ENHANCING FINANCIAL ACCOUNTABILITY IN SOUTH AFRICAN LOCAL MUNICIPALITIES: A CONSEQUENCE MANAGEMENT VIEWPOINT

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Abstract

Achieving clean audit reports has remained a difficult task for most local municipalities in South Africa due to financial misappropriation, mismanagement, and the inability to apply legal actions against the defaulters who misuse municipal financial resources. This study explored the meaning of financial accountability, the state of municipal accountability in South Africa, the techniques other international countries adopt to ensure municipal financial accountability, the meaning of consequence management, and the possible measures to uphold consequence management in the local municipal context. A qualitative research approach was adopted, and a traditional literature review was applied to find answers to the study problems. Findings from the study reveal that financial accountability is the process of holding role-players who handle financial resources answerable to finances entrusted to them. It was discovered that the state of municipal financial management is worsening as only 17.8% of the municipalities could achieve clean audit reports in the 2020/2021 financial year. Considering the techniques used by international countries to achieve accountability, it was highlighted that they institute a central monitoring and reporting body to oversee the municipal financial practices while the concept of oversight is held in high esteem. Furthermore, it was discovered that most municipalities in South Africa do not facilitate consequence management, which has invariably escalated financial misappropriations and other poor financial practices. The study conclude that municipalities can enhance their financial practices if the recommendations of this study would be competently applied.

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1. Introduction

Local municipalities in South Africa must attain sound financial accountability to achieve dependable financial outcomes in an endeavour to provide equitable services to the residents as constitutionally stipulated (Municipal Finance Management Act (MFMA), 2003) Unfortunately, Mothupi, Lekunze and Musvoto (2022) affirm that most South African municipalities struggle to achieve clean audit reports due to poor financial management and this has invariably affected service delivery mandates. In South African local municipalities, resources are often mismanaged, and corruption keeps rising because of poor financial management (Enwereji & Uwizeyimana, 2021; Enwereji & Potgieter, 2022). Due to unethical behaviours in the municipal context, the Municipal Finance Management Act (MFMA) of 2003 was enacted to improve municipal financial management and to establish a strong financial foundation for the long-term provision of services. The MFMA further provides the basis of financial management, which includes overseeing several interconnected components, including planning and budgeting, income and expenditure management, procurement practices, asset management, reporting and oversight. Each of these element help ensure that spending is productive, efficient, successful and hold municipalities accountable for their expenditures. Despite the legislative background in improving local municipal financial management, municipalities still struggle to achieve sound financial outcomes (Auditor General Report [AG], 2019; Brigham & Houston, 2021).

In view of Mothupi et al. (2022), consequence management is another crucial factor that should be established in South African municipalities to ensure accountability is attained. Consequence management refers to actions taken by the management to maintain or restore essential services and correct or mitigate errors occurring from performance (Sisi, 2019). The continuous emphasis on poor transparency and a low response to corruption in municipal leadership is a social menace in the South African municipal context (Auditor General Report, 2020). The National Treasury (2018) posits that there is a need for local municipalities to be accountable to the provincial or national government to ensure residents receive the dividends of democracy. Various South African municipalities have not been successful in putting anti-corruption standards on the administrative and political leadership, despite the proliferation of institutions and anti-corruption frameworks (Safara & Odeku, 2021). This portrays how poorly the bureaucracy complies with certain criteria and how ineffective some legal, regulatory, and functional codes remain. In this regard, it is implicit that after several years of democratic governance in South Africa, local municipalities have not been successful in maintaining clear strategic and financial credibility in the municipal sphere (Auditor General Report, 2019).

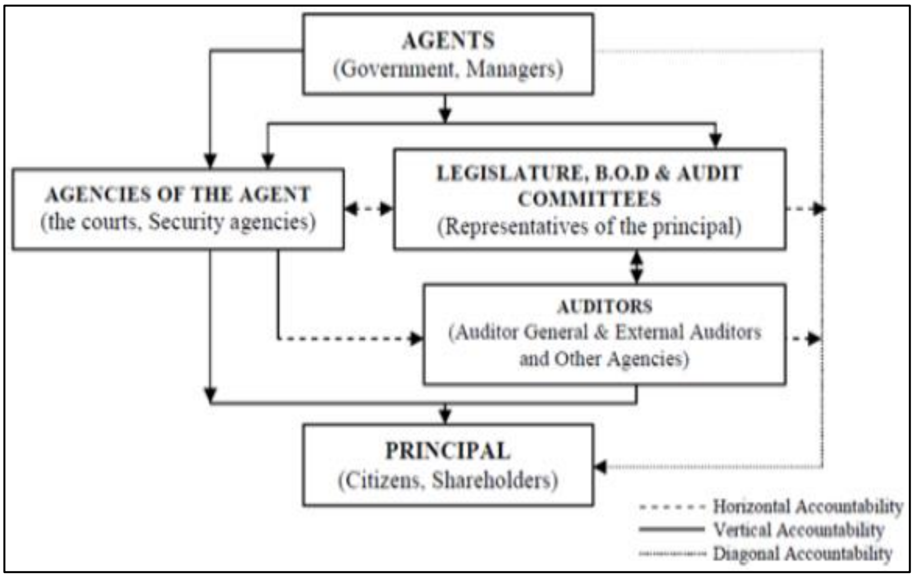
The Auditor General South Africa (AGSA) (AG, 2021) notes that not all municipalities adequately abide to the principles of accountability and the applicable municipal legislation for attaining sound financial accountability and this has increased irregular, unauthorised and wasteful expenditures. The AGSA confirmed in 2019 that only 5% of municipalities in South Africa achieved financial accountability while most of them are did not perform effectively because of poor leadership, weak institutional capability, poor financial management, corruption, and political instability. Additionally, the role-players are not always held responsible for their poor performance in the management and reporting requirements for performance information (Finkler et al., 2022), Concerning these issues surrounding various municipalities, this study set out to investigate the concepts of financial accountability and how to facilitate consequence management to achieve sound financial outcomes. The study investigated how accountability is achieved in the local municipalities of some international countries and the importance of consequence management in the municipal sphere. Furthermore, recommendations are made on how to manage municipal financial resources through the implementation of consequence management.

2. Agency Theory

The fundamental concept of Agency Theory is that policymakers and public officials do not hold the same social interests (Caers et al., 2006). Lopes (2012) as well as Mahaney and Lederer (2011) describe an agency as a person who oversees managing the resources owned by one person or a group of people known as the principal. The principal in this case, refers to the owners of the business or estate that is managed by the agents (Akpanuko & Asugwa, 2013). Stewardship and transparency help to settle disputes when ownership varies from the management. The relationship of the agency is bound to a contract where one or more persons acting as directors employ another person acting as an agent to conduct certain tasks for the benefit of the principal (Zu & Kaynak, 2012). Implementing this function requires some decision-making powers to be assigned to the agent. The principal can restrict this differentiation of interest by monitoring the agent's activities to limit deviations and ensure that the agent's objectives are consistent with those of the principal (Lopes, 2012). According to Kivistö (2007), a challenge affecting the principal/agency relationship is that agencies do not submit, or in some cases, submit inaccurate information to the principals, resulting in objections and suspicions of fraud. This could also be the cause of governance and management flaws in South African municipalities and AG (2018) confirms that municipal governance has weakened, and municipal financial management has been unable to discharge their duties such as transparency and accountability.

Figure 1

Agency Theory



Source: Akpanuko & Asogwa (2013)

Figure 1 shows the relationship between the agents and the principal. It further portrays that that agents include government officials and managers, while the principal includes citizens and stakeholders. The application of this theory in the municipal setting helps establish a trustworthy relationship between the agents and the principal. To minimise the suspicion of corruption and unnecessary conflicts, the agents should make every effort to provide their obligations and services as agreed upon at the start of the contract.

There should be transparency and accountability by the agents (municipal financial workers in this case) to be effective in taking strategic decisions in an uncertain environment. The subsequent section expounds upon the research methodology of the study.

3. The concept of municipal financial accountability

The meaning of financial accountability can be better understood when the phenomenon of accountability is explained independently. According to Agbatogun (2019), accountability is an obligation to demonstrate that objectives have been obtained following agreed rules and standards. Accountability, according to Olu-Adeyemi and Obamuyi (2010) and Sambo (2021), is “the duty to truthfully and transparently do one’s duty and the obligation to allow access to information by which the quality of such services can be evaluated and being responsible and answerable to someone for some action. Kim and Lim (2017) explain further that the concept of accountability is a two-level concept involving enforceability and answerability.

In the views of Agbatogun (2019), financial accountability is "the process of identifying, measuring and communicating economic information to permit informed and rational decisions to be made". As a result, financial accountability is concerned with ensuring that funds are spent as promised and by following applicable rules and regulations (Hall et al., 2017). Agwor and Akani (2017) indicate that financial accountability should be applied across all civil societies, institutions and organisations as rational practise that would ensure responsibility by individuals and institutions. Okpala (2019) and Agbatogun (2019) posit that financial accountability remains a crucial prerequisite to preventing the abuse of power and ensuring that power is directed towards efficiency, effectiveness, and transparency. Considering the afore-stated elaborations, financial accountability implies holding individuals to account for the financial transactions entrusted to them in their jobs. Financial accountability, according to Hall et al. (2017) is a way of keeping residents up to date with a civil society's financial situation, performance, service effort, and accomplishments.

The South African National Treasury (National Treasury, 2019) aver that municipal financial accountability denotes assuming responsible stewardship by municipal officials in handling public funds. Municipal financial accountability, according to Woods and Mantzaris (2012), is the act of mobilising, allocating, and reporting municipal financial assets equitably. Municipal financial accountability is applied to guarantee that government officials abide by the municipal financial management principles, guidelines, and applicable regulations (Nombembe, 2021; Madumo & Koma, 2019). To improve government's fiscal control and financial management, competent financial reporting and accounting systems should be implemented (Enwereji & Uwizeyimana, 2019), and this will help to avoid unwanted, fruitless, and irregular expenditures. Municipalities are also expected to institute external audit systems to ensure follow-up action can be taken to address the reported miscreants and instances of fraud, misallocation, and misappropriation (Mantzaris, 2013).

Employees entrusted with the obligation to manage public funds must demonstrate that they are good stewards and can handle such funds (Gyüre, 2012; Woods & Mantzaris, 2012). However, there are laid down principles or legislation responsible for achieving financial accountability, but the public servants do not always obey these laws (Mantzaris, 2013). A well-defined framework of financial transparency serves as the basis for the implementation of efficient financial processes (Kanyane, 2011; Atrill & Laney, 2012). For all organisations and public entities, financial transparency and sound financial management are critical to achieving the expected objectives (Deloitte, 2012). The fact that financial records are required to be viewed by the public makes it necessary for public enterprises and government entities to be accountable (National Treasury, 2019). This is achieved through effective auditing, budgeting, reporting, and accounting.

Financial accountability cannot be achieved in municipalities when public officials do not apply ethical principles and guidelines in their duties (Kanyane, 2011). The application of ethical conduct by public officials in government offices is to ensure that public funds are channelled toward efficient service delivery and that citizens are confident with the services provided by the municipalities (Mantzaris, 2013). There are always possibilities of fraud, corruption, irregular, wasteful and fruitless expenditure when ethical conduct and professionalism are neglected (Woods & Mantzaris, 2012). The MFMA condemns such corruption and irregularities that involve the municipal role-players such as councillors, municipal managers, and other administrative heads. Concerning this financial misappropriation, Van Rooyen (2017) affirms that there is always a lack of commitment by the municipality to rectify this situation. However, the National Treasury (2018) concurs that the continuation of sound financial management practices by a municipality is a function of long-term sustainability. In the same disposition, Woods and Mantzaris (2012) pinpoint that poor municipal financial accountability management results in resource mismanagement and underutilisation of public funds and raises the risk of corruption.

4. Research Methodology

This study investigated the financial accountability of South African local municipalities and how it can be enhanced through consequence management. A qualitative study was used to provide answers to the problem of the study. According to Creswell (2014), qualitative researchers immerse themselves in the study using inductive principles in an endeavour to find solutions to the phenomenon under investigation. The current study adopted a traditional literature review to answer the research objectives. Snyder (2019) and Booth et al. (2021) state that a traditional literature review provides valid and significant techniques to detect current trends and gaps by providing a thorough, critical, and objective appraisal of the current information on a specific topic. In this study, the literature review was tailored to explore the meaning of municipal financial accountability, the state of municipal accountability in South Africa, the techniques other international countries adopt to ensure municipal financial accountability, the meaning of consequence management, and the possible measures to uphold consequence management in the local municipal context. Thereafter the article discusses the findings obtained and ands with the conclusion and recommendations in an endeavour to enhance municipal financial accountability through consequence management.

5. State of municipal financial accountability in South Africa

Effective financial management procedures remain a prerequisite to attain transparency, accountability, and effective service delivery in municipalities throughout the world (Banerjee, 2015; Enwereji & Uwizeyimana, 2019). Fourie et al. (2011) confirm that financial accountability promotes economic, social as well as, infrastructural development, and aid in equitable service delivery. The Auditor General Report (2020) confirms that most municipalities do not comply with the financial management principles as stipulated by the MFMA and this has resulted in financial misconduct in the municipal context. Table 1 presents the summary of financial reports of South African municipalities from the 2016/2017 to the 2020/2021 financial years, while Table 2 presents the summary of irregular, fruitless and wasteful, and unauthorised expenditures of South African municipalities from the 2016/2017 to the 2019/2020 financial years.

Table 1

Summary of submitted municipal audit reports (2017–2021) (Billion Rand)

Years	Unqualified with		Qualified with findings	Adverse with findings	Disclaimed with findings	Out-standing audits	Total South Africa
	No findings	findings					
2016/ 2017	33	114	72	6	32	0	257
2017/ 2018	20	94	93	6	39	5	257
2018/ 2019	32	96	87	7	33	2	257
2019/ 2020	41	100	30	2	10	4	257
2020/ 2021	46	143	51	2	10	2	257

Source: Auditor General Reports 2016/2017-2020/2021

Note: The accounting terms in this table are explained in Appendix

Table 1 presents a summary of submitted financial reports of 257 municipalities in South Africa from 2017–2021. It is evident that the performance of the municipalities is poor as most municipalities are unable to achieve clean audit reports. Although unqualified financial statements with no findings increased from 33 in 2017 to 46 in 2021, it is evident from Table 1, that financial statements with unqualified opinions increased from 114 in 2017 to 143 in 2021.

Table 2

Summary of irregular, fruitless and wasteful, and unauthorized expenditure of municipalities (2017–2020) (Billion Rand)

Years	Irregular expenditures	Fruitless and wasteful expenditures	Unauthorized expenditures
2016/2017	29.73	4.24	12.60
2017/2018	24.46	1.30	13.40
2018/2019	32.55	2.07	22.00
2019/2020	26.00	1.96	20.45

Source: Auditor General Reports 2016/2017-2019/2020

In Table 2, a summary of irregular, fruitless and wasteful, and unauthorised expenditures of South African municipalities (2017–2020) are presented and it shows the poor performance of municipalities in their financial management practices. Regarding irregular, fruitless and wasteful, and unauthorised expenditure as reflected in Table 2, it is observable that billions of rand are lost due to the inability of municipalities to apply efficient financial management. The cumulative value of irregular expenditures for the 2016/2017 financial year amounts to R112.74 bn, the fruitless and wasteful expenditures to R9.57bn, and unauthorised expenditure stood at R68.45bn in the municipalities. The worsening state of local municipal financial management demands that the South African government should facilitate credible measures to halt the social menace and guarantee effective service delivery to the residents.

The Auditor General Report (2021) flayed on the poor financial management outcomes and advocated sound municipal financial accountability while highlighting that it serves as a basis to actualise an effective financial process. The report addressed the need for municipal role-players to focus their budgets on the welfare of citizens and the application of suitable internal control measures, training, and supervision. The report concurred that adequately trained employees should be positioned in the strategic positions of the municipalities to attain sound financial accountability. Considering this assertion, Dorn et al. (2021) reiterate that accountability could be attained in public service by investing in employee training and skill development. Training and skill development provide the groundwork for lifelong learning to boost productivity and the general quality of work (Dorn et al., 2021). When employees receive training, their knowledge, skills, attitudes, and social behaviour change in ways that improve the performance of the organisation.

The Auditor General Report (2020) highlighted that municipal role-players should abide by the applicable municipal financial legislation to assure that expenditure and income avenues are competently met by administrative or political units and that there are consequences for mismanagement. This report further stressed that certain municipalities achieved clean audit reports among all odds, and these are objects of stable leadership, strong internal and external control systems, efficient governance, good monitoring and evaluation system, and strategic leadership. It is unfortunate that the widespread control and monitoring deficiencies obvious in many other South African municipalities also overshadow those few excellent practices. The effect is that the funds entrusted to their disposal are either misused or not properly accounted for, as specified by laws governing public financial management. The evidence of a lack of municipal accountability invariably results in the decay of infrastructure, unfinished projects, lack of road maintenance, unsupervised projects, and inability to provide adequate services to the citizens (Enwereji & Uwizeyimana, 2019).

6. Municipal financial accountability in other countries

Governments, lawmakers, and citizens require thorough financial reporting to fully comprehend the fiscal status of an organisation and provide an accurate account of how public funds have been used (Brigham & Daves, 2018). The national legal requirements for reporting financial accountability, such as norms, quality, and timeliness of data, vary among countries. Holding agents or other entities responsible for undertaking financial activities is a crucial control step in a financial transaction process, which results in financial accountability (Segal & Lehrer, 2012). Setting up efficient financial operations requires a clearly defined financial accountability structure (Zietlow et al., 2018). Financial experts concur that the "agent" and the "principal" must have a reciprocal relationship in which the agent is responsible to the principal for their activities (Akpanuko & Asogwa, 2013; Zu & Kaynak, 2012). Accountability may be directed upward (to a higher authority), downward (to citizens or a community), or sideways depending on who the principal is (as part of a contract agreed for mutual benefit). Resource misallocation and corruption in the municipal context are results of poor financial management and Enwereji and Uwizeyimana (2019) affirm that municipal financial management entails controlling several interconnected elements, including planning and budgeting, income, cash and spending management, procurement, asset management, reporting, and oversight. Each element helps to guarantee that spending is efficient, effective, and developmental, and that municipalities may be held accountable. The subsequent section presents key mechanisms for strengthening municipal accountability.

6.1. Key mechanisms for strengthening municipal accountability

The laws governing local governments help provide several measures to enhance financial accountability (Stoker, 2017). A key mechanism to facilitate accountability entails outlining the obligations of the municipal political personnel such as the mayors, non-executive council members, executive council members and other officials (Khaile & Davids, 2020). This division between political and managerial responsibilities is essential for good governance (Gao & Yu, 2020). The executive mayor and executive committee must exercise political leadership by making policy recommendations, assisting in the compiling of budgets, and setting of performance goals, and supervising their execution by evaluating results through mid-year reports (Kolisang, 2019). They are prohibited from using their authority, privileges, or access to sensitive information improperly to advance another person's interests or for personal gain while performing their tasks (AG, 2019). In addition to other municipal employees such as senior managers, the municipal manager is legally responsible for financial management's implementation and results (AG, 2019). To act in the municipality's best interests, the municipal role-players must be faithful, honest and ethical (Nyalungu, 2022). As elected officials who represent the community, non-executive council members review and approve the proposed budgets and policies as well as debate them. Based on quarterly and annual reports, the executive mayor or the committee, as well as the representatives are held liable for their actions (Nyalungu, 2022).

Another mechanism to establish financial accountability is to develop a performance orientation process (Mahrani & Soewarno, 2018). Establishing service delivery priorities and plans are governed by the legislative framework, which also includes procedures and regulations. In an endeavour to maintain effective financial management accountability to attain service delivery targets, it is important to ensure alignment between the plans, budgets, implementation strategies and reporting (Stoker, 2017). The final mechanism to enhance financial accountability in the local municipal sphere is to strengthen reporting and disclosure requirements (Mahrani & Soewarno, 2018). Management may be proactive in identifying and resolving issues as they emerge with the use of high-quality and timely management information. It also promotes a performance-oriented approach in local governance, the cycle of financial management and accountability, and how they should be integrated. However, depending on a country's history and governing structure, certain institutional expressions and responsibility hierarchy differ (Cane, 2016; Rose-Ackerman, Egidy & Fowkes, 2015), as well as the techniques used by the different political interests (Dowdle, 2006). Municipal financial accountability in the United States (US) and the United Kingdom (UK) is presented in the subsequent sections. These countries were chosen because they are very effective in upholding municipal financial accountability, as well as providing equitable services to the residents.

6.2 Municipal accountability in the United States

The US employs political, legal, bureaucratic, and social accountability in its mechanisms of ensuring financial accountability (Knudsen, 2018). In the US, Congress has established a system of rules, procedures, and informal practices that enable citizens and organized interest groups to examine administrative decisions, which is more like a collective bargain (Kagan, 2019). The Administrative Procedure Act of 1946 (APA) is a key example of legislation reflecting this model by empowering stakeholders to monitor and challenge administrative actions (Beermann, 2006). The Executive Order requires agencies to submit for review to the Director of the Office of Management and Budget (OMB) – Political Accountability; the APA also requests a modern system of judicial review, which demands legal accountability actions against public officials in state courts (Mashaw, 2012; Cane, 2016)

The US Government Accountability Office (GAO), also known as the "congressional watchdog," is a neutral, independent organisation that assists Congress in improving the way the government operates (Psygkas, 2020). To help the government save money and operate more effectively, GAO evaluates how taxpayer's dollars are spent, and provides Congress and federal agencies with unbiased, information (GAO, 2019). The GAO provides Congress and federal agencies with legal advice and judgments about the use of and responsibility for public funds. To promote the efficiency and effectiveness of the use of funds, internal controls, financial audits, and other government audit measures are institutionalised (GAO, 2019). In the US system, social responsibility is accomplished by participation, openness, and justification (Psygkas, 2020). According to Section 553 of the APA, the agency must give notice of its financial proposal and a chance for affected parties to comment.

The Supreme Audit Institution (SAI) is also used in the US; typically, this takes the form of the Auditor General's office, an independent body that submits reports to the legislature. Periodic reports on the operations and financial statements of governmental bodies are submitted. As a State Board, the Municipal Accountability Review Board (MARB) was created by Section 367 of Public Act 17–2 to offer technical, financial, and other support, as well as accountability for towns going through different stages of financial hardship. Additionally, independent auditors can upload audit reports electronically using the Electronic Audit Report System (EARS) (Includes Municipal Audits), which is a website made available by the Municipal Finance Services Section of the Office of Policy and Management (OPM) and is used in the US state of Connecticut. This ensures that the public and state grantor organisations will have access to the reports posted on the website. These reports consist of the annual audit reports that municipalities must submit. As a final step in a continuous effort to shift the emphasis of budget decision-making away from inputs, the US municipalities also incorporate performance data into their budgeting and planning processes.

6.3 Municipal accountability in the United Kingdom

In the UK, public organisations that provide public services adhere to basic financial management principles. Honesty, objectivity, openness, accountability, accuracy, fairness, integrity, transparency, objectivity, reliability, adherence to high ethical standards and achieving value for money are just a few of the demanding standards expected of public service employees (Psygkas, 2017). Local governments have a governance structure that transmits, delegates, implements and enforces decisions; also, they have reliable internal controls to safeguard, channel, and record resources as intended (Psygkas, 2017). Ferry and Eckersley (2015) state that they collaborate with partners in the public interest, and they operate with propriety and regularity in all their transactions, thus treating their customers and business counterparts fairly, honestly, and with integrity. They provide timely, transparent, and realistic accounts of their business; and they cooperate with other local government entities adequately (Ferry & Eckersley, 2022). In the UK, three acts make up budgeting and governance (Ferry & Eckersley, 2022). Act 1 represents the spending review, which lays out a framework for income and expenditure levels over the medium term; Act 2 represents the annual budget, which enables specific policy decisions with related financial effects and implications; Act 3 might provide for the accountability and transparency frameworks that enhance internal accounting and management practices (Hood, 2010; Ball, 2012; Ferry & Eckersley, 2022).

However, there are some differences on how extensive and independent these arrangements should be in practice, as well as how much information should be made available to the public (Radcliffe, 2011; Heald, 2012). Act 3 has been revisited because of the UK Central Government's modification of the accountability and transparency framework for local government in England. The National Audit Office, which previously focused on central government departments, has taken over the Audit Commission's financial auditing duties, and the local government performance framework has been replaced by requirements for municipalities to publish various datasets online for public review (Davies, 2021). In an endeavour to analyse whether municipalities provide services to a high degree, accountability systems for municipalities' operational performance have extended beyond accountants and the audit profession. While this continues, top-down oversight of financial conformity (ensuring that spending stays within approved budgets) has continued, with the Audit Commission's oversight of this shifting to the National Audit Office. Additionally, the UK follows the Westminster model of SAI (Supreme Audit Institutions), in which the parliament receives reports from the independent office of the Auditor General. It submits regular reports on the financial statements and operations of governmental entities (Prosser, 2014).

The Whole of Government Accounts (WGA) presents a detailed picture of the financial position of the UK. public sector, including information on revenue and spending, assets, and liabilities (His Majesty (HM) Treasury, 2022). This is done to promote transparency and the WGA's coverage of the flow of funds is equally thorough and includes a statement of revenue and expenditure that includes realised gains/losses of assets and liabilities. The WGA provides a comprehensive statement that shows the cash flows from operating, financing, and capital investment; a statement of comprehensive income and expenditure that includes information on unrealised asset revaluation and actuarial gains/losses related to the pension liability (HM Treasury, 2022). Lastly, the municipalities in the UK use performance data in budgeting and planning as part of an ongoing process that shifts the emphasis of decision-making in budgeting away from measurable results (outcomes) and towards inputs. This helped the UK to develop a more systematic approach in which each department develops three-year spending plans and public service agreements, which include performance targets negotiated with the public (HM Treasury, 2020).

7. Municipal consequence management

In South Africa, the Department of Cooperative Governance and Traditional Affairs (COGTA) (2018) in the state of the local municipal report, described transparency and internal control techniques in local municipalities as the main strategies to improve governance. The previous reports by the Auditor General (AG, 2019–2022) have consistently portrayed that municipal compliance with legislation is very weak and that there is a lack of imposed penalties for corrupt leadership. There are severe legislative and other types of transgressions at the political and administrative levels, yet minimal consequence management has been implemented. COGTA (2018) confirmed that municipalities are the targets for transgressors who have confidence that the mechanisms of municipalities to manage consequences are poor, while their methodologies of detection are ineffective and can be exploited. To ensure the realisation of oversights and other control measures, SALGA has created the Certification and Accreditation (C&A) system for local implementation to be improved (SALGA, 2021). The lack of consequence management in local municipalities could be the cause of poor regulation or more corruption and a product of a lack of enforcement mechanisms (AG, 2021). The C&A System was established to ensure that administrative and political leaders do not refrain from constituted legislative precedents while the consequences of mismanagement or corruption are applied (SALGA, 2019).

According to Enwereji and Uwizeyimana (2019), adequate stakeholder engagement and openness are highly required to promote transparency in the municipal accountability system. Numerous existing legislative laws are comprehensive and in-depth, and they indicate the need for transparency in broader areas (Birskyte, 2019) and simple access to specific public information gives implications and transparency issues a real form (Enwereji, 2018). As a result, the suggested implications and transparency system aim to offer an open and descriptive framework for gaining access to pertinent information at any time (Matheus, Janssen & Janowski, 2021). Masuku and Jili (2019) assert that the promotion of compliance with the laws and due responsibility in the public sector is a key component of the South African government's intergovernmental relations policy. In this regard, monitoring and evaluation, as well as transparency of the local, provincial, and national governments is an established verdict in the South African Constitution (Sebola, 2021). This was emphasised in Chapter 3 of the Constitution of South Africa, which emphasised the effectiveness of intergovernmental ties. The constitution also establishes the duties and responsibilities of the national and provincial governments for overseeing municipalities.

In an endeavour to have jurisdiction over local municipalities, the provincial and national governments must enact relevant legislation that will govern them (Gumede, Byamukama & Dakora, 2019). They are also supposed to supervise and help municipalities, as well as intervene when they break the rules (Mathenjwa, 2018). This was established in Sections 155(6) and (7) of the Constitution, as well as Section 216(1), which provide for national and provincial powers to control, track and assist the local municipalities. Sections 139 and 216(2) of the Constitution also provide for an oversight process and a halt to financial transfers without due process. Financial mismanagement of local governments, according to the National Treasury (2018), results in a loss of financial resources, a loss of confidence in local governments, irregular, wasteful, and unauthorised expenditures, poor financial reports, and the inability to act against fraudsters. The cause of adverse effects, according to Pamungkas, Ibtida and Adrian (2018) include lack of skills and capacity, inability to comply with legislative precedents, lack of follow-up on processes or procedures, and inability to appoint the disciplinary board on time. Also, the inability to report to the provincial treasury, lack of planning and strategic management, and inability to investigate financial misappropriation of administrators and political leaders (De Kadt & Lieberman, 2020).

The government of South Africa outlines adequate municipal legislations to guide the financial management of local municipalities, but the inability to follow these legal precepts has resulted in adverse mismanagement of public financial resources (Fourie & Malan, 2020). On the offences of municipal leaders, the Municipal Financial Management Act, Section 173 asserts that any financial offense committed by any administrator should be reported to South African Police Service immediately for investigation. In terms of punishments, Section 174 of the same MFMA states that a public officer is subject to imprisonment for a period not exceeding five years or an appropriate fine decided following applicable legislation upon conviction of an offence under section 173.

The Auditor General Report (2020) posits that consequence management is important in maintaining public sector accountability. Without consequence management, organisations are considered worthless and inefficient. Supporting this statement, Mathiba (2020) affirms that organisations are therefore required to create standards and educate teams to follow strict standards in an endeavour to achieve accountability. In the Auditor General Report (2018), accountability is achievable in the public space and servants are expected to clearly state their expectations, observe if their expectations are met, and enforce the consequences for any deviations. Additionally, Auditor General Report (2018) offered the Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO) a methodology for effective public sector consequence management.

The consequence management concept depicts that public managers should plan, do, check, and act in an endeavour to apply consequences in the public sector (AG, 2018). For planning, managers should create goals that should be achievable by all units, and this should be clearly stated and communicated to all concerned. Concerning doing, managers are expected to position both internal and external control measures, information, and communication technologies (ICT) and get basic financial management control in place. To check, these managers must check deviations that are not consequent to the standards set by the management. In a situation where there is a deviation from the set standards and available legal precedents, management must act by applying the content of the law against defaulters. This concept should be applied by all public sectors to impose accountability and order in all facets of public performance and administration (AG, 2018). The municipal leaders have not taken this factor seriously and this has resulted in the inability of municipalities to achieve sound financial accountability (Mothupi et al., 2022). The introduction of this study highlights the financial misconduct such as irregular expenditure, fruitless and wasteful, and unauthorised expenditures in the various municipalities, which have escalated to several billions of Rand. The cause of escalating poor financial accountability has been noted as the inability to promote consequence management in the concerned municipalities (Enwereji & Uwizeyimana, 2019). This factor is therefore deemed necessary to be considered to ensure that accountability of the municipalities would be promoted.

8. Discussion of the results

The study perused the meaning of municipal financial accountability, and it was revealed that it refers to openness and being answerable to the management of municipal financial resources. In the view of Mantzaris (2013), municipal financial accountability can be viewed as the concept of notifying the public about the financial situation, operating results, and accomplishments of a municipality. Deloitte (2012) affirms that financial accountability should be facilitated in public organisations and business agencies to meet their goals. Being financially accountable for public organisations and governments is vital since financial records form a part of public records (National Treasury, 2019) and Kanyane (2011) upholds that effective auditing, budgeting, reporting, and accounting are needed to achieve accountability. Concerning the state of municipal accountability in South Africa, the study discovered that few municipalities have been able to achieve clean audit reports. According to the Auditor General Report 2020/2021 financial year, only 46 municipalities could achieve clean audit reports out of 257 municipalities. The report further flayed on this dismal performance and stated that role-players should uphold the contents of municipal financial laws, training of employees, monitoring and evaluation, and appropriate leadership cum management practices.

Concerning the techniques other international countries adopt to ensure municipal financial accountability, the practices in the US and the UK were reviewed and it was discovered that they uphold efficient financial management practices. In the US, municipal role-players maintain proper accountability by institutionalizing central independent bodies that ensure oversight and facilitate consequence management of transgressions (Mashaw, 2012; Cane, 2016). In the UK, the local municipal sphere collaborates with partners in the public interest, they operate with propriety and regularity in all their transactions and treat their customers and business counterparts fairly and with integrity (Ferry & Eckersley, 2015). Municipalities have a central governance structure that transmits, delegates, implements and enforces decisions. They appropriately interact with other local governmental entities and deliver timely, transparent, and honest accounts of their operations (Ferry & Eckersley, 2015).

Furthermore, consequence management involves the process of holding the role-players accountable in the management of financial resources and applying legal actions to deviations (Mathiba, 2020). In the view of Fourie and Malan (2020) as well as Masuku and Jili (2019), municipalities should set standards and compel employees to adhere to those standards strictly to attain accountability. The Auditor General further asserts that accountability is possible in public service, and public employees must set clear expectations, monitor whether those standards are being followed, and impose penalties when deviations occur. The Auditor General Report (2018) further indicates that an outstanding technique to achieve sound financial accountability is by facilitating consequence management in all spheres of municipal management. Consequence management could be achieved through the planning of activities, positioning of control measures, checking deviations against set targets, and taking legal actions against defaulters.

9. Conclusions and recommendations

This study explored financial accountability in South African local municipalities and measures to alleviate it through consequence management. A qualitative research approach was adopted using a traditional literature review technique. To propose recommendations to alleviate financial mismanagement in the local municipalities, the study perused the meaning of municipal financial accountability, the state of municipal accountability in South Africa, the techniques other international countries adopt to ensure municipal financial accountability, the meaning of consequence management and the possible measures to attain consequence management in the local municipal context. The literature review revealed that most local municipalities in South Africa have been unable to achieve clean audit reports due to financial mismanagement. Although few municipalities have competently managed their financial resources appropriately and achieved clean audit reports, the study noted that the financial mismanagement of other municipalities has overshadowed their noble efforts. The study reviewed the municipal financial management in other countries and found that transparency, oversight, and training; also, the adoption of relevant municipal legislation, remain the key components to achieving accountability in the municipal sphere.

The study revealed that consequence management is highly needed in local municipalities to ensure that role-players who mismanage financial resources are held accountable for the misuse of public funds. The study suggests that consequent management is important in maintaining public sector accountability. Without consequence management, municipalities are considered as not leading but creating chaos. Municipalities are therefore, required to create standards, educate teams to follow strict standards in an endeavour to achieve accountability. The study confirms that accountability is achievable in the local municipalities and public servants are expected to clearly state their expectations, observe if their expectations are met and enforce consequences for any deviations. The study contributes that municipal role-players should plan, do, check, and act to ensure that consequence management are applied competently to achieve sound accountability. In conclusion, financial accountability can be achieved in local municipalities if the municipal role-players would adopt sound financial management practices and consequence management.

The present study recommends that local municipalities should facilitate effective financial management practices by ensuring that vacancies and key positions are filled with competent personnel and should not be influenced by nepotism. In this regard, key officials should be appropriately trained to acquire appropriate skills and competencies for financial management and reporting to improve financial planning and record keeping. Municipal role-players should improve their reporting skills as servants and should take it as a serious and continuous practise. The municipalities should position proper systems to collate and report performance information and all the officials should understand and apply the performance management and reporting requirements. Poor monitoring should not be entertained, and review processes should be competently performed to eliminate errors. Municipal leaders should take recommendations and warnings of risks seriously, while developed action plans should be implemented adequately. The duties of the politicians should be separated from that of the municipal employees to eliminate infighting at the council level and interference in the administration to achieve sound financial management. Furthermore, the agent-principal relationship should be established in the municipalities where all the municipal employees and political leaders remain answerable to the public.

The local municipalities should facilitate consequence management through commitment by the governing bodies to the management of financial resources and resource allocations. There should be proper implementation of the programmes, which includes clear guidelines of key responsibilities and roles of officials, training needs and actions. Through the implementation of oversight functions, there should be proper monitoring and evaluation of the performance of municipal programmes and presenting the outcomes through transparent documentation practices. The municipalities should also engage in continuous improvement of programmes and financial engagement through regular assessments and reviews. The content of municipal financial legislation should be upheld by all role-players who handle municipal financial resources. Finally, legal actions should be taken against the municipal role-players who are involved in financial malpractice without fear or favour.

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Appendix

1. A financially unqualified opinion with no findings (clean audit) means the municipality:

   >>Produced quality financial statements free of material misstatements (in other words, errors or omissions that are so significant that they affect the credibility and reliability of the financial statements)
   >>Produced quality performance reports that measure and report on performance in a manner that is useful and reliable.

   >>Complied with key legislation

2. A financially unqualified opinion with findings means the municipality was able to produce quality financial statements but struggled to produce quality performance reports and/or comply with all key legislation.

3. A financially qualified opinion with a finding means the municipality's financial statements contained material misstatements that were not corrected before the financial statements were published. The municipality also had challenges with the quality of the performance report and/or compliance with key legislation.

4. The financial statements of a municipality with an adverse opinion with findings included so many material misstatements that disagreed with virtually all the amounts and disclosures in the financial statements.

5. A municipality with a disclaimed opinion with findings could not provide evidence for most of the amounts and disclosures in the financial statements. It is therefore difficult to conclude or express an opinion on the credibility of the financial statements. Municipalities with adverse and disclaimed opinions are typically also unable to provide sufficient supporting documentation for the achievements they report in their performance reports and do not comply with key legislation.