

AUDIT OUTCOMES AND THE LEVEL OF SERVICE DELIVERY WITHIN LOCAL GOVERNMENT MUNICIPALITIES IN SOUTH AFRICA

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Abstract

The South African Government evaluates municipalities on how well Integrated Development Plan in terms of service delivery are met. This study aims to examine whether a positive correlation exists between the service deliveries of district municipalities across six indicators: water provision, sanitation, weekly refuse removal, electricity, housing, and economic development; and the audit outcomes of each municipality. The purpose is to establish whether good governance leads to effective service delivery as well as to establish an accountability mechanism for which municipalities can be measured against. The result was a moderate correlation between audit outcomes and service delivery. In terms of establishing an accountability framework, this paper concludes that an examination of audit outcomes and service provision together would be beneficial.

Keywords: Accountability, Audit Report, Public Sector Auditing, Regulation

1. INTRODUCTION

Service provision in South Africa is a crucial problem facing municipalities at present (Managa 2012; Institute for Security Studies 2009). Not only is there no active accountability for municipalities in terms of the level of provision, specifically if the municipality is underperforming, there is also evidence to suggest that corrective measures are either not pursued, or poorly implemented (The World Bank 2011; University of the Western Cape 2007).

As municipalities are required to be audited each year, this presents an independent measure of how well each municipality is performing in terms of reporting financial information and accurate record-keeping. The potential of drawing a comparison between this measure and another of service delivery is determined.

This paper begins by reviewing relevant literature on the make-up of South African municipalities and its audit outcomes. The relevant method is then set out detailing the sampling process and the development of a balanced scorecard to measure service delivery. The results then draw conclusions on the relation to audit outcomes. Essentially, this paper aims to shed light on how accountability, in the form of audit outcomes of municipalities, could lead to better service provision and an improved South African Government as a whole.

2. LITERATURE REVIEW

This literature being by explaining the make-up and responsibilities of South African municipalities.

Therefore, audit outcomes and the detail of such reports are set out to inform the null hypothesis.

2.1 South African Municipalities

South African municipalities are fundamental bodies of local governance which focus on local needs and priorities instead of focusing on the country as a whole. These municipalities consist of political and administrative functions for the municipality, and the community within the area that the municipality resides (South African Local Government Association 2011). In line with this, municipalities serve as a distributive function of national resources and are expected to result in the better use of resources to meet local needs.

There are three categories of municipalities, namely Categories A, B and C (*Municipal Structures Act No. 117, 1998*). A Category A municipality is a metropolitan municipality which has exclusive authority to institute policies over its area of jurisdiction. A Category B municipality is a local municipality which shares power with the district municipality in whose area it resides. A district municipality is a Category C municipality which administers and forms rules over areas that include more than one local municipality thus sharing authority with Category B municipalities (South African Local Government Association 2011). Since the municipal elections in 2011, municipal governance consists of 8 metropolitan municipalities that govern the main metropolitan regions and the rest of the South Africa is divided into 44 district municipalities, each comprising several local municipalities (Independent Electoral Commission 2011).

Neutrality of municipal management is key in public administration (Raga & Taylor 2005).

However, this is not always the case in South Africa. Increasingly, districts have failed to perform their statutory functions. This has led to provinces shifting service delivery responsibilities onto their local municipalities, resulting in the lack of a centralized plan (University of the Western Cape 2007). This has worsened service delivery, specifically of water and sanitation, as local municipalities lack the capacity and expertise to appropriately deliver these amenities (University of the Western Cape 2007).

In the early 2000's, the government launched "Batho Pele" which translates to "People First". This was in response to the lack of service delivery across the country (Raga & Taylor 2005). The aim of Batho Pele was to create a sense of belonging and loyalty for municipal officials in the hopes of leading to improved service delivery. However, no marked improvement in service delivery was seen (Managa 2012). Similarly, the Promotion of Administrative Justice Act (PAJA) was gazetted in 2000 with the aim of addressing impartiality in service delivery (Raga & Taylor 2005). But once again, a lack of compliance ensued.

At the root of poor service delivery is incompetent staff, corruption, the lack of a formal plan for how municipalities will deliver these services, and an absence of strict accountability (The World Bank 2011; Managa 2012; University of the Western Cape 2007; Raga & Taylor 2005). In the last decade, South Africa has experienced violent service delivery protests which are only expected to worsen unless municipal governance can be strengthened (Managa 2012).

Evidently, service provision in South Africa is deficient, and previous efforts to correct this have not been fruitful. The primary role of municipalities was to lead to better decision making around service provision which has not been successfully carried out.

2.2 Audit Outcomes

All municipalities in South Africa are audited and receive an annual audit outcome depending on their performance for that financial year. Audit outcomes are categorized broadly into financially unqualified audit opinions, qualified audit opinions, adverse opinions and disclaimers of opinion.

The responsibility of a local government is to consider the needs of their surrounding community, how the council intends to meet these needs, as well as the municipality's strategy to involve and consult the district in this approach (*Municipal Structures Act No. 117, 1998, Municipal Systems Act, 2000*). The Constitution of the Republic of South Africa (1996) stipulates a municipality's responsibility to be accountable, promote social and economic development as well as a safe and healthy environment. The Municipal Finance Management Act No. 53 (2006) was subsequently introduced to ensure sustainable financial management of municipalities as well as to further outline the roles and responsibilities of local municipalities and councilors.

The role of financial reporting is to provide decision useful information to a variety of users (International Accounting Standards Board 2011). In terms of a municipal report, the role of the report is

to inform stakeholders of the due diligence and actions taken by the municipality as well as whether this is in the district's best interests. This form of accountability also puts pressure on municipalities to be transparent in their decisions and utilization of funds in a manner which should theoretically lead to better local government (Grant & Devas 2003). The National Audit Report, issued by The Auditor General annually, cited the root of unclear audits being a lack of internal controls, unqualified staff and unauthorized spending (Auditor-General South Africa 2013a).

2.3 Conclusion

Legislating the auditing of municipalities has aimed to improve accountability and create a measurement tool for the performance of that municipality. However, this has not been successful. Literature suggests the reason therefore being ineffective financial reporting by the municipalities themselves and the nonexistence of ramifications.

Considering that the annual auditing of municipalities is currently in place, it is possible that an augmented system of accountability could lead to better service provision. Considering the limitations of expenditure and human administration skills, this paper considers an improved system of accountability - based on audit outcomes - as a possible method of improving service provision.

3. METHOD

This paper explores whether evaluating a municipality's audit outcome produces a synonymous result to measuring service delivery (in the form of a score-card). A finding as such would suggest that the same factors at play in determining the effectiveness of service delivery of that municipality and its auditing function. These results could potentially alter how municipalities are evaluated and lead to better decision making by local government in the future.

The null hypothesis of this paper is that no relationship (or a negative relationship) exists between audit outcomes and service delivery (H0). The alternate hypothesis is that a positive relationship exists between audit outcomes and service delivery (H1).

3.1 Sampling

This paper aims to compare municipalities that, on average, are similar with similar focuses. Thus all the metropolitan municipalities and district municipalities will be examined as the literature shows them to have similar roles. There are 8 metropolitan municipalities and 44 district municipalities currently in South Africa. The 8 metropolitans and 44 districts will be evaluated in each provincial sphere, against each other and compared to the national average.

In terms of using reliable data for correlation testing purposes, the Census of 2011 performed by Statistics South Africa is deemed to be the most accurate. Statistics South Africa is accountable to the Minister of Planning, Monitoring and Evaluation and is regulated by the Statistics Act (1999) which permits Statistics South Africa to capture,

disseminate and coordinate statistics for official use by organs of state for decision making (Statistics South Africa 2015). The 2011 Census is the most recent census in terms of the 2012-2013 audit reports being evaluated.

The intention of this paper is to investigate the annual reports of all 52 district and metropolitan municipalities in South Africa for the year beginning 1 July 2012 to 31 June 2013 to determine whether a relationship exists between audit outcomes and a municipality's performance in terms of the key performance indicators which this paper establishes. A direct correlation would suggest that a municipality's internal structure and financial reporting permeates into its outer spheres of performance and service delivery.

3.2 Audit Outcomes

This paper has narrowed the audit opinions to an unqualified opinion, a qualified opinion and a disclaimer of opinion. A clean audit (unqualified opinion) will receive a rating of 5 (as this is the highest score a municipality can receive for service delivery), a qualified opinion will receive a rating of 3 and a disclaimer of opinion will receive a rating of 1. In any district municipalities where the overall audit opinion has not yet been finalised, this paper uses the average audit opinion (that has been finalised) across the respective local municipalities that are under that district's umbrella.

The MFMA, states that independent institutions, such as the Auditor General, must provide annual reports on financial and service delivery outcomes of each municipality (Anon 2006). Even though the Auditor General audits the government, it has been autonomous since 1993 and is not subject to public service rules and regulations (Auditor General 2014). Due to the independence of the Auditor General, these annual reports in 2013 (which state the audit opinions issued by the Auditor General to each district) will be used.

3.3 Developing a Score-card

The advantage in measuring entities against a score-card is that it determines links between actions undertaken by the entity and the impact of those actions on creating value. Balanced score-cards, defined as "a strategic management system that links performance measurement to strategy using a multi-dimensional set of financial and non-financial performance metrics" are becoming more widely accepted in evaluating corporate performance due to sustainability being dependent on a rounded approach to business (Epstein & Wisner 2001, p.2). For municipalities, the latter lies in the quality of service delivery.

In terms of the assessment use of a score-card, Epstein and Wisner (2001) reports that it should contain a spread of internal and external criteria, strategic and tactical measurements as well as encompass process and product focuses. From a municipal perspective this is limited to service delivery.

Severn Trent Water Ltd (Severn Trent), an international provider of water, waste and utility systems based in the United Kingdom could arguably be comparable to that of a municipality due

to paralleling services on a correspondingly large scale (Epstein & Wisner, 2001). Severn Trent uses a balanced score card.

Severn Trent's social progress objective has three main drivers: 'health', measured by the population receiving water and waste services from them, 'education and training' measured by employee training and housing quality, and 'housing quality', measured by the domestic properties receiving water, sewerage or refuse collection for the company. As municipalities are tasked with providing these same services, these drivers and measures will remain relatively the same for this paper. The significance of these services are particularly important as they mirror basic human needs, especially in light of the poverty apparent in South Africa (Managa, 2012). Education, however, is the responsibility of The Department of Education and thus not a relevant criteria for district municipalities (Government Gazette, 2011).

In developing a score-card, the key performance indicators used must be assessable. This paper aims to define the determination of each quantification for each measure. The measures used should also be controllable to an extent as the municipalities should not be evaluated on matters out of their sphere of influence (Epstein & Wisner 2001).

Section 151 of the Constitution states that a municipality's core functions are that of accountable governance for local communities, sustainable service provision while promoting social and economic development, and providing a safe and healthy environment (Anon 1996). Chapter Seven of The Constitution deals with local government. In terms of Section 152, municipalities must "prioritise the basic needs of the community; promote social and economic development and participate in national and provincial development programmes" (Anon 1996, p.1331(2)). Thus, this paper focuses on the basic needs of communities, within the municipal governance sphere, that should be met by these municipalities.

This paper narrowed down the responsibilities to six indicators which are shown in Table 1. The source criteria and key performance indicators are presented as well as an explanation of how the ratings are awarded. By examining these six key service provisions – based on legal responsibilities of district municipalities – a score-card is developed.

3.4 Scoring

A rating of five would equate to the municipality fully performing its duties in terms of this criteria. Four indicates there is marginal room for improvement. A rating of three would translate to acceptable services, two meaning marginally insufficient, one equaling inept service delivery, and zero meaning a lack of service delivery entirely.

(a) Water and sewerage services are measured as a percentage in terms of "in house" access. This directly translates to a rounded score out of five.

(b) Refuse removal is measured in terms of weekly service delivery with populous percentage access also translating to a score out of five. As the national access to weekly refuse removal is just above 50% (see Appendix 1), the ratings are as follows:

- five- 80% or more have access
 - four- between 60% and 79% have access
 - three- 50% to 59% have access
 - two- 30-49% have access
 - one- 1-29% have access
 - zero- equating to none of the population having access.
- (c) In terms of unemployment, the national average is 31% (see Appendix 1). Based on this:
- 5 represents a district with a 10% unemployment rate
 - four represents a 20% unemployment rate
 - three represents a 30% unemployment rate
 - two represents a 40% unemployment rate
 - one- any unemployment rate above 50%
 - zero being a 0% employment rate.
- (d) Housing is measured in terms of the percentage of population in formal and traditional dwellings. Traditional dwellings equate to African-style buildings made of clay and wood. The national averages are 78% and 12% respectively (see Appendix 1) - thus the remaining 10% reside in informal dwellings. Based on this:
- five would mean 100% of the population has formal or traditional housing
 - four would mean 90% of the population has formal or traditional housing
 - three would mean 80% of the population has either housing
 - two would mean less than 80% but more than 50% have either form of housing
 - one would mean there is a portion of the population with formal or traditional housing
 - zero would mean none of the population have formal or traditional housing.
- (e) Electricity is measured in terms of the percentage of population that have access to electricity for domestic lighting.
- Municipalities that have chosen to outsource any services are measured on the performance of the outsourcer as this takes into consideration the role and responsibility of the municipality in choosing an outsourcer. The national averages for service provision with related scores are shown in Appendix 1, followed by a worked example of the scoring system in Appendix 2.

Table 1. Municipal Score-Card Indicators

| <i>Criteria</i> | <i>Criteria Source</i> | <i>Key Performance Indicators</i> | <i>Rating Explanation*</i> | <i>Data Source</i> |
|-------------------------|-------------------------------------|--|----------------------------|--------------------------------------|
| Water for Household use | (Anon 1996) | Access to in-house piped water | (a) | (Statistics South Africa 2012) |
| Sewage and Sanitation | (Anon 1996)The Constitution s152(d) | Access to flush facilities | (a) | (Statistics South Africa 2012) |
| Refuse Removal | (Anon 1996) | Weekly refuse removal | (b) | (Statistics South Africa 2012) |
| Economic Development | (Anon 1996) | Unemployment levels | (c) | (Auditor-General South Africa 2013a) |
| Housing | (Anon 1997) | Formal and traditional dwellings for housing | (d) | (Statistics South Africa 2012) |
| Electricity | (Anon 1997) | Access to electricity | (e) | (Statistics South Africa 2012) |

3.5 Testing

By assembling the data in terms of individual districts for each service provision as well as that municipality's respective audit outcome, a correlation can be examined. Firstly, this paper will examine the nine individual provinces descriptively on a national level and at a provincial level, from the best service provision to the worst service provision. This will be compared to the audit outcomes in each province. Secondly, the correlation as a whole in terms of the average service provision of all the municipalities and the average respective audit outcome will be examined. This correlation will furthermore be observed for each of the six service provisions, in other words, an individual comparison of each service provision against the audit outcomes. Furthermore, a correlation of the average service provisions and the average audit outcomes achieved will be performed. This last correlation is intended to provide results that are less skewed by outliers as outliers are less apparent when combined into an overall average result.

4. RESULTS

The results that follow in Table 2 are broken down into provincial averages. Further detail making up these scores is given in Appendix 3. A descriptive analysis of each province in descending order of the

level of service provision is given, along with an examination of each individual service indicator to the audit outcomes.

4.1 National Results

Trends are found on an individual indicator level, as well as at an overall level. This can also be analyzed on a provincial level. Overall, electricity provision was the best delivered service in the country with a national average of 3.54 (Table 2).

In total only five provinces improved their audit outcomes (Western Province, Gauteng, Eastern Cape, Free State, and KwaZulu Natal while two provinces regressed (Limpopo and Mpumalanga). This refers to the quality of the Annual Financial Statements produced as well as compliance with legislation. Ninety percent of the municipalities that were audited had material non-compliances with legislation as well as an overall continued occurrence of irregular, fruitless and unauthorized spending. Twenty percent of the total municipalities received adverse or disclaimer of opinions with a further 25% receiving qualified audit outcomes. Thirty-five percent of the residual municipalities received unqualified audit opinions only by correcting previously qualified findings. In many of the audits it was discovered that documentation was missing - specifically in the tendering process - and it was noted that many vacancies existed in key

management positions as well as a lack of skill at the required level for management (Auditor-General South Africa 2013a).

The key risk areas remained the same as previous years: confidentiality, access to data and the integrity of the data (Auditor-General South Africa 2013a).

Table 2. Average Provincial Service Provision

| | <i>Audit opinion</i> | <i>Water</i> | <i>Sanitation</i> | <i>Housing</i> | <i>Electricity</i> | <i>Refuse Removal</i> | <i>Economic development</i> | <i>Total average score</i> | <i>Average score/ Average audit opinion</i> |
|-----------------|----------------------|--------------|-------------------|----------------|--------------------|-----------------------|-----------------------------|----------------------------|---|
| Western Cape | 5.00 | 4.00 | 4.00 | 3.17 | 4.00 | 4.67 | 3.50 | 3.89 | 0.78 |
| Eastern Cape | 3.25 | 2.25 | 1.88 | 3.50 | 3.25 | 2.25 | 1.75 | 2.48 | 0.76 |
| North West | 3.00 | 2.75 | 1.75 | 3.00 | 2.75 | 2.25 | 2.00 | 2.42 | 0.81 |
| Kwazulu-Natal | 4.09 | 2.09 | 1.64 | 3.91 | 3.00 | 1.91 | 1.73 | 2.38 | 0.58 |
| Limpopo | 2.60 | 2.20 | 1.20 | 3.80 | 3.60 | 1.40 | 2.40 | 2.43 | 0.94 |
| Gauteng | 5.00 | 4.00 | 4.00 | 2.80 | 4.00 | 4.80 | 2.80 | 3.73 | 0.75 |
| Mpumalanga | 5.00 | 3.33 | 2.00 | 3.33 | 4.00 | 2.33 | 2.00 | 2.83 | 0.57 |
| Free State | 4.20 | 4.00 | 3.20 | 3.00 | 4.00 | 4.00 | 2.40 | 3.43 | 0.82 |
| Northern Cape | 3.80 | 3.60 | 2.80 | 3.20 | 4.00 | 3.60 | 2.80 | 3.33 | 0.88 |
| Overall average | 3.96 | 2.98 | 2.42 | 3.38 | 3.54 | 2.92 | 2.31 | 2.93 | 0.74 |

4.2 Provincial Results and Substantiations

On average, the Western Cape and Gauteng municipalities outperformed the other provinces as well as the national average in terms of water provision and sanitation. In both provinces all the municipalities obtained ratings of 4 (Appendix 3). Both provinces also obtained high ratings in terms of refuse removal nationally and at a provincial level. The Western Cape Province also performed well in terms of employment rates with an overall ranking of first with average unemployment across the province being 19%, which is 11% below the national average (Appendix 3). The Western Cape's average electricity provision score of 4 also beat the national average (Appendix 3).

Similarly, the Gauteng municipalities also performed above the national average for employment marginally by 4% (Table 2). Gauteng's service delivery in terms of electricity was on par with the national average. All the Gauteng districts received clean audits, and there was an overall improvement on the findings of the previous year, however, 92% of auditees had material noncompliance with legislation (Auditor-General South Africa 2013d).

The third best performing province was The Free State province. In terms of water provision the province received scores of 4 for all the districts (1.02 points above the national average). In terms of refuse removal and sanitation the province outperformed the national averages. Electricity was above the national average by 0.56. In terms of unemployment, almost a third of The Free State's population is unemployed (32%). This is considered to be below satisfactory and slightly higher than the national unemployment level of 31%. Housing provision was below the national average. Two of the five districts (Mangaung Metropolitan municipality and the Xhariep municipality) received qualified audit reports, with the rest of the districts receiving clean audits (Auditor-General South Africa 2013c).

The Northern Cape received an average score of 3.33. In terms of water access, The Northern Cape scored 4 for all districts except John Taolo Gaetsewe District (Auditor-General South Africa 2013f) which

received a 2. This district also underperformed in terms of sanitation and refuse removal (receiving scores of 1 for both). In terms of housing and electricity the province performed, on average, on par with the rest of the country. However, the province received a score of 2.80 for employment levels which is only slightly above the national average. Three of the five districts received qualified audit outcomes with the other two districts receiving clean audits.

All the other provinces on average underperformed the average score of 2.93. Mpumalanga province scored an average of 2.83. The North West province received only one clean audit out of four districts. Limpopo province received unfavorable audit outcomes for all five districts, which is a regression on the previous year's outcomes and 100% of the audits revealed material noncompliance with legislation (Auditor-General South Africa 2013e).

The Eastern Cape performed particularly poorly (Table 2). This could be due to the population of the Eastern Cape making up over 10% of the country (Statistics South Africa 2012). It is also possible that the Eastern Cape did not receive a proportionate share of resources. Three of the eight districts received clean audits and two districts received disclaimer of opinions, with the latter two receiving disclaimer of opinions for the sixth consecutive year (Auditor-General South Africa 2013b). Every service provision, other than housing, rated below the national average.

An important finding was that of housing provision being unintuitive. It appears that provinces who deliver other services relatively well have poor housing provision, whereas the provinces with the worst service provision and audit outcomes seemingly provide good housing. This could be due to housing scoring being too strict in that a district with an 80% level of housing is seen as the acceptable standard (with a score of 3) where as for other services such as refuse removal, a scoring of 80% would receive a score of 5, the highest rank. This paper examined formal and traditional housing as one and the same, which means that in provinces where formal housing is relatively low but

traditional housing is very high, the score achieved might be better than other provinces that have higher levels of formal housing.

Overall, the Western Cape performed the best in terms of service provision and audit outcomes, shortly followed by the Gauteng province. The Free State and the Northern Cape also performed acceptably in terms of service provision and audit outcomes. KwaZulu Natal had the lowest service provision and only marginally underperformed the Eastern Cape, North West, and Limpopo provinces.

Table 3. Correlation and P-Value per Service Provision

| <i>Service</i> | <i>Water</i> | <i>Sanitation</i> | <i>Housing</i> | <i>Electricity</i> | <i>Refuse Removal</i> | <i>Economic development</i> | <i>Overall</i> |
|------------------------------|--------------|-------------------|----------------|--------------------|-----------------------|-----------------------------|----------------|
| Correlation to audit outcome | 0.49 | 0.41 | -0.25 | 0.33 | 0.39 | 0.33 | 0.45 |
| P-value | 0.0002 | 0.0029 | 0.0747 | 0.0172 | 0.0042 | 0.0155 | 0.0009 |

The correlation is determined by comparing the weighted score of each district municipality and the score received for its audit outcome. The associated p-value is also expressed.

In terms of specific indicators, water provision has the most significant correlation of 0.49, with the results again being statistically significant. The only inverse correlation existed between housing provision and audit outcomes with a weak correlation of -0.25. These results were not statistically significant. Sanitation provision had a correlation of 0.41, refuse removal had a weak yet positive correlation of 0.39 and unemployment levels and electricity had the weakest positive correlations of 0.33. All of these four correlations obtained p-values below 5%. Thus the chances of receiving the same statistical results, if the null hypothesis (H0) was correct, are close to nil. This means that the null hypothesis (H0) must be rejected. It must also be noted that despite the housing indicator receiving a negative correlation, an overall positive correlation was still obtained, at a statistically significant level. Thus it is considered that if housing was left out of the score-card, an even higher overall correlation would have been obtained.

When each province's score was averaged and compared to the average audit outcome per province, a much higher correlation is found. This suggests that even though there are outliers that have no correlation, at a provincial level these outliers are not as frequent and thus not as significant. Or, alternatively, higher correlations exist for specific provinces and not for others.

By comparing each average audit outcome to each average service provision per province, ratios of 0.57 to 0.94 can be found (see last column of Table 2). This further substantiates that higher correlations exist for specific provinces. This is most likely due to the districts having different sources of resources as well as some districts having smaller areas to govern which theoretically makes for easier service provision. This means that the score-card developed by this paper is a good indication of the quality of administration for some areas but not for others. This suggests that if municipalities were to be evaluated on a score-card system, a more tailored approach for each individual province or district would be more useful. Even the lowest correlation of 0.56 (Table 2) is high enough to assume that the

4.3 Correlation Results

By comparing the weighted score of each district municipality and the score received for its audit outcome in Table 3, a positive, yet weak correlation of 0.45 is found. This correlation is statistically significant. This suggests that a moderate positive relationship exists, thus confirming the H1 hypothesis, however the relationship is albeit not as strong as anticipated from the literature review.

same factors are at play for a municipality's administration function and its service provision function, and that evaluating this relationship could lead to improvement in both spheres.

5. SCOPE FOR FURTHER RESEARCH

Only six indicators were examined in this paper with each indicator making up one factor. It is possible that the correlation would increase if more factors were considered such as public transport, public roads, and tourism. Furthermore, indicators could be made more relevant by combining more factors. For example, this paper examined economic development in terms of employment levels whereas other factors to consider, such as projects completed and gross domestic product per area, could provide more valuable results. It would be useful to examine housing provision further and whether this indicator is relevant, as without the results of housing provision the overall correlation of 0.45 would improve. This paper also only examines 52 districts (including the metropolitan municipalities). A further study could be done of all of the local municipalities.

CONCLUSION

It is evident from this paper that a correlation, if only moderate, exists between audit outcomes and municipal service provision. Even though this paper has not examined the causes of this correlation it can be inferred that, due to a lack of objective and proficient governance as well as poor execution of culpability, municipalities that do not have the capacity to produce clean financial statements also lack the ability to competently supply services to their district.

There is the expectation that service delivery protests are the result of anger towards the lack of accountability for municipalities (Managa 2012). Furthermore, a lack of accountability has resulted in collapsed governance and misrepresented communities (Grant & Devas 2003).

The quality of financial reporting is regarded as one of the top six key areas that need attention in upcoming years (Auditor-General South Africa 2013a). This would suggest that further measures should be taken by the South African Government to ensure a greater sense of accountability for

municipalities in terms of audit outcomes together with service delivery. Possible solutions include fund-distribution based on municipal performance in annual audits as well as annual evaluations on service provision.

A more rounded approach to managing a municipality appears to be most successful, as municipalities with high service provision also have better audit outcomes. Thus, this paper concludes that examining both a municipality's audit outcomes and service provision, and basing an accountability function on these two fields, would be the most effective in improving the service provision in South Africa.

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APPENDIX

Appendix 1: National Averages of Service Provision and Related Scores

| Water | | | Sanitation | | | Housing | | | | Electricity | | Refuse Removal | | Economic Development | | Overall |
|------------|----------|-------|------------|------------|-------|------------|-------------|----------|-------|-------------|-------|----------------|-------|----------------------|------|---------------|
| Statistics | | Score | Statistics | | Score | Statistics | | | Score | Statistics | Score | Statistics | Score | Statistics | | Average Score |
| In House | Communal | | Flush/Chem | Pit/Bucket | | Formal | Traditional | Informal | | Access | | Weekly Access | | Unemployment | | |
| 68% | 21% | 3,87 | 57% | 35% | 3,35 | 78% | 12% | 11% | 3,54 | 80% | 3,56 | 53% | 2,92 | 31% | 2,31 | 3,26 |

Data collected from: Census 2011 (Statistics South Africa, 2012)

Appendix 2. A worked example of the scoring system

| Cape Winelands District Municipality | | | | | Water | | Sanitation | | Housing | | | | Electricity | | Refuse Removal | | Economic Development | | Average Score | | | |
|--------------------------------------|---------------------------|---|---|-----|------------|----------|------------|------------|------------|-------|------------|-------------|-------------|-----|----------------|--------------|----------------------|------------|---------------|-------|------------|-------|
| | | | | | Statistics | | Score | Statistics | | Score | Statistics | | | | Score | Statistics | Score | Statistics | | Score | Statistics | Score |
| | | | | | In House | Communal | | Flush/Chem | Pit/Bucket | | Formal | Traditional | Informal | F&T | | Unemployment | | | | | | |
| Audit opinion: | Unqualified with findings | A | 5 | 89% | 10% | 4 | 92% | 3% | 4 | 83% | 1% | 16% | 84% | 3 | 93% | 4 | 80% | 5 | 14% | 4 | 4,00 | |

As can be seen in the above example, the Cape Winelands district received a clean audit. This resulted in the district receiving a score of 5 for its audit opinion. In terms of its water provision, the district provided 89% of its inhabitants with in-house water. This result in the district receiving a score of 4, based on the scoring system explained above. Similarly, as the Cape Winelands sanitation

provision was at 92%, a score of 4 is given. The same method follows for housing, electricity, refuse removal and economic development by applying the scoring system explained above. The average score obtained by the Cape Winelands is the sum of the scores received across the six provisions, divided by six.

Appendix 3. Score-card data

| District Municipality: By Area (2013): | Audit Opinion | Opinion | Water | | | Sanitation | | | Housing | | | | Electricity | | Refuse Removal | | Economic Development | | Average Score | | |
|---|------------------------------|---------|------------|----------|-------|------------|------------|-------|------------|-------------|----------|-----|-------------|--------------|----------------|------------|----------------------|-----|---------------|------|------|
| | | | Statistics | | Score | Statistics | | Score | Statistics | | | | Score | Statistics | Score | Statistics | Score | | | | |
| | | | In House | Communal | | Flush/Chem | Pit/Bucket | | Formal | Traditional | Informal | F&T | | Unemployment | | | | | | | |
| Western Cape | Average: | 5 | 91% | 8% | 4,00 | 90% | 5% | 4,00 | 86% | 1% | 13% | 87% | 3,17 | 92% | 4,00 | 83% | 4,67 | 19% | 3,50 | 3,89 | |
| Cape Winelands | Unqualified with findings | A | 5 | 89% | 10% | 4 | 92% | 3% | 4 | 83% | 1% | 16% | 84% | 3 | 93% | 4 | 80% | 5 | 14% | 4 | 4,00 |
| Central Karoo | Unqualified with findings | A | 5 | 97% | 2% | 4 | 90% | 6% | 4 | 98% | 0% | 2% | 98% | 4 | 89% | 4 | 79% | 4 | 23% | 3 | 3,83 |
| City of CT (M) | Unqualified with no findings | A | 5 | 87% | 12% | 4 | 91% | 5% | 4 | 79% | 0% | 21% | 79% | 2 | 94% | 4 | 94% | 5 | 24% | 3 | 3,67 |
| Eden | Unqualified with findings | A | 5 | 89% | 9% | 4 | 86% | 8% | 4 | 84% | 1% | 15% | 85% | 3 | 91% | 4 | 86% | 5 | 23% | 3 | 3,83 |
| Overberg | Unqualified with findings | A | 5 | 88% | 11% | 4 | 90% | 3% | 4 | 83% | 1% | 16% | 84% | 3 | 91% | 4 | 83% | 5 | 17% | 4 | 4,00 |
| West Coast | Unqualified with no findings | A | 5 | 96% | 3% | 4 | 88% | 3% | 4 | 89% | 1% | 10% | 90% | 4 | 94% | 4 | 77% | 4 | 15% | 4 | 4,00 |

| District Municipality: By Area (2013): | Audit Opinion | Opinion | Water | | | | Sanitation | | | | Housing | | | | Electricity | | Refuse Removal | | Economic Development | | Average Score | |
|---|------------------------------|---------|-------------|------------|------------|-------------|------------|------------|-------------|-------------|------------|------------|------------|-------------|-------------|-------------|----------------|-------------|----------------------|--------------|---------------|-------|
| | | | Statistics | | Score | Statistics | | Score | Statistics | | | | Score | Statistics | Score | Statistics | Score | Statistics | Score | Unemployment | | Score |
| | | | In House | Communal | | Flush/Chem | Pit/Bucket | | Formal | Traditional | Informal | F&T | | | | | | | | | | |
| Correlation: | | | | | | | | | | | | | | | | | | | | | | |
| Eastern Cape | Average: | | 3,25 | 49% | 29% | 2,25 | 44% | 36% | 1,88 | 64% | 29% | 7% | 93% | 3,50 | 74% | 3,25 | 40% | 2,25 | 38% | 1,75 | 2,48 | |
| Alfred Nzo | Disclaimed with findings | C | 1 | 16% | 34% | 1 | 13% | 72% | 1 | 42% | 57% | 1% | 99% | 4 | 46% | 2 | 6% | 1 | 44% | 1 | 1,67 | |
| Amathole | Unqualified with findings | A | 5 | 25% | 45% | 1 | 24% | 56% | 1 | 53% | 42% | 5% | 95% | 4 | 70% | 3 | 16% | 1 | 43% | 1 | 1,83 | |
| Buffalo City (M) | Qualified with findings | B | 3 | 71% | 27% | 3 | 75% | 18% | 3 | 73% | 5% | 22% | 78% | 2 | 81% | 4 | 70% | 4 | 35% | 2 | 3,00 | |
| Cacadu/Sarah Baartman | Unqualified with findings | A | 5 | 86% | 10% | 4 | 77% | 18% | 3 | 87% | 2% | 11% | 89% | 3 | 87% | 4 | 79% | 4 | 25% | 3 | 3,50 | |
| Chris Hani | Qualified with findings | B | 3 | 43% | 44% | 2 | 38% | 38% | 1 | 62% | 36% | 2% | 98% | 4 | 76% | 3 | 28% | 1 | 39% | 2 | 2,17 | |
| Joe Gqabi | Unqualified with findings | A | 5 | 42% | 32% | 2 | 12% | 20% | 1 | 61% | 35% | 4% | 96% | 4 | 69% | 3 | 28% | 1 | 35% | 2 | 2,17 | |
| Nelson Mandela Bay (M) | Qualified with findings | B | 3 | 90% | 9% | 4 | 90% | 8% | 4 | 88% | 0% | 12% | 88% | 3 | 90% | 4 | 83% | 5 | 37% | 2 | 3,67 | |
| OR Tambo | Disclaimed with findings | C | 1 | 19% | 30% | 1 | 19% | 61% | 1 | 44% | 55% | 1% | 99% | 4 | 70% | 3 | 11% | 1 | 44% | 1 | 1,83 | |
| North West | Average: | | 3 | 66% | 27% | 2,75 | 49% | 44% | 2 | 80% | 2% | 18% | 83% | 3,00 | 61% | 3 | 47% | 2 | 33% | 2 | 2,42 | |
| Bojanala Plat | Unqualified with findings | A | 5 | 73% | 17% | 3 | 39% | 57% | 1 | 69% | 1% | 30% | 70% | 2 | 63% | 3 | 49% | 2 | 31% | 2 | 2,17 | |
| Dr Kenneth Kuanda | Qualified with findings | B | 3 | 91% | 7% | 4 | 88% | 8% | 4 | 82% | 1% | 17% | 83% | 3 | 63% | 3 | 75% | 4 | 30% | 2 | 3,33 | |
| Dr Ruth Segomotsi | Qualified with findings | B | 3 | 48% | 48% | 2 | 37% | 52% | 1 | 87% | 3% | 10% | 90% | 4 | 58% | 2 | 27% | 1 | 36% | 2 | 2,00 | |
| Ngaka Modiri Molema | Disclaimed with findings | C | 1 | 51% | 35% | 2 | 33% | 60% | 1 | 83% | 4% | 13% | 87% | 3 | 61% | 3 | 35% | 2 | 34% | 2 | 2,17 | |
| Kwazulu-Natal | Average: | | 4,09 | 53% | 26% | 2,09 | 43% | 48% | 1,64 | 68% | 27% | 5% | 95% | 3,91 | 71% | 3,00 | 35% | 1,91 | 36% | 1,73 | 2,38 | |
| Amajuba | Unqualified with findings | A | 5 | 76% | 16% | 3 | 56% | 40% | 2 | 88% | 7% | 5% | 95% | 4 | 84% | 4 | 57% | 3 | 39% | 2 | 3,00 | |
| Ethekwini (M) | Unqualified with findings | A | 5 | 81% | 16% | 4 | 78% | 20% | 3 | 80% | 4% | 16% | 84% | 3 | 90% | 4 | 86% | 5 | 30% | 2 | 3,50 | |
| Ilembe | Unqualified with findings | A | 5 | 44% | 37% | 2 | 44% | 50% | 2 | 65% | 26% | 9% | 91% | 4 | 73% | 3 | 34% | 2 | 31% | 2 | 2,50 | |
| Sisonke/Harry Gwala | Unqualified with findings | A | 5 | 33% | 32% | 1 | 28% | 69% | 1 | 41% | 55% | 4% | 96% | 4 | 63% | 3 | 21% | 1 | 36% | 2 | 2,00 | |
| Ugu | Disclaimer of opinion | C | 1 | 34% | 49% | 1 | 36% | 59% | 1 | 66% | 30% | 4% | 96% | 4 | 72% | 3 | 25% | 1 | 35% | 2 | 2,00 | |
| Umgungundlovu | Unqualified with findings | A | 5 | 78% | 13% | 3 | 56% | 41% | 2 | 71% | 22% | 7% | 93% | 4 | 86% | 4 | 44% | 2 | 30% | 2 | 2,83 | |
| Umkhanyakude | Qualified with findings | B | 3 | 37% | 25% | 1 | 31% | 49% | 1 | 72% | 26% | 2% | 98% | 4 | 38% | 1 | 9% | 1 | 43% | 1 | 1,50 | |
| Umzinyathi | Unqualified with findings | A | 5 | 34% | 32% | 1 | 29% | 58% | 1 | 55% | 43% | 2% | 98% | 4 | 49% | 2 | 20% | 1 | 37% | 2 | 1,83 | |
| Uthukela | Disclaimer with findings | C | 1 | 50% | 30% | 2 | 40% | 51% | 2 | 67% | 32% | 1% | 99% | 4 | 75% | 3 | 33% | 2 | 40% | 1 | 2,33 | |
| Uthungulu | Unqualified with no findings | A | 5 | 65% | 19% | 3 | 44% | 44% | 2 | 71% | 27% | 2% | 98% | 4 | 76% | 3 | 30% | 2 | 35% | 2 | 2,67 | |
| Zululand | Unqualified with findings | A | 5 | 53% | 16% | 2 | 33% | 46% | 1 | 74% | 25% | 1% | 99% | 4 | 70% | 3 | 22% | 1 | 41% | 1 | 2,00 | |
| Limpopo | Average: | | 2,6 | 50% | 36% | 2,20 | 25% | 68% | 1 | 91% | 4% | 6% | 94% | 4 | 82% | 3,60 | 23% | 1 | 33% | 2 | 2,43 | |
| Capricorn | Qualified | B | 3 | 62% | 27% | 3 | 29% | 66% | 1 | 92% | 1% | 7% | 93% | 4 | 87% | 4 | 30% | 2 | 37% | 2 | 2,67 | |

| District Municipality: By Area (2013): | Audit Opinion | Opinion | | Water | | | Sanitation | | | Housing | | | | Electricity | | Refuse Removal | | Economic Development | | Average Score | | |
|---|---------------|------------------------------|---|------------|------------|------------|-------------|------------|------------|-------------|-------------|------------|------------|-------------|-------------|----------------|-------------|----------------------|-------------|---------------|-------------|-------------|
| | | | | Statistics | | Score | Statistics | | Score | Statistics | | | | Score | Statistics | Score | Statistics | Score | Statistics | | Score | |
| | | | | In House | Communal | | Flush/Chem | Pit/Bucket | | Formal | Traditional | Informal | F&T | | | | | | | | | |
| Mopani | (average 3/5) | Qualified | B | 3 | 40% | 43% | 2 | 23% | 66% | 1 | 95% | 3% | 2% | 98% | 4 | 52% | 2 | 17% | 1 | 39% | 2 | 2,00 |
| Sekhukhune | (average 5/5) | Qualified | B | 3 | 43% | 35% | 2 | 9% | 86% | 1 | 91% | 3% | 6% | 94% | 4 | 88% | 4 | 8% | 1 | 21% | 3 | 2,50 |
| Vhembe | | Disclaimer with findings | C | 1 | 33% | 52% | 1 | 16% | 74% | 1 | 88% | 10% | 2% | 98% | 4 | 97% | 4 | 14% | 1 | 39% | 2 | 2,17 |
| Waterberg | | Qualified | B | 3 | 71% | 24% | 3 | 50% | 46% | 2 | 88% | 1% | 11% | 89% | 3 | 87% | 4 | 44% | 2 | 28% | 3 | 2,83 |
| Gauteng | | Average: | | | 91% | 10% | 4,00 | 86% | 12% | 4 | 81% | 0% | 19% | 81% | 2,80 | 88% | 4 | 86% | 5 | 27% | 3 | 3,73 |
| City of JHB (M) | | Unqualified with findings | A | 5 | 92% | 7% | 4 | 91% | 8% | 4 | 82% | 0% | 18% | 82% | 3 | 91% | 4 | 95% | 5 | 25% | 3 | 3,83 |
| City of Tshwane (M) | | Unqualified with findings | A | 5 | 89% | 8% | 4 | 80% | 19% | 4 | 81% | 0% | 19% | 81% | 3 | 89% | 4 | 81% | 5 | 24% | 3 | 3,83 |
| Ekurhuleni (M) | | Unqualified with findings | A | 5 | 97% | 12% | 4 | 88% | 10% | 4 | 84% | 0% | 16% | 84% | 3 | 89% | 4 | 88% | 5 | 29% | 3 | 3,83 |
| Sedibeng | | Unqualified with no findings | A | 5 | 93% | 6% | 4 | 90% | 9% | 4 | 85% | 0% | 15% | 85% | 3 | 91% | 4 | 88% | 5 | 32% | 2 | 3,67 |
| West Rand | | Unqualified with findings | A | 5 | 83% | 15% | 4 | 83% | 15% | 4 | 74% | 0% | 26% | 74% | 2 | 82% | 4 | 77% | 4 | 26% | 3 | 3,50 |
| Mpumalanga | | Average: | | | 74% | 15% | 3,33 | 49% | 45% | 2 | 83% | 5% | 12% | 88% | 3,33 | 86% | 4 | 46% | 2 | 31% | 2 | 2,83 |
| Ehlanzeni | | Unqualified with no findings | A | 5 | 58% | 23% | 2 | 27% | 63% | 1 | 92% | 3% | 5% | 95% | 4 | 89% | 4 | 25% | 1 | 34% | 2 | 2,33 |
| Gert Sibande | | Unqualified with findings | A | 5 | 81% | 10% | 4 | 69% | 26% | 3 | 73% | 10% | 17% | 83% | 3 | 83% | 4 | 64% | 4 | 30% | 2 | 3,33 |
| Nkangala | | Unqualified with findings | A | 5 | 82% | 11% | 4 | 52% | 45% | 2 | 84% | 2% | 14% | 86% | 3 | 86% | 4 | 48% | 2 | 30% | 2 | 2,83 |
| Free State | | Average: | | | 90% | 8% | 4,00 | 72% | 25% | 3,20 | 83% | 2% | 15% | 85% | 3,00 | 90% | 4 | 71% | 4,00 | 32% | 2,40 | 3,43 |
| Fezile Dabi | | Unqualified with findings | A | 5 | 92% | 7% | 4 | 81% | 17% | 4 | 84% | 0% | 16% | 84% | 3 | 90% | 4 | 82% | 5 | 34% | 2 | 3,67 |
| Lejweleputswa | | Unqualified with findings | A | 5 | 91% | 7% | 4 | 79% | 18% | 3 | 80% | 0% | 20% | 80% | 3 | 91% | 4 | 80% | 5 | 37% | 2 | 3,50 |
| Mangaung (M) | | Qualified with findings | B | 3 | 87% | 11% | 4 | 64% | 33% | 3 | 85% | 1% | 14% | 86% | 3 | 91% | 4 | 79% | 4 | 28% | 3 | 3,50 |
| Thabo Mofutsanyana | | Unqualified with findings | A | 5 | 87% | 10% | 4 | 54% | 43% | 2 | 78% | 7% | 15% | 85% | 3 | 87% | 4 | 49% | 2 | 35% | 2 | 2,83 |
| Xhariep | | Qualified | B | 3 | 94% | 4% | 4 | 82% | 12% | 4 | 88% | 0% | 12% | 88% | 3 | 92% | 4 | 66% | 4 | 27% | 3 | 3,67 |
| Northern Cape | | | | | 79% | 18% | 3,60 | 66% | 25% | 2,80 | 85% | 3% | 12% | 88% | 3,20 | 86% | 4 | 65% | 3,60 | 26% | 2,80 | 3,33 |
| Frances Baard | | Unqualified with findings | A | 5 | 85% | 13% | 4 | 80% | 11% | 4 | 83% | 1% | 16% | 84% | 3 | 83% | 4 | 74% | 4 | 34% | 2 | 3,50 |
| John Taolo Gaetsewe | | Qualified | B | 3 | 41% | 56% | 2 | 31% | 58% | 1 | 77% | 12% | 11% | 89% | 3 | 87% | 4 | 26% | 1 | 30% | 2 | 2,17 |
| Namakwa | | Qualified | B | 3 | 95% | 2% | 4 | 73% | 22% | 3 | 95% | 2% | 3% | 97% | 4 | 86% | 4 | 80% | 5 | 20% | 3 | 3,83 |
| Pixley ka Seme | | Qualified | B | 3 | 89% | 10% | 4 | 74% | 17% | 3 | 87% | 1% | 12% | 88% | 3 | 85% | 4 | 73% | 4 | 28% | 3 | 3,50 |
| Siyanda/ ZF Mgcawu | | Unqualified with findings | A | 5 | 86% | 9% | 4 | 73% | 16% | 3 | 81% | 1% | 18% | 82% | 3 | 87% | 4 | 70% | 4 | 19% | 4 | 3,67 |
| Overall average: | | | | | 68% | 21% | 2,98 | 57% | 35% | 2,42 | 78% | 12% | 11% | 89% | 3,38 | 80% | 3,54 | 53% | 2,92 | 31% | 2,31 | 2,93 |