

Time to get tough on failing municipalities



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Abstract

The auditor general has released the 2018-2019 report on municipalities and wasteful expenditure by municipalities remains high. Several recommendations are made here, all requiring some tough decisions by leaders if they hope to gain some trust by the people.

Keywords

Municipal audit, municipalities, leaders

The [auditor general's report on municipalities](#) for the 2018-2019 financial year produced a grim picture. It was a scathing report given the persistent underperformance of municipalities as far as financial management is concerned. According to the report, only 20 municipalities in the country achieved a clean audit, while 28 municipalities did not submit their reports by the due date of August 31 as required by the Municipal Financial Management Act.

Municipalities spent more than R1-billion on consultants and R32.06-billion was reported as irregular expenditure. The report said the total deficit came to R6.29-billion. The number of municipalities that reported wasteful and irregular expenditure increased from 239 to 241, with four provinces — KwaZulu-Natal, Western Cape, Eastern Cape and North West — accounting for 71% of this amount. For instance, eThekweni municipality incurred R2.34-billion as irregular expenditure spent on improper procurement processes while the City of Cape town spent R240-million on legal services. Worse, 125 municipalities did not investigate any irregular expenditure identified in the auditor general's report for the previous financial year.

The [disheartening municipal audit](#) shows improper procurement processes; the poor adherence to financial controls; an ongoing culture of poor accountability; a reluctance to hold wrongdoers accountable; an over-reliance on consultants for financial reporting services; a high rate of vacancies in key positions; poor project monitoring; weak supply-chain management; high levels of non-compliance with legislation governing municipal finance and accounting processes; poor record-keeping and documentation; and increased levels of false declarations regarding municipal tenders.

In addition, municipalities are in dire straits financially and operationally, with most unable to meet their legislated obligations and showing reluctance to account for the use of public resources. This is disturbing given the scarcity of resources facing the country and the strain on the national fiscus in allocating resources to manage the adverse effects of Covid-19 on the economy.

This all means that adequate services are not provided. This situation requires bold and decisive actions by the cooperative governance and traditional affairs department to get municipalities operating efficiently.

Recommendations

First, strengthen the oversight role of the Municipal Public Accounts Committee. This is the governance structure whose main role is to hold the municipal executive accountable for the spending of public funds. This is critical in curbing wasteful and irregular expenditure. The efficiency and effectiveness of this structure would go a long way to prevent the misuse of public resources. Its capability depends on capable support staff with legal and financial expertise. With this support team, the committee can counsel the executive as well as political structures and office bearers on the importance of complying with legislation governing municipal governance and performance.

Second, vacancies need to be filled. The auditor general reported vacancies in key positions, which contributed to poor audit outcomes. This is evidenced by the fact that most municipalities' annual financial statements continued to have material misstatements, according to the auditor general's report. When critical positions such as chief financial officer and municipal manager are not filled within a reasonable time, municipalities become vulnerable to poor accounting and financial management practices.

Third, municipal authorities need to strengthen supply chain management processes, and exercise oversight, to minimise improper practices. Non-compliance with supply chain management processes and regulations needs to be met with consequences.

Fourth, improve consequence management processes as a deterrent against corruption and bad decision-making that results in wasteful and irregular expenditure. A tolerance for wrongdoing has gone far too long and is hampering efficient service delivery in most municipalities. There is a need for a total rethinking of oversight and accountability and those caught doing wrong should face the full might of the law, sending a strong message that crime and mismanagement do not pay.

The negative audit report suggests that municipalities have fallen short of their constitutional requirements by not serving the public as expected. To ensure better municipal performance, accountability must be taken seriously by both political and municipal administrative leaders. This means consequence management must be strengthened and upheld as a norm to deter municipal functionaries, councillors and others from contravening the law. In doing this, municipalities will begin to deal with any systemic issues that hamper their effective and efficient functioning.

It is time for tough decisions to be made to build the public's trust in municipalities.

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