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Public Finance Challenges in Local Government: Insights from both Literature and Auditor General

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Abstract: Financial misconduct consistently poses a serious concern within South Africa municipalities and in other spheres of government. The Auditor General of South Africa (AGSA)'s annual reports have consistently picked out irregularities which results in mismanagement of government funds allocated for service delivery and essential basic need of the society. This misused of limited financial resources undermines the quality of life for citizens who are deprived of basic municipal services. This paper explores factors affecting financial management in South Africa during the post-apartheid era. The paper also reviews prior research to uncover mechanisms that have been proposed by other researchers to address financial mismanagement in local municipalities. Using systematic literature review of sixty-two articles published between 2018 to 2025, and Auditor-General of South Africa audit reports, this study reveals that financial mismanagement within municipalities emerge from non-compliance with legislation, limited managerial and financial expertise, corruption and governance deficiency. This study suggests that local municipalities should strengthen their governance frameworks, providing targeted financial management trainings, improving accountability mechanisms to address financial mismanagement. This study proposes strategies that municipalities, policymakers and oversight institutions can apply to enhance financial management and ensure more equitable and inclusive service delivery.

Keywords: Governance, Finance Mismanagement, Local Government, Service Delivery

Introduction

Service delivery remains a vital part of human development and survival in the 21st century. It plays a crucial role in ensuring that ordinary citizens and communities have access to basic services and infrastructure. Matyana and Mthethwa (2023:01) state that these essential services include “in-pipe running water, electricity, and sanitation services”, while infrastructure includes roads, communication networks, transport, energy, water resources and information and communication technology (ICT) networks. In the same vein, Gazzeh & Abubakar (2018:71), state that service delivery is very important in ensuring that public policy mandates are met effectively. Whereas Waitheka et al. (2020) also endorses this view, but they link insufficient service delivery to violent protests that damage state resources and other essential infrastructure. These researchers also associated municipal issues, including “infrastructure and resource challenges, weak institutional arrangements, underdeveloped organizational ethics codes, and unaffordable alternative options,” with violent protests in local communities.

However, some researchers who claim that insufficient political will, poor accounting practices, corruption, a lack of consequence management, the hiring of inept personnel, and other factors contribute to South Africa's poor service delivery, also support these issues (Thusi et al. 2023; Zung et al., 2024). According to Moloto et al. (2020), most South African communities, particularly those in rural and urban peripheries, suffer greatly from inadequate service delivery; as a result, the government must make every effort to improve the situation. Again, poor service delivery impact such as strikes is always not good for municipal images as they trigger media attention. This assertion is also

supported by Mamokhere (2020) that government must find strategies to limit strikes in local government while promoting effective service delivery at the end of the day.

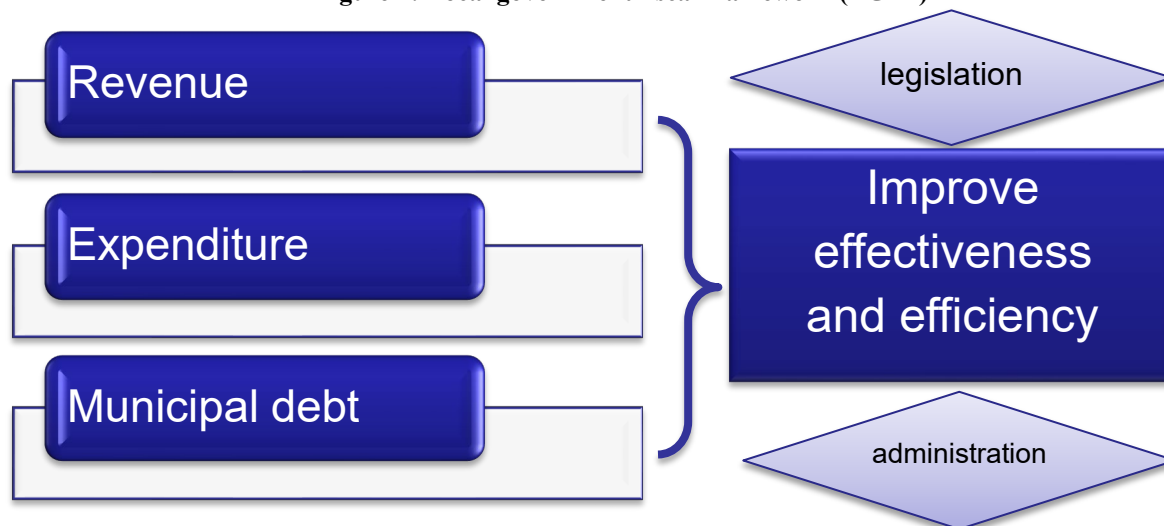
Good finance practices and governance remain one of the key mechanisms the municipalities must enforce to progress forward effectively. These mechanisms ensure that allocated funds are used in a satisfactory manner (Nagirikandalage *et al.*, 2020) and good decisions are taken within the institution. In support of the above assertion, Cele *et al.* (2022:02), state that “the lack of finance management skills and the lack of technical skills are as detrimental to developing an organisation as is the difficulty in accessing credit”. In other words, poor finance management skills result to poor service delivery and further damages the image which is not good for service provision and the image of the institution. In support Ajayi-Nifise *et al.* (2024), observed that proper finance management plays a critical to in maintain and sustaining institutions. These scholars further indicate that the effective implementation of finance practices enhances openness, transparency, security and efficient financial processes. In terms of South African perspective, particularly from local government, all municipalities are required to comply with finance practices in place which are in accordance with different legislations such Municipal Finance Management Act. The Auditor General was established in terms of Section 188 of the South African Constitution to oversee the effective implementation of accounting practices to municipalities and other public institutions. The aim behind this evaluation is to ensure that public funds are used in a most effective and efficient manner. Therefore, this study is undertaken to assess the current state of finance practices in municipalities to promote efficient and effective service delivery. The aim is to analyse closely findings of the Auditor General of South Africa (AGSA) and other relevant reports for finance practices particularly in local government.

Literature Review

Conceptualising public finance in local government.

As municipalities continue to navigate through fiscal challenges, understanding the principles of public finance has become increasingly important for public officials and the public for promoting sustainable financial controls within municipalities. According to Juhro, Syarifuddin, and Sakti, (2025), public finance refers to a subfield of economics that focusses on the activities of the government in terms of raising taxes and spending money. The organisation for economic co-operation and development (OECD) (2024) further describe public finance as the management and the administration of the country’s revenue, expenditure and serving debt. In the context of local government, public finance refers to the financial management practices employed by local government. Essentially, public finance within this sphere focuses on revenue generation, expenditure, budgeting, and financial reporting Juhro et al. (2025). It encompasses the management of financial resources required for the delivery of public services. The OECD (2024) argues that governments at all levels must establish credible public financial management frameworks designed to foster trust in budgetary governance and ensure sufficient fiscal capacity to respond to crises when necessary. The diagram below shows the local government fiscal framework.

Figure 1: Local government fiscal framework (LGFF)



Source: Authors Illustration of local government fiscal framework (LGFF) (2025)

The diagram above depicts the components of the LGFF and how legislative framework and administration can be used effectively to address municipal finance challenges. The LGFF refers to the available revenue of the municipality, as well as its expenditure responsibilities (National Treasury, 2021). In the case of a deficit, it also encompasses municipal debt service. The National Treasury, the South African Local Government Association, the Department of Cooperative Governance, and the Financial and Fiscal Commission (2021), in their joint presentation to Parliament, argued that municipalities are fit and capable of undertaking their core mandate of providing public services successfully if their LGFF is balanced. In other words, for municipalities to be considered financially viable, they must balance their revenue and expenditure commitments. This requires total compliance with the legislative framework governing the financial and fiscal matters of the municipality, such as the Municipal Finance Management Act. Lastly, municipalities depend on competent administrative authority to ensure their financial viability.

Methodology

This paper adopts a systematic literature review (SLR) to identify factors affecting financial management in local government in South Africa. This method enable researcher to provide an evidence-based summary of research (Madwe et al., 2025). The review focuses on journal articles published between 2018 to 2025. This approach is a structured and transparent for synthesising prior research to offer comprehensive understanding of a study. SLR guarantees a rigorous synthesis and identification of trends and research gaps (Xiao & Watson, 2019). The present research employed the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020. PRISMA 2020 provides a replicable and systematic procedure for literature selection (Madwe, Oluka & Mmatli, 2025).

The SLR covered the study period 2018-2025 and resulted in final sample of 62 articles sourced from Scopus and Google Scholar. The present study employed PRISMA 2020 as illustrated in Figure 1 and Table 3 for screening and eligibility process. Auditor-General of South Africa (AGSA) audit reports were also analysed separately as independent content analysis to support triangulation and contextual interpretation.

Search Strategy and Data sources

The Scopus, and Google Scholar was used as databases for this study. Academic publications, the Auditor General of South Africa's reports and reliable internet databases served as the study's main sources of data. The Scopus and Google Scholar were databases for this study. These data sources were selected based on credibility, relevance and institutional authority. When needed, scientific articles and publications were accessed through the widespread usage of key databases Scups and Google Scholar. The use of multiple independent data sources and systematic verification procedures ensures a balanced and objective synthesis of existing literature. This study employed measures to reduce internal bias and enhance methodological rigor through the systematic literature review and document analysis process.

The final sample for the present study retrieved a total of 62 documents reviewed, this included 6 Auditor-General of South Africa audit reports.

On 10 June 2025, we conducted online search with the aim of identifying existing studies focussing on factors affecting financial management, particularly in public sector. The search string was customised according to database functionalities. The databases were queried using Boolean search strings from 2018 to 2025 as shown in Table 1. The exact search strings, filters and parameters applied for each database are indicated in table 1.

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Table 1: Search strategy

Database	Search String	Date of Search	Filters
Scopus	(TITLE-ABS-KEY("public finance" AND "local government") OR TITLE-ABS-KEY("municipal finance" AND "governance") OR TITLE-ABS-KEY("audit outcomes" AND "municipalities") OR TITLE-ABS-KEY("financial management" AND "service delivery"))	10 June 2025	Year (2018-2025); Subject Area (Public administration, public finance, Governance, Economics, Management); Document type (reviewed articles); Language (English); Open Access
Google Scholar	"public finance challenges in local government" OR "municipal financial management South Africa" OR "Auditor-General audit outcomes municipalities"	10 June 2025	Year (2018-2025); Language (English); Open Access; Peer-reviewed articles

Source: Authors owns compilation

Inclusion and Exclusion Criteria for Relevant Literature

To provide a targeted and thorough examination of service delivery and accounting practices, the inclusion and exclusion criteria for pertinent material in this study were carefully established. The study mainly looked for peer-reviewed publications published in English, with a focus on research that explores the relationship between finance practices and service delivery. To control for sampling and bias, the study applied inclusion and exclusion, restricting the review to English-language and peer-reviewed journal articles and audit reports published between 2018 and 2025. This study focused directly on finance, governance and service delivery in government.

Table 2: Inclusion and exclusion

Inclusion	Exclusion
Articles written in English	Articles not written in English
Peer-reviewed articles and official audit reports	Opinion pieces, editorials, blog posts
Articles focusing on public finance, municipal governance, audit outcomes, or service delivery	Studies unrelated to local government or public finance
Articles within public administration, public finance, governance or management fields	Articles outside governance or finance-related disciplines
Open-access publications	Restricted or inaccessible full-text articles
Studies addressing financial management challenges in local governance	Studies focusing only on national or private-sectors finance.

Source: Authors owns compilation

Selection, filtering and refinement

Following the keywords developed in Table 1, a systematic search was performed in Scopus and Google Scholar. This search was conducted to identify articles eligible for screening through the g filtering stages.

The unfiltered search undertaken in Scopus returned 4166 articles, while Google Scholar produced 5 788. After the study filtered the search by publication period of 2018-2015, the retrieved articles were reduced to 3 875 in Scopus and 4 946 in Google Scholar. Subject area filter was applied in Scopus, and the search yielded 557 papers, and review articles filter produced 604 articles. Applying open-access filter in Google Scholar returned 150 articles. Limiting the search to document type which is reviewed articles yielded 190 papers. Language filter (English) was applied and reduced articles to 180. Finally, filtering by only open access articles produced 120 articles. In total 270 articles were taken forward for screening, where titles and abstracts were assessed for eligibility for inclusion in the review, as shown in table 3.

Table 3: Data filtering and refinement

Scopus		Google Scholar	
Filtering details	Number of Articles	Filtering details	Number of Articles
Search terms (all fields)	4 166	Search terms (all fields)	5 788
Filtered by years (2018-2025)	3 875	Filtered by year	4 946
Filtered by subject area	557	Peer-reviewed focus	604
Filtered by document type	190	Filtered by open access	150
Filtered by language	180	Final articles included	150
Filtered by open access	120	-	-
Final included from Scopus and Google Scholar (120 + 150)			270

Source: Authors owns compilation

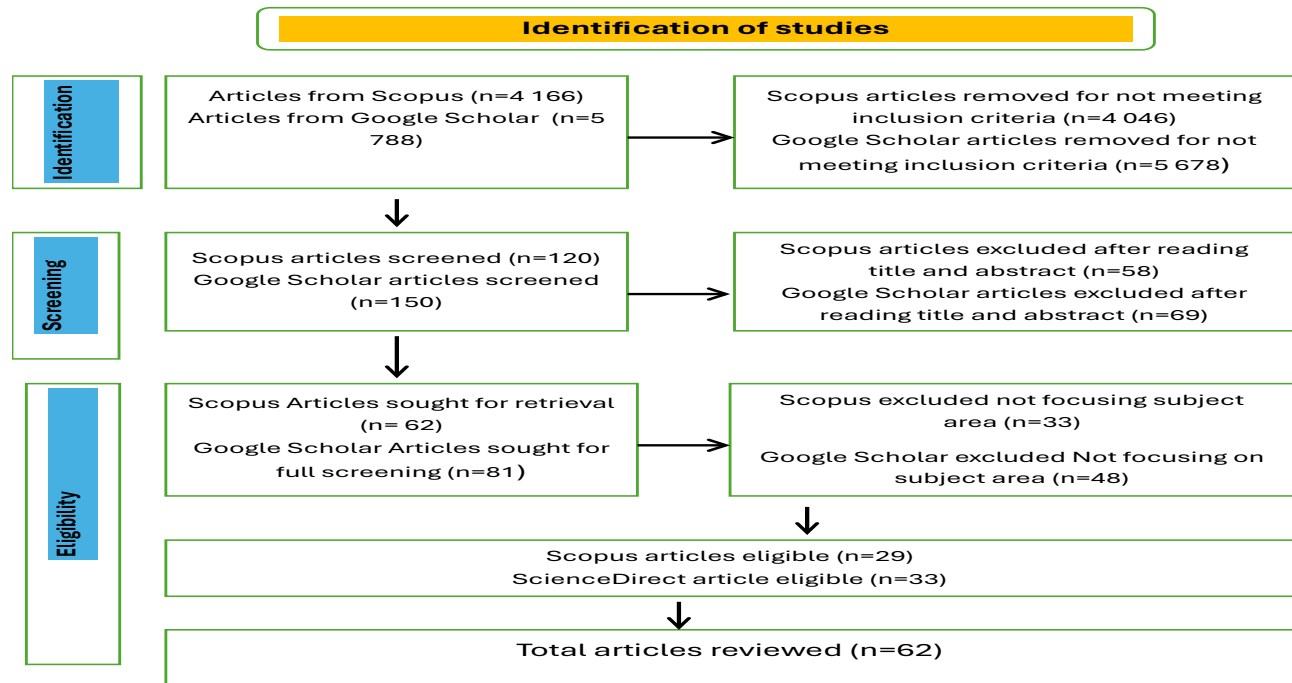
Screening for eligibility

In this screening stage, the remaining 120 Scopus and 150 Google scholar articles were screened based on their abstract and titles. Following the screening procedure, 58 Scopus and 69 Google Scholar papers were excluded for irrelevance to the research focus. Then, 62 Scopus and 81 Google Scholar papers were sought for full-text screening. Of these articles, 33 Scopus and 48 Google Scholar articles were subsequently excluded because they do not focus on the subject area of this study.

Finally, 29 Scopus and 33 Google Scholar papers met all eligibility criteria and were included for full review. Therefore, a total of 62 articles form the final dataset for the present study as illustrated in Figure 1.

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Figure 1: PRISMA 2020



Source: Authors' own elaboration adapted from Page et al. (2021)

Data Analysis

Data analysis was undertaken in two complementary stages. The review of 62 articles according to thematical coding framework, while AGSA audit reports were analysed to identify recurring trends of financial non-compliance and governance failures.

The content analysis methodology was used to analyse the data. This entailed grouping the data into themes that were pertinent to the goals of the study, like how effective accounting practices affects services delivery, adoption barriers, and emerging trends. The results were then combined to offer a thorough grasp of service delivery and accounting practices. This method made it possible to conduct a thorough review of the literature, which helped to identify knowledge gaps in the field and offered suggestions for further research. To address the interpretive bias, this research uses thematic coding framework which guided the identification and categorisation of recurring patterns across the literature. The emerging themes from literature were cross-verified with the evidence documents in Auditor-General of South Africa audit cycles to strengthen the credibility of the findings.

Findings

Based on the findings of the AGSA report for the financial year 2022/23, it is evident that most South African municipalities are struggling to achieve clean audits. For the financial year of 2022/23 only 34 out of 257 municipalities have received a clean audit status throughout South Africa. This is due to various reasons discussed below and further supported by the literature. The study is arguing that the following reasons affect the capacity of municipalities to manage the finances effectively.

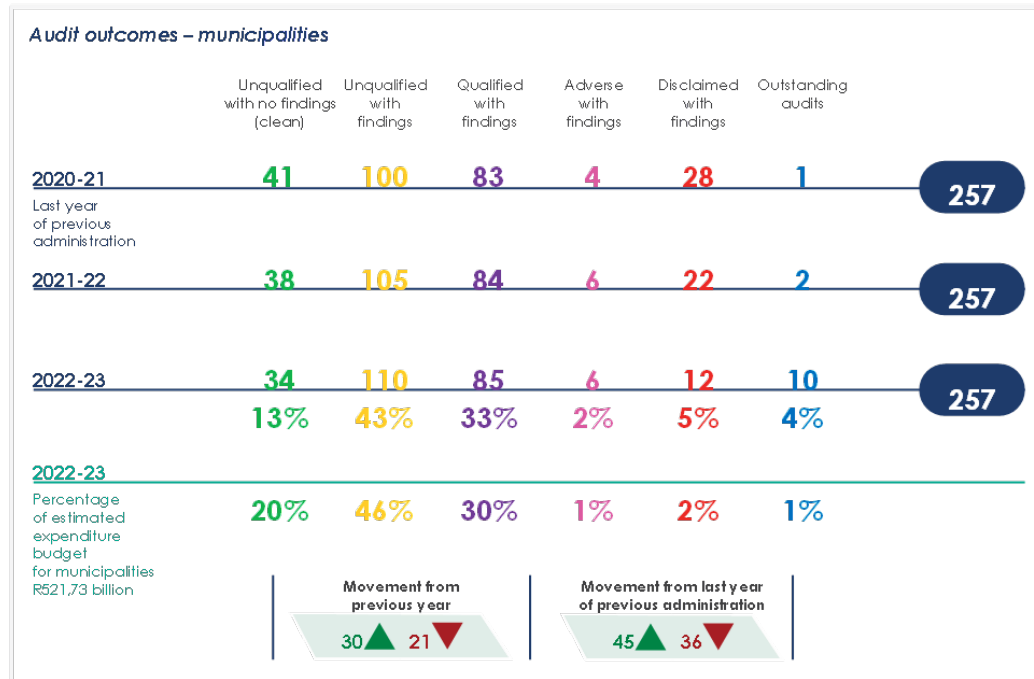
Figure 1: Audit report for municipalities from 2020/21 to 2022/23 financial year

- 01 Introduction
- 02 Overall audit outcomes
- 03 Service delivery and financial performance
- 04 Municipal irregularities
- 05 Call to action
- 06 Provinces

Audit outcomes are based on our audits of the financial statements and performance reports of municipalities and their entities, as well as their compliance with key legislation

The audit outcomes included in this report are those of the 247 municipalities with audits that had been completed by 31 March 2024, which was the cut-off date for inclusion in this report.

Overall, the audit outcomes have not improved meaningfully since the end of the previous administration's term.



Source: Auditor General of South Africa.

Causes of Finance Challenges in Local Government

Prior research and AGSA have reported financial mismanagement within South African municipalities. Previous studies link this problem to governance weaknesses, which compromise local governance ability to offer effective and essential service delivery. The main determinants of this crisis are discussed below

Failure to comply with mandatory legislations

The problem of non-compliance with supply chain management is documented as of on the prevailing challenges in both local and national government departments (AGSA, 2016). According to AGSA (2017) municipal official often fail to adequately prevent unnecessary expenditures, maintain revenue and asset records, or exercise adequate accountability on the financial asset entrusted with. The duties of municipal administrators include creating financial accounts, avoiding unnecessary expenditures, and overseeing strategy and performance objectives, as well as the management of revenue, assets, expenses, and human resources. In these regions, noncompliance was common (AGSA, 2017; Matyana & Sibiyi, 2025). Senior management's poor monitoring and review procedures led to mistakes and noncompliance going unnoticed (AGSA, 2018). In 92% of municipalities, there was serious noncompliance with crucial laws. The percentage of municipalities with supply chain management material compliance findings increased from 72% to 81%. According to AGSA (2019). This non-compliance with regulations resulted in billions of wasteful and fruitless expenditures, including 26 billion in 2021 alone, indicative of poor monitoring and consequence management. However, compared to five the year before, all eight municipalities that failed to reach a clean conclusion

had substantial findings on their performance reports (AGSA, 2020). Non-compliance with regulations prevents municipalities from obtaining clean audits and directly compromises financial health and service delivery (AGSA, 2022).

Lack of expertise in local government

Since the dawn of democracy in 1994, Municipalities have experienced numerous structural and personnel changes leading to outsourcing of preparation of financial statements to consultants. This heavy dependence on consultants indicates the skill deficit in both local and national government departments, particularly in financial reporting and oversight mechanisms (AGSA, 2016-2019). According to (ADSA, 2020-2023), reliance on consultants may lead to complacency among local municipality officials, limited skills transfer and procrastinate correction of error and implementation of audit recommendations (Mbokazi & Matyana, 2024). Municipalities that employ and retain qualified chief financial officers (CFOs) and municipality managers often receive clean audit, highlighting the importance of professional capacity in improving financial reporting and financial management. Municipal audit results continue to show worrying trend of the lack of financial skill and accountability in municipalities. Majority of municipal managers and CFOs have minimum qualification and minimum competencies prescribed by the municipal regulations on minimum competency levels.

Lack financial management

The financial statements submitted for auditing had significant misstatements in 42% of the 105 municipalities where consultants worked. The audit procedure is not under the consultant's control. The efficacy of using these specialists is a matter of concern (AGSA, 2016). Every municipality had significant conclusions on adherence to fundamental laws. These include mistakes in financial statements, problems with contracts and procurement, unnecessary and inefficient expenditure, poor performance and strategy management, and insufficient consequence management (AGSA, 2017). Financial statements provided for auditing were of worse quality than in previous years, and their quality decreased. According to AGSA (2018), just 22% of municipalities submitted financial statements free of material misstatements. According to AGSA (2019), 96% of the municipalities had significant findings regarding their adherence to the law. Due to inadequate control implementation in the finance section, the 2018–19 financial statements included several major misstatements that were corrected (AGSA, 2020). There are no significant misstatements (errors or omissions) in the financial accounts, which are reliable and trustworthy. For audits, 72% of municipalities submitted subpar financial statements (AGSA, 2021). Despite the tools and assistance available, municipal management controls had to be stronger to stop significant financial account misstatements (AGSA, 2022). The examinations of the governing structures were required to identify the substantial flaws in the financial statements of twelve municipalities. It was difficult to implement sanctions and increase responsibility in most examined towns since they had sufficient performance management systems and procedures (AGSA, 2023).

Corruption

Numerous official, scholarly, and grey literature sources provide extensive documentation of the pervasiveness of corruption in South Africa's public sector. The nation has adopted a law enforcement/organizational control strategy that combines institutional, policy, and legislative measures to fight corruption (Naidoo 2013). Honest people are deterred from entering the public sector by corruption, which erodes public trust. The South African government is attempting to create an ethical culture among government agencies and has implemented anticorruption measures as a result (Myeni et al., 2024). This is reflected in the Republic of South Africa's 1996-approved Constitution. The Constitution's Chapter 10 outlines the fundamental principles and ideals that guide public administration and promote and guarantee moral conduct in all branches of government (Vyas Doorgapersad, 2022; Thusi & Matyana, 2024). The post-1994 South African government was largely expected to play a key role in reviving the country's economy due to the destabilising practices of the previous apartheid administration. However, after 25 years of democracy, corruption has become a barrier to the country's development plan. The African National Congress (ANC) government has been associated with and embroiled in multiple corruption scandals since its establishment in 1994, which have enriched a small number of friends at the expense of the less fortunate (Mlambo, 2019; Thusi et al., 2023a).

Cybersecurity threats

Hossain et al. (2024) underscores that local government also face modern risks including cybersecurity breaches targeting sensitive financial data and global economic pressures requiring adaptation to international sensitive accounting standards. It's easy to understand why accounting firms have become as popular targets for hackers. Cybercriminals are keen to take advantage of the sensitive financial data that every company handles. Local municipalities are vulnerable to cybersecurity threats due to tight technology budget and inconsistent security

mechanisms (Javed et al., 2022; Hou et al., 2023). Prior research indicates that significant gap of knowledge related to cybersecurity still existing in local government (Norris & Mateczun, 2022). The government departments have confidential information, which is attractive resources for cybercriminals, such as passwords. Therefore, understanding of cybersecurity-related issues for local government is important to safeguard state limited resources. Local governments require reliable and resilient financial systems, cloud-based accounting tools, and robust cybersecurity protocols to address these risks.

Budget Management

Difficulties in budget management have led some local governments being placed under the administration by provincial governments (Zweni et al., 2022). The national governments allocate a budget, enabling municipalities to fulfil their constitutional mandate to provide essential services to citizens.

However, municipalities must carefully plan how to spend their limited funding, create an efficient budget, and then oversee their operations and meet their predetermined service delivery goals while staying under the authorised spending limit. Some researchers indicate that municipalities in South Africa do not fulfil their mandate as required due to poor budget management, including poor organised financial resources, lack of a good understanding of budget management among government official, leading to financial mismanagement (Maluleke, 2020; Mpaata et al., 2019). The treasuries advise the mayor and municipal manager to amend a budget that lacks funding before it is presented and approved in council. It is advised that those who disregard this guidance and adopt unfunded budgets change their minds during the February adjustments budget period the following year. In 2022–2023, 108 municipalities (42%) enacted underfunded budgets, compared to 111 (45%) that did so the year before, in defiance of Treasury advise. Approximately two-thirds of municipalities (67%) spent a total of R24,12 billion on unapproved expenses in 2022–2023 little lower than the R25.34 billion reported the previous year (AGSA, 2023). This indicates that towns either spent funds not authorised by the council in the approved budget or that the expenditures did not adhere to the terms of a specific grant.

At several of the metros, unapproved spending and unfunded budgets are prevalent, as are municipalities with disclaimed audit conclusions. It is observed from existing literature that many municipalities lack well-qualified employees, who are skilled and competent to manage budgets. Therefore, municipalities have failed to render services effectively, resulting in either over or under expenditure, which ultimately contributes to poor service delivery.

weaknesses in revenue management

According to Anar et al. (2018), it is usually that residents fail to settle their account when due, and this endanger the financial position of municipality. The effective collection of municipality's revenue is indicative of financial stability. Rates and taxes paid by property owners and users of municipal services (generated income) are the municipalities' main sources of funding, along with the money given to poorer (indigent) households by the national government in the form of conditional grants and an equitable share distribution.

The problem with revenue management in local government is three-fold:

- ✓ revenue is lost through water and electricity distribution losses
- ✓ consumers are not billed, or receive free basic
- ✓ services they are not entitled to
- ✓ debt is not collected

Municipalities lose money each year because of water and electricity outages brought on by deteriorating infrastructure. In water distribution losses totalled R13,89 billion for 128 of the 143 municipalities that supply water services (90%) with 46% of those municipalities reporting an average water loss above the 30% threshold (AGSA, 2023). 108 (66%) of the 163 municipalities that supply power saw an average electricity loss above the 10% standard, while 148 (91%) lost a total of R19,12 billion (AGSA, 2023).

Financial losses

Every year, the local government loses billions of rand due to ineffectiveness, carelessness, and bad decisions. Wasteful and ineffective spending persisted in rise, from R4,89 billion in 2022–2023 to R7,41 billion (AGSA, 2023). This sum might potentially be greater, since the City of Tshwane Metro in Gauteng was the largest contributor to the notable 26% increase at metros (an increase of R0.5 billion), primarily due to interest and penalties, which included a considerable restatement of spending from prior years.

The biggest contributor to the significant 26% increase at metros was City of Tshwane Metro in Gauteng (R0,5 billion increase), mainly because of interest and penalties, including a significant restatement of spending from previous years.

The main reasons municipalities are losing money according to the AGSA, include:

- ✓ poor payment practices
- ✓ unfair or uneconomical procurement practices
- ✓ no or limited benefit received for money spent –
- ✓ including the ineffective use of consultants
- ✓ weaknesses in project management
- ✓ fraud committed by officials.

Inadequate financial controls and unreliable reporting

Internal controls help municipalities to achieve their objectives by mitigating the risks of human error, incorrect decisions, fraud, abuse and loss. These controls also greatly enhance financial management and reporting while preventing monetary losses, waste, and violations. Despite the resources municipalities' systems and controls were insufficient to stop substantial misstatements in the financial accounts, and they lacked the support and resources necessary to facilitate sound financial management and reporting.

Policy recommendations

With respect to the failure of municipalities to comply with mandatory legislation, the paper recommends that municipalities strengthen their adherence to such legislation, particularly the MFMA. For example, municipalities could offer training programmes for their employees on legal and regulatory requirements for effective public financial management. Additionally, the paper recommends enhancing the management of consequences for non-compliance. This approach will ensure that the weak financial and performance management evident in local government, as indicated by the audit results, is adequately addressed.

Regarding the lack of proper financial management, the paper proposes that municipalities should strengthen their implementation of Municipal Standard Chart of accountants (mSCOA) to enhance their financial management practices. For instance, municipalities can improve their budgeting monitoring systems to ensure the smooth implementation of the municipal budget. The mSCOA is a South African standardized accounting system implemented by the national treasury to improve the financial and management and financial reporting in municipalities. In addition, municipalities must implement robust budgeting controls to prevent the adoption of unfunded budgets. For example, strengthening the national treasury's oversight on municipalities regarding unfunded budgets. Furthermore, the paper recommends that municipalities strengthen their oversight structures concerning municipal finance. For example, municipalities should empower the municipal public accounts committee (MPAC) with technical staff, such as budget analysts, in addition to MPAC researchers, to provide technical support to the committee in relation to the local government fiscal framework.

Lastly, the paper recommends the establishment of independent anti-corruption units to address corruption within municipalities. These units should develop a comprehensive anti-corruption framework. For example, municipalities could establish a public reporting platform that allows individuals to report crimes anonymously. Additionally, it is suggested that municipalities incorporate this framework into their key performance indicators. This strategy is currently being implemented in the office of the Premier in Gauteng where the anti-corruption framework is incorporated in their annual performance plans (APP) and has produced some positive results.

Recommendation for future research

The paper examined the challenges of public finance within local government and identified several issues faced by municipalities in South Africa. For example, the paper revealed that municipalities struggle to comply with mandatory legislation, lack expertise, encounter corruption, are exposed to cybersecurity threats, and are affected by global economic trends. However, the paper did not explore in greater depth the factors contributing to these challenges. Consequently, the paper recommends the following for future research:

- Explore the relationship between political dynamics and financial governance in municipalities to identify risk factors and solutions.

Novelty of findings

While there is a plethora of research on issues of corruption and non-compliance with mandatory legislation in South African municipalities (Pillay, 2016; Lekubu, 2013; Mabeba, 2021; Ledger, 2020; Mhlomi, 2022), the novelty of this paper's findings lies in the underexplored contemporary factors, such as cybersecurity threats which is clearly captured in the paper's results.

Conclusion

The primary aim of this paper was to assess the current state of finance practices in municipalities to promote efficient and effective service delivery. Furthermore, the paper aimed at analysing closely findings of the Auditor General of South Africa (AGSA) and other relevant reports for finance practices particularly in local government. This study's technique was organised as a content analysis and systematic literature review. This was to guarantee a complete and objective analysis of the body of current literature, facilitating a deep comprehension of finance practices and service delivery. Based on the data presented in this paper, the study found that municipalities in South Africa struggle to comply with mandatory legislation, lack expertise, encounter corruption, are exposed to cybersecurity threats, and are affected by global economic trends. According to the view of the Auditor General towards governance and accounting practices in local government, the paper found that municipalities struggle with unfunded budgets and overspending, weaknesses in revenue management, financial losses, inadequate financial controls and unreliable reporting. The paper offered policy recommendations for improved financial management and compliance with mandatory legislation. Lastly, the paper offered recommendations for future research.

The findings of this study were interpreted with due caution to account for potential internal biases inherent in secondary data analysis. Conclusion were derived from the patterns consistently observed across peer-reviewed literature and multiple Auditors-General of South Africa reports, instead of isolating cases or single audit outcomes. This strategy minimised the risk of over-generalisation and ensured that interpretation reflected systematic rather than episodic challenges in municipal financial management. Although this study relies on publicly available documents and audit reports, the consistence of findings across different sources and reporting period supports the validity of the conclusions. However, the study acknowledge that document-based analysis cannot fully capture all contextual or institutional dynamics influencing financial management at the municipal level. Future research may further reduce interpretive bias by including primary data methods such as interview or surveys case studies, which would offer deeper insights into decision-making processes and institutional practices within local government.

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