

An Analysis of Audit Outcomes and Service Delivery at the Local Government Sphere in South Africa

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Abstract: Section 4(1) of the Public Audit Act 25 of 2004 stipulates that the Auditor-General (AG) is responsible for auditing and reporting on the accounts, financial statements as well as the financial management of national and provincial government departments, Parliament and all municipalities, among others. In this regard, at the end of every financial year, the AG issues a report on the audit outcomes of the various public institutions that are listed in section 4(1) of the Public Audit Act. At the same time, an impression is given that if a public institution gets a 'clean' audit, or an unqualified audit opinion, that institution is achieving its objectives. Public institutions exist for the sole reason of providing goods and services, which mainly cannot be provided by the private sector. Therefore, this should be the test of whether a public institution is achieving its objectives or not. This paper used secondary sources of information to analyse whether an unqualified audit opinion by the AG equates to satisfactory service delivery by looking at the provincial audit outcomes of several municipalities in South Africa over a period of time vis-à-vis these municipalities' performance when it comes to service delivery. The 2016/17 financial year of the Western Cape government came first in comparison to other provinces in obtaining 'clean' audits in 70% of its municipalities. However, the province still experiences service delivery protests on a frequent basis, largely related to a perceived lack of service delivery when in the provision of housing. The findings show the provinces with municipalities that have received less unqualified audit opinions, such as the Eastern Cape and Gauteng, have at the same time spent more money in an irregular manner, and have also experienced the most service delivery protests. The paper contributes a framework that provides the key conditions that have to be in place for effective service delivery to take place.

Keywords: Audit outcomes, Auditor-General, Municipalities, Service delivery

1. Introduction

The Auditor-General South Africa (AGSA) is established in terms of section 188 of chapter nine of the Constitution of the Republic of South Africa 1996, as one of the six institutions that have been created to strengthen constitutional democracy of the Republic of South Africa (Republic of South Africa [RSA], 1996:65). The Office of the Auditor-General (AG) is therefore tasked with auditing the financial statements as well as report on the financial management thereof of national and provincial government departments and municipalities, among others. The Public Audit Act 25 of 2004 mandates the AGSA to perform its constitutional work. Section 4(1) of the Public Audit Act lists the constitutional functions of the AGSA, which include auditing and reporting on the accounts, producing financial statements and the financial management of public institutions, including municipalities (RSA, 2004:6).

The work done by the AG's Office is therefore critical to South Africa's system of public financial management. This is so because the AG also plays the role

of making recommendations for the institution of internal controls, in the various public institutions, when weaknesses have been identified following audits conducted (Mazibuko & Fourie, 2013:138). In this regard, it must be emphasised that most of the work done by the AG takes place *ex post facto* or after expenditure has occurred. As such, it is necessary to consider the work of other assurance providers in the system of public financial management such as internal auditors. However, for purposes of this article, the focus is on the work of the AGSA.

The Office of the AG therefore audits and reports on the financial management of public institutions as highlighted above at the end of each financial year. Rightly, the AG's findings are reported prominently in the media, and the media and the public lambast those institutions that get qualified audit outcomes. An impression is therefore created that a so-called clean audit outcome or unqualified audit opinion equates to efficiency and effectiveness in the delivery of public services. Against this background, this study aims to answer the following questions: Firstly, *What are some of the conditions for efficiency*

and effectiveness in the delivery of services? Secondly, does an unqualified audit opinion with no findings mean a public institution is achieving its objective of provision of services?

The paper attempts to provide answers to the above questions by considering the audit outcomes of various municipalities by province vis-à-vis their performance when it comes to service delivery. It must also be pointed out that it is the author's view that audit outcomes are but one of many measures for assessing efficiency and effectiveness, more so because of the nature of the work done by the Office of the AG, which happens after the fact. However, there are other measures that the paper seeks to explore which are in most instances the root causes of service delivery failures such as leadership. By looking at these other measures, the paper aims to come up with a comprehensive framework to assess the performance of municipalities over and above audit outcomes.

2. Theoretical Perspectives

The ensuing sections provide an exposition of theoretical perspectives relevant to answering the paper's research questions.

2.1 Audit Outcomes

Holt and Moizer (1990:111) describe various audit reports as follows: *Unqualified audit report*: This report is issued when auditors are of the view that an institution's financial statements provide a true and fair view of the institution. *Disclaimer of opinion report*: A disclaimer of opinion report is issued when after attempting to audit an institution's financial statements, an auditor is unable to form an opinion on whether these present a true and fair view of the institution's state of affairs. *Adverse opinion*: An adverse opinion report is issued when an auditor is of the view that financial statements do not provide a correct and fair view of the state of affairs of an institution. In addition, Sambo (2017:12) describes a *qualified audit opinion* report as that which is issued when an auditor has found that some of the information presented in an institution's financial statements do not comply with Generally Accepted Accounting Practice (GAAP). However, the rest of the information contained in the financial statements could be fairly represented. The various types of audit reports will be explored further below when findings are presented.

2.2 A Synopsis of the Local Sphere of Government in South Africa

Thornhill (2012:133) cites that South Africa's democratic election in 1994 ushered with it a new system of government that consists of three spheres of government - national, provincial and local - which are interdependent and interrelated. In this regard, section 151 of the Constitution of 1996 gives effect to the establishment of the local sphere of government, which consists of municipalities throughout the country. There are currently 278 municipalities in South Africa (eight Metropolitan, 44 district and 226 local) (South African Government, 2019). However, this number fluctuates when municipalities are amalgamated for various reasons. The description of the various types of municipalities is as follows (RSA, 1996:75; Municipalities of South Africa, 2019):

- **Category A or metropolitan municipalities:** These are those municipalities that have exclusive municipal executive and legislative authority in their areas.
- **Category B or local municipalities:** These municipalities share executive and legislative authority in their areas with category C municipalities.
- **Category C or district municipalities:** These municipalities have municipal executive and legislative authority in various areas that include more than one municipality.

The objectives of the local sphere of government are therefore inter alia, to ensure that services are provided to communities in a sustainable way, as well as the promotion of social and economic development (RSA, 1996:74). The Local Government: Municipal Structures Act, 117 of 1998 is the statute that provides for the establishment of the various categories of municipalities as described above. The Act further provides the criteria for determining the categories of municipalities, as well as the division of functions and powers between the various types of municipalities (RSA, 1998:2). Section 11 of the Municipal Structures Act stipulates that the determination of categories in which municipalities fall in the various provinces is determined by the respective provincial legislations (RSA, 1998:20).

2.2.1 Functions and Powers of Local and District Municipalities

A local municipality's functions and powers are described in sections 156 and 229 of the Constitution

of 1996. These are inter alia the administration of by-laws as well as ensuring that property owners pay rates and surcharges for services rendered. The following are functions and powers of district municipalities as described in section 84 of the Municipal Structures Act (RSA, 1998:56-58):

A district municipality has the following functions and powers:

- a. Integrated development planning for the district municipality as a whole including a framework for integrated development plans for the local municipalities within the area of the district municipality, taking into account the integrated development plans of those local municipalities.
- b. Bulk supply of water that affects a significant proportion of municipalities in the district.
- c. Bulk supply of electricity that affects a significant proportion of municipalities in the district.
- d. Bulk sewage purification works and main sewage disposal that affect a significant proportion of municipalities in the district.
- e. Solid waste disposal sites serving the area of the district municipality as a whole.
- f. Municipal roads which form an integral part of a road transport system for the area of the district municipality as a whole.
- g. Regulation of passenger transport services.
- h. Municipal airports serving the area of the district municipality as a whole.
- i. Municipal health services serving the area of the district municipality as a whole.
- j. Firefighting services serving the area of the district municipality as a whole.
- k. The establishment, conduct and control of fresh produce markets and abattoirs serving the area of the district municipality as a whole.
- l. The establishment, conduct and control of cemeteries and crematoria serving the district as a whole.

- m. Promotion of local tourism for the area of the district municipality.
- n. Municipal public works relating to any of the above functions or any other functions assigned to the district municipality.
- o. The receipt allocation and if applicable the distribution of grants made to the district municipality.
- p. The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.

From the above, it can be seen that the powers and functions of local and district municipalities are far reaching. More importantly, the local sphere of government plays a critical role in the delivery of services that are critical for the livelihood of communities.

2.3 Service Delivery

Ndebele and Lavhelani (2017:341) define service delivery as the provision of tangible goods and intangible services by government for the satisfaction of citizens (cf. Sindane & Nambalirwa, 2012:697; Akinboade, Kinack & Mokwena, 2012:189). Ndebele and Lavhelani (2017) further maintain that at the local government sphere, service delivery encompasses the provision of basic resources that citizens are dependent on such as land, infrastructure, electricity and water. Crous (2004:575) asserts that the programmes of the government should result in an enhanced quality of life for all citizens, which according to the author implies that the outcomes of public administration should be aimed at service delivery, as well as enhancing the general welfare of the population.

Powell (2012:22) highlights that one of the democratic government of South Africa's goals was to have all households have access to basic services by 2014. The author further reports that by 2012, significant progress had been made, whereby 93% of the population had access to a pipe of water, which is 200 metres from their homes. Similarly, Statistics South Africa (Stats SA) in a community survey conducted in 2016, reports that the backlog in terms of access to piped water amounted to 8.8% of the population (Stats SA, 2016:17). Other targets were set for access to electricity, basic sanitation and weekly refuse removal. Powell (2012) further highlights that

there are many obstacles that the government is facing towards the goal of all households having access to these basic services. In this regard, more rural provinces that absorbed former homelands were found to be below the average when it comes to the provision of most services (Powell, 2012:22 cf. Ndebele & Lavhelani, 2017:341; Van der Westhuizen & Dollery, 2009:163).

2.3.1 Service Delivery Protests

Ndebele and Lavhelani (2017:341) highlight that there is a service delivery protest taking place somewhere in South Africa almost on a daily basis. These protests have led to a decline in public trust in various municipalities. Furthermore, the public is increasingly feeling frustrated when incidents of poor governance and corruption, which in turn lead to poor service delivery are reported (cf. Sindane & Nambalirwa, 2012:696; Nleya, 2011:3; Akinboade *et al.*, 2012:182). In explaining what leads to service delivery protests, Sindane and Nambalirwa (2012:697) contend that when public institutions make assumptions about the needs of citizens, this may lead to service delivery protests. Communities need to be part of the decision-making process to secure their buy-in (Nleya, 2011:5). In this regard, Tsheola (2012:164) argues that public participation plays the role of creating a sense of ownership, wherein citizens get an opportunity to express their views therefore preventing them from resorting to service delivery protests as a recourse.

Tsheola (2012) further maintains that the fact that the Integrated Development Planning (IDP) process is designed to ensure that there is public participation in service delivery planning. Therefore, continued occurrence of service delivery protests points to gaps in that process. Another cause of service delivery protests according to Sindane and Nambalirwa is a lack of responsiveness to community grievances by councillors and municipal officials (cf. Bond & Mottier, 2013:290). In addition, Bond and Mottier (2013:290) point to that protests are not always about service delivery, although they are more often termed service delivery protests. The authors are of the view that more often than not, protests have to do with citizens' attempt at exerting their rights to participate and have their voices heard, as opposed to being passive recipients who simply demand service delivery (cf. Nleya, 2011:4). On the contrary, Alexander (2010:29) points to that the issues that lead to service delivery protests at local government level such as housing, land and jobs are in actual

fact not within the remit of the local sphere of government. This could point to a lack of information wherein community members may not know that the different spheres of government have different responsibilities.

2.3.2 Prerequisites for Effective Service Delivery

For purposes of this paper, the following are the important prerequisites for effective service delivery that have been considered.

2.3.2.1 Municipality's Source of Income and Financial Management

Ndebele and Lavhelani (2017:352) argue that a municipality's source of income is an important enabling factor in ensuring effective service delivery. Mazibuko and Fourie (2013:132) refer to municipal finance as those decisions made by municipalities regarding revenue and expenditure. The decisions also consider sources of revenue such as taxes and intergovernmental transfers. Therefore, a municipality's inability to collect revenue means that the same municipality has to rely on grants from national government to cover shortfalls. To mitigate this risk, municipalities have to come up with strategies to ensure that members of communities pay their property rates and taxes, therefore increasing municipal revenue that can be used for the provision of services (cf. Thornhill, 2012:135).

Sambo (2017:36) refers to public finance as the cornerstone of any government. This is because it is through public finances that a government is able to provide services to its citizens. The author further cites that the goal of financial management is to enhance the management, allocation and control of financial resources. In addition, Guthrie, Olson and Humphrey (1999:211) aver that financial management is no longer a concern only for the Treasury or professionally qualified public accountants. Other stakeholders such as service providers, public officials and the general public are increasingly finding it necessary to know how to among others respond to and interpret financial information. This is in line with the notion of accountability that will be described below.

In discussing public financial management, it is also necessary to mention the three forms of financial misconduct that usually lead to public institutions receiving audit outcomes that are not satisfactory. These are unauthorised expenditure, fruitless and wasteful expenditure and irregular expenditure.

Unauthorised expenditure is expenditure that was incurred without having been budgeted for. Fruitless and wasteful expenditure is expenditure that was incurred in a manner which could have been avoided had reasonable care been taken. Irregular expenditure is expenditure that was incurred in violation of the requirements of legislation, such as the PFMA (RSA, 1999:7). For purposes of this paper, the focus will be on irregular expenditure, owing to the sizeable amounts of this kind of expenditure, which is incurred in the public sector annually.

2.3.2.2 Governance and Local Governance

Denhardt and Catlaw (2015:209) define governance as the traditions, institutions and processes that have to do with how power is exercised in society. Bovaird and Löffler (2002:16) submit that governance suggests a change in the meaning of government, wherein there are new processes that focus on self-organising and inter-organisational networks that are interdependent and exchange resources. Accordingly, the authors refer to local governance as a set of formal and informal rules, structures and processes that determine the way in which individuals and organisations exercise power over decisions that affect the welfare of local communities. Similarly, Curtis (1999:266) indicates that governance considers the micro-political processes within organisations, municipalities and rural communities, as well as between the local sphere and other spheres of government. This process calls for the creation of several networked relationships, committees and forums to bring various parties together. More importantly, Curtis (*ibid*) emphasises that the governance role of the local sphere of government has to be in place before the provision of basic services can even be considered (cf. Bond & Mottier, 2013:288).

In the same vein, Nleya (2011:11) cites that local governance in the form of effective grievance resolution channels and representation are as important as lack of service delivery itself to communities. The concept of good governance forms part of the overarching discussion of governance. Attributes of good governance are the existence of the rule of law, a written constitution, transparency and accountability, among others. Good governance has the potential to lead to the achievement of the goal of creating a good life for all, which may lead to a satisfactory quality life for citizens (Sindane & Nambalirwa, 2012:696; cf. Koma, 2017:25). Akinboade *et al.* (2012:184) buttress

that in measuring the impact of governance reforms on government performance, satisfaction surveys are a practical way of doing so, more so in sectors where service quality is not easy to measure. The authors further describe customer satisfaction as "the overall level of attainment of a customer's satisfaction". Of interest to note is the use of the word 'customer' in an article about public service delivery. Reference to customer as opposed to citizen is used in the context of New Public Management (NPM), whereas the alternative to NPM, 'New Public Service' (NPS) advocates for the use of the term citizen because public service is regarded as an extension of citizenship. As a result, government has to be responsive to the needs and interests of citizens, and ought to work with citizens in building a civil society (Dehardt & Catlaw, 2015:204). Koma (2017:34) considers various solutions to improve the governance of municipalities such as the Municipal Audit Support Programme (MASP), which seeks to improve leadership, institutional capacity, governance and financial management practices in municipalities.

2.3.2.3 Accountability

Closely linked to the concept of governance is accountability. Mulgan (2000:555) refers to accountability as the process of accounting for one's actions to a form of authority. Sambo (2017:41) concurs with Mulgan in her description of accountability as a process of ensuring that elected or appointed individuals are held accountable to the public for their actions, activities and decisions. From a financial management perspective, accountability is concerned with the ability to account for the allocation, use and control of public financial resources. The accountability described above has a number of characteristics such as that it is external in nature because account gets given to external persons. Secondly, it involves social interaction and exchange, whereby the recipients of the account require answers to be provided on the one hand, and on the other hand, those that are held to account may have to accept sanctions because of not achieving certain targets, among others (Mulgan, 2000:556). AGSA (2017:12) underscores that accountability is an important means through which leaders of municipalities get answerable to local communities as well as take responsibility for their actions, decisions and policies. As such, municipalities ought to be able to show the correctness of their actions. In addition, municipalities ought to encourage and enforce compliance with the rule of law.

2.3.2.4 Human Resources

Grindle and Hilderbrand (1995:459) argue that the effective use of human resources once recruited is the most crucial factor in determining the productivity levels of public officials (cf. AGSA, 2017:83). In this regard, Alexander (2010:37) cites that there is a shortage of skilled officials within the local sphere of government, who are able to administer and maintain municipal services, and that this is more pronounced outside metropolitan municipalities. Andrews and Boyne (2010:444) further note that "a capable organisation manages its physical, human, informational, and financial resources". The authors further submit that evidence from several studies has shown that effective leadership is associated with high performance, of which leadership was also found to be instrumental in improving performance in local government. In addition, it is noted that poor performance in the public sector is likely to occur because of leadership failing to ensure that there are performance improvements rather than from weak organisational structures and processes (Andrews & Boyne, 2010:444). It must also be pointed out that ethical leadership in particular is important in public institutions. Trevino, Hartman and Brown (2000:128) refer to an ethical leader as one who finds ways to focus their institution's attention on ethics and values as well as instil ethical behaviour and values in their employees.

3. Methods and Materials

The study assumed the qualitative methodology and document analysis was adopted as the data collection technique. Document analysis is a data collection technique commonly used when the qualitative data approach is adopted. In this regard, Sambo (2017:139) in a previous study that she conducted wherein document analysis was one of the data collection techniques she adopted describes document analysis as a process of reviewing documents in a methodical manner, be it in printed or electronic format. When document analysis is adopted as a data collection technique, the researcher ought to interpret the data with the aim to derive meaning and understanding from the said data, as well as develop some knowledge. The choice of the methodology and the data collection technique was informed by the research questions that the study seeks to answer: Firstly, *What are the conditions for efficiency and effectiveness in the delivery of services?* Secondly, *does an unqualified audit opinion mean a public institution is achieving its objective of provision*

of services? The researcher avers that a careful analysis of secondary sources of information such as literature on service delivery and various reports by the Auditor-General will suffice in providing the answers to the above questions.

4. Results and Discussion

The study's findings are presented below:

4.1 Overview of Audit Findings by Province

The following section presents findings on the audit outcomes, firstly of municipalities per province. The audit outcomes will be juxtaposed to service delivery protests that have taken place in the various provinces in order to ascertain whether positive/negative audit outcomes are an indication of service delivery. The researcher's assumption is that service delivery protests are an indication of communities' unhappiness due to lack of service delivery. However, it must also be pointed out that some protests may relate to matters that are not a competence of municipalities. As per the mandate of the AGSA, as described above, the office of the AG issues reports on the financial state of affairs of various public institutions such as national and provincial departments, municipalities, public entities and state-owned enterprises (AGSA, 2018:30). For the 2016/17 financial year, the audit outcomes of audits conducted by the AGSA on South African municipalities are as follows (AGSA, 2017:26):

- 7%-unqualified with no findings;
- 68%-unqualified with findings;
- 17%-qualified with findings;
- 1%-adverse with findings;
- 5%-disclaimed with findings; and
- 2%-outstanding audits.

AGSA (2017:52) reports the following with regards to unqualified audit outcomes and irregular expenditure of municipalities per province.

Table 1 on the next page shows a general trend of regressing audit outcomes as well as increasing irregular expenditure. A deduction can thus be made from the information presented in Table 1 towards

Table 1: Percentage of Unqualified Audit Outcomes, Amounts of Irregular Expenditure and Service Delivery Protests Per Province

Province	Percentage of unqualified audit outcomes		Irregular expenditure incurred		Service delivery protests as at 30 April 2018 (as shown in figure 1)
	2015/16	2016/17	2015/16	2016/17	
Eastern Cape	20%	5%	R5.4 billion	R13.6 billion	17%
Free State	4%	0%	R813 million	R675 million	13%
Gauteng	10%	9%	R1.3 billion	R3.7 billion	15%
KwaZulu-Natal	20%	11%	R2 billion	R2.4 billion	13%
Limpopo	0%	0%	R1.3 billion	R1.3 billion	7%
Mpumalanga	16%	10%	R1.4 billion	R1.9 billion	3%
Northern Cape	7%	3%	R457 million	R261 million	10%
North West	0%	0%	R3.186 billion	R4.294 billion	14%
Western Cape	80%	70%	R174 million	R173 million	8%

Source: AGSA, 2017:52-78; Municipal IQ (2018:2)

answering the research question: *Does an unqualified audit opinion mean a public institution is achieving its objective of provision of services?* When the audit outcomes are juxtaposed with service delivery protests in the various provinces, several factors are revealed. The municipalities in the various provinces which have received less unqualified audit opinions, such as the Eastern Cape and Gauteng, have at the same time spent more money in an irregular manner, and at the same time have experienced the most service delivery protests. However, it must also be pointed out that although a province such as the Western Cape has historically achieved more 'clean' audits when compared to other provinces it has at the same time experienced a sizeable percentage of service delivery protests. Another anomaly can be observed when analysing data for the two rural Provinces-Limpopo and Mpumalanga. These provinces have achieved less clean audits however; their service delivery protests are also low. This could be an indication of a need for civic education in those rural provinces wherein communities may not be aware that they have recourse in the form of protests when they are not satisfied with services provided.

Table 2 on the next page lists the top ten municipalities in terms of their contribution to irregular expenditure in ascending order. Table 2 reiterates what has been pointed out above, that is, municipalities in the Eastern Cape and Gauteng provinces are the biggest contributors to irregular expenditure in the country. As described above, irregular expenditure occurs when various legislations that have to

be complied with when spending public funds are not complied with. This could possibly mean that the 3 E's of service delivery - efficiency, effectiveness and economy - were not achieved when such expenditure was incurred, which also has a negative impact on the services that municipalities are then able to deliver.

4.2 Accountability Failures in Local Government

Accountability was described above as a process of ensuring that elected or appointed individuals are held accountable to the public for their actions, activities and decisions. In this regard, AGSA (2017:2) reports that during the 2016/17 financial year, audit outcomes for the local sphere of government indicate a continued failure in accountability which goes against what is expected of public officials and political office bearers. The three main indicators of accountability failure according to the AG were firstly, regressed audit outcomes and increased irregular expenditure. Unqualified audit opinions on financial statements decreased from 68% in 2015/16 to 61% during the 2016/17 financial year. Secondly, there was a minute improvement in the accountability cycle, which was evident in a lack of implementation of recommendations that were made to improve audit outcomes and accountability in previous audits. Thirdly, auditors are increasingly finding it difficult to conduct their audits, whereby, among others, some public institutions placed pressure on auditors to misrepresent audit outcomes as well as not disclose irregular expenditure. Other reasons for accountability failures that were identified

Table 2: Top Ten Contributing Municipalities to Irregular Expenditure

Municipality	Disclosed (R Billion)	Incurred in 2016-17 (R Billion)	Main Non-Compliance	Key Projects Affected	Grants Affected* (R Billion)
Nelson Mandela Bay Metro (EC)	R8,184	R0,045 (0,5%)	99% related to non-compliance with procurement process requirements	Water infrastructure, road infrastructure, and housing	R1,318 (USDG)
OR Tambo District (EC)	R3,082	R0,680 (22%), of which R0,097 (14%) represents non-compliance in 2016-17	99% related to procurement without following competitive bidding or quotation processes	Water infrastructure	R0,713 (MIG/RBIG)
City of Tshwane Metro (GP)	R1,825	R1,211 (66%), of which R0,231 (19%) represents non-compliance in 2016-17	83% related to procurement without following competitive bidding or quotation processes	Smart prepaid contract (R0,699 billion), Wi-Fi contract (R0,079 billion), and fleet management contract (R0,130 billion)	N / A
Rustenburg (NW)	R0,984	R0,540 (55%) The portion that represents non-compliance in 2016-17 could not be determined due to poor document management at municipality	100% related to non-compliance with procurement process requirements	Rustenburg rapid transport (various sub-contracts)	R0,145 (PTNG)
Ngaka Modiri Molema District (NW)	R0,828	R0,164 (20%) The portion that represents non-compliance in 2016-17 could not be determined due to poor document management at municipality	80% related to procurement without following competitive bidding or quotation processes	Water infrastructure and sanitation	R0,015 (MIG)
City of Johannesburg Metro (GP)	R0,706	R0,706 (100%), of which R0,393 (56%) represents non-compliance in 2016-17	100% related to non-compliance with legislation on contracts	ICT – SAP upgrade	N / A
City of Ekurhuleni Metro (GP)	R0,591	R0,367 (62%)	59% related to non-compliance with procurement process requirements	Refuse removal, housing infrastructure (e.g. housing, dwelling and lifts projects), chemical toilets (i.e. sanitation), and road infrastructure	R0,420 (PTNG)
Buffalo City Metro (EC)	R0,584	R0,287 (49%), none of which represents non-compliance in 2016-17	77% related to non-compliance with procurement process requirements	Multi-year contract for road infrastructure	R0,532 (USDG)
Madibeng (NW)	R0,562	R0,562 (100%), of which R0,504 (90%) represents non-compliance in 2016-17	80% related to non-compliance with procurement process requirements	Water infrastructure and sanitation	R0,051 (MIG)
Moretele (NW)	R0,557	R0,139 (25%) The portion that represents non-compliance in 2016-17 could not be determined due to poor document management at municipality	100% related to non-compliance with procurement process requirements	Water infrastructure and sanitation	R0,019 (MIG)
Total for top 10	R17,903	This constitutes 63% of the total irregular expenditure disclosed in 2016-17 R11,265 billion (63%) of top 10 value resulted from non-compliance with procurement process requirements, while R5,617 billion (31%) related to procurement without following competitive bidding or quotation processes			
*MIG: municipal infrastructure grant, PTNG: public transport network grant, RBIG: regional bulk infrastructure grant USDG: urban settlement development grant					

Source: AGSA (2017:36–37)

by the office of the AG are as follows (AGSA, 2017:3):

- Systematic and disciplined improvements were slowed down by vacancies and instability in key positions.

- There was insufficient implementation and maintenance of financial and performance management systems by the various administrations because of inadequate skills, which in turn led to a lack of oversight by councils.

- A lack of consequences for transgressions was caused by political infighting at council level and interference in the administration, which weakened oversight and made local government less attractive for professionals to join.
- Leadership did not play their role of ensuring that there was a culture of consequence management. In addition, leadership did not address weaknesses that the Office of the AG reported and warned them of.
- Ineffective performance systems and processes.
- Some municipalities had ineffective internal controls, such as good record keeping and compliance with important legislation, which breeds an environment for fraud to be easily committed.
- Municipalities used the services of consultants and auditors, in their effort to obtain unqualified financial statements. These services come at a great cost and negatively impacts on credible performance reporting and compliance with important legislation.
- Provincial and national role players did not adequately support municipalities.

Furthermore, municipalities were found to be increasingly unable to collect money owed to them by members of communities. In this regard, 31% of municipalities had reported a deficit, which in total amounted to R5.6 billion. Therefore, those municipalities that are owed large amounts are in turn unable to pay their own creditors (AGSA, 2017:3). This can be seen in the large amounts owed by municipalities

to other government institutions such as Eskom for the provision of electricity and the various water boards.

Figure 1 below provides a schematic presentation of service delivery protests that had occurred in the various provinces as at 30 April 2018, as already highlighted above.

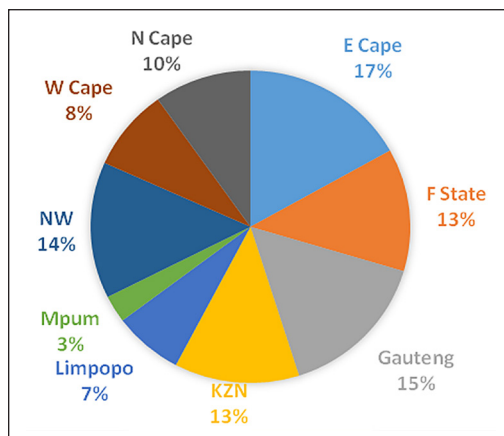
In addressing the research question: *What are the conditions for efficiency and effectiveness in the delivery of services?* Table 3 on the following page presents the key conditions as well as their interpretation.

5. Conclusion

The paper sought to analyse audit outcomes in relation to service delivery by carefully analysing the audit outcomes as reported by the AG and service delivery protests. The Office of the AG as one of the six institutions created to strengthen constitutional democracy of the Republic of South Africa plays an important role of auditing the financial statements as well as report on the financial management thereof, of among others national and provincial government departments and municipalities. The Public Audit Act gives effect to the constitutional functions of the AGSA as described above.

Therefore, work done by the AG's Office is critical to South Africa's system of public financial management. The researcher's curiosity in starting this research was prompted by the prominence given to the findings of the AG for each financial period. However, the researcher has observed that only the financial findings of the AG receive the said prominence and not so much the causes of the

Figure 1: Service Delivery Protests by Province as at 30 April 2018



Source: Municipal IQ (2018:2)

Table 3: Necessary Conditions for Effective Service Delivery at the Local Sphere of Government

Number	Condition	Interpretation of Condition
1	Ethical Leadership	Firstly, leadership that is associated with high performance. Secondly, leadership that promotes an institution's values and ethical behaviour.
2	Good governance	The achievement of the goal of creating a good life for all, which may lead to a satisfactory quality life for citizens.
3	Human resources	The effective use of human resources once recruited.
4	Financial resources	A municipality's source of income in ensuring effective service delivery.
5	Financial management	A municipality's ability to collect revenue due to it from members of communities.

Source: Author

poor audit outcomes on the finances. Accordingly, the researcher is of the view that an impression is created that a so-called clean audit outcome or unqualified audit opinion equates to efficiency and effectiveness in the delivery of public services. Therefore, this study aimed to answer the following questions: *What are some of the conditions for efficiency and effectiveness in the delivery of services?* Secondly, *does an unqualified audit opinion with no findings mean a public institution is achieving its objective of provision of services?*

In answering the above questions, the paper was organised as follows: theoretical perspectives were considered wherein the different audit reports were described in order for readers to understand what these concepts that were referred to throughout the paper mean. A synopsis of the local government sphere was considered, and the various categories of municipalities and their functions and powers were explained. Here it was shown that the local sphere of government plays an important role because it is here where basic services that are critical for human survival such as water and electricity are provided.

Service delivery, the reason for existence for municipalities was described. In this discussion, service delivery protests were an important variable to consider because it is through these protests that members of communities convey their dissatisfaction with service delivery or lack thereof. The prerequisites for effective service delivery were also considered, and among others, the importance of good governance and accountability were emphasised.

Lastly, the study's findings were presented wherein in answering the first research question: *What are some of the conditions for efficiency and effectiveness in the delivery of services?* Table 3 above provides the necessary conditions for effective service delivery at the local sphere of government. Some of these conditions are effective leadership as well as financial management. In answering the second research question: *Does an unqualified audit opinion with no findings mean a public institution is achieving its objective of provision of services?* Table 1 essentially shows a general trend of regressing audit outcomes as well as increasing irregular expenditure. When the audit outcomes are contrasted with service delivery protests in the various provinces, the following is noted: the provinces that have municipalities which have received less unqualified audit opinions, such as the Eastern Cape and Gauteng, have at the same time spent more money in an irregular manner, and have also experienced the most service delivery protests.

It is the researcher's view that the part of the AG's findings that gets reported on prominently is the financial aspect, that is, the various audit opinions. The audits of the AG's Office also look into performance indicators. These include the adequacy of human resources in municipalities, which entails ascertaining whether the leadership of the municipalities is effective as well as the adequacy of internal controls. The consolidated report of the AG therefore includes both the financial aspects and non-financial aspects which have the potential of impacting on the financial aspects. In this regard, the work of the AG is all-encompassing. As such, it is recommended that the non-financial aspects that the AG considers should also be reported on

prominently in order for the public to have a broader understanding of the reasons why most municipalities receive qualified and disclaimer of opinion audit outcomes.

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