PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

GOOD GOVERNANCE IN LOCAL GOVERNMENT

THE ROLE OF ETHICAL LEADERSHIP IN RESTORING PUBLIC TRUST

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1. INTRODUCTION

Good governance in municipalities involves transparent, accountable, and inclusive administration that delivers sustainable services, fosters economic development, and encourages community participation. The Constitution lays the foundation for municipalities to be held accountable to its communities, as well as to ensure the provision of services to communities in a sustainable manner. Several pieces of legislation, such as the Local Government Municipal Systems Act (MSA), empower local government to fulfil its constitutional mandate. Other pieces of legislation, such as the Municipal Finance Management Act (MFMA), provides a framework for a democratic, accountable and developmental local government system whereas the MSA mandates that municipalities encourage community participation in planning, allocation of resources as well as in monitoring and evaluation. These are enacted to foster good governance in local government.

Despite such grandiose regulations and accountability mechanisms such as Municipal Public Accounts Committees (MPACs), local government has certain failures in provision of services as well as management of finances. Currently, 29 municipalities are under financial recovery plans (FRP)[1] whilst 76 are affected by the enforcement of Section 216 of the Constitution due to poor financial management. FRPs for South African municipalities are specialized, legally mandated intervention tools developed by the **Municipal Finance Recovery Service (MFRS) Unit** within the National Treasury. These plans are triggered under Chapter 13 of the MFMA when a municipality faces a serious financial crisis, such as an inability to meet obligations, persistent underperformance, or failure to adopt a funded budget. The Report on State of Local Government indicates that the number of municipalities in financial distress decreased from 168 in 2022/23 to 162 (4 per cent) in 2023/24.[2] The findings highlight persistent challenges, including the erosion of institutional capacity, weak financial management, and political instability, all of which continue to undermine good and effective governance.

Good governance in municipalities refers to the systems and processes that ensure local authorities act in the best interests of their communities through transparency, accountability, and ethical leadership. For good governance to be effective, a foundation of functional oversight structures (like councils and audit committees), and compliance with legislation to ensure efficient, corruption-free, and effective local service delivery is important.

The paper looks at the current state of governance in local government in South Africa, the mechanisms to enforce it and the role of ethical leadership in embedding good governance. The role players that are entrusted with enforcing good governance in municipalities is outlined in the latter part of the paper as well as challenges I enforcing good governance.

2. GOOD GOVERNANCE AND ETHICAL LEADERSHIP IN LOCAL GOVERNMENT

The role of local government leadership and the responsibility placed upon leaders necessitates ethical values of responsibility, accountability, fairness and transparency as underpinning governance principles. Good governance requires skilled administration, ethical conduct, and strong, inclusive leadership to foster trust, sustainable development, and economic growth.

Core Principles of Good Governance

According to frameworks such as **King IV** and the United Nations, effective municipal governance is built on several key pillars:

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[1] FRPs focus on governance, institutional stability, financial health, and service delivery.
[2] NT. 2024

- **Transparency:** Decisions and financial spending must be open to public scrutiny to prevent corruption and build trust.
- **Accountability:** Officials must be answerable for their actions, including the use of public funds and the achievement of service targets.
- **Public Participation:** Citizens should be actively involved in decision-making through platforms like **Ward Committees** and the Integrated Development Plan (IDP) processes.
- **Professionalisation:** Appointing qualified, ethical professionals based on merit—rather than political loyalty—to manage complex technical and financial roles.
- **Rule of Law:** Consistent and impartial enforcement of regulations, specifically the Municipal Finance Management Act (MFMA) to ensure sound financial stewardship.
- **Effective Financial Management:** Ensuring clean audits, managing resources efficiently, and curbing corruption.
- **Service Delivery Focus:** Prioritizing the consistent provision of basic services like water, sanitation, and refuse removal.

The SA regulatory framework includes pieces of legislation that enforces the principles mentioned above. However, despite all the enactments, ethical leadership ensures that these principles are applied in practice. Without ethical leadership to ensure that the principles above are implemented, these will remain attainable.

The current status quo in local government has not embraced all the principles of good governance. Out of the 257 municipalities, only 41 obtained unqualified audit opinions with no findings. [3]The Western Cape recorded the highest number with 20 municipalities followed by KwaZulu- Natal with 7 and Eastern Cape with 6 municipalities. A total of ninety-nine (99) municipalities obtained unqualified audit opinions with findings. KwaZulu-Natal recorded the highest number with 36 municipalities followed by Limpopo and Eastern Cape with 14 municipalities each. In contrast, 90 municipalities obtained qualified audit opinions with findings. The leading province was the Northern Cape with 20 municipalities followed by Eastern Cape and North West with 16 and 13 municipalities, respectively.

Most municipalities had findings relating to contravention of supply chain legislation and prescripts and the incurrence of unauthorised, irregular, fruitless and wasteful expenditure indicates lack of proper financial management. For the 2023/24 financial year, unauthorised expenditure amounting to R26.1 billion, irregular expenditure of R65 billion, and fruitless & wasteful expenditure amounting to R5.3 billion was incurred by eight metropolitan municipalities, the City of Johannesburg (49.6 per cent or R12.94 billion) being the largest contributor, followed by Mangaung (33.7 per cent or R8.81 billion).

[3] NT. 2024

3. MECHANISMS TO ENFORCE GOOD GOVERNANCE IN MUNICIPALITIES

There are mechanisms that are in place to ensure that good governance and ethical leadership is embedded in municipalities.

3.1 Regulatory framework to enforce good governance

a) The Constitution

The Constitution of the Republic of South Africa, Act No of 108 of 1996 (specifically Chapter 7) establishes local government as a distinct sphere of government with the mandate to:

- Provide democratic and accountable government for local communities.
- Ensure the provision of services in a sustainable manner.
- Promote social and economic development.
- Encourage the involvement of communities and community organisations in matters of local government

b) Municipal Structures Act (117 of 1998)

The Municipal Structures Act defines the categories and types of municipalities, regulates the internal operation of councils, and outlines the roles of office-bearers like Mayors and Speakers in order to promote order and good governance.

c) Municipal Systems Act (32 of 2000)

The Act focuses on internal governance, including service delivery, performance management, and human resources. It mandates the creation of Integrated Development Plans (IDPs) and emphasizes community participation.

d) Municipal Finance Management Act (MFMA) (56 of 2003)

The MFMA sets high standards for financial management, aiming to modernise budget and accounting practices. It establishes mechanisms for fiscal discipline, transparency, and accountability

3.2 Specialised mechanisms to enforce good governance

a) King Codes on Good governance

The Code provides voluntary principles for ethical and effective leadership, specifically adapted for municipal councils to improve risk governance and performance. The King Code also understands that corporate governance is a leadership issue. Ethical leadership is exemplified by integrity, competence, responsibility, accountability, fairness, and transparency.

The King Code defines corporate governance as “the exercise of ethical and effective leadership by the governing body”. Therefore, the King Code could be deemed vital for organisational success especially given the three elements that it covers:

- Leadership;
- Sustainability; and
- Good corporate citizenship.

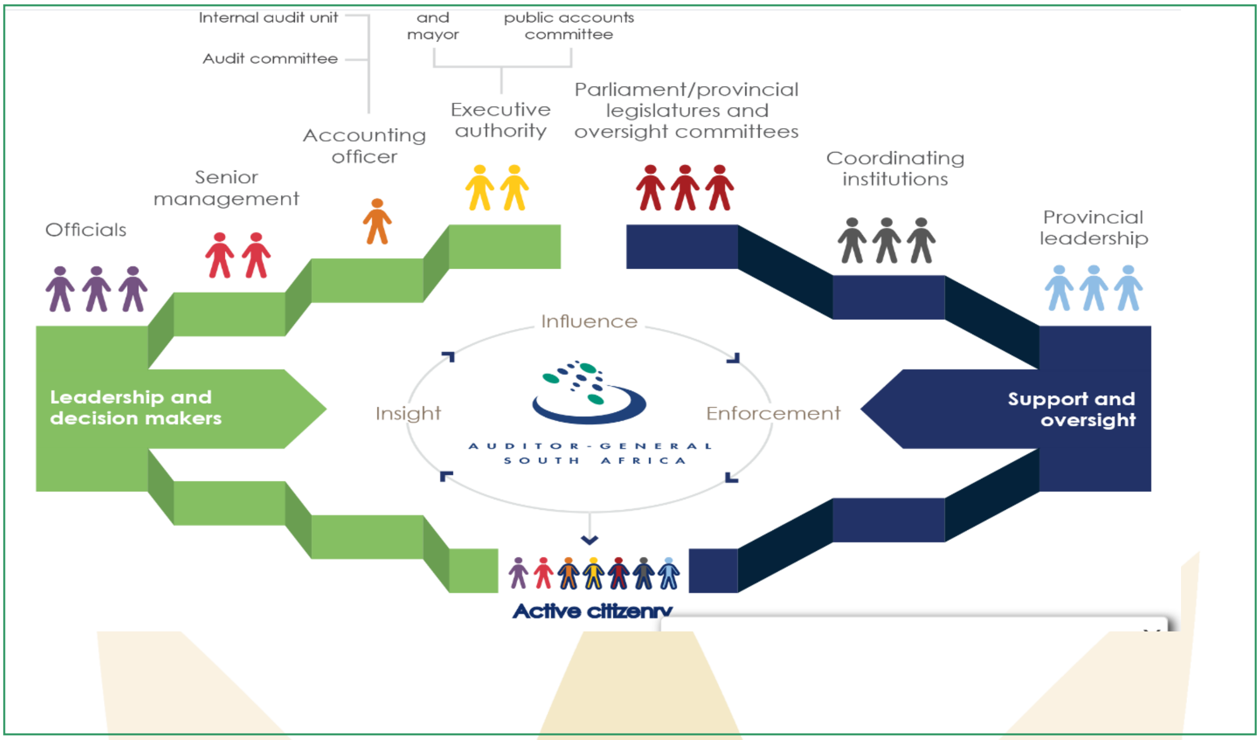
b) Municipal Integrity Management Framework

The framework was established in 2016 provides a structure for instilling ethical behaviour, preventing corruption, and managing conflicts of interest among municipal officials and to provide a structured approach for municipalities to implement the Local Government Anti-Corruption Strategy. Its purpose is to establish a structured, ethical culture within local government by preventing, detecting, and combating fraud, corruption, and misconduct. It promotes accountability, manages conflicts of interest, and ensures adherence to ethical standards, protecting public resources and increasing community trust.

3.3 Institutional mechanisms to enforce good governance

The Auditor- General (AG) highlighted the importance of the accountability ecosystem in improving financial management as well as service delivery in municipalities. The accountability ecosystem refers to the network of stakeholders that have a mandate and/or responsibility, whether legislative or moral, to drive, deepen and/or insist on public sector accountability. If all role payers identified play their roles diligently and effectively, the performance of municipalities will improve. The poor performance of municipalities reflects failures in the accountability ecosystem and failures in implementing a collaborative effort to ensure accountability in Local Government as their roles impact each other.

Figure 1: Accountability ecosystem for municipalities and role players



Source: AG, 2024

Role of the Speaker and Mayor

In terms of Section 4(2) of the MSA, 2000, the municipal council is the executive and legislative authority of the municipality and must use its resources in the best interests of the local community. The municipal council, as the highest authority in the municipality, has significant powers of approval and oversight responsibilities. As such, the speaker, as the chairperson of the municipal council, fulfils a critical oversight role to hold the political executives to account for their actions. The mayor (if the municipality has an executive committee) or executive mayor (if there is no executive committee) is the political leader who directs the fiscal and financial matters of the municipality. Section 56(3)(e) provides that the executive mayor must oversee service provision in the municipality and ensure that it is sustainable.

Role of the Municipal Manager

In terms of Section 60 of the Municipal Financial Management Act (MFMA), 2003, the municipal manager (MM) is the accounting officer of the municipality and he/she is accountable for the effective and efficient management of all municipal funds received and all payments made by the municipality. The MM, as the accounting officer of the municipality, fulfils a key accountability role to promote the sound financial management of the municipality. It is clear that while political office-bearers (mayor or executive mayor, speaker, municipal councillors) are responsible for overseeing the financial and administrative performance of the municipality, the municipal council holds the accounting officer and relevant municipal officials to account for the manner in which they manage the financial and administrative matters of the municipality.

Internal accountability mechanisms

a) Audit Committees

Audit Committees are established in terms of legislation and are responsible for:

- Advising the Accounting officer or authority, Senior management and Executive authorities on matters relating to financial and performance management governance

Additionally, Audit Committees should:

- Support Accounting officers in promoting accountability and service delivery by evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation;
- Intensify their reviews of the financial statements and performance reports to prevent material misstatements in the versions submitted for auditing; and
- Monitor and support the resolution of material irregularities, as this will add great value to the material irregularity process.

b) Internal Audit

Internal audit assist Accounting officers to execute their duties by providing independent assurance on internal controls, financial information, risk management, performance management and compliance with legislation.

c) Executive Authority

The Executive authority is responsible for conducting financial oversight including the following:

- Using reports from the Municipal manager and Senior managers on the municipality's financial and service delivery performance;
- Approving or overseeing certain transactions and events, such as the approval of the annual budget; and

- Investigating and acting on poor performance and transgressions, such as financial misconduct and unauthorised, irregular, and fruitless and wasteful expenditure.

Additionally, Executive authorities should:

- Ensure that they are familiar with the performance expected from Accounting officers and authorities and that such performance is properly managed by holding the Accounting officers and authorities accountable for the actions and decisions they take and implementing consequences for transgressions and poor performance;
- Ensure that Accounting officers and authorities implement the recommendations of internal Audit Units and Audit Committees, and use the opportunity to interact with these bodies to help improve governance and internal controls. They should also support the Accounting officer or authority by ensuring that there is an adequately resourced and functioning internal Audit Unit, overseen by the Audit Committee that can effectively identify internal control deficiencies and recommend corrective action; and
- Ensure that they monitor progress and support Accounting officers and authorities in addressing reported material irregularities and improving internal controls.

d) Municipal Public Accounts Committees (MPAC)

The Municipal Public Accounts Committees are responsible for:

- Improving governance, transparency and accountability; and
- Giving assurance to the Municipal Council on the credibility and reliability of financial and performance reports, compliance with legislation, and internal controls.

External accountability mechanisms

a) Premier's office, Treasuries, and Cooperative Governance Departments

These role-players have a coordinating and monitoring role as defined in legislation and in their mandates, which should contribute to the overall assurance process. They are responsible for:

- Supporting and strengthening municipalities' capacity to manage their own affairs, exercise their powers and perform their duties.

Additionally, Coordinating Institutions should:

- Enforce performance measures for Executive authorities and Accounting officers and authorities in order to change behaviour and introduce accountability into the ecosystem (i.e., what does not get measured usually does not get done).
- Implement decisive coordination, monitoring and corrective action on intergovernmental systems and processes without delay to reduce extraordinarily long turnaround times on consequence management processes (such as investigations by the Special Investigating Unit, prosecution by the National Prosecuting Authority, debt recovery by the State Attorney, etc.).

4 CHALLENGES IN ENFORCING GOOD GOVERNANCE

4.1 Political-Administrative blur and Lack of independence

The separation of administrative roles from political functions ensures reduced interference and inefficiency. Recent legislative amendments to the Municipal Systems Act draw a stronger line between the political and the administrative in municipal government by making certain categories of officials permanent employees (versus being employed on contract linked to political term) and by placing prohibitions on administrators holding political office. These reform efforts are paralleled, to some extent, for the national and provincial spheres of government in proposed amendments to the Public Service Act.[4]

Efforts to insulate the public administration from inappropriate political interference and instability at the executive level will remain an important reform imperative for building a more effective local state.

4.2 Political instability

Political instability is prevalent in metropolitan municipalities that are governed through a coalition government, and to a certain extent, has significant impact on the ability of the administrative leadership to make timeous decisions.[5]

A lack of capacity, weak governance, operational and institutional inefficiencies, and, to some extent, political instability are common factors in municipalities that consistently adopt unfunded budgets.

4.3 Ineffective Municipal Council

The Municipal Council should act as the focal point for and custodian of good governance. The Council should play an active role in the strategy development process. It should ensure that the long-term strategy and IDP are aligned to the expectations and needs of the members of the community and other stakeholders. Proper induction and skills development programmes for councillors are essential to ensure effective execution of duties. It is imperative to note that the implementation of the FRPs comes with limitations such as the sole dependency on the municipal council and municipal officials to rectify the situation and for successful implementation, especially when municipal councils fail in their oversight to prevent service delivery failure, retain statutory and executive powers.

4.4 Lack of required skills of Municipal Manager

Section 82 of the Municipal Structures Act obliges the municipal council to appoint the municipal manager (MM) and ensure that he/she has the relevant skills and experience. The necessary framework for delegation of authority should be put in place and although the Council delegates authority to the accounting officer and management, councillors should not be allowed to abdicate their duties and responsibilities to the community. MMs are the custodians of compliance, for example supply chain management.

4.5 Acting appointments

Acting appointments at the highest level particularly in the role of Chief Financial Officer (CFO), or in cases where both MM and CFO are filled on an acting basis significantly heighten risks to financial management, service delivery, and overall accountability. In the North West (NW) Province, acting appointments are particularly prevalent, highlighting significant leadership instability. Out of twenty-

[4] PARI. 2024
[5] PWC. 2010

two (22) municipalities, six (6) or (27.3 per cent) had acting Municipal Managers while Seven (7) or 31.8 per cent had the acting CFOs. It was noted that 13.6 per cent relates to both acting MM and CFO. This widespread reliance on temporary appointments underscores a serious governance and stability challenge across the Province.

Acting MMs generally operate with less authority, limited political legitimacy, and often limited time horizon to take difficult decisions leading to slow implementation of infrastructure projects, procurement, and restoration of essential services. The MPAC, Audit Committees and Councils find it more difficult to hold acting officials account due to changes in the acting positions.

4.6 Outsourcing of the internal audit function

Outsourcing the internal audit (IA) function in local government is a common practice used to address capacity constraints, improve technical expertise, and meet regulatory requirements. However, it makes the function to be susceptible to corruption as their appointments and continued business depends on executive decisions.

While in-house teams are often preferred for their organizational knowledge, many municipalities rely on external service providers to ensure effective, independent auditing.

4. CONCLUSION

Good governance in local government remains a challenge. The Government has instituted regulatory reforms and institutional mechanisms to embed good governance in municipalities. However, this has not been achieved. Ethical leadership in local government is important and crucial for fostering integrity, accountability, good financial management and service delivery.

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