Act 32 of 2000 a municipality must draft a municipal financial plan, which includes budget

projections. The budget sets out the revenue raising and expenditure plan of the municipality for three-years and must be sent for approval by council. Budget allocation must be aligned and prioritized in the Integrated Development Plan.

- III. **Service delivery and budget implementation plan (SDBIP):** In accordance with Municipal Finance Management Act 56 of 2003 must draft Service Delivery and Budget Implementation Plan, which details out monthly or quarterly service delivery plans and financial targets aligned with the annual targets set in the IDP and budget. According to (Municipality, 2017) it further shows the basis for performance agreements of the municipal manager and senior management.
- IV. **In-year reports:** Through in-year reports the administration reports to council on monthly, quarterly and mid-year reports about the implementation of the budget and SDBIP. Council firmly make use of the in-year reports to monitor and evaluate both the implementation financial and service delivery performance of the municipalities.
- V. **Annual financial statements:** These reports are a reflective financial position of the municipality and reflect reports on the implementation of budget. In accordance with legislative framework, they are submitted to be audited by the Auditor-General, who is responsible to issue out a report on audit to indicate reliance on financial statements and exercise oversight.
- VI. **Annual report:** Section 121(1) of Municipal Finance Management Act 56 of 2003 legislatively requires municipalities and municipal entities to prepare annual report for each financial year in accordance with legislation. According to (Barac, *et tal*, 2015) annual reports is primarily an instrument of accountability used by mayor and municipal manager to provide reports on performance against the budget and SDBIP, and the progress being made in realising the IDP priorities throughout the financial year.
- VII. **Oversight report:** According to section 129(1) Municipal Finance Management Act 53 of 2003 Council must produce an oversight report of the municipality and municipal entities containing comments from Council highlighted on each annual report and actual performance, as per MFMA circular 32.

2.9 Rethinking the history of service delivery in South Africa: Post-apartheid

South Africa held its first democratic elections in 1994. The newly democratic government engaged on a process of transforming the public service into a more efficient, effective, democratic, and fully representative and development-oriented service provision. The institutional framework for public service was established in the White Paper on Reconstruction and Development, 1994; the Constitution of the Republic of South Africa, 1996; the Batho Pele Principles, 1997; White Paper on Local Government, 1998; and Public Finance Management Act, 1999. In transforming the public service, these legislative frameworks served as a point of departure and implied prioritization of the public service, replacing an old system of governance with a new one.

2.9.1 The state of service delivery within South Africa municipalities: Auditor-General perspective

Since 1994, local government in South Africa has been regarded as an essential sphere of government closest to the people and it is entrusted with the constitutional responsibility of delivering services to citizens. According to Community Survey (2016) in comparison to 2001 with 84% about 90% of household had access to piped water in 2016, whereas 63% in 2016 had access to flushing toilets as compared to 2001 with 49%. On the other hand, the use of electricity increased from 57% in 1996 to 88% in 2016 and access to refuse removal services increased from 51% in 1996 to 64% in 2016. These figures point out demographic status of service delivery improvements in South Africa.

In contrast, according to (DPSA, 2020:15; Community Survey, 2016 & AGSA, 2014), studies conducted on government service delivery and evaluation reports has demonstrated a different scenario that, despite governance mechanisms with feasible policies, legislative framework and governance programmes; government services such as water, electricity, housing and sanitation are not easily accessible especially in rural municipalities and delivery of services at large is not catered at the desired level across majority of municipalities in South Africa. Mangai (2017) in many countries, particularly developing countries, issues of stagnant service delivery

require necessary attention and needs to be addressed given low quality of service provision. Joshi & Moore (2004:40) supports this view when they stated that reforms aimed at improving service delivery in the public sector have received considerable focus in the previous decades, since the formation of the New Public Management movement. Before venturing into a critical analysis of the auditor-general on local government transformation and the current state of service delivery. It is important to note that 27 years into democracy, there are worrying trends and signs that undermine the progress of public service; municipalities face a great development risk of service delivery failures.

Evidence suggest that municipalities are poorly implementing corrective measure, or not pursuing it, whereas there is no active accountability for underperforming municipalities when it comes to service provision (Institute of Security Studies, 2015). According to AGSA (2018/2019) at the centre of poor service provision “is corruption, incompetent staff, absence of strict accountability, and lack of proper planning for service delivery”. In the last decade, South Africa has experienced heightened service delivery protest, which have worsened and expected to lessen if municipal governance is strengthened. Aadnesgaard & Willows (2016:547) evidently service delivery within municipality is deficient, and previous efforts to correct this have not been effective. The 2020 annual report of the Auditor-General illustrated that out of nine municipal auditees received, six incurred material irregularities amounted to R25-billion in financial loss and of which an amount of “R3-billion is known and an estimated value R22-billion”. In an article penned down by Deliwe examining the effectiveness of Public Audit Act on the office of the Auditor-General, Deliwe (2019) emphasised the necessity of the effective implementation of consequence management and the need for government to enhance governance and accountability, particularly at strategic management positions such as the executive and institutional leadership levels, if audit outcomes are to be promptly improved.

2.9.2 Overview of current constraints that impede service delivery in the public sector

There is growing recognition of the failure of public sector throughout developing countries and, thus far, public sector reforms have not been very successful.

Historically, many countries throughout the world have shown tremendous improvement towards policy development and policy direction mechanisms; however, few are less in successful implementation of their documented policies, while others suffer from policy uncertainty (Fourie & Poggenpoel, 2017:172). Many scholars have recommended the public sector, as a key component of any government economy, to actively and adequately address its challenges to avoid uncertainty of economic growth and development.

The end of World War II saw the emergence of the implementation of governance reform within public sector institutions throughout the world to bring about desired change. According to Lufunyo (2013:27) the resolution towards such governance reforms was a result of numerous concerns around lack of accountability, cost effectiveness, efficiency, better performance management and, ultimately, service delivery. Most African countries also took a stance to embark on initiatives of the implementation of public sector reforms. However, despite such efforts and availability of resources assigned for public sector reforms, progress remains stagnant and limited (Ghobadian, *et tal.*, 2009:1514 & Lufunyo, 2013:28), and can thus be attributed to decline of governance, non-compliance with reforms, political interference, and lack of accountability from public officials.

Government reforms intend to construct new strategies and ideas to innovatively repair government dysfunction, restore citizen's trust, and champion the pillars of democracy (Merriam-Webster, 2014). However, in the context of South Africa, there is growing concern that although good on paper, government reforms as initially expected have not had significant positive change on service delivery and positive outcomes; as such, municipalities in general are not forthcoming and continue to decline. This is in-relation to observable features such as lack of effective performance oversight, policy incoherence, and political market imperfections. Notwithstanding this concern, there is a wide range of factors that contribute to public sector under-performance and variations for basic service performance. Good Governance Africa (2019) stated that efficient governance in South Africa is understood on the proximity of local government, as the epicentre of service delivery. Moreover, it is appropriate to state that currently that's not the case, since the public sector is engulfed with higher citizen dissatisfaction when it comes to service delivery, which is seen by heightened levels of protest throughout municipalities.

Beyond these dynamics, municipal dysfunction within South Africa municipalities is caused by politicisation of bureaucratic processes, corruption, political instability, impunity, and lack of credible accountability structures.

2.10 Legislative framework for service delivery in the public sector

Every era has its own typical problems integrated with it and the kind of solutions ordered by time. Since the birth of a new democratic South Africa, there has been continuous effort to introduce legislative frameworks, policies, and programmes to reform the public sector, especially local sphere of government towards developmental local government and functional service provision (De Visser, 2005). The role of local government has progressively expanded considerably, and this has been made possible through the introduction of legislative frameworks and reforms in the public sector.

Considerably, although the Constitution of South Africa (1996) establishes the roles, responsibilities and structures of municipalities within the jurisdiction of local government. Currently several South Africa municipalities faces enormous backlog of service delivery challenges; therefore, the necessity to gear up municipal governance and legislative frameworks is of utmost importance for appropriate forms of good service delivery. In quest for effective and reliable service delivery (Ackron & Auriacombe, 2016) stated that government has widely embraced the interaction between policy makers and citizens in South Africa. Public sector economists on the other hand, according to (Robbins, 2017) have argued that implementation uncertainty and lack of compliance within municipalities jeopardise service delivery legislative frameworks. It is, therefore, important for the purpose of this study to provide an overview of legislative frameworks assigned to strengthen service delivery in the public sector.

2.10.1 The White Paper on Local Government 1998

Contributing to the transformation of public service, as a definitive policy document for local government. The White Paper on Local Government 1998 according to (Tsedu, 1998:14) it is the basis in which the function of local government legislation is based upon, and it further maps out the future for local government. White Paper on Local Government highlights key strategic concepts namely developmental local

government, co-operative government and the revised institutional system that calls for the transformation of local government.

Besides the Constitutional mandate on local government, the White Paper on Local Government is arguably the most significant policy document that charters the mandate of the modern governance of local government. In pursuit for service delivery, the White Paper on Local Government makes provision for creation of integrated local areas, good execution and promotion of Local Economic Development, and community empowerment and redistribution. In essence, the White Paper on Local Government envisaged an instrumental local government with budget that is integrated with development planning, performance management, an encouragement for public participation.

2.10.2 Batho Pele Principles

In attempt to legislatively make local government to be people-centred when it comes to service delivery, the South Africa government introduced Batho Pele Principles in 1997 as an important legislation framework to kick-start the transformation of public service and revolutionize the public sector (Mpehle & Nzimakwe, 2012:288). In such instances, the eight Batho Pele Principles were seen as a policy tool and legislation that would bring about efficiency and effectiveness in the provisioning of services. According to (Kuye & Naidoo, 2005) Batho Pele is a national government initiative requiring public servants in all spheres of government to be service-orientated, to strive for excellence in service delivery and to commit to continuous service delivery improvement. It is a deliberate government instrument that strongly encourages public officials to engage in alternative ways of improving and providing effective and efficient services in the public sector.

It is, therefore, government conviction that Batho Pele Principles if it is well implemented, when providing service, it would make citizens satisfied of government commitment towards good service delivery. It further, offers citizens an avenue to hold public servants accountable for the type of services they deliver (Mpehle & Nzimakwe, 2012:281). And instil an organisational culture of accountability, excellence, and putting people “citizens” first. Together, these pieces of legislation White Paper on Local Government and Batho Pele Principles provide a framework

for a service-orientated, democratic, accountable, and developmental local government system, as envisaged by the Constitution.

2.11 Monitoring and evaluation of service delivery at local sphere of government

Local sphere of government in South Africa needs refurbished interventions that will enforce public accountability and agile mechanism of innovation for municipalities. Undoubtedly, innovation if it is well implemented can have out-sized impact in the public sector and fast track improved performance, efficiency, and effectiveness within municipalities. In that context, Adonis (2021:289) contended that lack of accountability by municipalities in the public sector unwittingly accelerate maleficence, mismanagement of funds, wasteful expenditure, corruption, negligence and poor service delivery.

In such instances, effective monitoring and evaluation (M & E) systems are pivotal to reimagine a functioning local sphere of government. Therefore, to administer good service delivery, monitoring and evaluation (M & E) is a significant mechanism that can be utilized by municipalities to deliver projects and programmes with meaningful impact for their respective communities (Maepa, 2014). Globally, monitoring and evaluation (M & E) is at the forefront of governments and is used as a management tool to monitor and evaluate government activities. Much has already been written and said about service delivery and the need for improved systems of monitoring and evaluation (M & E) in the public sector. As such, monitoring and evaluation (M & E) is seen as a popular reform not only for the private sector, but also more importantly for the public sector.

In 2009, the South African government endorsed monitoring and evaluation (M & E) outcome-based mechanism. The Department of Performance Monitoring and Evaluation (DPME) was therefore established to merely:

- Facilitate outcomes;
- To coordinate the application of Participatory Monitoring & Evaluation (PM & E) policies, tools, mechanism and guidelines in government;
- Construct institutional performance monitoring; and
- Carry out monitoring of Frontline Service Delivery Monitoring Programme.

This approach aimed to establish strategic reforms within government structures by having various departments and spheres of government working together to achieve performance outcomes to encourage the value of monitoring and evaluation (M&E) in achieving good service delivery (Public Service Commission, 2014:10). Monitoring and evaluation (M & E) system entirely covers all spheres of government from national, provincial and local; however, the system seems to be weak at local government. Furthermore, though not implemented correctly in the public sector, monitoring and evaluation (M & E) plays a significant role to enhance transparency to construct organisational performance culture to support initiatives for better policy-making processes, management decision-making and budgeting.

South Africa municipalities' utmost challenge is to become more effective; hence, Mackay (2007) argued the necessity of government to move swiftly to monitoring and evaluation (M & E) policies and systems to enable the public sector to self-evaluate its performance and factors of service delivery outcomes. Since South Africa municipalities are confronted with challenges of rampant corruption and poor service delivery. Monitoring and evaluation (M & E) from municipal perspective can thus be argued to be inadequately institutionalised. Municipalities lack necessary corrective measures and capacity to undertake and implement monitoring and evaluation (M & E) systems; as such, only officials from national and provincial spheres of government seem to have equitable understanding of the concept.

Alternative reforms of monitoring and evaluation (M & E) in the context of South Africa lack proper exploration to determine its significance role and the capacity it has to improve the quality and standards of service delivery. The World Bank division of Operations Evaluation Department (OED) has implemented strategic numerous initiatives for developing countries such as South Africa to strengthen monitoring and evaluation (M & E) systems and skills for integral achievement of a developmental state, good governance, service delivery and public sector transformation (United Nations Development Programme, 2013). Structurally, and in terms of capacity, monitoring and evaluation (M & E) within municipalities should be strategically implemented in such a way that it enforces capacity building within various departments. In relation to municipal performance, monitoring and evaluation (M & E) system is an important mechanism tool envisioned to assist municipalities to improve audit outcomes, good governance and service delivery. In such instances,

municipalities are obligated by various legislative frameworks to successfully implement monitoring and evaluation (M & E), to enable them to provide basic services within their area of jurisdiction.

2.11.1 Monitoring and Evolution (M & E) mechanisms that enhance service delivery

2.11.1.1 Public Accountability and Citizen-Based Monitoring (CBM)

Improving public accountability is currently prioritized for public entities on the global agenda. The transition towards a democratic state in South Africa came up with new system of governance, as compared to the previous regime status quo; as such, change has become inevitable. An imperative condition for a democratic state is that public administration must be representative; in such instances, public accountability and transparency should be prioritized (DPME, 2011). Therefore, transparency and accountability, at management levels of public sector institutions must be enforced by providing the public with timely, accessible and accurate information.

In August 2013 South Africa government approved Framework for Strengthening Citizen-Government Partnerships for Monitoring Service Delivery. Department of Planning Monitoring and Evaluation (2013) stated that this framework aimed to institutionalize citizen-based monitoring (CBM) in government's monitoring and evaluation systems. According to Dawson (2014) Citizen-Based Monitoring is government approach that monitors government performance focusing on experiences of ordinary members of the society in order to strengthen public accountability and drive service delivery improvement. The framework prioritizes citizens and put them at the centre of monitoring processes and encourages citizenry participation in government planning and budgeting processes and on-going monitoring of service delivery by citizens.

2.11.1.2 Frontline Service Delivery Monitoring Programme

Frontline service delivery monitoring programme is the brainchild of the Department of Planning Monitoring and Evaluation, and a joint initiative with the offices of premiers that aimed to undertake hands-on monitoring and evaluation programmes

at targeted service delivery facilities. The initiative was spearheaded to continuously verify:

- I. If government is meeting the expectations of the citizens;
- II. where government is doing well; assist government departments to focus scarce resources where they are needed; and
- III. to direct improvements to strategic key developments.

Since June 2011, to catalyze service delivery improvements and highlight the importance of frontline monitoring to service delivery departments the programme has been active and undertaken unannounced visits to government service sites such as schools, clinics, licensing offices, and police stations (Dawson, 2014). This significant visit comprises of officials from monitoring and evaluation units, provincial officials from office of the premiers, and department of planning monitoring and evaluation officials. During the unannounced monitoring visitations, users and staff are thoroughly interviewed about their views on system performance and a scorecard is produced for each facility, as well as an improvement plan.

2.11.1.3 Participatory Monitoring and Evaluation (PM & E)

Much has been claimed about participatory monitoring and evaluation to be empowering, cost-effective, accurate, and relevant. Monitoring and evaluation mechanism are not new to community-praxis approach but are inherently built into it. One of the most important common functions of participatory monitoring and evaluation is to monitor and evaluate an initiated programme impact (Onyago, 2018). In service delivery context, participatory monitoring and evaluation caters for primary stakeholders within a government project by honouring their perspectives, voices, preferences and decisions.

According to Jackson and Kassam (1998), participatory monitoring and evaluation is “is a self-assessment process of generational collective knowledge, and cooperative action, in which stakeholders in a programme are given an opportunity to evaluate issues, collect and analyse data, and take-action”. Participatory Monitoring and Evaluation has key pedagogical principles such as participation, negotiation, learning, flexibility, and methodologically eclectic. The World Bank (2011) asserts that Participatory Monitoring and Evaluation is an effective mechanism that enables

stakeholders at various levels engage in monitoring and evaluation of project or programme. Therefore, in advancing democracy and good financial management citizenry participation is significant and needs to be incorporated at planning, and evaluation phase of public programmes, projects, service delivery.

2.12 Conclusion

This chapter has given a brief history of the office of the Auditor-General and its manifestation in South Africa. It further, made provision of literature review on auditing of the public sector focusing on South Africa context. In such instances, the role of the office of the Auditor-General and types of public sector auditing was also interrogated by the researcher. Subsequently, financial management mechanism in the public sector and key documents of financial management and accountability cycle was also reviewed as part of public sector auditing. This chapter, continuously delved on reviewing legislative frameworks guiding the office of the Auditor-General for municipal audits and state institutions supporting auditing of the public sector in South Africa. Following that, this chapter made an analysis of the state of service delivery within South Africa municipalities from the Auditor-General perspective and current constraints that impede service delivery in the public sector. To this end, review of legislative framework for public service was provided and a review on Monitoring and Evaluation (M & E) system of service delivery at local sphere of government was provided along with various mechanisms of Monitoring and Evolution (M & E).

The following chapter delve on the presentation of conceptual and theoretical frameworks that underpin the study.

CHAPTER 3

CONCEPTUAL AND THEORETICAL FRAMEWORK UNDERPINNING AUDIT OPINIONS AND SERVICE DELIVERY

3.1 Introduction

This chapter provides an omnibus of the understanding of theories of public administration. In attempt to understand if clean audit outcomes of Midvaal Local Municipality can be used as an effective determinant of good service delivery within the municipality. This chapter interrogates Management Performance Assessment Framework and Tool (MPAT), as the conceptual framework of the study. Whereas the last part of the chapter analyses Theory of Change that underpin Management Performance Assessment Framework and Tool (MPAT) as the theoretical framework of the study.

3.2 Towards a conceptual understanding of Public Administration theories

In any Public Administration discourse, it is significant to acknowledge governance theoretical and conceptual frameworks in literature. In one way, according to Siswana (2007:48) “Public Administration as a field of study is built upon well-articulated theories that put it in context, particularly for epistemological matters associated with government”. Hence, there is a need for scholars in Public Administration to fully analyse Public Administration in its context. In accordance with, Van der Waldt (2017:188) the outcome of a well-researched paper in Public Administration is dependent on the application of an appropriate theory to design theoretical, conceptual and analytical frameworks in order to study a certain phenomenon thoroughly. Public Administration theories as such are important tool of the discipline to study, evaluate, and when necessary, understand the public sector management.

- In attempt to theorize the study of Public Administration; (Thornhill & Van Dijk, 2010:97) suggest that it would be mandatory for the theoretician to assess the relations between variables, to relate theory to the practise of Public Administration. Therefore, the application of theory in research is significant to inform and guide the researcher to understand the intricacy and development

of the studied phenomena or research problem. According to Kaplan (1964) theory is set of assumption that studies new observations, which can be empirically applied for the purpose of problem solving, explaining, and predicting. In any social science discipline such as Public Administration, it is imperative for theory, research, and practice to be intertwined. Van der Waldt (2017:193) suggests that intertwining theory, research, and practice can be established through the following strategies:

- **Theory – practice – theory:** utilize theories of Public Administration (or other disciplines); apply it to public sector-phenomena; and establish theory.
- **Practice – research – theory:** scrutinize recent realities in public institution; conduct an empirical examination; establish theory from research results.
- **Theory – theory – research/practice:** build on existing theories to develop theory, then apply and test it.

In Public Administration discipline, the development of theory and methodologies must also be intertwined, for the purpose of providing necessary methodologies to test theories.

3.3 Conceptual framework for the study

Camp (2001) defines conceptual framework as a combination of concepts, constructs and empirical research, which the researcher uses to best explain natural progression of the studied phenomenon. This section of the study reviews Management Performance Assessment Framework and Tool (MPAT) as conceptual frameworks for the study. The study adopts Theory of Change that underpin Management Performance Assessment Framework as the main theoretical framework of the study complimented by Management Performance Assessment Framework and Tool (MPAT) as the conceptual framework of the study.

3.3.1 Management Performance Assessment Framework and Tool (MPAT)

It is commonly found that some municipalities achieve clean audits, even though they are overwhelmed by extreme poor performance when it comes to service delivery (AGSA, 2010/11). In understanding if clean audit outcomes can be used as an effective determinant of good service delivery at Midvaal Local Municipality; it is important for this study to examine some managerial practices that led to the

achievement of successive municipal clean audits outcomes and good service delivery in general at Midvaal Local Municipality.

Management Performance Assessment Framework and Tool (MPAT) as the conceptual framework of the study aims to guide the analysis and interpretation of the study. In 2009, the Department of Performance Monitoring and Evaluation was established by government in attempt to improve performance and strengthen the use of monitoring and evaluation system. Since its inception, the key activity of DPME (2011) was the implementation of “Management Performance Assessment Tool (MPAT) for monitoring the state of management practices in national and provincial departments”. The framework and tool present a structured, integrated and aligned approach that has clear roles and responsibilities for stakeholders, including reporting and accountability measures (DPME, 2011). This framework is paramount since, it seeks to promote the assessment of public service towards improved service delivery through an institutionalised monitoring and evaluation system.

The conceptual framework understanding is.....

Improved management practices are the key to an improved public service and will contribute to improving service delivery through providing a holistic picture of the quality of management practices within a department or municipality, against common standards. This information can be used by management to inform improvements and can be used by transversal departments to provide support where it is needed most (DPME, 2015).

3.3.2 Four key performance areas of Management Performance Assessment Framework and Tool

The Management Performance Assessment Framework and Tool (MPAT) process is designed to assess the quality of management practices in four key performance areas (KPA).

3.3.2.1 Key Performance Area 1: Strategic Management

It “includes the deployment and implementation of the strategic plan throughout the organisation, the measurement and evaluation of results, and the implementation of improvements based on monitoring and evaluation”. (Presidency, 2013:17). Strategic

management is an on-going managerial practice that involves the coordination and alignment of an organisation resources along with actions, mission and vision of the organisation. Within the public sector, strategic management goes far beyond the development of strategic planning. Poister & Streib (1999:311), therefore iterated that strategic management “is not a linear process of planning, implementation, and evaluation”. Rather, it involves managing private and public sector institutions using strategic approach to effectively influence other management processes. The application of effective strategic management entails the assessment of an organisation’s performance to amend the implemented strategy and inform stakeholders about an organisation annual performance (Joyce, 2015). It thus that effective monitoring and evaluation through effective strategic management practices enables managers to see early warning signs that might affect the performance of the organisation.

3.3.2.2 Key Performance Area 2: Governance and Accountability

Focusing “on a select number of management practices that underpin good governance and promote accountability in public administration.” (Presidency, 2013: 21). Governance and accountability consist of systems that incorporate managerial structures with accountability and ethics to enhance service delivery improvements. In such regards, accountability in governance has become a standard for public managers to create value and shape an organisation. Public sector governance and accountability is concern with reducing the mismanagement of resources to steer efficiency in the delivery of public services (Almqvist, *et tal.* 2013:480). In the context, of municipalities, effective governance and accountability practices allow political and administrative leaders within an organisation to be responsive to oversight committee’s finds and recommendations. Therefore, it can thus be argued that governance cannot be effective without the provision of the enforcement of competent and appropriate accountability system.

3.3.2.3 Key Performance Area 3: Human Resource Management

Addresses the quality of human resource management practices as they influence on the overall performance of the organisation and its delivery of services (Presidency, 2013: 27). According to the MPAT report, effective human resource

management and development is central to the performance of an organisation. In pursuit for good performance in municipalities, the report argues that managers and leaders in the public service must prioritize the management of human resource department to recruit capable employees with relevant skills and knowledge (DPME, 2012).

3.3.2.4 Key Performance Area 4: Financial Management

Builds on the work of the Accountant General of National Treasury to assess the economic use of public finances (Presidency, 2013: 33-34). According to Key Performance Area 4 focusing on financial management states that municipalities should efficiently sustain their budget (capital and operational). As a result, municipal departments are encouraged by legislative frameworks to adhere to policies and procedures that enable the municipality to avoid occurrence of unauthorised, irregular or fruitless and wasteful expenditure.

Table 3: Key Performance and Performance Areas in MPAT

As demonstrated in table 3, each indicator falls under one of the four KPAs, namely Strategic Management, Governance and Accountability, Human Resource and Systems Management and Financial Management.

| MPAT KEY PERFORMANCE AREAS | | | |
|-------------------------------|----------------------------------|---|-------------------------------|
| 1.Strategic Management | 2. Governance and Accountability | 3.Human Resource and Systems Management | 4. Financial Management |
| PERFORMANCE AREAS | | | |
| 1.1 Strategic Planning | 2.1 Service Delivery Improvement | 3.1 Human Resource Strategy and Planning | 4.1 Supply Chain Management |
| 1.2 Programme Management | 2.2 Management Structures | 3.2 HR Practises & Administration | 4.2 Budget Management |
| 1.3 Monitoring and Evaluation | 2.3 Accountability | 3.3 HR Utilisation & Capacity Development | 4.3 Asset Management |
| | 2.4 Ethics | 3.4 Employee Relations | 4.4 Revenue Management |
| | 2.5 Internal audit | 3.5 HR IT Systems | 4.5 Compensation of Employees |
| | 2.6 Risk management | | 4.6 Financial Management |
| | 2.7 Delegations | | 4.7 Goods and Services |
| | | | 4.8 Transfer Payments |

Source: National Treasury (2015)

3.4 Implications of Management Performance Assessment Framework and Tool (MPAT) at Midvaal Local Municipality

In relation to the implementation of Management Performance Assessment Framework and Tool (MPAT) at Midvaal Local Municipality. The municipality has derived and incorporated 8 key performance areas, orientated around the National Mandate Outcome 9 of the Provincial Strategic Objectives and Sedibeng District Municipality; to advance the implementation of the municipality Integrated

Development Plan (IDP). These key performance areas are significant to facilitate the agenda of the municipality to achieve its strategic objectives:

3.4.1 Key Performance Area 1: Good Governance & Public Participation

The Office of the Auditor-General is known for its role in monitoring good governance in terms of public finances. MLM (2020a) reputable rating agencies and government institutions entrusted with the measurement of good governance re-affirm Midvaal Local Municipality, as the most sustainable municipality with a track record of good governance in Gauteng. Section 16(1) and Section 29(1) of Municipal Systems Act, (32 of 2000), makes provision for the need for public participation; it endorses the linkage between local government with local communities. According to (MLM, 2021d: 291) as a legislative requirement, Midvaal embraces public participations as one of its integral parts of the IDP process. Furthermore, communities are afforded any opportunity to participate in drafting of the IDP. In explaining public participation within the municipality, the former executive mayor Bongani Baloyi [2013 – 2021] alluded that:

“The municipality suffers from inadequate civic engagement from the community, the society fails to hold the executive to account, but rather complain about municipality project hesitancy and not really about what is happening with regards to the institution's performance. I think there is a lack of civil and community participation in holding those elected to office to account”

(Source:<https://www.news24.com/news24/southafrica/news/outgoing-midvaal-mayor-bongani-baloyi-ask-questions-to-ensure-municipalities-perform-20211004>)

3.4.2 Key Performance Area 2: Safety & Environment

The Municipal Systems Act 32 of 2000 allows municipalities to foster and undertake developmental projects within the municipality. Accordingly, municipal councils have legislative responsibility and administrative capacity to promote safe and healthy municipal environment. The study found out that Midvaal Local Municipality has partnered with 3000 community patrollers, working with law enforcement, to ensure the safety of residents through its crime prevention strategy.

3.4.3 Key Performance Area 3: Social & Community Development

Upon closer inspection, and review of literature, the study found backlog of social and community development in informal settlement such as Sicelo (MLM, 2021). However, about 6.3 Kilometers from Sicelo informal settlement is Meyerton, which has good facilities such as roads and well-maintained recreational facilities. Whereas, Sicelo is overwhelmed by abject poverty, high unemployment rate, Sewage spillages, lack of refuse collection, illegal power connections with sanitation remaining as a distant dream. In circumventing such backlog, the municipality should develop a social and community development strategy for informal settlement.

3.4.4 Key Performance Area 4: Institutional Transformation

The White Paper on Local Government, 1998 and the Constitution, 1996, established a new model for the local sphere of government, which manifested in the form of democracy; and notably set out the foundation for transformation processes (Kroukamp, 2005:24). Therefore, institutional transformation is essential for municipalities to function to their full capacity. In reference to Midvaal Local Municipality, the recruitment of competent and professionalized civil servants is a critical component for institutional transformation towards a more professionalized public sector.

3.4.5 Key Performance Area 5: Financial Sustainability

Access to finances is one of the most important aspects for financial sustainability of any organisation. Midvaal Local Municipality has adopted the Long-Term Financial Planning Policy for 2021/2022 financial years to thrive the municipality towards financial sustainability. According to (MLM, 2021:3) the policy aims to ensure that Midvaal Local Municipality is well-equipped financial to achieve its long-term objectives through medium term operating and capital budgets implementation.

3.4.6 Key Performance Area 6: Physical Infrastructure & Energy Efficiency

The quest for the implementation of energy efficiency and renewable energy work within South African municipalities is already underway. According to (MLM, 2018:6) the municipality council took a decision to adopt a Green Building Policy for a period of 5 years in realisation of KPA 6. The policy aimed to promote the use of resource-

efficiency, when it comes to building practices, which also significantly assist to reduce environmental harm and operational cost of managing the infrastructure. Furthermore, MLM (2018:6) “directorates in various municipal departments in Midvaal must, take an approach of developmental plan to matters relating to Green Buildings”.

3.4.7 Key Performance Area 7: Services & Customer Care

The Batho Pele Principles recognizes customer satisfaction as an important concept that should be used as a benchmark to measure government performance (Mbandlwa *et tal*, 2020:24992). According to (MLM, 2020a:80) “a customer-centric approach gives guidance to the values of Midvaal Local Municipality”. The municipality aims to advance its systems and technology to deliver an exceptional customer experience. In pursuit of delivering inclusive services to the community of Midvaal; the municipality in 2020 launched its Call Centre and My Midvaal App sourced to enhance the provision of services and customer care. However, Midvaal’s customer base is hindered by unfunded mandates, which remains a financial burden to the municipality due to national and provincial financial transaction; not adhering to Midvaal performance on behalf of government (MLM, 2020a:97).

3.4.8 Key Performance Area 8: Economic Growth & Development

Municipalities socio-economic development mechanisms are models geared to uplift municipalities as distinct entities. Some of the key priorities included in the Midvaal Local Municipality socio-economic mechanism include Integrated Development Plans (IDPs), Spatial Development Frameworks (SDFs) and Local Economic Development (LED) programmes. The municipality aims to facilitate sustainable economic empowerment for all communities within Midvaal and through the development of partnerships and innovation. The study found that interventions are needed for Midvaal Local Municipality to industrialise, create jobs and grow the economy. As demonstrated by White Paper on Local Government.....*local government is committed to work with communities to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives.*

3.5 Conceptualizing performance management at local government

Ntshakala & Nzimakwe (2016) performance management is a mechanism used by government to measure the implementation of an organisation's strategy. It is further argued to be a management practice of an organisation that reviews, monitors, and measures performance indicators that ensures efficiency, effectiveness and impact of service delivery within the municipality. Performance management according to Minnaar (2012) offer methodological avenues that gear municipalities towards service delivery priorities identified during the process of strategic planning. At local sphere of government, the institutionalization of performance management is achieved through legislative framework of performance management process for local government.

The constitution of the Republic of South Africa 1996 section 152 establishes an "accountable government" and deals with objectives of local government that paves the way for performance management. In such instances, section 195(1) of the constitution of the Republic of South Africa 1996 also outlines democratic values linked to the concept of performance management, with reference to the principles of inter alia:

- I. The promotion of efficient, economic and effective use of resources;
- II. Accountable public administration;
- III. Transparency with the provision of information;
- IV. Responsiveness to the needs of the community; and
- V. Facilitation of a culture of public service and accountability.

3.5.1 Objectives and benefits of performance management

In light to municipalities, a performance management system allows municipalities to outline their objectives and priorities, set performance indicators, targets and development strategies. Over the years, performance management practices have gained popularity in the public sector. It has become a statutory approach that measures performance of services delivered in a dynamic and diverse public sector environment (Pillay & Subban, 2007:55). So, the objective of performance management "is to simultaneously enhance the capacity of the organisations and that of employees so that the performance of every individual can be improved"

(Pareek and Rao, 2006:31). The overall objectives and benefits of performance management vary depending on its utilization within an organisation; however, if well-implemented performance management has the capacity to establish high performance culture for continuous process of an organisation within a framework provided by effective leadership.

3.5.1.1 Municipalities

Performance management system is the core central managerial practice within an organisation. According to (Pillay & Subban, 2007) it helps municipal councils to channel all efforts of municipal departments and employees to improve service delivery and achieve all municipal strategic objectives. In the context of South Africa municipality, the system of performance management is comprehensively legislated through various government legislative frameworks. Selepe (2018:541) stated that municipal performance indicators used during the process of performance management is significant to alter the focus of stakeholders on performance of individual municipalities against their Integrated Development Plan (IDP) and Service Delivery Budget Implementation Plans (SDBIPs). Therefore, performance management will effectively benefit the municipality by:

- I. Ensuring measurement of organizational performance;
- II. Integrate organizational performance management into management processes;
- III. Facilitate change management and meet strategic development requirements;
- IV. Implement Integrated Development Plan by making it accessible to all the public and employees, and therefore clarify objectives and strategies and promote a system of accountability;
- V. Provide a framework for auditing performance; and
- VI. Provide services in an efficient, effective and economic manner.

3.5.1.2 Community

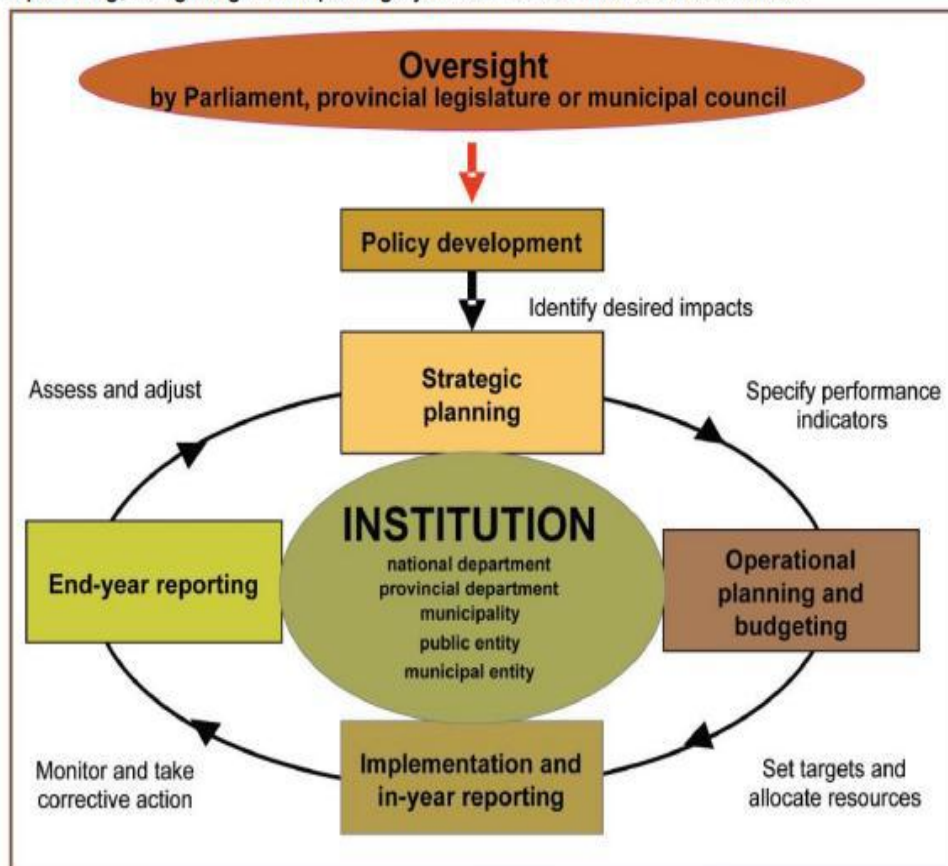
In general sense, if effectively implemented by municipalities performance management satisfy all stakeholders such as workers, and the community. Therefore, performance management will effectively benefit the community in the following manner:

- I. It enables the establishment of a system that translates Integrated Development Plan into measurable objectives and targets;
 - II. Ensure that sound management principles are institutionalized for ensuring effective and efficient governance of service delivery; performance of the municipality; and
 - III. The promotion of an accountable municipality.
- 3.6 Performance management process

In an article written by Selepe (2018), which cited Van der Waldt (2004:286) performance management is regarded to be an effective process that improves the functioning of an organization, its significant can be ensured through a well thought and comprehensive designed and implementation process. Therefore, performance management system is designed for the purpose of improving organisational effectiveness and strategic focus to continuously improve the performance of a municipality as a whole and stakeholders such as workers.

Figure 3: Performance management process

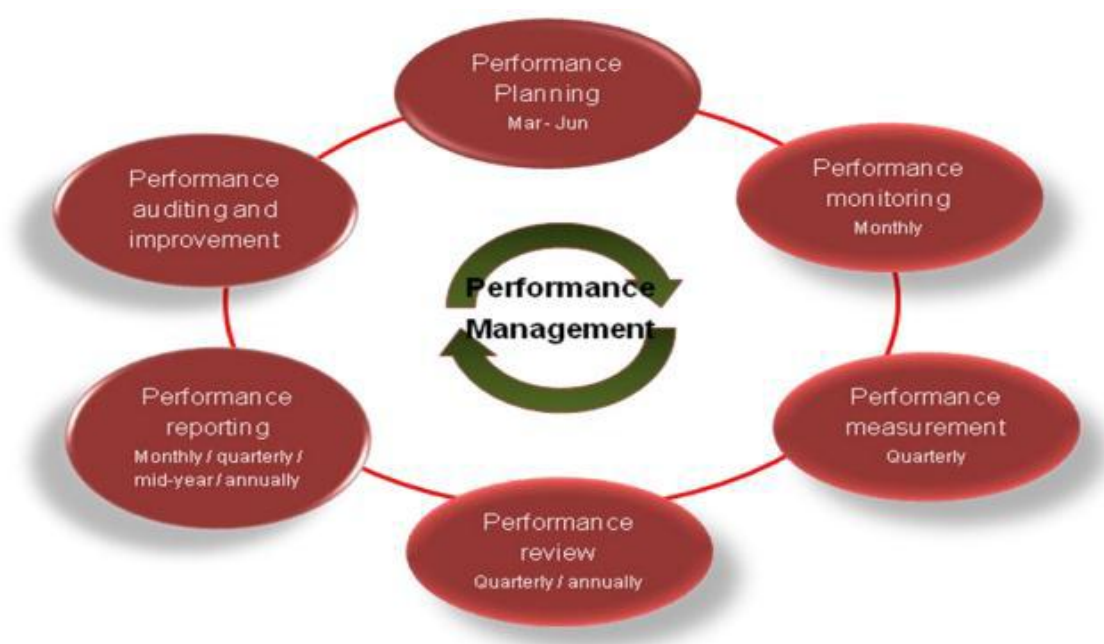
The overall planning, budgeting and reporting cycle can be summarised as follows:



Source: National Treasury (2007)

Figure 3 of performance management process is described by National Treasury as the planning, budgeting and reporting cycle. It is a Framework for Managing Programme Performance Information and Framework for Strategic Plans, and Annual Performance Plans provide guidance for municipalities on the use of this process. Performance management process can thus be summarized in the following diagram of performance management policy framework.

Diagram 3: Performance management policy framework



Source: National Treasury (2007)

Each of the above cycles of diagram 3 of performance management policy framework can be explained as follows:

- **Performance Planning** by design enforces direction to strategic plans of the municipality to be more aligned and explicitly inform the Integrated Development Plan with planning activities and municipal decisions. This stage includes the integration of Key Performance Areas and Key Performance Indicators for the purpose of addressing the IDP objectives, national policy and target outlined.
- **Performance Measuring and Monitoring** is an on-going process that is mainly focused on assessing if performance targets are meet, exceeded or

not met. This stage often occurs on a quarterly and annual basis. Its projections can also be assessed during the process of the year to check if final target and future targets will be met.

- **Performance Evaluation** is mainly designed to assess under-performance and factors that contribute to it, which might have allowed effective good performance in a particular area. In an instance, of lack of corrective measures and targets, the cause should be examined, and corrective measures recommended. In this stage, key performance indicators are reviewed to determine their feasibility of measuring key areas appropriately.
- **Performance Reporting** entails regular reporting to management, the performance audit committee, council and the public.
- **Performance Review/Auditing** it is a significant stage of monitoring and evaluation. This stage includes the verification of the accuracy of measurement mechanism that assesses the implementation of proper procedures that evaluate and improve performance. According to section 45, of the Municipal System Act, outcomes of the performance measurement must be audited as part of municipality's internal auditing process and annually by the Auditor-General. In such instances, South Africa municipalities are supported by institutionalized legislative frameworks, structures that evaluate the effectiveness of the municipality's internal performance measurement control systems. Therefore, identified areas of poor performance at the end of the year, must be addressed in the following years planning phase.

3.7 Theoretical framework for the study

Theoretical framework according to (Grant & Osanloo, 2014) is an integral part that guides research inquiry. Thus, theoretical framework is the basis that resonates with every aspect of the study, and it also significant to outline the structure that defines the methodology, epistemology, philosophy, and the analytical approach of the research. Imenda (2014) clearly posits that research "without a well-articulated theory will lack accuracy to investigate the studied phenomenon, search for relevant literature and scholarly outcomes of research". In such instances, Camp (2001) along with Grant & Osanloo (2016:19) support the notion that theoretical framework

is the blueprint that enhances the essence of the study. In all aspect, a postgraduate thesis or research dissertation must be firmly aligned with an appropriate theory (Grant & Osanloo, 2014).

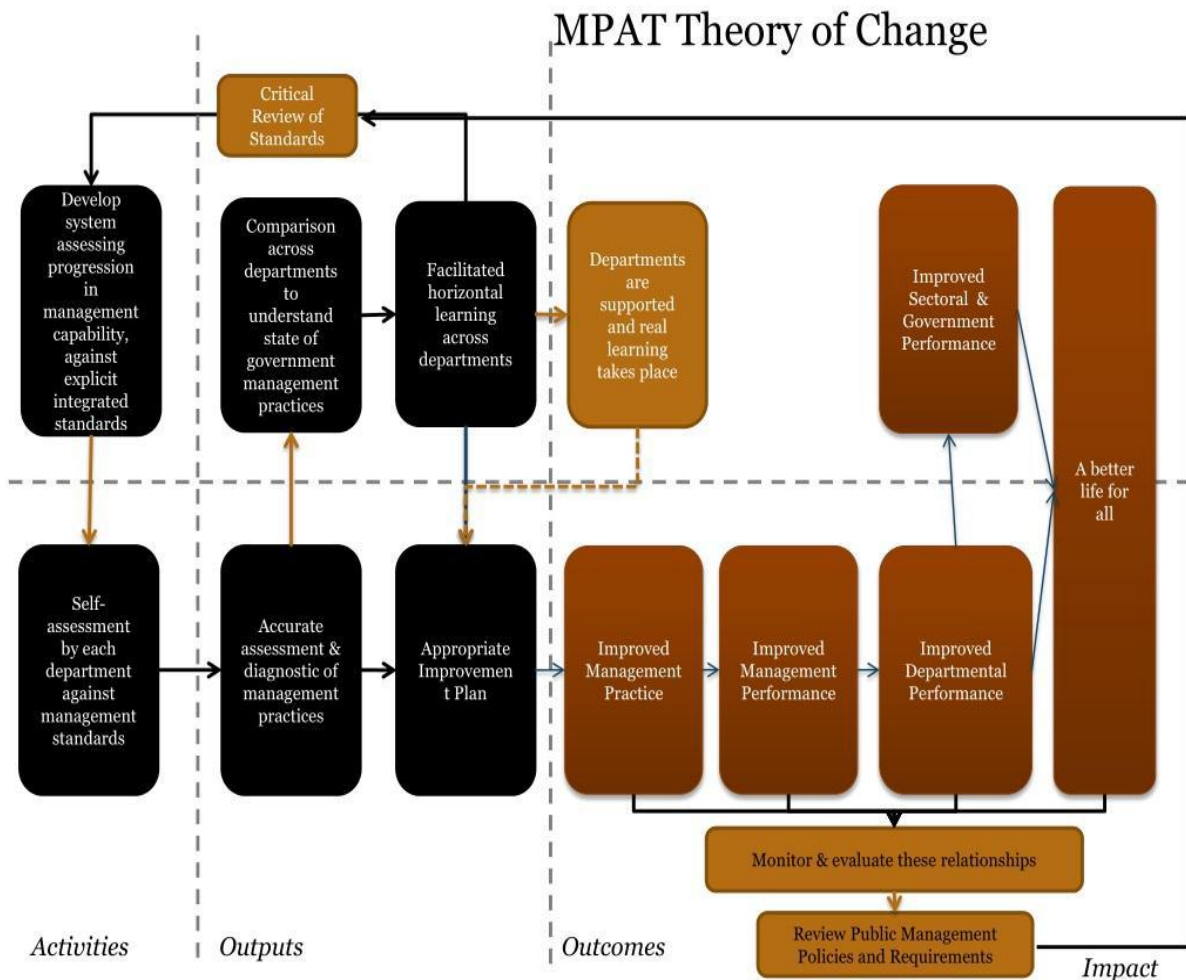
This section of the study reviews Theory of Change that underpins Management Performance Assessment Framework and Tool (MPAT).

3.7.1 Theory of Change that underpin Management Performance Assessment Framework and Tool (MPAT)

The theory states that “quality management practices such as – how institutions plan; manage staff, finances, and infrastructure; how institutions are governed and how institutions account for performance - has a significant influence on the quality of the outputs the institution produces, the outcomes achieved, and ultimately, the impact services have on society. Therefore, to improve the performance of an organisation, it is essential that management practices of an organisation are assessed and strengthened”.

The theoretical framework understanding is..... “Good management practice is a precondition for effective, sustainable service delivery” (DPME, 2015).

Figure 4: MPAT Theory of Change



Source: National Treasury (2007)

Theory of change that underpin MPAT (Figure 4), emerged from the implementation and evaluation of MPAT. The theory firmly asserts that compliance with regulatory frameworks will improve management practices and ultimately contribute to service delivery.

3.7 Conclusion

This chapter has provided context into conceptual and theoretical frameworks underpinning the study. The chapter began by discussing the understanding of theories of Public Administration. This was followed by an overview of Management Performance Assessment Framework and Tool (MPAT), which is the conceptual framework that makes the study meaningful and acceptable to analyse and interpret the study through conceptual and theoretical constructs. The chapter discussed and put forth Management Performance Assessment Framework and Tool (MPAT) as a

conceptual framework of the study into context to assess if clean audit outcomes of Midvaal Local Municipality can be used as effective determinants of good service delivery. In attempt to theorize the study, this chapter discussed Theory of Change that underpins Management Performance Assessment Framework and Tool (MPAT) as the theoretical framework of the study.

The following chapter delve on the presentation of research methodology used in the collection of data for this research study.

CHAPTER 4

RESEARCH METHODOLOGY OF THE STUDY

4.1 Introduction

This chapter primarily focus on providing an overview of research methods adopted to undertake this research study. The chapter highlights objective inquiry employed to conduct the study; along with research methodology, data collection method, data analysis technique and ethical consideration pertaining the study. This chapter is instrumental as it set precedent for (chapter 5 and 6) of the study.

4.2 Research paradigms

According to Crotty (1998), research paradigm refers to the philosophical framework that your research is based on. Similarly, Denzin & Lincoln (2000), refer to research paradigms as human constructions that help researchers to formulate and construct meaning embedded in data. Scientific research consists of three research paradigms namely, interpretive, critical, and positivist paradigms.

4.2.1 Interpretive paradigm

This study is mainly based on interpretive paradigm. Fundamentally, interpretive paradigm attempts to construct evidence concerning a studied phenomenon using meanings that people assign to them (Deetz, 1996). This study makes use of interpretive paradigm applied on the basis of qualitative research method to assess clean audit outcomes and service delivery of Midvaal Local Municipality using online qualitative questionnaire survey with open-ended questions and literature review methods of data collection. Reeves & Hedberg (2003:32) outlined that interpretivist paradigm is more concerned with critically putting research analysis into context. Furthermore, it is concerned with understanding the world from individual subjective experiences. This study assumes the following three aspects of interpretive paradigm namely: ontology, epistemology, methodology, and axiology.

Table 4: Displays the characteristics of interpretivism, as applied in this study.

| Feature | Description |
|---------------------|---|
| Purpose of research | Assess if clean audit outcomes of Midvaal Local Municipality can be used as an effective determinant of good service delivery |
| Ontology | <ul style="list-style-type: none"> ➤ Multiple realities exist. ➤ Reality explored through interacting with research participants in their natural setting using online qualitative questionnaire with open ended questions, to better understand their experiences on Midvaal Local Municipality clean audit outcomes and service delivery. ➤ Discover how other scholars, researchers etc make sense of clean audit outcomes and service delivery by means of literature review, while drawing lessons for Midvaal Local Municipality |
| Epistemology | <ul style="list-style-type: none"> ➤ Events are understood through the mental processes of interpretation that is influenced by interaction with social contexts. ➤ The researcher subscribed to the fundamental belief that research involves (i) the known (the researcher), (ii) the knower (the research participants) and (iii) the knowledge (the participants' narrative of the assessment of Midvaal Local Municipality clean audit outcomes as an affective determinant of good service delivery. |
| Methodology | <ul style="list-style-type: none"> ➤ The study adopted a qualitative research method ➤ The study adopted online qualitative questionnaire survey with open ended questions and literature review. |
| Axiology | <ul style="list-style-type: none"> ➤ The researcher had to maintain the ethics applied in every scientific research, see section 4.15 on ethics |

Source: (Author 2022)

4.3 Research design and methodology

Researchers use research design as a procedural tool and a blueprint to conduct a study. According to Creswell (2014) “research designs are the procedural tool used in the process of: data collection, data analysis, and reporting of data”. Therefore, in attempt to answer research question formulated in chapter 1 and achieve the purpose of conducting this study, this study employed a case study research design. According to Marshall & Rossman (2011:200) the choice of a case study research method is justified by the fact that it enabled the researcher to explore the phenomenon within its real-life context. Therefore, Midvaal Local Municipality, as a municipality with successive clean audit outcomes, was chosen as a case study of this research to enable the researcher to investigate how effective is clean audit outcomes in determining good service delivery.

4.3 Research methodology: Qualitative research method

This study employed qualitative research method which is explorative in nature (Riviera, 2011:615; Polit *et al*, 2001:19; Burns & Grove, 2003:201; Mouton, 1996:133). According to Riviera (2011:615) qualitative research is an investigational paradigm, which connects the philosophical bearing to the observable facts. Qualitative research provides information by case studies, narrative analysis or by proposition. Qualitative researchers are mainly vested in understanding how people attach and make meaning of the world and experiences they have in the world” (Merriam, 1998:6). The researcher found qualitative research method to be significant for this study since it put emphasises on the social context for having deeper understanding of the world. In this study, the method helped explore the views of research participants in understanding if clean audit outcomes can be used as an effective determinant of good service delivery at Midvaal Local Municipality.

4.3.1 Exploratory approach

Exploratory approach is commonly used in qualitative research. Exploratory approach is undertaken when little information is known about the studied phenomenon with research problem that has not been clearly explored (Saunders *et al.*, 2007). For instance, explanatory research looks for causes and reasons and also provides evidence to support or refute an explanation or prediction. Furthermore, the

researcher used this approach as a systematic investigative tool that enabled the researcher to come up with in-depth information about the phenomenon, in order to generate further knowledge.

4.4 Population of the study

The population of the study is the researcher targeted individuals that the researcher intends to study from the entire population of interest. In this study, the researcher recruited a sample from the population of interest to be included in the study. Therefore, the population for this study consisted of government officials from Midvaal Local Municipality and selected number of few community members. To provide an unbiased view to the findings of the study, the researcher selected officials and members of the community who understand the daily- operations of Midvaal Local Municipality in order to determine if clean audit outcomes can be used as an effective determinant of good service delivery at Midvaal Local Municipality.

4.5 Sampling technique

The concept of sampling according to Majid (2018:3) refers to statistical representative of sample selected by the researcher from the studied population. This study employed purposive sampling for selection of research participants. Palinkas, *et al* (2015) “purposeful sampling is commonly utilized in qualitative research for the identification and selection of information-rich cases related to the phenomenon of interest”. The selection of officials and members of the community was done since they understand the daily- operations of Midvaal Local Municipality. In such instances, the selected sample gave a fair and realistic view of the population.

4.5.1 Table 5: Sample Size of the study

| Key Individuals | Number to be interviewed |
|---|--------------------------|
| Chief Financial Officer | 1 |
| Municipal Manager | 1 |
| Executive Mayor | 1 |
| Executive Directors | 3 |
| Performance and Audit Committee | 4 |
| Members of Mayoral Committee | 4 |
| Municipal Public Accounts & Oversight Committee (MPAC) | 6 |
| Ward Councillors | 10 |
| Community members: De <u>Deur/Walkerville</u> , <u>Eikenhof</u> , <u>Meyerton</u> , Vaal Marina | 20 |
| Total | 50 |

Source: (Author 2022)

This samples a good statistical representation of the studied population and is large enough and helped the researcher to answer the proposed research questions. The researcher preferred this strategy as it is cost-effective to determine the views of the selected research participants.

4.6 Data collection method

The researcher employed the following qualitative data collection method to obtain information for the study:

- **Survey: Online qualitative questionnaire with open-ended questions**
- **Literature review**

4.6.1 Survey: Online qualitative questionnaire with open-ended questions

Survey is a common tool in social research and this study employed online qualitative survey questionnaire with open-ended questions to collect data for the study. Midvaal Local Municipality officials such as Chief Financial Officer, Municipal Manager, Executive Mayor, Performance & Audit Committee, Members of Mayoral Committee, Municipal Public Account & Oversight Committee, Ward Councillors, and Members of the Community were administered with online qualitative survey

questionnaire to participate. Therefore, out of a sample of (n=50) only (n= 32) participated in the survey. According to (Braun, *et tal.*, 2021:641) as a primary method of data collection, online qualitative surveys extract qualitative data to offer detailed in-depth new understanding about social issues. In such instances, online qualitative questionnaire surveys are self-administered by the researcher to participants and are made up of open-ended questions, drafted by the researcher for the purpose of understanding the proposed studied phenomenon.

Online qualitative questionnaire survey allowed the researcher to prepare open-ended questions of the survey ahead of time and this survey was also presented to Basic and Social Sciences Research Ethics Committee (BaSSREC) of the North West University for evaluation. In such instances, administered online qualitative questionnaire survey allowed informants to freely express their views at the comfort of their devices and on their own terms.

4.7 General procedure of administering online qualitative questionnaire survey with open-ended questions to participants.

The researcher developed a suitable plan to acquire information from informants using the online qualitative questionnaire survey with open-ended questions. The developed plan and procedure consisted of the following arrangements: Gatekeeper letter & access to participants, participant's information leaflet & consent form, period to complete online survey qualitative questionnaire,

4.7.1 Gatekeeper Letter and access to participants

The focus of the study is Midvaal Local Municipality. The researcher wrote to the Office of the Municipal Manager seeking permission to conduct the study there. Permission was granted to the researcher in writing by the Municipal Manager...**(see the attached: Gatekeeper Letter)**. Therefore, approval to conduct the study at the municipality enabled the researcher to have access to the work email address of the officials of Midvaal Local Municipality who were selected as part of the studied population. On the other hand, members of the community were recruited by the researcher on the comment section of the municipality facebook page. This enabled the researcher to send formal invitation email pleading with municipal officials/selected number of few community members also known as research

informants to participate in the study. The content of the email emphasized that the study is voluntarily and is conducted for educational purposes. Throughout the survey the privacy of informants was protected, and the data collected was always treated with the utmost confidentiality and anonymity. The content of the invitation email consisted of the following Google link form:

<https://forms.gle/fb5AURDGTtkEfhFP6> this link enabled informants to access and completes the online qualitative survey questionnaire.

4.7.2 Participants information leaflet & consent form

In the invitation email sent to informants, the researcher attached the participants' information leaflet and consent form. This participants' information leaflet & consent form provided significant details that enabled the participants to have knowledge of:

- What is this research study all about?
- Why they are invited to participate in the study?
- What are their responsibilities?
- What is the benefit from taking part in this research?
- Any possible risk of taking part in this research and how it will be managed?
- Who will have access to the data?
- What will happen to the data?
- Any form of compensation for participating in the study?
- How will they know about the findings of the study?...**(see the attached: participants' information leaflet & consent form)**

In order to participate in the study, participants signed the declaration that shows that the participant agrees to take part in the research study entitled:

An assessment of clean audit outcomes as an effective determinant of good service delivery: A case study of Midvaal Local Municipality

The first page of the online survey questionnaire also provided participants with an option to click if they agree/disagree to participate in the study.

4.7.3 Period to complete online survey qualitative questionnaire

The period set aside by the researcher for informants to complete the survey was approximately two months. The questionnaire required only 30-45 minutes time of informants to complete. This was done at the comfort of informants' personal devices and the researcher wanted to give them enough time to express themselves in answering the open-ended questions posed on the survey. Though some respondents were hesitant to complete the survey fully, the researcher had to exercise patience with respondents and send them reminder emails to complete the survey.

4.8 Data analysis: online qualitative questionnaire survey

For online qualitative questionnaire survey this study employed thematic analysis. Braun & Clarke (2006) argued that thematic analysis is the basis for qualitative analysis, since it can provide significant skills to undertake other alternative forms of qualitative analysis. Therefore, thematic analysis is a research analysis method for "identifying, analysing, organizing, describing, and reporting themes found within a data set" (Braun & Clarke, 2006).

4.8.1 Data analysis procedure

Analyses of qualitative survey data are typically presented as thematically organized patterns (McMillan & Schumacher, 2006:364). The data obtained during the study were analysed to assess if clean audit outcomes of Midvaal Local Municipality can be used as an effective determinant of good service delivery. This study employed thematic analysis to analyse data gathered from online qualitative survey questionnaire:

Table 6: Thematic analysis of online qualitative survey questionnaire

| | |
|--|--|
| Step 1: Familiarizing with the data | <ul style="list-style-type: none">• The researcher read the data from findings of the online qualitative survey to get familiar with the data.• The researcher checked and verified the credibility of the whole data obtained. |
|--|--|

| | |
|---|--|
| Step 2: Assigning preliminary code | <ul style="list-style-type: none"> • The researcher coded data to organize it into significant groups. • The researcher took notes focusing on potential data items of interest, questions, connections between data items, and other preliminary ideas. |
| Step 3: Searching for themes. | <ul style="list-style-type: none"> • The researcher examined coded and collated data extracts to look for potential themes of broader significance. • The researcher used thematic maps to visualize and demonstrate cross-connections between concepts, main themes and sub-themes. |
| Step 4: Reviewing Themes | <ul style="list-style-type: none"> • In this step, the researcher initiated additional codes from different portions of the transcripts were incorporated into the theme and its sub-themes. • The researcher looked for coded data placed within each theme to ensure proper fit. • The researcher re-read and revised codes and themes as an essential part of analytic process. |
| Step 5: Defining and naming themes | <ul style="list-style-type: none"> • The researcher created definitions and narrative description of each theme and stated its importance to the broader study question. • The names of themes to be included in the final report were reviewed by the researcher to ensure that they are brief and adequately descriptive. • The researcher looked for areas of overlap between themes and identified emergent sub-themes. |

| | |
|--|--|
| <p>Step 6: Producing the report</p> | <ul style="list-style-type: none"> • The researcher process of report writing begun through note taking, describing of themes, and selection of representative data extracts in prior steps. • The researcher embarked to write the final analysis that demonstrate the findings of the study. |
|--|--|

Source: (Author, 2022)

4.9 Trustworthy of online qualitative questionnaire survey

Qualitative researchers are required to adopt four primary principles criteria to determine trustworthiness of the study's findings using: credibility, transferability, dependability, and confirmability.

4.9.1 Credibility

Lincoln & Guba (1994:105) emphasized the need to ensure credibility in qualitative research as an important factor to establish trustworthiness. In qualitative research, credibility is the confidence that can be assigned to establish the truth-value of the research findings. The researcher employed persistent observation of data gathered from online qualitative survey questionnaire. The research continuously read and reread the data from the findings of the survey, analysed data, theorized the data and revised the concepts accordingly. The researcher recoded and relabelled codes along with core categories. Therefore, data from the findings of the online qualitative survey questionnaires was further studied by the researcher until it provided the intended depth of insight.

4.9.2 Transferability

Transferability refers to the extent in which the findings of the researcher's study can be applied to other situations, contexts or individuals (Rodon & Sese, 2008). In formulating the aim of the study, the researcher used a broad description to ensure that the findings of the online qualitative survey for this study apply to multiple circumstances and contexts.

4.9.3 Dependability

In this study, for the purpose of establishing dependability the researcher employed inquiry audit on this study. This inquiry audit was established by submitting the research proposal of this study to the Basic and Social Sciences Research Ethics Committee (BaSSREC) to verify and review the research methodology and analyses (Abdalla, Oliveira, Azevedo and Gonzalez, 2018). This was undertaken to ensure the accuracy of the findings of the study and ensure that collect support findings of the study.

4.9.4 Confirmability

Confirmability is the degree to which the research findings can be confirmed by others. This suggests that the findings of the study solely rely on the participants' assumptions and interpretations and other research findings (Hadi & Closs, 2016). In this study, the researcher used triangulation in the form of online qualitative survey questionnaire and literature review to collect data. This means that the information gathered through was online qualitative survey questionnaire was compared to the data collected through documentary evidence and vice versa.

4.10 literature review

This study employed desktop research method for data collection. Desktop research method is generally accepted as equated to literature review and is very concisely defined by Jackson (1994:21) as “the process of accessing published secondary data”. Desktop research exclusively relies on already existing published secondary data such as books, journals, articles indexed in many databases, which have been collected in the past.

For the purpose of this study, it is important to note that the researcher was limited within the boundaries of relevant documented information addressing the studied phenomenon.

Amongst many, this study made use of the following sources:

- i. Theses and Dissertations (South Africa and international).
- ii. Journal Articles.
- iii. Reports from the office of the Auditor General of South Africa (AGSA).

- iv. Government Reports from the municipality and other relevant departments.
- v. Library books from North West University.
- vi. Internet Sources such as relevant pdf documents, newspapers, jstor, and government websites.
- vii. Legislative frameworks governing municipalities in South Africa.

4.10.1 Institutional documents

In order to assess the effectiveness of clean audit outcomes in determining good service delivery at Midvaal Local Municipality. The study made use of municipal official documents made accessible to the public and published (<http://www.midvaal.gov.za/>) such as Midvaal Local Municipality Integrated Development Plan (IDP), Local Development Plan (LED), monthly financial reports, various financial years municipal budget plan, Service Delivery & Budget Implementation Plan (SDBIP) and reports from the office of the Auditor-General of South Africa accessible publicly from (<https://www.agsa.co.za/>). These documents were examined to establish findings of this study.

4.10.2 Legislative Frameworks

Various significant legislative frameworks such as Public Service Act, 1994, Constitution of the Republic of South Africa, 1996, The White Paper on Local Government, 1998, Public Finance Management Act, 1999, Municipal System Act, 2000, Municipal Finance Management Act, 2003, and Public Audit Act, 2004 to solicit literature and assess the effectiveness of clean audit outcomes in determining good service delivery at Midvaal Local Municipality. This included the incorporation of policies, official and annual reports on municipal audit outcomes and service delivery.

4.10.3 Key national government documents

Due to the on-going global pandemic known as Covid-19; this created challenges when it comes to freely conducting fieldwork research. The researcher opted to conduct this research as a document study. The secondary literature data for this study was retrieved from sources such as published thesis/dissertations, scholarly

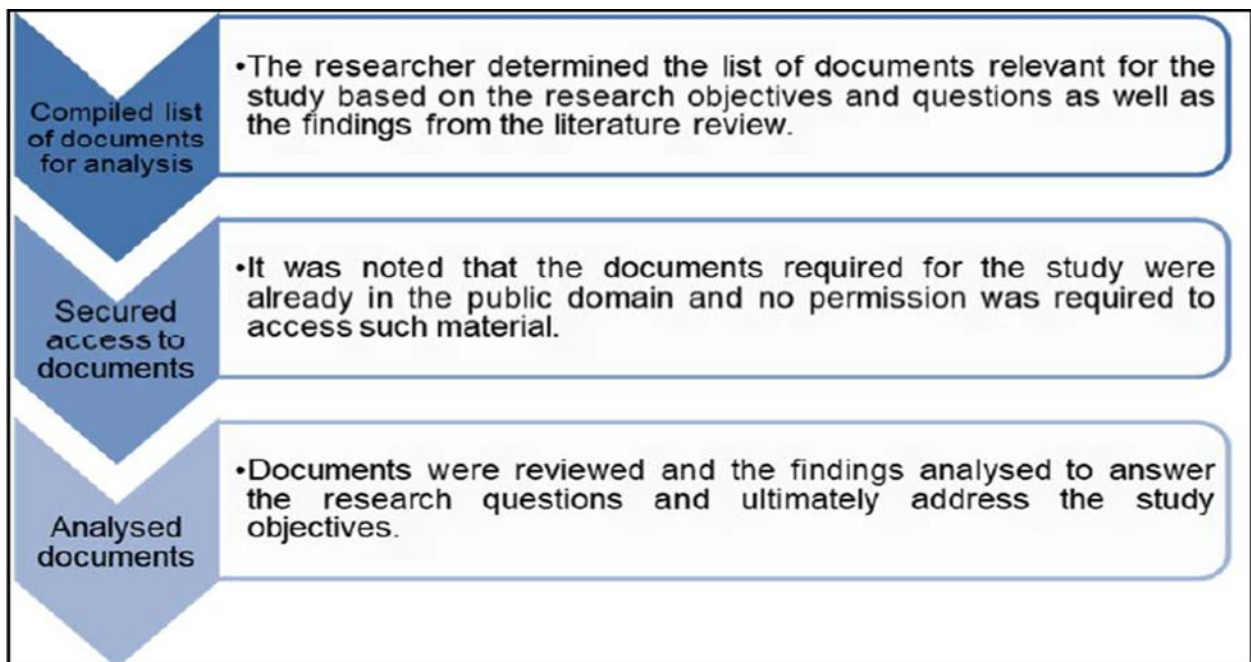
books, journals, conference papers, legislation, newspapers and electronic database available used to deal with municipal audit outcomes and service delivery both nationally and internationally. In attempt to supplement secondary data collection sources of information was retrieved from office of the Auditor-General reports.

Take Note: The study used the above-mentioned multiple sources of literature to answer the proposed research questions and discuss the study objectives. The researcher provided a detailed discussion of literature in Chapter 2 of the literature review. In Chapter 5 of the study, the researcher further probed to provide answers to the proposed research questions of the study.

4.11 Data collection technique: Literature review

This study employed secondary data collection in the form of desktop research as data collection technique of the study. Desktop research method is generally accepted as equated to literature review and is very concisely defined by Jackson (1994:21) as “the process of accessing published secondary data”. Desktop research exclusively relies on already existing published secondary data such as books, journals, articles indexed in many databases, which have been collected in the past. Therefore, for the purpose of this study, the researcher was limited within the boundaries of relevant documented information addressing the studied phenomenon. The following figure outlines the data collection process employed by the researcher:

Figure 5: Data collection process



Source: Kolisang thesis (2019)

4.11.1 Document analysis

According to (Bowen, 2009:27) document analysis is a systematic process of the evaluation of sources such as printed and electronic sources through the review of the material. These materials are significant for the researcher to reveal functions, values and cultural practices of an organisation. In another interpretation Bowen (2009) document analysis “is another form of qualitative inquiry which is mainly employed in research to interpret documents and allow the researcher to give voice and meaning around the studied phenomenon”. In relation to Sarantakos (2055:294-295) the following examples describe how document analysis can be used:

- **Descriptive analysis:** is concerned with identifying main trends, summarizing data, and presenting descriptive details of the studied phenomenon.
- **Categorical analysis:** significantly employ systematic analysis, or in some instances categories must be developed before the commencement of the study.
- **Exploratory analysis:** searches for differences, attributes and trends that are carried in the texts that capture the identity of the message that is relayed in the document.

- **Comparative analysis:** entails making comparisons across social issues, time, countries and cultures.

This preferred approach by the researcher was suitable for the purpose of this study and necessary data needed that was sought in completion of the study. The use of documented materials was instrumental in providing context to the exploration of the public sector auditing and service delivery in the public sector as demonstrated in chapter 2 of the study. It also significantly set context to the conceptual and theoretical framework underpinning audit opinions and service delivery as demonstrated in Chapter 3. In reference to Chapter 5, analysed documents and survey questionnaire became the base that provided context and informed the researcher with the accurate and valid presentation of the findings of the study and provided recommendations, limitations and contributions of the study, with further future research recommendations in Chapter 6. Most of the data was retrieved from the website of Midvaal Local Municipality <http://www.midvaal.gov.za/> and office of the Auditor-General www.agsa.co.za

4.11.2 Data processing, analysis and interpretation

Data processing technique is an essential part of the research; it is initially conducted once data has been collected (Kumar 1999:200). In the process of data analysis and interpretation, the researcher must be critical that the employed data collection instruments gather desired information. Therefore, the researcher must ensure that data is consistent and complete before it is processed (Kumar, 1999:200). This process if critically conducted to ensure that the data is reliable and valid to be used by the researcher. Most importantly, analysed data is purely based on the context and purpose of the study (Rugg & Petre, 2007:91); in such instances, collected data must be firmly aligned with the objectives of the study. Ahmed (2010:6) asserts that during document analysis, the researcher organises collected data and put it into “constituent components”, such that the researcher is able to organize data accordingly into one shape.

Therefore, the researcher took it upon himself to assess collected data for completeness and consistency. In reviewing collected data from various literature documents, the researcher identified common themes and patterns in relation to the

proposed studied phenomenon of this research. Burns (2004:589) provides that the purpose of content analysis is to assist the researcher in building context from “emergent themes”. The researcher employed Miles & Huberman (in Ahmed: 2010:6) data analysis process known as “interactive model of qualitative data analysis”, which consist of three components that include “data reduction, data display and data drawing and verifying conclusions”.

In reviewing consulted documents, the researcher organized data into manageable and specific data that fits the purpose of the study. It was from this process that the researcher was able to identify and organize data components, which were edited and categorically set into themes. Miles and Huberman (in Ibrahim 2012:43) identified data reduction as, “a form of analysis that sharpens, sorts, focuses, discards and organises data in such a way that final conclusions can be drawn and verified”.

Data reduction is then followed by data display, wherein the researcher then organises data into information (Ibrahim 2012:43). From the organized themes, the researcher set descriptive accounts and capture main issues relatively linked to researched problem and context of researched questions. Narrative texts set tone to make explanations about what is known concerning the researched problem, and also highlighted areas that needed further analysis. Where it was required, the researcher made use of illustrative tools, such as, tables and figures. Therefore, the researcher retrieved meaning from reviewed data based on findings established through analysis. Lastly, in application of qualitative design of the study, the researcher concluded the study by presenting findings (Chapter 5) once all the data was analysed and verified, which was conducted through interpretivist approach.

4.12 Trustworthiness of the documents (Validity and reliability)

This study grounded validity and reliability of reviewed literature by a correct review of secondary data through document analysis in order assess the effectiveness of clean audit outcomes in determining good service delivery at Midvaal Local Municipality. According to Sarantakos (2005:88) validity is mainly focused on the relevance and accuracy of the study. Whereas reliability is focused on measuring the capacity of consistency achieved from the findings of the study, as characterised by

precision and objectivity (Sarantakos, 2005:88). The main purpose of reliability is to ensure stability in the findings of the study (Gray, 2004:344)

In ensuring the validity of the study, the researcher made use of Midvaal Local Municipality Integrated Development Plan (IDP), Local Development Plan (LED), monthly financial reports, various financial years municipal budget plan, Service Delivery & Budget Implementation Plan (SDBIP) and reports from the office of the Auditor-General. The data is useful to study the municipality audit outcomes and service delivery. Therefore, the findings of this research were informed by data that is accurate, with the support of official documentation as made public by Midvaal Local Municipality and the office of the Auditor-General.

4.13 Ethical consideration

The researcher complied with ethical requirements and policy on plagiarism of the North West University in conducting this research. Goddard and Melville (2001:108) assert that the researcher should be certain that the research topic is morally acceptable. In such instances, the researcher should ensure that methods adopted to research the topic are morally acceptable.

Therefore, the researcher always adhered to the following moral principles of ethics while conducting this study:

- **Ethics training**

The researcher attended sessions of research training facilitated by Basic and Social Sciences Research Ethics Committee (BaSSREC). Furthermore, the researcher undertook an online ethics course from the University of Hong Kong and successfully obtained Introduction to Research Ethics, Research Ethics Evaluation, and Informed Consent & South Africa certificate from TRREE training programme in research ethics evaluation.

- **Gatekeeper Letter**

The researcher was granted permission in writing by the Municipal Manager of Midvaal Local Municipality to conduct the study. (See attached gatekeeper letter) Approval by Basic and Social Sciences Research Ethics Committee (BaSSREC) to

conduct the study was also granted and the study was issued with Ethics number: **NWU-00975-22-S7**. (See attached ethics clearance certificate from North West University).

- **Consent form**

No one was coerced to take part in the study. Participants were issued with consent forms by the researcher in the invitation email, which detailed that the study is for educational purposes only. Informants therefore willingly signed the consent form to freely agree to participate in the study.

- **Confidentiality of participants**

The researcher always ensured that the identity of participants is kept confidential throughout. This was maintained and safeguarded by using numbering and letter system i.e. (1A). Therefore, each questionnaire handed over to research participants was marked with a letter and a number. Thus, ensuring that participants are protected, and their identity is kept secured and safely.

- **Foreseeable risk**

The researcher did not include any vulnerable individuals as part of informants. As a result, no potential foreseeable risk was encountered nor expected. No counselling was required after the completion of the survey.

- **Compensation**

The study was entirely voluntarily and as such no participants incurred any cost. It was detailed that participants can freely withdraw from the study at any time without any penalties.

- **Plagiarism**

The researcher was always cautious not to plagiarise and acknowledged the intellectual property of all secondary literature data used by properly referencing them.

Dissemination of the study results

This study will be disseminated in the following manner:

- Publish the study on the Institutional Repository of the North-West University (NWU-IR), which is an open access database.

- Publish an academic article from the study, to capture academic audience of public administration scholars and other interested parties such as office of the Auditor-General.
- Provide the municipality with a copy of the study upon request.

4.14 Limitations of the study

4.14.1 Limitations of online qualitative questionnaire survey

The researcher reached out to all research informants; however, the researcher experienced delays, as some research participants were hesitant to respond to the survey. Some would answer questions not related to their portfolio, whereas, other respondents did not even attempt to respond to the survey or email invitation. The researcher had to be patient with all research participants until the end of data collection was fully completed.

4.14.2 Limitations of literature review

The on-going global pandemic known as Covid-19, has created challenges when it comes to freely conducting fieldwork research and accessing participants easily. In such instances, for the purpose of this study, the researcher opted to conduct the research as a document study, which posed multiple shortcomings. While conducting the study, the researcher faced limitations related to:

- Unavailability of certain significant documents.
- Coding and document analysis difficulty; and
- Difficulty of accessing significant documents and websites.

In circumventing these limitations, the researcher sourced information from relevant recognized stakeholders such as the office of the Auditor-General of South Africa, government's publications and websites. This significant information is publicly made available and obtainable from government gazette legal notices and Midvaal Local Municipality website: <http://www.midvaal.gov.za/>. Furthermore, the researcher kept a clear record of tasks and decision taken while analysing data. As a result, the researcher always revisited the proposed research questions of the study and put

them in display when analysing data, as it significantly helped the researcher to analysis data and to a certain extent avoid coding and document analysis difficulty.

4.16 Conclusion

This chapter focused on an extensive overview of research methodology adopted to conduct the study. The researcher employed a case study research design and qualitative research method which is explorative in nature. Furthermore, sampling technique and data collection methods for conducting the study was explained. The study employed thematic analysis for online qualitative questionnaire survey and content analysis for literature review. The chapter provided detailed procedure that was used to administer online qualitative questionnaire survey and process followed for literature review. Lastly, this chapter provided an explanation of ethical considerations and limitations for the study.

CHAPTER 5

RESEARCH RESULTS AND FINDINGS: ASSESSMENT OF CLEAN AUDIT OUTCOMES AS AN EFFECTIVE DETERMINANT OF GOOD SERVICE DELIVERY AT MIDVAAL LOCAL MUNICIPALITY

5.1 Introduction

In this study, the researcher endeavoured to assess if clean audit outcomes of Midvaal Local Municipality can be used as effective determinants of good service delivery within the municipality. In its entirety this chapter discusses crucial findings, interpretations, analyses, results and discussions of this study. The key issues investigated were management practices utilized by Midvaal Local Municipality administrators to achieve good service delivery along with successive clean audit outcomes. Hence the central argument encapsulating this study was that Midvaal Local Municipality has managerial practices that have benefitted the municipality with good service delivery and the achievement of successive municipal clean audits outcomes.

The study adopted Theory of Change that underpins Management Performance Assessment Framework as the main theoretical framework of the study complimented by Management Performance Assessment Framework and Tool (MPAT) as the conceptual framework of the study. The theoretical framework understanding is that good management practice is a precondition for effective, sustainable service delivery. Whereas the conceptual framework understanding is that improved management practices are the key to an improved public service and will contribute to improving service delivery through providing a holistic picture of the quality of management practices within a department or municipality, against common standards.

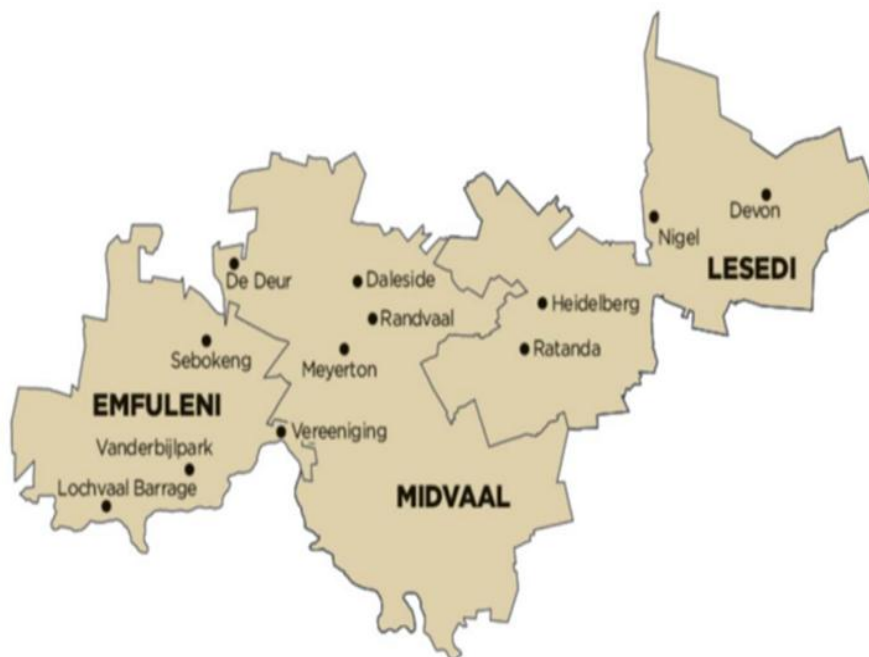
5.2 Overview of Midvaal Local Municipality

The following section provides a historical background and an overview of Midvaal Local Municipality administrative governance.

5.2.1 Historical background

Midvaal Local Municipality is recognized by Municipal Structures Act as a Category B municipality that is divided into 15 wards. Midvaal Local Municipality covers approximately 1 722 km², is one of the three local municipalities namely: Emfuleni (GT421), Midvaal (GT422), and Lesedi (GT423) situated in the administrative area of Sedibeng District Municipality in the southern part of Gauteng province. The spatial demographics of Midvaal Local Municipality are predominantly categorized as that of a rural area with approximately 50 % of the total area of the jurisdiction consisting of extensive farming (MLM, 2020a:48). The place was named Midvaal due to its geographical location situated alongside the streams of Vaal River. The split of Meyerton from Vereeniging (Emfuleni Local Municipality), in the year 2000 led to the establishment of Midvaal Local Municipality, which jointly merged with five Rural Area Committees to form Midvaal Local Municipality (MLM, 2020b:3).

Figure 6: Sedibeng District Municipality Map



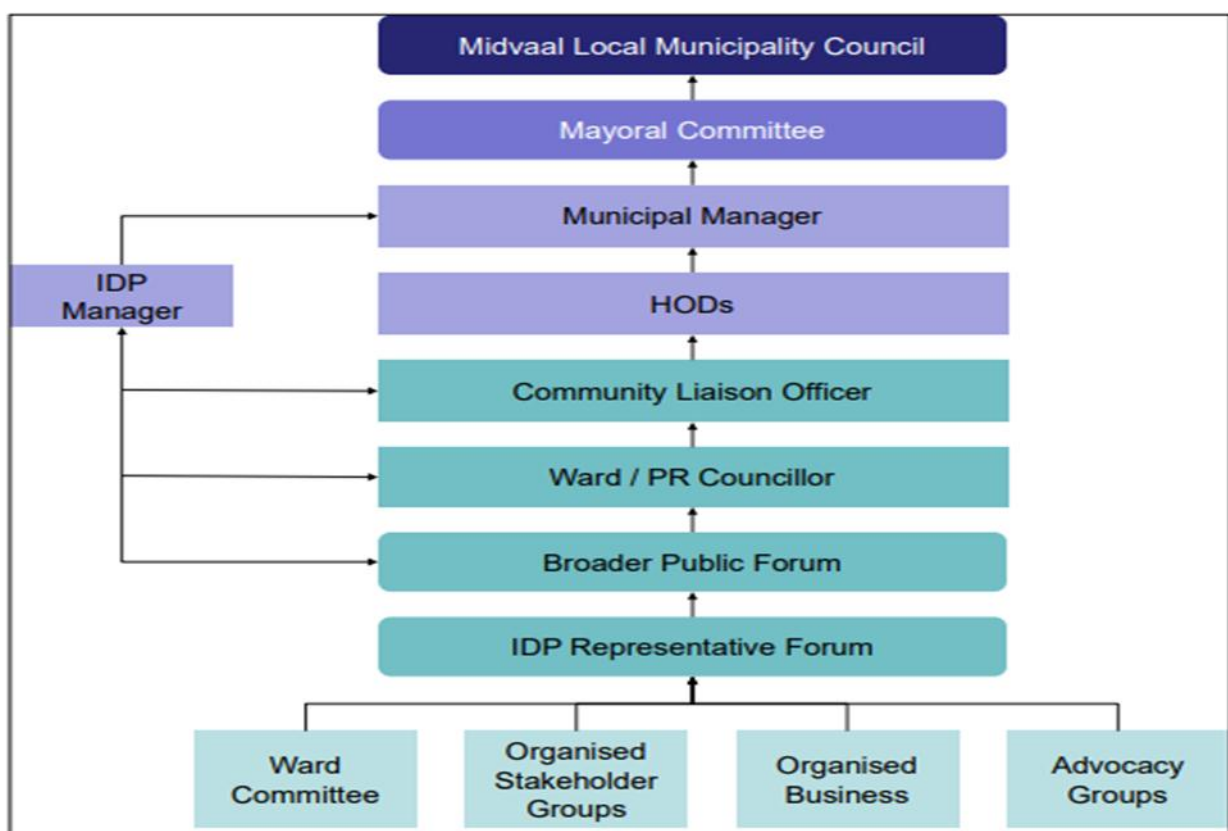
Source: www.municipalities.co.za

5.2.2 Management and governance structure of Midvaal Local Municipality

South Africa governance structure is divided into municipalities. As such, the municipality consist of council, in which decision are made. The council is made up of elected members who approve policies and by-laws for their area (MLM, 2021).

The council is expected by law to pass a budget for its municipality for each financial year. In such instances, the law also expect council to decide for development plans and service delivery of their jurisdiction. The work of the council is co-ordinated by a mayor who is elected by council. The mayor, therefore, works alongside executive or mayoral committee, which is made up of councillors. The mayor with the executive also oversees the work of the municipal manager and departmental heads. The municipal administration; as such, execute the work of the municipality headed by the municipal manager and other officials.

Figure 7: Midvaal Local Municipality governance structure



Source: Midvaal Local Municipality IDP (2020/2021)

Figure 7 above illustrates the governance structure of Midvaal Local Municipality. The structure indicates how decision making takes place at the various levels of authority, upon which council resolution must be reached by majority vote.

5.3 Research questions of the study

The primary research questions the study wished to answer was:

- How effective is clean audit outcomes in determining good service delivery at Midvaal Local Municipality.

The following research questions were formulated for the study:

- What are management practices that enforce good financial management & good service delivery at Midvaal Local Municipality?
- What influences levels of compliance with legislative frameworks guiding municipal audits and service delivery at Midvaal Local Municipality?
- At what extent does clean audit outcomes, good governance and Municipal Public Accounts Committee (MPAC) work together to improve service delivery performance of Midvaal Local Municipality?
- What recommendations can be made for Midvaal Local Municipality to continuously obtain successive clean audit outcomes?

5.4 Findings from online qualitative questionnaire survey

In the hope to assess if clean audit outcomes of Midvaal can be used as an effective determinant of good service delivery within the municipality, online qualitative survey questionnaires with open-ended questions were distributed to selected officials of the municipality and few members of the community. The objective of the online qualitative survey was to supplement and inform the basic findings of literature review and get more clarity in assessing if clean audit outcomes of Midvaal Local Municipality can be used as an effective determinant of good service delivery. Officials in performance & audit committee, municipal public accounts & oversight committee (MPAC), Ward/PR councillors, community members, and executive mayor participated in the survey.

5.5 Thematic analysis of online qualitative questionnaire survey

Data analysis was done using logical organizing of collected data based on the research problem and mainly guided by the research objectives. According to McMillan & Schumacher (2006:364), qualitative analysis is a systematic coding, categorizing, and interpreting data to explain the phenomenon of interest. According

to Maree (2007:105), coding is reading carefully through the transcribed data and dividing it into meaningful, analytical tools.

Table 7: Themes and sub-themes for data analysis

| Themes | Sub-themes |
|---|---|
| 1. Perceptions of Midvaal Local Municipality officials and members of community's understand of clean audit outcomes and good service delivery. | <p>Sub-theme 1: Good financial governance practices, accountability and no budget constraints</p> <p>Sub-theme 2: Clean audits are not necessarily the reflection of perfect service delivery</p> <p>Sub-theme 3: Combination of good financial governance, political and administrative stability and a dedication to service delivery and community satisfaction</p> |
| 2. Management practices that enforces good financial management & good service delivery at Midvaal Local Municipality | <p>Sub-theme 1: Ethical leadership</p> <p>Sub-theme 2: Good revenue management</p> <p>Sub-theme 3: Consequence management</p> |
| 3. Influences of levels of compliance with legislative frameworks guiding municipal audits and service delivery at Midvaal Local Municipality? | <p>Sub-theme 1: The establishment of compliance management policy & framework</p> <p>Sub-theme 2: Effective performance management system</p> <p>Sub-theme 3: The establishment of compliance management policy & framework</p> |
| 4. The extent at which clean audit outcomes, good governance and Municipal Public Accounts Committee (MPAC) work together to improve | <p>Sub-theme 1: Effects of clean audit on service delivery performance</p> <p>Sub-theme 2: Effects of good governance on</p> |

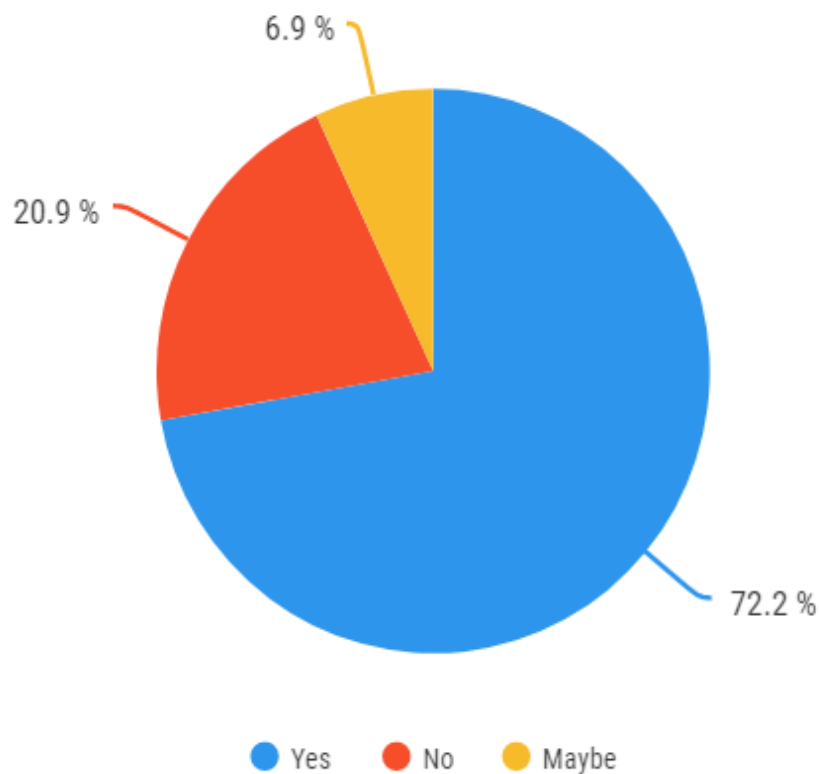
| | |
|--|---|
| service delivery performance of Midvaal Local Municipality? | service delivery performance Sub-theme 3: Effects of Municipal Public Accounts Committee (MPAC) on service delivery performance |
|--|---|

Source: (Author 2022)

5.5.1 Theme 1: Perceptions of Midvaal Local Municipality officials and community members' understanding of clean audit outcomes.

From the findings of the online qualitative survey, as demonstrated in diagram 4 (72.2%), mainly officials of the municipality understand the role of the auditor general; whereas (20.9%) which consist of members of the community do not understand the role of the auditor general. On the other hand, a portion of (6.9%) that comprises of members of community and selected few Ward/PR councillors possibly/maybe understand the role that is played by the auditor general. In relation to the findings of the online qualitative survey, some of these Ward/PR councillors recently joined the municipality, shortly after the 2021 local elections.

Diagram 4: Do you understand the role of the auditor general



Source: (Author, 2022)

5.5.1.1 Sub-theme 1: Findings concerning good financial governance practices, accountability, transparency, and no budget constraints

Good financial governance is an essential contributor to social and economic growth and is therefore a central component of public reform efforts. Therefore, according to Lawson (2012:82) good management of public funds supports not only good governance and transparency, but it is essential for the delivery of services, on which communities rely on. In relation to the findings of the online qualitative survey of this study, it should be stated that successive clean audits of Midvaal Local Municipality exhibit good governance, which reflects effective/improved management practices. One participant (1A) revealed that the establishment of Operation Clean Audit (OPCA); enables the municipality to continuously achieve its successive clean audits. The Operation Clean Audit (OPCA) task team is chaired by the accounting officer to enforce financial accountability within the municipality. When asked about the concept of clean audit. One of the participants, (14N), stated that:

This is my first term of office, however; I am familiar with the concept of clean audit. My experience with it is obviously primarily related to my department and my understanding is that clean audits are about following the rules and running a clean, honest, financially stable municipality that follows the principles of good governance.

In contrast, a well experienced official, (4D), stated that:

A clean audit refers to a financially unqualified opinion by the Auditor-General, indicating that each of the financial records provided by the municipality have no material findings or misrepresentations, and are in accordance with the law and regulations relating to spending on public.

From the findings of the survey, the municipality continues to monitor its financial status and as such is showing improved financial results annually. The Municipality had a surplus of R207 m for the year ended 30 June 2021 with (an increase from the previous year's R76.5 m). During the year, the total revenue increased by 18.2%. Expenditure has increased by 8.04% during the year. There is no cost of free basic services for non-indigent households (MLM Annual Report, 2020/21:25). From the

findings of the study, proper recordkeeping and credible financial reporting has enabled the municipality to maintain its Clean Audit for 8th consecutive years during the 2020/2021 financial year.

According to, respondent (7G), for Midvaal Local Municipality; clean audit merely means that the list of prioritized services, for a targeted financial year, across all wards have been budgeted and accounted thereof. When conducting audits, the auditor is expected to obtain appropriate evidence that supports the information presented by the auditee (municipality). From the findings of the study, the successive clean audits of Midvaal Local Municipality from 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020 and 2020/2021-financial years; means that the municipality has sound financial management and is operating in compliance with the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003). From the findings of the study, it is evident enough that this successive clean audit opinions, demonstrate that the auditor was able to provide the basis for an opinion on the financial statement submitted by the municipality. From this assertion, majority of respondents, particularly officials of the municipality, suggest that the municipality's ability to identify, record and manage all its revenue sources accurately and comprehensively has enabled the municipality to comply with MFMA Circular 64 and develop efficient and accurate financial statements submitted to the Auditor-General.

Transparency, accountability and sound financial management is one of the most important aspects for financial sustainability of any organisation. From findings of the survey, Midvaal Local Municipality audit units are fairly and well capacitated, leading to improved reporting to Municipal Public Accounts Committees.

5.5.1.2 Sub-theme 2: Clean audits are not necessarily the reflection of perfect service delivery

The Constitution and the Municipal Systems Act No. 32 of 2000 (MSA) mandate municipalities to provide basic services to communities in a financially sustainable manner. It emerged from the findings of the survey that clean audit opinion does not mean that the municipality has discharged all its service delivery mandates, since all municipal planning and projects are mapped out in the Integrated Development Plan,

which has a lifespan of 5 years linked directly to the term of office for local councillors. When asked about the concept of clean audit and its equivalency to good service delivery. One of the participants, (21U), stated that:

Clean audit outcomes are not always equivalent to good service delivery, since equitable service delivery is deeper and complex than “accurately” records of how money was spent.

The findings of the survey, confirm the discussions in chapter 1 and 2 of the literature review, that although good financial statements of a municipality often tell the story of how well a municipality is managed financially; it does not relatively mean good service delivery. This statement was also a point of departure that supported the argument of this study. The same sentiments were echoed by participant, (16P), that:

In order to qualify clean audit outcomes to good service delivery, service delivery reports need to be based on verifiable evidence and must satisfy set criteria that include the so-called SMART principles. These principles require information to be specific, measurable, achievable, relevant and timely.

In relation to governance status, a blueprint of service delivery. That's how the Democratic Alliance describes the Midvaal Local Municipality in Gauteng (Manyane, 2021). In addition, from the findings of the survey and upon closer inspection, having had clean audit outcomes for eight consecutive years. From findings of the survey, communities in Midvaal are worlds apart when it comes to service delivery. One of the participants, (13M), from Sicelo informal settlement stated that:

Basic services such as electricity and sanitation remain a distant dream. Sewage spilling into the streets, illegal power connections, and lack of refuse collection are the order of the day at Sicelo. At some point residents had to share communal taps and mobile toilets.

About 6.3 kilometres from Sicelo is Meyerton, where roads are in good condition, and recreational facilities like parks are well maintained (Manyane, 2021). When asked to assess clean audit outcomes and the state of service delivery of Midvaal Local Municipality. One participant, (5E), from Meyerton stated that:

There are no potholes. Everything is clean. We don't struggle with water and electricity. However, the municipality still needs to improve on other things.

Whilst challenges of regressed audit opinion confront Gauteng province, it emerged from the findings of the survey and literature review that Midvaal Local Municipality has shown tremendous progress with effective monitoring and preventative controls in place as a key contributor for favourable audit opinion outcomes. It is evident from the findings of the study, that clean audits outcomes are not necessarily are reflection of good service delivery. Furthermore, evidence from the study to some extent demystify the misconception held by many public officials within South Africa municipalities and the public at large, that public institutions with clean audit outcomes have good service delivery. In addition, according to Auditor-General Consolidated Report (2021:05) clean audit is not always an indicator of good service delivery and does not always correlate directly to the lived experience of all the communities in a municipal area.

However, municipalities such as Midvaal Local Municipality with institutionalised controls and systems to plan, measure, monitor and account for their finances and performance, and to stay within the rules, often also have a solid foundation for service delivery. When this is the case, municipalities can focus on ensuring the delivery of quality services to all residents in their jurisdictions. It is evident from the findings of the study, that clean audits outcomes are not necessarily are reflection of good service delivery. In order to enhance service delivery, almost all municipalities have wide-ranging options. Most prominent, however, is the need to assess and plan strategically for the most appropriate and effective forms of service delivery mechanisms within each municipal area.

5.5.1.3 Sub-theme 3: Combination of political and administrative stability, good financial governance and a dedication to service delivery and community satisfaction

According to the findings of a study conducted by Mukwedeya (2016), the terrain of the South Africa municipalities, is regarded as the mostly politically contested space. From findings of the study, ideological disparities within (and amongst) political

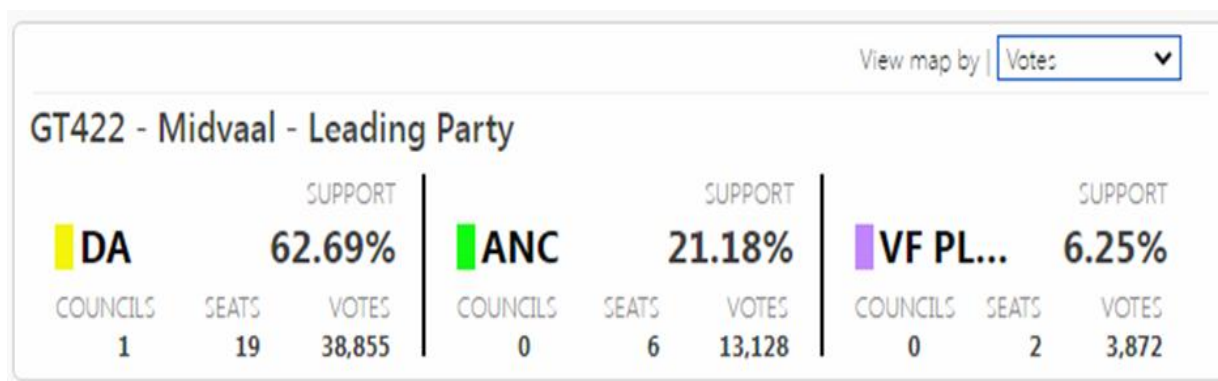
parties are said to be fast-growing within municipal councils, rendering some municipalities dysfunctional when it comes to governance. When asked about political stability and its influence on Midvaal Local Municipality, one participant, (26Y), stated that:

Returning the Democratic Alliance in Midvaal is a great thing for the people of Midvaal. This is a sign that the residents of Midvaal do want to maintain the governance and leadership of the Democratic Alliance. We hope that Peter Teixeira will continue doing the great work on behalf of the party going forward

On the other hand, South Africa's municipalities are conflicted by a deepening crisis, with less than 6% of local councils considered stable (Felix, 2021). Henceforth, it is pertinent to totally review how local government functions, to enable political stability and strong oversight on the work of council. Cited from (Dlamini, 2021); this is according to a report compiled by the independent committee that assessed the state of 11 municipalities in Gauteng on behalf of South Africa Local Government Association (SALGA). Consequently, from findings of the study, effective political management is key to good municipal service delivery and ultimately functional local government. Arguably, in the case of Midvaal Local Municipality according to Ndaba (2021); “multiple terms of uninterrupted Democratic Alliance (DA) governance brought stability to the municipality”. AGSA (2019/20:47) the political and administrative structure of the municipality have a strong work ethic and a culture of high performance.

Therefore, having highlighted the politicization of South Africa municipalities and contestation. Local sphere of government is currently overwhelmed by the era of coalition governance – and it will be significant going forward for municipalities to make these partnerships work. Coalition politics also known as “marriages of inconveniences” according to Booyesen (2014:67) refers to multiple political parties governing/working together as a result of election outcomes. The decline of the African National Congress (ANC) in recent years might result in coalition government becoming the reality of South Africa’s politics. The study found out that municipal voter turnout of Midvaal community has constantly enabled Democratic Alliance consecutive 10 years of outright governance in Midvaal Local Municipality.

Figure 8: 2021 Midvaal Local Municipality election results



Source: <https://www.elections.org.za/pw/>

The above figure 8 highlights the 2021 local government results of Midvaal Local Municipality; in which the Democratic Alliance won with a growing majority. In comparison with 2016 election results, Democratic Alliance votes increased from 59% to 62.69% in 2021. The DA recently won 19 seats; while ANC won 6 seats, VF Plus with 2 seats. Significantly, Democratic Alliance has added another 5 years to govern Midvaal with outright majority. In explaining the reason behind the retainment of Midvaal Local Municipality, DA Gauteng MPL Mr. Khume Ramulifho alluded that:

“Retaining the municipality with outright majority is a sign that residents of Midvaal are satisfied with the leadership of Democratic Alliance. This voter turnout should also be replicated throughout the entire country in other municipalities.” (Source: <https://www.sabcnews.com/da-on-course-for-major-win-at-midvaal-in-gauteng/>)

From the findings of the study, the issue of political stability under Democratic Alliance government is a reality at Midvaal Local Municipality; considering the numbers of years the municipality has been consecutively led by the Democratic Alliance leadership. The study found out, that there are no incentives for political instability, caused by cadre deployment and poor leadership that will possibly result in the unwanted collapse of the municipality. Therefore, from the findings of the study, it is in the view of the researcher that competency and political will at Midvaal Local Municipality is imperative for the achievement of clean audits. Despite challenges faced by local government in South Africa, there are still municipalities that are performing well such as Midvaal Local Municipality, demonstrating

commitment to sound financial management and dedication to maintain high level of financial sustainability.

Table 8: Municipal Financial Sustainability Index (MFSI) for 2021

| Highest scoring municipalities by province in 2021 | | |
|---|-----------------------------|--------------|
| Province | Municipality | Score |
| Eastern Cape | Senqu (Lady Grey) | 63 |
| Free State | Metsimaholo (Sasolburg) | 34 |
| Gauteng | Midvaal (Meyerton) | 75 |
| KwaZulu-Natal | KwaDukuza (Stanger/Ballito) | 66 |
| Limpopo | Greater Tzaneen | 58 |
| Mpumalanga | Steve Tshwete (Middelburg) | 55 |
| Northern Cape | Ga-Segonyana (Kuruman) | 46 |
| North West | JB Marks (Potchefstroom) | 39 |
| Western Cape | Saldanha Bay | 72 |

Sources: (Ratings Afrika, 2021)

As depicted by the above table 7, only four local municipalities achieved a score of 70 or more on the Index. Three of them, Mossel Bay, Saldanha Bay and Swartland (Malmesbury) are in the Western Cape, with Midvaal in Gauteng - the highest scoring municipality with score of 75 - the only one outside in the province. The Ratings Afrika Report indicates that Midvaal is adhering to proper budgetary practices and strict financial control, as well as good revenue collection despite the tough economic conditions that the country is currently experiencing. The Municipal Financial Sustainability Index (MFSI) is a scoring model that measures six financial components of a municipality as follows over five years:

- Operating performance
- Liquidity management
- Debt governance
- Budget practices
- Affordability
- Infrastructure development

These high-scoring municipalities demonstrate consistency over the five years mentioned. They normally have well-entrenched financial policies, and their budgets are based on sound long-term financial strategies.

5.5.2 Theme 2: Management practices that enforces good financial management & good service delivery at Midvaal Local Municipality

The study conducted by Jack (2011:16) demonstrated that failures of municipalities to achieve clean audit outcomes can be partly attributed to poor leadership, lack of relevant capacity and competency. Challenges emanating from political instability such as cadre deployment and political interference with management components within local government have adversely affected municipal service delivery in South Africa (Reddy, 2016:1). It is the responsibility of any municipality to provide basic services to its citizens, and the provision of such services should be catered "...at the highest possible level of responsiveness and efficiency" (Johnson, 2004:77). Be that as it may, it emerged from the findings of the study, that through its management practices that will be further discussed; Midvaal Local Municipality has consecutively managed to achieve eight successive clean audit outcomes. Wherein, this management practices can be used as effective determinants of good service delivery within the municipality; since they yield positive impact on the municipality financial viability, which solely translate to clean audit outcomes.

5.5.2.1 Sub-theme 1: Ethical leadership

"Our ethical leadership, professional and capable staff and workforce highly contribute to the success of the municipality." Former Midvaal Local Municipality Executive Mayor Bongani Baloyi [2013 – 2021]. (Source: <https://sedibengster.com/31489/midvaal-local-municipality-is-a-success-story/>)

The Department of Public Service and Administration through the 2019-2024 Medium Term Strategic Framework, is effortlessly committed to achieve a professionalised public sector, which is regarded as imperative for building a more capable, ethical developmental state (National School of Government, 2020:44). Hence, ethical leadership is a significant mantra of good governance, and a pillar of effective service delivery. In contrast, the Auditor-General Consolidated Report (2022) clearly stated that "...when the leaders of an organisation's are operating in an unethical manner, have a carelessness for the principles of good governance,

applying sound compliance and control systems; and are not obligated to transparent practices and accountability, it could filter down to the lower levels of the organisation and thus impact negatively on service delivery”. In order to build a functional local government according to Mbandlwa *et tal.* (2020:24992); the recruitment of ethical leaders in strategic positions should become an undisputed requirement. From findings of the study, ethical leaders play a critical role to encourage the culture of ethical conduct amongst government employees. Visser (2014:21) argued that leading by example is the core of leadership and it sets the tone across the organisation and motivate staff to perform at their best. From findings of the study, leading by example entails honesty, integrity, fairness, transparency and commitment to take accountability for one’s actions and willingness to uproot fraud and corruption.

Midvaal Local Municipality has enjoyed the fruits of being led by such a leader “Bongani Baloyi”, and according to Phahle (2020); under his leadership, Midvaal Local Municipality has experienced a rapid economic and organisational growth. He further alluded that under his leadership Midvaal Local Municipality is among the best performing municipality ranked at 5th-position as of 2021; as compared to its 16th-position ranked in 2013. Although leadership somehow contributes to financial accountability in the public sector; it is, however, effective ethical leadership that is mostly likely to influence public financial accountability and the achievement of clean audits (AGSA, 2018/19).

Noteworthy, from findings of the study, clean audit outcomes and good service delivery of Midvaal Local Municipality is informed by the practice of institutionalised ethical leadership amongst employees within various departments of the municipality. According to Henson (2019) the practice of ethical leadership as an effective management practice is paramount to improve efficiency, performance and the delivery of services within the public sector. The competency of municipal employees through ethical leadership within few South African municipalities; remains the most efficient contributor to effective service delivery and good governance. When asked about ethical leadership, one participant, (17Q), stated that:

Ethical leadership remains the only catalyst that can lead to good governance, whilst also ensuring efficient and effective functioning of Midvaal Local Municipality

In pursuit of good governance, the study found out that, public office at any level of government, requires professionals in leadership positions who are committed to the high ethical standards outlined in the institution's mission statement. Public service ethics encompasses a broad and widening range of principles and values. Leaders can do a lot on their part to promote good governance in the public sector especially by turning away leaders who exploit the loopholes in the systems and processes to fulfil their personal desires at the expense of the operating effectiveness of departments and ultimately the people they were elected to serve. As demonstrated in chapter 2 of literature review of this study, in pursuit of ethical leaders the 8 Batho Pele principles, it is a deliberate government instrument that strongly encourages public officials to engage in alternative ways of improving and providing effective and efficient services in the public sector.

5.5.2.2 Sub-theme 2: Consequence management

In explaining the importance of consequence management within municipalities, the late Auditor-General Kimi Makwetu on his 21 June 2017 media release statement entitled: Auditor-general reports marginal improvements in local government audit results. The Auditor-General alluded that:

“Without proper consequence management systems, the audit results of municipalities are unlikely to change towards desired results. We, however, believe that the implementation of requisite consequence management will significantly turn municipalities towards wholesome governance in the public sector”. (Source: The consolidated general report on the MFMA local audit outcomes is accessible on www.agsa.co.za).

In the case of Midvaal Local Municipality, the Democratic Alliance-led municipality has credited its effective governance to its ruthless consequence management system and commitment of senior managers who go extra mile in executing their duties (MLM, 2021). From findings of the study, the municipality prioritizes consequence management to hold defaulting officials accountable. Furthermore,

through the implementation of consequence management within the municipality, any form of misappropriation is acted upon with the necessary rigour in all instances – this helps restore confidence in the institution. It was found that, Midvaal Local Municipality use consequence management to enforce accountability on both the political and administrative level. According to a study conducted by Fourie & Malan (2022) the enforcement and implementation of consequences management against officials responsible for non-compliance will assist municipalities to recoup financial losses as a result of corrupt actions by such officials and serve as a deterrent for others to contravening legislation. When asked about consequence management and its implementation at Midvaal Local Municipality, one participant, (23W), stated that:

There are clear indications of accountability and consequence management at Midvaal Local Municipality. For example, where required, the matters are reported to the relevant external authorities for further investigation. The appropriate and relevant consequence management is also instituted, as and when required.

Participant, (4D), a well experienced official and participant, (23W), concur with each other on consequence management issues at Midvaal Local Municipality. As brought to light by participant, (4D), consequence management it is about understanding what the purpose of local government is and sticking to the core purpose of the municipality without deviating and compromising accountability, transparency and effectiveness. The study found out that, the municipality deploy consequence management to curb corruption and maladministration. According to Mulaudzi (2018) the internal disciplinary found that senior waste department employee of Midvaal Local Municipality had corrupt relations with someone bidding on tenders and accepted bribes amounting to over R1 million. In response to the findings of the disciplinary process the then municipal mayor Bongani Baloyi stated that:

The dismissal of the senior employee is a step in the right direction. As a municipality, we don't tolerate corruption and we deal with it as quickly as we are aware of it by ensuring that we follow due process and enforce consequence management to ensure that we afford the suspect the opportunity to clear their name as well. But this shows that corruption has no place in Midvaal.

(Source: <https://ewn.co.za/2018/02/21/senior-midvaal-municipality-official-found-guilty-of-corruption-fired>).

5.5.2.3 Sub-theme 3: Good revenue management

Effective revenue and debt management within South African municipalities; is regarded as the fundamental practice that forms part of good corporate governance (Masegare, 2017:17). Section 96 of the Municipal System Act (Act 32 of 2000) further encourages municipalities to comply with Municipal Finance Management Act and collect all money owed to the municipality. The study found out that, in its Medium-Term Revenue & Expenditure Framework 2021/2022 – 2023/2024; Midvaal Local Municipality has made an effort to prioritize the implementation of innovative revenue collection strategies to optimise the collection of revenue within the municipality (MLM, 2021:6). Batistus *et al.* (2019) firmly agrees by stating that revenue collection within municipalities relatively calls for the design and implementation of SMART revenue turnaround strategy.

Midvaal Local Municipality is known for good governance and sound financial management (MLM IDP, 2015/6:79); as demonstrated by the findings of the study. However, the study found out that, there are other dimensions and trends, which challenge and threaten the municipality ability to operate efficiently and effectively within its mandate. This includes insufficient funding for the municipality operations and insufficient finance for expansion (MLM IDP 2021/22). The study found out that, the municipality funding backlogs are influenced by slower rate of revenue increase, as compared to increase in expenditure. According to the final 2021/2022 Integrated Development Plan of Midvaal Local Municipality, these trends accelerated as a result of factors such as:

- Limited debt collection in certain areas of the municipality;
- The current mechanism of cross subsidisation employed by Midvaal Local Municipality is exhausting its expenditure; and
- There is fall-back in revenue brought by investments in the medium to long-term development projects within the municipality.

Based on the unauthorised, irregular, fruitless and wasteful expenditure policy 2019/2020 financial year. The study found that, Midvaal Local Municipality irregular expenditure and unauthorised expenditure include:

Midvaal Local Municipality irregular expenditure:

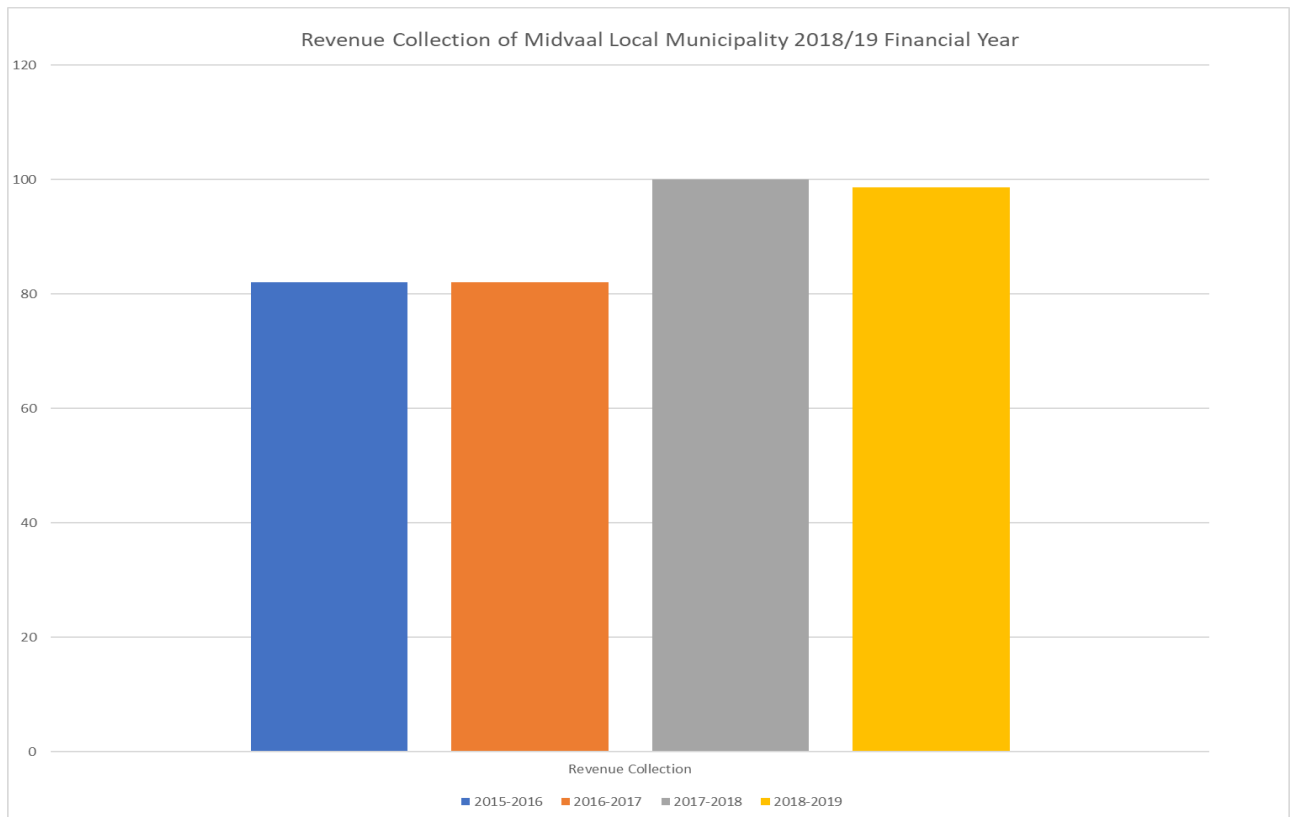
- Irregular expenditure incurred as a result of contravention of the MLM's supply chain management policy;
- Irregular expenditure incurred as a result of non-compliance with a requirement of the MLM's delegations of authority;
- Irregular expenditure incurred as a result of non-compliance with a provision contained in any applicable legislation;
- Expenditure paid out to service providers who are in the service of state.

Midvaal Local Municipality unauthorised expenditure:

- Procuring of goods and services that are not budgeted for;
- Expenditure not in terms of the conditions of an allocation (grant etc.) received from another sphere of government, entity or organ of state;
- Expenditure in the form of a grant that is not permitted in terms of the MFMA.

One of the municipality strategic themes is to effectively increase the municipality revenue to ensure that the municipality becomes financially sustainable. MLM IDP (2020/2021:89) this strategic plan seeks to expand the municipality's revenue sources. Based on the municipality governance performance, the study found out that, it is essential for Midvaal Local Municipality to have access to various streams of revenue collection, while subsidising indigent households.

Figure 9: Revenue collection of Midvaal Local Municipality 2018/19 financial year



Source: <https://municipalmoney.gov.za/>

In accordance with the findings of Municipal Money as demonstrated by figure 9; Midvaal Local Municipality managed to collect 98.6% of its revenue in the 2018/19 financial year. The municipality did not manage to fully collect all the money earned through rates and services charged as compared to 2017/18.

5.5.3 Theme 3: Factors influencing levels of compliance with legislative frameworks guiding municipal audits and service delivery at Midvaal Local Municipality

Previous literature consulted in chapter 1 and 2 of the study demonstrated that, out of 257 municipalities only 8% of municipalities and 21 municipal entities audited by the office of the Auditor-General in the 2017/18 financial were able to comply with applicable legislation; slightly half the percentage recorded in the previous financial years. In comparison with 2011/12 financial year, this was reportedly highest level of non-compliance, marked as undesirable state of deteriorating in compliance with key government legislative frameworks. In overall only half of all audited local

government institutions achieved unqualified audit opinions in the 2017/18 financial year (Auditor-General South Africa, 2019).

A worrying trend of financial mismanagement and operational failures due to non-compliance within local government continues to occur despite the belief that municipalities are significantly over-regulated; as such, the cost of non-compliance is adversely impacting on the efficiency of service delivery (Financial and Fiscal Commission, 2014). It emerged from the findings of the study, that although majority of municipalities faces the crisis of achieving desirable audit outcomes; South Africa has specific utmost success stories of municipalities that often strive to comply with legislative framework guiding municipal audits and service delivery such as Midvaal Local Municipality.

5.5.3.1 Sub-theme 1: Functional audit committees

Effective oversight structures coupled together with leadership can play a critical role to improve outcomes related to compliance with laws and regulations (AGSA, 2011). Section 156 of the Municipal Finance Management Act, 56 of 2003 makes provision for municipalities to establish internal audit functions and audit committees. Functional audit committees are key contributors of good governance. The study found out that, Midvaal Local Municipality has an independent committee, which is responsible for oversight of the municipality's control, governance and risk management. When asked about the effectiveness of audit committees, one participant, (2B), a municipal official stated that:

Midvaal Local Municipality has effective audit committees, for example cases of unauthorised, irregular, fruitless and wasteful expenditure are referred to Municipal Public Accounts Committee (MPAC) to deliberate on and make recommendations to Council. So, the oversight performed by audit committees is critical to the ultimate delivery of services.

Another participant, (3C), a municipal official when asked about the effectiveness of audit committees stated that:

They work together to ensure that checks and balances are in place to keep the executive accountable. Municipal Public Accounts Committee

(MPAC) is a very important committee to ensure oversight is taking place at the municipality and to scrutinize important documents for good governance.

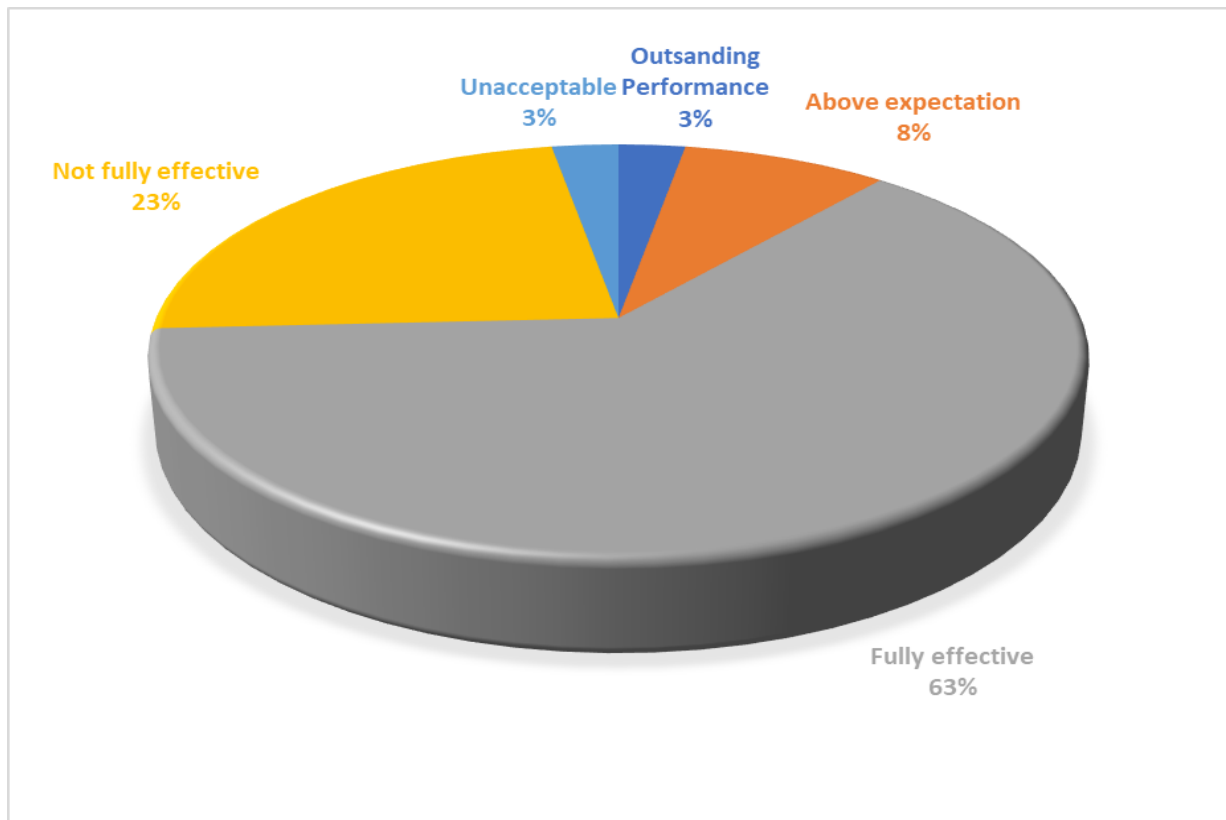
The study found that delayed quarterly reports on non-compliance by management to the audit committee often deter audit committees to execute their duties of oversight responsibilities on non-compliance. Although, the study found out that, it is not a huge problem at Midvaal Local Municipality; it is a concerning issue to majority of South African municipalities with audit regression. In such instances, the successive clean audit outcomes obtained by Midvaal Local Municipality suggest the municipality governance is compliant in accordance with the laws and regulations relating to spending on public funds (AGSA, 2018).

5.5.3.2 Sub-theme 2: Effective performance management system

The Municipal Systems Act, 32 of 2000, calls for municipalities to establish a Performance Management System (PMS). Effective performance management system is essential for the provision of excellent local services (Minnaar, 2012). In attempt to enhance compliance with legislative frameworks guiding municipal audits and service delivery, it is essential for municipalities to adopt policy of performance management. This policy is informed by legislations such as Municipal Systems Act, Municipal Finance Management Act, Performance Management Regulations, Municipal Performance Regulations for Municipal Managers and Managers directly accountable to the Municipal Manager. The study found that, Midvaal Local Municipality policy on performance management is designed and aligned with the municipality IDP, operations of Service Delivery & Budget Implementation Plans, and various department's performance areas and indicators (MLM Annual Performance Report, 2020/21). As per Section 6.4.8 of the Performance Management Policy; the study found that Midvaal Local Municipality often conduct quarterly performance monitoring and evaluation. The establishment of policy on performance management at Midvaal Local Municipality promotes the culture of legislative compliance. This subtopic was addressed in detail in chapter 3 of the study.

Figure 10: Annual performance at Midvaal Local Municipality from 1 Jul 2020 – 30 Jun 2021

| | | |
|-------------------------|-----|--------|
| Outstanding Performance | 10 | 2,69% |
| Above expectation | 31 | 8,33% |
| Fully effective | 235 | 63,17% |
| Not fully effective | 86 | 23,11% |
| Unacceptable | 10 | 2,69% |
| Not applicable | 49 | |
| | 421 | |



Source: Annual Performance Report of MLM 1 Jul 2020 – 30 Jun 2021

In accordance with the findings of Annual Performance Report of Midvaal Local Municipality as demonstrated by figure 10; from a performance point of view, the total number of 80 official's performance was conducted along with a total of 421 performance indicators were monitored and reported on. As such an overall annual performance of 276 indicators was achieved 74.12%.

5.5.3.3 Sub-theme 3: The establishment of compliance management policy & framework

In accordance with National Treasury (2014) compliance management policy and framework aims to support the work of accounting officers and authorities of Public

Finance Management Act compliant institutions to enhance compliance levels within their institutions using applicable compliance obligations. Several municipalities require accurate and relevant information to enable proper compliance with the law. Hence, there are instances of malicious compliance whereby municipalities are reporting for the sake of reporting without proper compliance to guiding legislative frameworks. Consequently, the 2016/17 Auditor-General's report detailed a higher trend of non-compliance with legislation (AGSA, 2016/17). The Auditor-General recently reported, inter alia, that material non-compliance with key legislation by local government is currently at 86%, which is the highest percentage since 2012. To curb this inclination, the office of the Auditor-General has recommended that legislations guiding municipalities must be simplified; so that it becomes easier to enforce corrective measures against transgressors.

Due to limited literature, the study did not find any published compliance policy and framework of Midvaal Local Municipality. However, the review of the Auditor-General reports on Midvaal Local Municipality audit outcomes revealed that the municipality is compliant with the law. MLM Annual Report (2020/21) the Auditor-General's 2020/2021-Management Report recommended the municipality to develop Operation Clean Audit Project Plan. From findings of qualitative survey, the study found that, Operation Clean Audit (OPCA) task team of Midvaal Local Municipality is chaired by the accounting officer to enforce financial accountability within the municipality. The study found that, Operation Clean Audit (OPCA) OPCA Plan sets out the actions to be performed, as well as additional corrective measures that must be implemented, to ensure that the municipality maintain its clean audit reports. This was also covered extensively in theme 1 of the findings of this study.

5.5.4 Theme 4: The extent at which clean audit outcomes, good governance and Municipal Public Accounts Committee (MPAC) work together to improve service delivery performance of Midvaal Local Municipality

It is the core mandate of Local Government Turnaround Strategy to build effective, efficient, clean, responsive and accountable municipalities (SALGA, 2012:3). Hence, local government in South Africa is empowered by various legislative frameworks to provide equitable services to the public. For instance, White Paper on Local Government (1998) indicates that municipalities should develop sets of capacity

building such as strategic capacity, integrating capacity and community orientation to achieve a more developmental and functional local government (Sebola, 2014:635). Ideally, from the findings of the study, Midvaal Local Municipality to some extent is not immune to what can be envisaged as a functional and professionalized local government in South Africa.

5.5.4.1 Sub-theme 1: Effects of clean audit on service delivery performance

The Municipal Finance Management Act, 56 of 2003 states that chapter 9 institution such as the office of the Auditor-General should provide annual reports about financial and service delivery outcomes of each municipality. Aadnesgaard and Willows (2016) contend that the relation between clean audit and service delivery within South African municipalities is as a reflection of public servants' commitment to good governance. However, the findings of the study in relation to Midvaal Local Municipality, suggested that it as a result of managerial practices such as compliance with legislative framework, ethical leadership, consequence management, good revenue management and political stability that influence good service delivery and subsequently the achievement of successive clean audit outcomes. From the study conducted by Craig (2017:128) literature found that South African municipalities are coupled with positive, but weak relations between municipal audit outcomes and service delivery performance. It is as a result of limited impact financial compliance has on municipal operations. Arguably, according to Matlala and Uwizeyimana (2020) good financial management is not a sufficient prerequisite to assist municipalities struggling to perform their legislated responsibilities.

However, it is evident from the findings of the study that level of emphasis towards financial compliance by the Auditor-General along with legislative frameworks guiding municipalities might be regarded as not helpful in terms of improving municipal performance. This is supported by Institute of Security Studies (2015); which posited that clean audits are a standard, which municipalities are required to uphold, but clean audit outcomes have no prospective significance, if they do not yield tangible differences such as good service delivery into the lives of their constituencies. Lastly, Good Governance Africa (2019:2) further argued that good

performance on paper “good municipal financial statements” may not necessarily translate into good service delivery performance.

5.5.4.2 Sub-theme 2: Effects of good governance on service delivery performance

As part of the global community, South Africa is mandated to develop and implement policies that adhere to international norms and standards of good governance (World Bank, 2006). In the context of South Africa public sector, there are mandatory requirements for good governance alluded by Municipal Finance Management Act, 56 of 2003 and the Public Finance Management Act, 1 of 1999 towards the achievement of good service delivery. Literature found that Midvaal Local Municipality is not immune to the adherence of such legislative requirements. AGSA (2011/12); Makhura (2014) argued that good governance in the long run increases the efficiency and effectiveness of municipalities, ultimately causing the delivery of services to become an objective reality in few municipalities.

By implication, evidence further suggested that good governance practices of a municipality alternatively have a direct impact on service delivery (Chaka, 2013:1). For instance, the study found that, strategic management practices employed by Midvaal Local Municipality administrators have direct impact on the standards of services delivered to the public. When asked about good governance on municipal service delivery performance, one participant, (10J), stated that:

Good governance practices improve public service performance and ultimately enhances service delivery. Good governance practices are certainly fundamental to service delivery and subsequently improve people’s living standard particularly those residing in rural areas.

On the other hand, in the case of Midvaal Local Municipality according to (Ndlovu, 2014:57) even though the municipality is known for impressive service delivery, delivering services to informal settlements remains a challenge to the municipality. This is evident, as stated by MLM IDP (2020/21:62) that the municipality has inefficiencies in delivering services with significant inequality of infrastructure and quality of services delivered. The study found out that, citizens expect local

government institutions to put in place good governance practices to ensure that much needed basic services are delivered to all citizens.

5.5.4.3 Sub-theme 3: Effects of Municipal Public Accounts Committee (MPAC) on service delivery performance

Municipal Public Accounts Committee (MPAC) is similarly modelled based on the function of the Standing Committee on Public Accounts (SCOPA), with specific variations by virtue of the legislative framework. Municipal Public Accounts Committee according to Republic of South Africa (1998:54), is a “municipal council committee, which is established in accordance with section 79 of the Municipal Structures Act”. Apart from MPAC literature from the study conduct by Kolisang (2019:19) found that Midvaal Local Municipality has other section 79 committees such as the section 79 Petitions Committee, the section 79 Geographical Names Placing Committee and the section 79 Ethics committee in accordance with section 79 of the Structures Act, 117 of 1998. The study found that, the Municipal Public Accounts Committees play a critical role of oversight on municipal governance and ensures that the administration becomes accountable and ethical. Khalo (2013:586) further posits that the committee monitors if limited resources of municipalities are used effectively to meet service delivery objectives. In relation to the office of the Auditor-General; the Municipal Public Accounts Committee is entrusted with the responsibility to review annual reports of municipalities along with audit reports of the Auditor-General to inform council about any discrepancies of wasteful expenditure. Municipal Public Accounts Committee should investigate money spend on services, which exceed the amount approved by council and what led to excess expenditure and provide recommendations to address such discrepancies (Khalo, 2013).

The legislation expects the chairperson of Municipal Public Accounts Committee to be employed full-time as the mayoral committees often do. Masehela *et al.* (2012:346) firmly contended that such appointment strengthens oversight and accountability within the municipality. It is significant to advance the efficiency of oversight role, since full-time MPAC chairperson can be fully dedicated to executing his/her duties of reviewing municipal reports and conduct research timely, as opposed to the appointment of a part-time chairperson. The study found that, Midvaal Local Municipality has bestowed the role of MPAC chairperson to a part-

time councillor according to the findings of the study conducted by Kolisang (2019:22), who often lack enough time to effectively execute his duties. Thus, compromising the quality of oversight conducted by MPAC on behalf of Midvaal Local Municipality. However, research participants that Municipal Public Accounts Committee of Midvaal Local Municipality is adequately performing its oversight role effectively and transparently without any interference. When asked about challenges faced by MPAC at Midvaal Local Municipality, one participant, (3C), stated that:

The challenge faced by oversight committees such as MPAC mostly have to do with fear of "stepping on toes" because you are ultimately responsible for holding your executive to account. So, there will be situations where you will be asking very uncomfortable questions to your colleagues, and they will not be happy about it. So, confidence and a thick skin is a prerequisite in MPAC otherwise you won't cope with the pressure. At times, you constantly bump heads with the Mayor/ MMC's based on irregular decisions made in their departments

Another participant, (18R), when asked about challenges faced by MPAC at Midvaal Local Municipality stated that:

Disagreement on outcomes is mainly the problem. MPAC members not always understand the recommended outcomes the same and this leads to difference of opinions which does not necessarily bring the correct recommendation. In all Municipalities the MPAC chair is from an opposition party. This means that in some instances because of misunderstanding the outcomes are not in line with the recommendations of the investigation. As the recommendations can be misinterpreted.

5.6 Contribution of the conceptual framework to the study

The study adopted Management Performance Assessment Framework and Tool (MPAT) as the conceptual framework for the study:

The framework and tool present a structured, integrated and aligned approach that has clear roles and responsibilities for stakeholders, including reporting and accountability measures (Department of Planning Monitoring and Evaluation, 2011). This framework was paramount for the study and to interrogate Midvaal Local

Municipality, since the framework seeks to promote the assessment of the public service towards improved service delivery through an institutionalised monitoring and evaluation system within an organisation.

The conceptual framework understanding is.....

Improved management practices are the key to an improved public service and will contribute to improving service delivery through providing a holistic picture of the quality of management practices within a department or municipality, against common standards. This information can be used by management to inform improvements and can be used by transversal departments to provide support where it is needed most (Department of Planning Monitoring and Evaluation, 2015).

In assessing Midvaal Local Municipality, through the application of Management Performance Assessment Framework and Tool (MPAT), due to limited sources and lack of accessibility to all research participants the framework set precedent and enabled the researcher to assess the quality of management practices in the following key performance area [2,3 and 4] of the municipality:

- **Key Performance Area 2: Governance and Accountability** – Public accountability is, to certain extent, an undisputable requirement of good governance in all three spheres of government. The findings of the study revealed that Midvaal Local Municipality within the Sedibeng district has a proven track record of good governance and accountability; with better socio-economic indicators as compared to Emfuleni and Lesedi Local Municipalities (Meyer, *et tal.* 2016:66). The Local Government Municipal Structures Act 117 of 1998 and the Municipal Finance Management Act 56 of 2003, makes provision for the establishment of section 79 Municipal Public Accounts Committee (MPAC), to exercise oversight over the executive obligations of council. From the findings of the study conducted by Kolisang (2019:20), Midvaal Local Municipality section 79 committee is “chaired by non-executive councillors, the Speaker and the Chief whip”. The findings further revealed that the chairperson of the MPAC is the member of the African National Congress, which is an opposition to the Democratic Alliance in council. This is

a good indicator of oversight as it promotes thorough scrutiny of reports, conduct and financial prudence of the municipality.

- **Key Performance Area 3: Human Resource Management** – From the findings of the study, Midvaal Local Municipality has a human resource management strategy that is firmly aligned with the municipality IDP and focus primarily on institutional transformation. According to MLM IDP (2020/21), human resource policies guiding the municipality uniquely enable fair and reliable staff treatment and consistent approach of staff management. The findings from literature highlighted that Midvaal Local Municipality have effective correlation between good governance and staffing stability. Amongst 11 municipalities in Gauteng province; Midvaal has consistently performed well with low turnover of senior managers. However, according to Report of the Independent Committee of Inquiry (2021:69), numerous resignations and suspensions including that of the Municipal Manager, Chief Financial Officer and the Executive Director: Corporate occurred within the municipality in the previous financial years. It is of serious concern and therefore the municipality should be closely monitored to ensure that its governance is not compromised.
- **Key Performance Area 4: Financial Management** – From the findings of the study, Midvaal Local Municipality has capacitated competent staff members within the finance unit who adequately produce quality financial statement (AGSA, 2019/20:47). The municipality has distinctive features of zero tolerance for transgressions and senior personal take accountability for maintaining good financial practices and sustaining clean audit outcomes (Wasserman, 2020). In effort to maintain the achievement of successive clean audit outcomes, the study found out that the provincial treasury and provincial cooperative governance department are tasked to support the municipality in the area of finance and compliance. In accordance with Municipal Finance Management Act, section 138 and 140, as per Gauteng municipalities; only “City of Ekurhuleni and Midvaal currently are not in financial distress” (Report of the Independent Committee of Inquiry, 2021).

In conclusion, there is good synergy at Midvaal Local Municipality between those assigned with service delivery on the ground along those assigned with the

responsibility of monitoring key performance areas, consequently providing valid, accurate and complete performance information (AGSA, 2019/20; MLM IDP 2021/22).

5.8 Conclusion

The findings of this study were based on data obtained from online qualitative survey questionnaire and review of literature on municipal audit outcomes and service delivery in the public sector. The findings presented managerial practices that influence good service delivery and subsequently the achievement of successive clean audit outcomes at Midvaal Local Municipality. From its findings, this study has established that Midvaal Local Municipality has a well-structured organisational culture with a deliberate political and administrative leadership, which comprises of transparency, accountability and good financial practices that has benefited the municipality with clean audit outcomes for years.

CHAPTER 6

RECOMMENDATIONS AND CONCLUSION

6.1 Introduction

The focus of the previous chapter was to present results, with regards to the assessment of clean audit outcomes as an effective determinant of good service delivery at Midvaal Local Municipality (MLM).

The findings of the study in chapter (5) were retrieved from the results obtained from the online qualitative survey with open-ended questions. Then document analysis technique was also employed by the researcher to present the data from literature reviewed. Chapter (5) of the study answered three research questions of the study posed and outlined in chapter (1). This chapter (6) present summary of the findings of the study and answers research question four of the study outlined in chapter (1), by providing key recommendations for Midvaal Local Municipality to continuously obtain successive clean audit outcomes.

6.2 Summary of the findings of the study

It emerged from the findings of this study using online qualitative survey questionnaire and literature review, that Midvaal Local Municipality has a well-structured organisational culture with a deliberate political and administrative leadership, which comprises of transparency, accountability and good financial practices that has benefited the municipality with clean audit outcomes for years (AGSA, 2020). Moreover, the study in reference to the conceptual and theoretical framework; established that the Midvaal Local Municipality has effective management practices that places the municipality in good position to delivery services effectively and efficiently. Wherein, this management practices can be used as effective determinants of good service delivery within the municipality; since they yield positive impact on the municipality financial viability, which solely translate to clean audit outcomes. The municipality has attracted and retained staff with the right skills; therefore, benefiting its governance with continuity to manage clean audit outcomes along with good service delivery.

6.3 Key recommendations for Midvaal Local Municipality to continuously obtain successive clean audit outcomes

Whilst great strides have been made over the past eight financial years for Midvaal Local Municipality to achieve successive clean audit outcomes. To remain nationally competitive as the best performing municipality, particularly in Gauteng province, Midvaal Local Municipality must accelerate its structural reforms and strengthen its managerial practices. Based on the findings and conclusion of the study, the following recommendations can thus be made for Midvaal Local Municipality to achieve successive clean audit outcomes. The recommendations are scheduled into six categories namely: **improve oversight and accountability, improve revenue collection and debt management, develop a social and community development strategy for informal settlement, develop a municipal audit strategy.**

These recommendations also attempt to provide answers to the last research objective of the study outlined in chapter 1.

6.3.1 Improve oversight and accountability

The study recommends that Midvaal Local Municipality should continue having member of the opposition as the chairperson of the MPAC. This is a good indicator of oversight and accountability as it promotes thorough scrutiny of reports, conduct and financial prudence of the municipality. In order to maintain risks of lack of oversight and accountability, an effective mechanism for financial and service delivery supervision must be put in place.

6.3.2 Improve revenue collection and debt management

Midvaal Local Municipality should prioritize having a revenue collection enhancement and debt management turnaround strategy prepared by the municipality. In so doing, the municipality, should align its revenue collection and debt management with Municipal Finance Improvement Programme proposed by National Treasury to address financial affairs of municipalities.

6.3.3 Develop a social and community development strategy for informal settlement

The study recommends that Midvaal Local Municipality should develop a social and community development strategy for informal settlement. This will enable the municipality to address service provision inequality between affluent household and indigent household. The strategy is an approach to ensure that opportunities and services are catered to empower communities at all levels. It will be a renowned approach for housing development, learning, health care frameworks and social care facilities in the informal settlement.

6.3.4 Develop a municipal audit strategy

It is significant for Midvaal Local Municipality to develop an internal municipal audit strategy; that will enable the municipality to avoid any form of audit regression. In this case, the municipality should establish a proper monitoring and evaluation to oversee the proper full commitment of the implementation of the audit strategy. The audit strategy will significantly help the municipality to tackle all findings alluded by the Office of the Auditor-General. It is recommended that the implementation of the municipal audit strategy within Midvaal should be monitored on a monthly basis by management and quarterly basis by the audit committee and council. Therefore, Midvaal Local Municipality through the audit strategy and integrated support approach should continue to sustain and improve the audit outcomes of the municipality, so that it can continuously achieve successive clean audit outcomes

6.4 Contribution of the study

There is plethora of literature from the reports of office of the Auditor-General about municipal audit outcomes. However, there is lack of literature on the effectiveness of clean audit in determining good service delivery within local government and elsewhere in the public sector institutions (provincial and national). This research aided in demystify the misconception held by many public officials within South Africa municipalities and the public at large that public institutions with clean audit outcomes have good service delivery. The results from the findings of the study provided some managerial practices that influence good service delivery and subsequently the achievement of successive clean audit outcomes. Since there is

limited published studies on the researched phenomenon, this study contributes significantly to closing that gap in literature. In such instances, this study establishes an opportunity for further research.

6.5 Recommendations for future research

Based on the findings of this research, this study necessitates further future research as follows:

- A follow up study with a different research methodology should be conducted for Midvaal Local Municipality or any other municipality with successive clean audit; and it is recommended for that study to be in the form of a quantitative or mixed method for a more representative sample that will yield more extensive findings.
- These studies, could for instance, contribute to providing literature and further investigate how the achievement of clean audit outcomes interrelates with good service delivery for municipalities such as Midvaal with consist consecutive achievement of clean audit outcomes.

6.6 Conclusion

This chapter provided summary of the findings of the study, key recommendations of the study, contributions of the study and recommendations for future research. The primary research objective of this study was to assess the effectiveness of clean audit outcomes in determining good service delivery at Midvaal Local Municipality. The study relied on online qualitative survey questionnaire, various official Midvaal Local Municipality documents accessible to the public, audit reports from the office of the Auditor General; and other relevant significant literature to address the research objectives.

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