

CHALLENGES ON FINANCIAL CONTROL AND ACCOUNTABILITY IN SOUTH AFRICAN MUNICIPALITIES

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ABSTRACT

Municipalities in South Africa are under pressure as a result of poor financial control and lack of accountability, leading to extensive corruption and financial mismanagement with detrimental consequences for effective and efficient service delivery. Financial control is of the utmost importance when it comes to determining the success or failure of local government in South Africa. Currently, several challenges exist that hamper effective and efficient financial management at municipalities. These challenges include, amongst others, a lack of expertise, an inability to collect arrear debt, extensive corruption, exorbitant salaries and bonuses, and so forth. These challenges also contribute towards ineffective and inefficient municipal service delivery. If municipalities want to overcome these challenges, it is essential for those involved to address matters in a sincere, honest and ethical manner. In this article the author investigates the challenges facing local government and proposes ways of overcoming the challenges by means of the enforcement of strict financial control measures for public accountability. This in effect serves as a guarantee for sound municipal financial management in South Africa.

Keywords: financial control; accountability; efficiency; effectiveness; challenges; municipalities

1. INTRODUCTION

There is no doubt that good financial management, as a function of local government, is both comprehensive and complicated of nature. It can rightly be accepted that the question of the management of financial processes can potentially produce a variety of challenges, such as a lack of expertise, financial mismanagement, poor standard of accounting, insufficient financial reporting, widespread corruption, and so forth.

In turn, this can contribute towards ineffectiveness and inefficiency in the delivery of municipal services as is currently experienced in South Africa.

It may also be argued that the above challenges can be regarded as time bombs within municipalities. These time bombs are diverse, dynamic and also, amongst other things, unpredictable. Each time bomb is quite heavily charged and just needs a weak spot in order to explode. This in itself can cause damage to municipalities, but the real crisis will take place when several of the time bombs explode at the same time. If an attempt is to be made to place the management of municipal finances on a solid foundation, the identification and clearing of these challenges by municipal councillors and

officials will be of the greatest importance.

In this article an attempt will be made to identify and clarify some of the most important challenges that are currently being experienced in the financial management and accountability of municipalities. The purpose of this exercise is not to criticise the policy/ies of the government-of-the-day, but to identify questions/problem areas that require very serious attention. Each issue will be discussed separately, although there could be a measure of overlapping and mutual influence. Some proposals for the controlling of these issues/problems will also be made where possible.

2. CHALLENGES IN FINANCIAL MANAGEMENT AND ACCOUNTABILITY IN MUNICIPALITIES

2.1. Lack of expertise in local government

Since 1994, municipalities have undergone various changes and renovations. These changes have been accompanied by various phases of restructuring and transformation as far as municipal councillors and officials are concerned and this has demanded a dynamic new approach to development. Unfortunately, in the process of restructuring and change, much expertise has been lost.

The lack of expertise in local government is revealed on three different levels. First there was an “exodus” of expert officials who, either of their own free will or under direct or indirect pressure, accepted severance packages, or simply resigned (Zybrands, 1998:3).

Secondly a programme of affirmative action was put in place in the South African public sector. Such a programme may have been desired and needed, given the history of discriminatory practices in the country, but the lack of proper policy and the proper application thereof often led to impulsive and political appointments that were also often associated with nepotism. The point here is not whether there was a necessity for affirmative action, but rather that note needs to be taken of the catastrophic consequences of over-hasty and unbalanced actions that occurred in this regard (De Klerk, 2000).

Until municipalities accept and consistently apply a sensible and realistic affirmative action policy – that is also supported by a mentorship system and continued in-service training – the dilemma of an ineffective executive authority will continue to exist. The establishment of a culture of true non-racism through the revision of relevant legislation, with a view to the setting of a reasonable time limit to all forced affirmative action measures so that when the time limits expire the emphasis will shift towards the equal treatment of all South Africans regardless of race or colour, could provide a solution to the problem. Even the Auditor-General has on several occasions expressed his

concern about the lack of expertise and administrative ability to undertake service delivery in an effective and efficient manner. The Auditor-General recently found that only 8% of public officials qualify as “highly skilled”, while 90% may be regarded as “low or semi-skilled” (Benjamin, undated). The appointment of experts at local government level would have a definite influence on the promotion of public accountability, because municipal officials would be trained specifically for their careers in areas such as accountability and public accountability.

A third point of concern is the number of municipal councillors with no previous experience in local government (De Vries, Reddy & Haque, 2008:62). In a report on skills in municipalities, the Department of Cooperative Government and Traditional Affairs (2007:2) states that as many as “36% of managers have only a matric with a diploma or less, and one municipal manager does not even have a matric qualification; 37% of municipal managers have less than 5 years’ experience in local government, while 74% have eleven or less years’ experience in local government.” The lack of experience of municipal officials and councillors, which must be seen together with the lack of sufficient funding, causes inefficient service delivery on local government level. Furthermore, money is wasted and loopholes encourage fraud. This exacerbates the existing financial crisis in municipalities, which, once again, leads to inefficient service delivery.

A further contributory factor to the lack of expertise in municipalities is the “tendency to appoint politically-connected individuals as municipal managers and senior managers at local government sphere. Too many skilled professionals were being denied job opportunities in municipalities, because they were outside the party political networks that have captured civil service jobs for patronage” (Benjamin, 2007). As long as unqualified managers with political connections are being rewarded with excessive salaries and performance bonuses, it is obvious that the municipalities will not succeed in providing effective and efficient service delivery.

Political parties should therefore ensure that their candidates in future are properly empowered and that they have the potential to be true community leaders who can enforce proper financial control and public accountability. The principle of “Service before Status” must be inculcated in potential municipal councillors. Training will have to be provided to potential councillors so that they are able to carry out with authority their function of enforcing accountability.

Serious attempts on the part of government will have to be made in future to obtain experts in the municipalities, for example by means of recontracting experts who may previously have been in the service of municipalities, or by making use of experts in the public or private sectors who are trained in enforcing accountability and who can bring about effective financial control by

means of implementing the necessary measures. The challenges are unlimited and complex of nature and all those involved in service delivery will have to cooperate, sharing their experience in order to ensure that a positive impact is made on the quality of life of the community and in municipalities, depending on the measure to which effective financial control and accountability can be accomplished.

2.2. Financial mismanagement

One of the most common matters plaguing local governments over the past few years has most certainly been the lack of effective and efficient financial management.

Financial mismanagement in the South African public sector hampers progress, development and growth (De Vries et al., 2008:62). It poses questions regarding the integrity and honesty of the government and it affects the economy to such an extent that, if the government loses money through corruption and mismanagement, they are obliged to recover such losses by means of higher taxes and tariffs. It is difficult to describe mismanagement in absolute terms, but the following may serve as examples:

- the provision of misleading statements to the community about their legal position;
- the giving of incomplete or vague instructions to law enforcement officers;
- neglecting to bring all relevant facts into the equation;
- carrying out of functions in regard to which functionaries have not been empowered by means of legislation or regulations;
- neglecting to carry out functions that should be carried out by a functionary/ies according to legislation; and
- discrimination, neglect of duty, arbitrariness and improper behaviour (Du Toit et al., 1998:154).

According to the report of the Free State Auditor-General, during the book year of 2009/2010, R1,2 billion of tax-payers' money was expended and wasted by Free State municipalities, without account being given. In the Matjhabeng municipality, for example, there is no transaction evidence for expenditure of R258 million (Volksblad, 6 July 2011). Quite often also, municipalities do not take criticism by the Auditor-General seriously, legislation is not adhered to, debt is incurred in an injudicious manner, proper cash flow management is ignored and assets and reserves that took years to build up are stripped in the battle for survival, with no thought for the long-term consequences.

In a report of the Auditor-General of KwaZulu Natal, it is stated that 37 of the 61 municipalities in the province have been so mismanaged that they were not

even capable of balancing their own books or of maintaining due dates for the 2007/2008 book year (Bua News, 13 July 2008). According to the Auditor-General's report for the book year 2009/2010, no municipality in the Free State received a clean audit report (Volksblad, 5 July 2011). There is also a great deal of concern about municipalities that are still hiring consultants at exorbitant cost to improve their financial management. A good example in this regard is the Moqhaka Municipality (Free State) where 83 officials work in the financial section yet this municipality still has to hire consultants to do the work. In effect, the tax payer pays double for the same service, yet still there is no clean audit report (Volksblad, 5 July 2011). The total cost for consultants for the book year 2009/2010 was almost R30 million in the Free State (Volksblad, 5 July 2011). It must however be remembered that private consultants are not geared towards the necessity for public accountability as is the case in the public sector, because of the necessity for profit-making in the private sector. It is important that the government encourage municipal officials to obtain specialised skills in finances and management (Mokopanele, 2006:30).

Communities will have to try to obtain a measure of control over the way in which municipal finances are spent by municipal councils and also over how reporting should be done in this regard (SANGONeT: On local government finance, undated). In theory, the policy instruments to ensure such accountability are well developed, in the form of the Municipal Systems Act, 2000 (Act 32 of 2000) (RSA, 2000b), the Municipal Finances Management Act, 2003 (Act 56 of 2003) (RSA, 2003), and the regulations on municipal performance management. It is however necessary that the executability and effectiveness of these instruments be thoroughly tested in practice (SANGONeT: On local government finance, undated).

It also appears that internal measures, such as audit committees, that are in place to prevent mismanagement by municipalities, are not always sufficient, because they can be circumvented by corruption and mismanagement (SANGONeT: On local government finance, undated).

An argument may be made that the poor financial position of municipalities in South Africa can only improve if they apply one of the following strategies:

- increasing of their income;
- decreasing of their expenditure; or
- increasing of their income and decreasing of their expenditure.

2.3. Inability to collect arrear debts

A further indication of financial mismanagement is the inability of municipalities to collect sufficient income to be able to pay for service delivery. In a survey done in 2007, it was found that at least 226 of the 284 municipalities in the country were experiencing challenges in collecting sufficient income to

finance service delivery (Radebe, 2007:2). It also appeared that municipalities were ignorant of the principles and methods of debt collection and that their client databases were incomplete or faulty.

Municipalities in South Africa are legally obliged to collect all monies owed to them. According to article 96 of Act 32 of 2000 (RSA, 2000b), for example, it is determined that a municipality:

- (a) must collect all outstanding monies owed to it, in accordance with this act and other applicable legislation; and
- (b) must formulate, implement and maintain a credit control and debt collection policy for this purpose, which is in agreement with its tax and tariff policy and which adheres to the stipulations of this act.

In spite of the legal stipulations as contained in the Municipal Systems Act, Act 32 of 2000 (RSA, 2000b), it appears that the majority of municipalities still do not have a policy or a municipal regulation for credit control and debt collection. In some cases such a policy/ies does exist, but is not applied.

From the above it appears that municipalities do have legislative support enabling them to implement proper debt collection procedures. There are however a number of reasons why municipalities still struggle to collect debts. The following are only some examples of these reasons:

- insufficient credit control and debt collection procedures;
- inability to pay for municipal services as a result of poverty, unemployment and so forth;
- accounts that are not sent out to consumers for the specific services that have been rendered or that are sent to wrong addresses; • consumers are not prepared to pay for municipal services that they have received (culture of non-payment for services) (De Wet, 2004:8); and
- unwillingness to pay accounts as a result of consumer dissatisfaction with services rendered (for example wrongful cutting off of services, number of power outages in particular areas, poor maintenance of street lights, pavements, roads and parks (De Vries et al., 2008:62).

In many cases challenges are also experienced with the collection of outstanding debt as a result of political interference. In some cases municipalities have an “unwillingness” to collect debts, for example by selling the houses of debtors, because such drastic steps can be politically prejudicial and can lead to protest action. The Municipal Finance Management Act, Act 56 of 2003 (RSA, 2003), was promulgated to ensure that the responsibilities of the mayor, municipal councillors and officials are comprehensively stipulated and separated from each other in order to promote transparency and

accountability in municipal activities. Accountability and supervision/oversight responsibilities are weakened when there is overlapping of responsibilities among political officials (mayor and councillors) and municipal officials. Act 56 of 2003 can therefore provide a meaningful contribution in supporting municipal officials to concentrate on their responsibilities and to carry out their activities without political interference (De Wet 2004:8). It can also contribute in assisting a municipality to implement its credit control and debt collection policies more effectively and efficiently.

The necessity to collect arrear debts cannot be overemphasised. If municipalities neglect to carry out this important function effectively and efficiently, it can lead to a situation where municipalities do not have sufficient funds to deliver services.

2.4. Excessive salaries and benefits

It is generally accepted practice that municipalities may not spend more than 30% of their budget on salaries. The remaining 70% must be reserved for the creation and maintenance of infrastructure and service delivery.

Municipal councillors and officials are however regularly in the news these days because of the huge salary packages they receive, while the municipalities in which they work often do not have sufficient money to provide even basic services to their communities. A good example here is the Mangaung Metro, which requested salary increases of 72,89% for municipal councillors in its 2010/2011 budget (Volksblad, 28 June 2011). Recently, President Zuma admitted in public that greed, power-hungriness and lack of discipline have become enormous problems within the ruling party. (Volksblad, 28 June 2011). Factors such as the above, together with corruption, financial mismanagement and officials without the minimum qualifications and too high salaries, undermine attempts to do something about the crisis situation in municipalities.

Some municipal managers earn more than R2 million per year (Volksblad, 23 September 2011). The challenge is not limited to the enormous salaries that they earn: municipal managers are often further rewarded with performance bonuses in spite of the fact that their municipalities are not performing well at all.

Municipalities in South Africa function as a separate, independent sphere of government and can therefore determine the salaries of their staff themselves. This implies that a municipal council has relatively “unlimited” powers, as well as the freedom to appoint its own staff and to determine its own salaries. There are guidelines in terms of legislation, such as Act 56 of 2003 (RSA, 2003), which determine the salaries of senior municipal officials, but it appears that many municipal councils simply disregard them. The fact

must also be noted that municipal officials do not fall under the Public Service Act, Act 103 of 1994 (RSA, 1994a), in which there are specific prescriptions regarding salaries (IOL: Probe launched into municipal bonuses, 2007). This means that in future, serious attempts will have to be made by the national government to incorporate municipalities into the civil service and then possibly to provide them with a legislative framework for the regulation of municipal employment practices. The national government has already begun paying attention to these matters, and a Draft Single Public Service Bill (date unknown) has been formulated and is available on the web page of the Department of Public Service and Administration. In his "State of the Nation" address on 3 June 2009, President Zuma again emphasised the necessity of a single public service and indicated that this matter would be prioritised (South African Government Information, 2009:1).

In terms of schedule 5 of the Code of Conduct for Councillors of the Municipal Structures, Act 117 of 1998 (RSA, 1998b), provision is also made for the determination of salaries, allowances and other benefits of municipal councillors. According to article 58 of Act 32 of 2000 (RSA, 2000b), prescriptions are given for the remuneration of municipal managers.

From the above, it may be concluded that all of the legislative prescriptions to regulate salaries, allowances and other benefits of municipal councillors and officials are in place, but that they are not always applied and they are not properly carried out or controlled. Salaries should preferably be coupled to performance of officials, and performance bonuses should only be paid out where there is proof of outstanding work and results achieved. This means that matters will have to be far better controlled in order to limit corruption and financial mismanagement to the minimum: something that appears to have been neglected up to now.

2.5. The demarcation of municipalities in 2000

The demarcation of municipalities in 2000 is probably one of the reasons why there are so many problematic issues on local government level at present. Before 2000 there were 830 municipalities in South Africa. After the municipal elections of November 2000, these 830 municipalities, in terms of the Demarcation Board Regulations, and in terms of the Demarcation of Municipalities Act, Act 27 of 1998 (RSA, 1998), were integrated into the current 284 municipalities. It appears that the new municipal boundaries that came into force in 2000 have also not provided a resolution to the numerous challenges experienced on local government level.

The editor of Rapport (6 August 2000) declared that at that stage, South Africa was moving in exactly the opposite direction to that of the rest of the world in this regard. While other countries were busy reigning in local government affairs, South Africa was throwing hers more widely open. The government

used the idea that “one size fits all” as the ideological driver for the handling of local authority matters. This leaves the impression that the current new, wider borders of municipalities are just too big for effective and efficient service delivery. For example, there are several municipalities that simply are not financially sustainable or in a position to provide services to a bigger community than previously (Cameron, 1999:270). An example here is the Brits municipality in North-West Province, which previously covered an area of 28 square kilometres. With the new boundaries, this municipality now covers an area of 360 square kilometres and houses a community of approximately 500 000, in comparison with the previous community of 125 000 (Centre for Development and Enterprise: Local government reform, 2003).

The decrease in the number of municipalities has brought about a more equitable sharing of resources, but unfortunately they are still dependent upon the same limited and insufficient financial sources (Venter & Landsberg, 2006:136). Financial resources are in the vast majority of cases completely insufficient for effective and efficient service delivery, which implies that municipalities will have to make very serious attempts in the future to address the problems (Craythorne, 2006:130). Matters such as the non-payment of service fees, unemployment, poverty, corruption, and the more effective collection of arrear debt will have to be much more strongly dealt with in order to ensure that municipalities are once again able to sustain themselves.

According to the editor of Rapport (6 August 2000), the new, bigger municipalities also brought a lowering of the level of democracy. The responsibility for financial control and accountability in municipalities now rests to an important extent upon the municipal officials, while the authority is still vested in the politicians. The politicians (municipal councillors) thus are minimally accountable for any matters that go wrong on ground level.

The decrease in the number of municipalities and the extension/increase in the municipal boundaries are not the only factors responsible for the financial challenges in so many municipalities in South Africa. There seem to be a number of concurrent circumstances that are responsible for this crisis. Factors such as mismanagement, unsatisfactory accounting standards, inability to collect outstanding debt, lack of expertise, and the expanded municipal areas for which municipal councils must now accept responsibility, can be seen as the most important factors with which municipalities must contend to keep their heads above water.

A more comprehensive approach will have to be taken to properly address the complex financial problems in municipalities. For example, better attitudes will have to be inculcated in municipal officials towards higher quality service delivery, as well as a political will in municipal councillors to deal efficiently and effectively with matters on local government level. The origin and the essence of each challenge will need to be thoroughly studied so that it can be managed

in a strategic manner. It is unlikely that the necessary management expertise for these tasks will be found within the municipalities. Possibly, the contracting in of external management expertise will be part of the solution, but for the longer term the internal management capabilities of municipal councillors and officials should be identified and developed to their full potential. A strategic approach will most probably also ensure that these challenges will not be managed in a superficial way, and that a more holistic approach will be followed.

2.6. Widespread corruption

Newspaper reports appearing almost daily confirm the fact that extensive corruption is the order of the day on local government level in South Africa. Corruption includes the behaviour of municipal officials, whether politicians or public officers, who misuse the authority given to them, to the improper and unfair advantage of themselves or their friends and/or family (Camerer, 2001:3). Legislation related to corruption and the prevention thereof in the municipal environment includes the following:

- Municipal Systems Act, 2000 (Act 32 of 2000) (RSA, 2000b);
- Municipal Financial Management Act, 2003 (Act 56 of 2003);
- Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2004) (RSA, 2004);
- Protected Disclosures Act, 2000 (Act 26 of 2000) (RSA, 2000a); and
- Electronic Communications and Transactions Act, 2002 (Act 25 of 2002) (RSA, 2002).

In terms of article 106 of Act 32 of 2000 (RSA, 2000b), it is stipulated that if a Member of the Executive Council (MEC) for Local Government has reason to believe that maladministration, corruption or any other serious malpractice is taking place or has taken place in a municipality, that MEC must request the municipal council or municipal manager to provide information on the matter or must have the matter investigated.

In terms of article 32(6) of Act 56 of 2003 (RSA, 2003), the accounting officer (the municipal manager) is obliged to report the following matters to the South African Policy Services:

- (a) irregular expenditure that constitutes a punishable offence; and
- (b) theft and fraud that occurs in the municipality.

In terms of article 1 of Act 12 of 2004 (RSA, 2004), a person will be regarded as guilty of corruption if he accepts, obtains or agrees to accept any gift or gifts as reward or incentive with the purpose of benefiting or prejudicing the party offering the incentive.

The purpose of Act 26 of 2000 (RSA, 2000a), insofar as it concerns local government, is to offer the assurance to employees who are worried about possible misconduct, that there is a safe alternative to silence, in other words, that there is protection against victimisation for employees who provide information on what is going wrong in their work environment.

The aim of Act 25 of 2002 (RSA, 2002) is, in the public interest, to make possible and to facilitate electronic communication and transactions. This act contains an important section, i.e. Chapter XIII, which deals with cyber crime. In articles 86, 87 and 88 of Act 25 of 2000 a number of types of misconduct are identified, for example:

- unauthorised access to or interception of data; and
- unauthorised interference with data in such a way as to cause such data to be changed, destroyed or otherwise rendered ineffective.

Notwithstanding the causes of corruption, it hinders the effective and efficient execution of approved municipal programmes and it is prejudicial to the quality of life of the community in various ways (Fantaye, 2003:171). The consequences of corruption include amongst others the following:

- that the price of services is increased while the quality of service delivery is decreased;
- that the morale of the community is undermined; •that investors are frightened off; and
- that foreign assistance is scaled down (Frisch, 2000:24).

Another question that generally arises in municipalities and that increasingly leads to widespread corruption is the question of conflicting interests. Many municipal officials and councillors have their own businesses that they operate during official working hours. Councillors and officials who operate such businesses must, in terms of the provisos of Act 56 of 2003 (RSA, 2003), declare their interests. Such councillors and officials could, because of their positions, allocate work or contracts to these businesses in which they have an interest. A case in point here would be the case where, in the Mangaung Metro, the municipal manager, the mayor and his wife, the speaker, the operational head and the political councillor of the mayor were arrested after fraud of R150 million was exposed. Service delivery contracts had been influenced and awarded to companies belonging to the above-mentioned persons (Volksblad, 27 July 2005).

The National Department of Cooperative Government and Traditional Affairs launched the Local Government Anti-Corruption Strategy (LGACS) on local government level in 2006. This strategy is aimed at the prevention, tracing and investigation of corruption on local government level in South Africa. According to the Anti-Corruption Strategy for Local Government, the following

have been identified as high risk areas for corruption in municipalities in South Africa:

- nepotism during the appointment of officials, for example the appointment of family members and friends;
- insufficient financial control. In this regard, reference can be made to a lack of oversight over expenditure by the financial departments of municipalities;
- obtainment of buildings and the allocation of RDP houses. This includes the allocation of tenders for the building of houses;
- a lack of transparent procurement and tender processes. This includes a lack of transparency in the processes for the procurement of goods and services from outside organisations, businesses and individuals; and
- misuse of municipal assets. This includes for example the misuse of municipal vehicles, computers and so forth (Wikipedia, undated:3).

2.7. Financial limitations

The population increase is one of the major causes of the increasing demand for municipal services. Nigro and Nigro (1998:352) state that “... even if governments do not add any new services, public agencies will need more resources to maintain present levels of service or they will have to become much more efficient.” Municipal councillors and officials will have to invest all their powers of creativity and ingenuity in the expenditure of monies, in order to be able to address the increasing demand for service delivery in an effective manner.

The backlogs in the satisfying of needs to provide better living circumstances in disadvantaged communities also means that more pressure is brought to bear on the scarce financial resources of municipalities. An example here is the provision of electricity which, in terms of the programme for reconstruction and development, has been identified as a basic necessity in all communities (RSA, 1994a:8). It may be enlightening to consider the enormous amounts of money that must be made available for just this single basic need, and possibly at the expense of other important municipal responsibilities such as the maintenance of existing infrastructure like roads and buildings.

Financial resources may be seen as the “golden thread” flowing through all of the activities of municipalities: no municipality will be able to render sustainable services without reliable income resources.

3. SOME RECOMMENDATIONS FOR THE EXERCISE OF EFFECTIVE AND EFFICIENT FINANCIAL CONTROL AND ACCOUNTABILITY IN MUNICIPALITIES

The challenges referred to in this article (as stumbling blocks to effective service delivery) are possible to overcome, though often not with any speed and certainly not without difficulty.

It is generally accepted that stricter control measures do not offer a longer term solution because stricter measures and higher standards of financial control do not really mean much to those who are planning to commit fraud. What is needed, however, is the inculcation of a culture that supports, encourages and enforces ethical standards and basic values. National and provincial governments will therefore also have to fulfil their constitutional obligations by providing support to the municipalities in order to ensure sustainable municipalities in the future.

To address the above-mentioned challenges regarding financial control and accountability in municipalities in an effective way, municipalities must first be thoroughly aware of the challenges. The origin and essence of a challenge must be thoroughly considered and then the matter must be managed in a strategic manner. It is unlikely that the necessary management expertise for this task will be found within the municipalities. Contracting in of external management expertise for this task could possibly be part of the solution, but for the longer term the internal management expertise of municipal councillors and officials needs to be identified and developed to its full potential. A strategic approach will also most probably ensure that these matters are not managed superficially, and that a more holistic approach is followed. For those cases where sufficient pro-active action cannot be taken, contingency plans should be set up. Legislation offers clear guidelines in various ways for most of the identified issues. The question remains, however, whether these can be applied effectively and efficiently in practice.

4. SUMMARY

On local government level in South Africa there are many challenges associated with financial control and accountability. The challenges identified in this article may be seen as time bombs in municipalities. The time bombs are diverse, dynamic and amongst other things, also unpredictable. Each time bomb is well charged and only needs a weak spot to set it off. This in itself can cause damage to municipalities, but the actual crisis will develop when the time bombs all explode at the same time.

Factors such as a lack of expertise in municipalities, financial mismanagement, inability to collect arrear debt, widespread corruption and so forth can each, on its own, lead to serious problems in facilitating service

delivery to communities. If all of these problems occur simultaneously, it could lead to a widespread municipal crisis even greater than that currently being experienced in a number of South African municipalities. It seems that the financial management and discipline necessary for effective and efficient local government in South Africa has regressed to such an extent that some municipalities are not only, for all practical purposes, insolvent, but that they will also quite possibly only realise the serious implications of financial mismanagement and corruption when it is too late.

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