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Evaluating the Effectiveness of Consequence Management in Enhancing Financial Governance in North West Provincial Municipalities

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Abstract:

Financial accountability is a fundamental pillar of good governance in municipalities, ensuring that public funds are managed transparently, efficiently, and in compliance with financial regulations. The major aims of this study were to know if the municipality role-players understand the meaning of financial accountability, the causes of financial misconduct and the need for consequence management. This research was grounded in the social constructivist paradigm, which assumes that individuals construct their understanding of the world through subjective meanings derived from their daily experiences. A qualitative research approach was central to the investigation, focusing on non-numerical data collection and narrative reporting of findings. Four district municipalities in the North West province, as well as their municipal finance personnel, make up the study population. A purposive sampling strategy was used to choose eight (8) local municipalities for this investigation. In addition, 48 participants were chosen, including municipal finance workers, councillors, and MPAC. In-depth interviews were used as the primary data collection instrument. To analyse the data, ATLAS-ti® software (version 25.0) was employed. This software facilitated the identification and organisation of themes and categories, which were then discussed in detail. Findings indicate that enforcing consequence management can serve as a deterrent against financial mismanagement. Participants emphasised that punitive measures against financial offenders, coupled with strengthened oversight mechanisms, are essential in promoting transparency and accountability. The study recommends the institutionalisation of a robust consequence management framework, regular financial training for municipal employees, and the adoption of digital financial tracking systems as necessary to improve efficiency. More so, eliminating political interference and enhancing public reporting structures are crucial for fostering a culture of accountability. The study concludes that without effective consequence management, municipal financial governance will remain vulnerable to corruption and mismanagement, ultimately hindering service delivery and development.

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Keywords:

Financial Accountability, Consequence Management, Municipal Governance, Public Financial Management, Ethical Leadership

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Introduction of the Study

Financial governance remains a critical pillar for the effective functioning of any government institution, particularly at the municipal level where the delivery of essential services directly impacts the lives of citizens. In South Africa, the North West Province has faced significant challenges in maintaining sound financial governance within its municipalities (Enwereji & Uwizeyimana, 2022). Issues such as mismanagement of public funds, corruption, and lack of accountability have plagued many municipalities, leading to poor service delivery and a loss of public trust. There have been incessant riotous protests that led to the destruction of public properties and lives in several municipalities. These challenges have highlighted the urgent need for robust mechanisms to ensure that public resources are managed transparently, efficiently, and in alignment with legislative frameworks (Moji, Nhede & Masiya, 2022).

One of the key strategies proposed to address these issues is the implementation of consequence management. Consequence management refers to the systematic approach of holding individuals and institutions accountable for their actions, particularly when those actions negatively impact organisational performance or public trust (Enwereji, 2022). It involves the application of corrective measures, sanctions, or incentives to ensure that financial misconduct is addressed and that responsible parties are held accountable (Mishi, Mbaleki & Mushonga, 2022). Lundmark, Richter and Tafvelin (2022) affirm that consequence management refers to the systematic process of holding individuals, teams, or organizations accountable for their actions, decisions, or performance by applying appropriate consequences. These consequences can be either positive (rewards, recognition, or incentives) or negative (sanctions, penalties, or corrective measures), depending on the nature of the behaviour or outcomes. The primary goal of consequence management is to ensure accountability, promote compliance with established rules and standards, and deter misconduct or poor performance. While legislative frameworks such as the Municipal Finance Management Act (MFMA) and oversight bodies like the Auditor-General provide a foundation for accountability, the effectiveness of these measures often depends on the consistent and fair application of consequences (Thusi & Selepe, 2023).

In the North West Province, the effectiveness of consequence management in enhancing financial governance has been a subject of debate. Despite the existence of policies and structures aimed at promoting accountability, many municipalities continue to struggle with financial mismanagement and non-compliance without being subject to proper consequences (Enwereji & Potgieter, 2022; Enwereji, 2022). This raises important questions about whether the current systems for enforcing consequences are sufficient, practical, or consistently applied. *Are municipal officials and administrators being held accountable for their actions? Are the consequences for financial misconduct strong enough to deter*

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future violations? These questions highlight the need for a deeper understanding of how consequence management operates in practice and its impact on financial governance.

This study seeks to evaluate the effectiveness of consequence management in enhancing financial governance within North West Provincial municipalities. It explored the existing practices and challenges related to holding individuals and institutions accountable for financial misconduct. The major aims of this study were to know if the municipality role-players understand the meaning of financial accountability, the causes of financial misconduct, and the need for consequence management. Through an analysis of case studies, stakeholder perspectives, and legislative provisions, the research will identify gaps and opportunities for strengthening accountability mechanisms. The findings of this study will contribute to the broader discourse on improving financial governance in the local municipal sector, to ensure that public resources are managed responsibly and that municipalities can deliver services effectively at the grassroots level as enshrined in the Constitution of South Africa.

Background of the Study

Manyaka (2014) affirms that post-apartheid South Africa has been struggling with providing effective service to the citizens. The government implemented several reform measures in 1994 to transform the local municipality legislature. Furthermore, to sustain the finances of municipalities, local municipalities in South Africa must function within the required financial laws and regulations that have been promulgated. The Local Government: Municipal Systems Structures Act (Act 32 of 2000) specifies that “local municipalities should organise committees for the operational and competent fulfilment of any of its functions” to help local municipalities practice sound financial management. According to this guideline, a Municipal Public Accounts Committee (MPAC) should be established to serve as an oversight body for local municipalities' executive obligations. Please, check the amended Municipal Structures Act enacted last year December for the expanded powers and functions of MPAC.

Furthermore, according to the guidelines for establishing MPAC (2011), the original function of this committee was to ensure accountability. The Municipal and Financial Management Act also specifies the procedures by which municipal councils should carry out their oversight responsibilities without interference from the administration. Sections 52(b) and 103 of the Code of Conduct for Councillors, as well as Schedule 1 of the Municipal Systems Act, both stipulate this (Act 117 of 1998). The Public Finance Management Act, 1999 (PFMA 1 of 1999) regulates the management of the government's fiscal and provincial spheres, as well as public institutions. The Annual Division of Revenue Act, 2013 (B2-2013) intends to reform the public sector finances, whereas Section 214 of the Constitution (1996), allows for equitable revenue shares and allocations to provinces and municipalities. The Annual Division of Revenue Act mandates that the national revenue be shared among the three branches of government. The conditional allocations are made available to stakeholders (provinces and municipalities) for them

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to prepare budgets and improve policy coordination. The Act also fosters transparency and accountability to guarantee that budgets are handled fairly by the bodies in charge of these finances.

“The municipal accounting personnel should ensure effective management of financial resources, transparency, risk management, and internal financial control,” according to Section 62(c) (1) of the MFMA. According to Smit (2007), there are several governmental initiatives, including National Treasury initiatives that provide guidance on risk management and internal control systems in municipal financial management to assure accountability. Despite this, most municipalities face major financial accountability challenges as a result of the MFMA processes that are implemented wrongly. The Auditor General has repeatedly condemned the annual reports generated by South African municipalities, particularly those of the North West province, due to improper implementation of due processes. The condemnation in the AG reports all point to the persistent occurrence of irregular expenditure, unauthorised, fruitless, and wasteful expenditures (National Treasury, 2020). According to Thusi and Selepe (2023), although supply chain management, information technology, internal control measures, and human resource concerns may contribute to these deviations, these are insufficient reasons for the poor financial and management averred by the local municipalities.

All supply chain policies are in order, according to the Auditor General's Report (2023), but municipalities lack the ability to monitor compliance and enforce order in municipal supply chain management. In addition, effective risk management, internal control measures, efficient record-keeping, and contract administration are all inadequate. These inadequacies and fissures have resulted in financial mismanagement and a reduction in the financial capabilities of most local municipalities. Some percentages of local municipalities in the North West province fail to file financial reports on time, which is cause for alarm. Furthermore, the financial figures given show a high level of unlawful, irregular, inefficient, and pointless spending. The disappearance of tender documents, unfair and non-competitive procurement, and a lack of basic water and sanitation services are all examples of municipal financial failures (Auditor General, 2023).

However, the rise in outstanding audits and the persistent number of qualified and adverse opinions in South African municipalities as presented in Table 1 highlight the ongoing challenges in financial governance and compliance. The steady increase in unqualified audits with findings suggests that while municipalities are making progress, there is still room for improvement in addressing financial irregularities and ensuring full compliance with reporting standards**.** According to the reports on irregular, fruitless, unauthorised, and wasteful expenditure in the North West province as presented in Table 2, the data paints a troubling picture of financial mismanagement in the North West Province, particularly with the exponential rise in irregular expenditures. While there are signs of improvement in unauthorised spending, the overall trends stress the need for stronger financial governance, stricter compliance measures, and better accountability mechanisms to address these issues effectively. The summary of

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submitted municipal financial reports and municipal expenditures in the North West province are shown in Tables 1 and 2 below.

Year	Unqualified with no findings	Unqualified with findings	Qualified with findings	Adverse with finding	Disclaimed with findings	Outstanding audits	No.
2019-20	41	100	30	2	10	4	257
2020-21	41	100	83	4	28	1	257
2021-22	38	105	84	6	22	2	257
2022-23	34	110	85	6	12	10	257
2023-24	142	168	58	4	5	38	257

Table 1: Summary of submitted municipal financial reports in South Africa (2017-2021) (Source: Auditor General Reports 2019/20-2023/24)

Note: The accounting terms in this table are explained in Appendix

Years	Irregular expenditures	Fruitless and wasteful expenditures	Unauthorized expenditures
2019/2020	R4 171 m	R422 m	R451 m
2020/2021	R3,99 b	R627,2 m	R550 m
2021/2022	R30,99 b	R83,74 m	R489 m
2022/2023	R37,21 b	R487,85 m	R151,86 m

Table 2: Summary of Irregular, fruitless and wasteful, and unauthorised expenditure in the North West province (2019/20-2022/23) (Source: Auditor General Annual Report 2019/20-2022/23)

Statement of the Problem

The persistent failure of municipalities in the North West Province to achieve clean and credible audit outcomes highlights a critical challenge in financial governance. Despite the Auditor General's consistent diagnosis and recommendations to address audit irregularities, unauthorised, irregular, and fruitless/wasteful expenditures continue to escalate. This trend points to a systemic failure in implementing effective consequence management systems, which are essential for enforcing accountability and ensuring compliance with legislative frameworks. While existing studies (Fourie et al., 2011; Pauw et al., 2013; Enwereji & Potgieter, 2020) have explored the role of legislative frameworks

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in curbing financial mismanagement, there remains a significant gap in understanding how consequence management can be leveraged to enhance financial governance at the municipal level.

The core problem is that the absence of robust consequence management mechanisms in North West Provincial municipalities has undermined financial accountability, leading to poor service delivery, deteriorating infrastructure, and stalled economic development. Without effective systems to hold individuals and institutions accountable for financial misconduct, municipalities struggle to adhere to legislative requirements and manage public resources responsibly. This study seeks to evaluate the effectiveness of consequence management in enhancing financial governance, to identify strategies to close the gap between legislative frameworks and their practical implementation, ultimately improving accountability and service delivery in the North West Province.

Public Accountability Theory

Public Accountability Theory has its roots in classical governance and democratic principles, dating back to the works of political philosophers such as John Locke and Jean-Jacques Rousseau. These scholars emphasised the need for public officials to be held accountable to the citizens they serve. The theory evolved further in the 20th century with the rise of modern democratic institutions and public administration frameworks. Scholars like Romzek and Dubnick (2018) contributed to its development by categorising different types of accountabilities, including legal, professional, political, and bureaucratic accountability. Today, the theory is widely used in public sector governance to ensure transparency, ethical leadership, and responsible decision-making in managing public resources.

Public Accountability Theory is built on several core concepts which include answerability, enforcement, transparency, and responsibility (Smyth, 2007). Answerability refers to the obligation of public officials to justify their decisions and actions to oversight bodies and the public (Dowdle, 2017). Enforcement ensures that consequences are applied when officials fail to uphold ethical and legal standards. Transparency involves making information about public sector activities readily available to stakeholders, thereby preventing corruption and mismanagement. Responsibility highlights the ethical and moral duty of public servants to act in the best interest of the public. These concepts collectively establish a framework that promotes good governance, deters financial misconduct, and fosters trust in public institutions (Romzek & Dubnick, 2018).

Public Accountability Theory plays a crucial role in consequence management by providing a structured approach to holding municipal officials accountable for financial governance (Dubnick, 2012). The theory justifies the need for clear policies that define expected conduct, mechanisms for oversight, and disciplinary measures for non-compliance. Without effective accountability structures, municipalities may experience unchecked financial mismanagement, leading to service delivery failures ((Romzek & Dubnick, 2018). In the context of North West provincial municipalities, the application of this theory can

help establish stricter enforcement mechanisms that ensure municipal officials face consequences for financial misconduct. This strengthens institutional integrity and reinforces public confidence in local governance.

The Public Accountability Theory was selected to underpin this study because it directly aligns with the research focus on evaluating the effectiveness of consequence management in enhancing financial governance. The theory provides a practical lens to assess how municipalities can improve oversight, transparency, and compliance with financial regulations. Given the widespread financial misconduct in North West provincial municipalities, a strong accountability framework is necessary to prevent further mismanagement. This theory offers a comprehensive approach to understanding the systemic weaknesses in municipal governance while advocating for enforceable policies that promote ethical leadership and responsible financial management. Its application ensures that consequence management is not just a reactionary measure but an embedded institutional practice that safeguards public funds and enhances service delivery.

Consequence Management

Consequence management refers to actions taken by management to maintain or restore essential services and correct and mitigate errors occurring from performance. The recurrent emphasis on transparency and the implication of non-compliance is a social menace in society today and a response to corruption between national and private leadership. In developing and developed countries, there is a need for local municipalities to be accountable to the provincial or national government to guarantee that residents receive their democracy dividends (NT, 2018). Municipalities in South Africa have many strategic tools available in the battle against corruption and maladministration, and their attempts to improve strategic and personal credibility, following 25 years of municipal government in a growing democratic phase have not been proven effective (AG, 2019). Given the number of institutions created, and anti-corruption frameworks and instruments adopted (Jackson, 2018), the local municipality's ability to implement anti-corruption norms on administrative and political leadership has remained unsuccessful. This reflects the ineffective legal, regulatory, or functional codes, as well as the degree to which the bureaucracy follows certain requirements.

COGTA (2018) in the State of Local Municipal Report described transparency and internal control techniques in the local municipalities as the main strategies to improve governance. The previous reports by the Auditor-General have consistently depicted that municipal compliance with legislation is very weak and that there is a lack of imposed penalties for corrupt leadership. There are severe legislative and other types of transgression at the political and administrative levels, yet no consequence management. COGTA (2018) confirmed that municipalities are the targets for transgressors who have confidence that the mechanisms of municipalities to manage consequences are poor, while their

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methodologies of detection are ineffective and can be exploited. To ensure the realisation of oversights and other control measures, SALGA is creating the C&A system for local implementation to be improved. The lack of consequence management in local municipalities could be considered the cause of poor regulation or corruption and a product of a lack of enforcement mechanisms. The C&A System is established to ensure that administrative and political leaders do not refrain from constituted legislative precedents while the consequences of mismanagement or corruption are applied (SALGA, 2019).

Adequate stakeholder engagement is highly required to promote transparency. Many existing statutory regulations are broad and detailed and contain references to outcomes and transparency in broader sections. Simple access requires the immediate availability of specific knowledge that makes implications and transparency issues concrete. Thus, the proposed Implications and Transparency System seeks to provide a descriptive and open mechanism for accessing relevant information. The promotion of compliance with the laws and due responsibility in the public sector is a key component of the South African government's intergovernmental relations policy. In this regard, supervision, as well as transparency of the local, provincial, and national governments is an established verdict in the South African Constitution. This was emphasised in Chapter 3 of the Constitution, which discussed the effectiveness of intergovernmental ties. The constitution also establishes the national and provincial governments' broad authority and responsibilities for overseeing municipalities.

For provincial and national governments to have jurisdiction over communities, they must enact legislation governing local governments. They are also supposed to supervise and help municipalities, as well as intervene when municipalities break the rules. This was established in the Constitution's Sections 155(6) and (7), as well as Section 216(1), which provided for national and provincial powers to control, track, and assist. Sections 139 and 216(2) of the South African Constitution also provide for an oversight process and a halt to financial transfers. Financial mismanagement of local governments, according to the National Treasury (2018), results in a loss of financial resources, a loss of financial resources for essential services, a loss of confidence in local governments, irregular, wasteful, unauthorised expenditures, poor financial reports, and the inability to act against fraudsters. Lack of skills and capacity, inability to comply with legislative precedents, lack of follow-up on processes or procedures, inability to appoint the disciplinary board on time, inability to report to the provincial treasury, lack of planning and strategic management, and inability to investigate financial misappropriation of administrators and political leaders are all listed as causes of adverse effects.

However, the government outlines adequate legislative precedents to guide the financial management of local municipalities but the inability to follow these legal precepts has resulted in adverse mismanagement of public financial resources. On the offenses of municipal leaders, the Municipal Finance Management Act Section 173 asserts that any financial offense committed by any administrator should be reported to SAPS immediately for investigation. In terms of punishments, Section 174 of the

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same MFMA states that a public officer is subject to imprisonment for a period not exceeding five years or an appropriate fine decided by applicable legislation upon conviction of an offense under Section 173.

The Auditor General (2020) posits that consequent management is important in maintaining public sector accountability. Without consequence management, organisations are considered as not leading but creating chaos. Organisations are therefore required to create standards and educate teams to follow strict standards in an endeavour to achieve accountability. In the speech of the Auditor General in 2018, accountability is achievable in public space, and public servants are expected to clearly state their expectations, observe if their expectations are met, and enforce consequences for any deviations. In addition, the AG (2018) offered CIGFARO a methodology for effective public sector consequence management.

The consequence management framework depicts that public managers should plan, do, check, and act in an endeavour to apply consequence management in the public sector. Regarding plans, managers should create goals that should be achieved by all units, and this should be clearly stated and communicated to all concerned. In doing this, managers are expected to position both internal and external control measures, information and communication technologies (ICT), and basic financial management controls in place. In checking, managers are required to check deviations consequent to the standards set by the management. In a situation where deviations from the set standards and available legal precedents, management is required to act by applying the content of the law against defaulters. This framework should be applied by all public sectors to impose accountability and order in all facets of public performance and administration (AG, 2018).

Research Methods

This study aimed to know if the municipality role-players understand the meaning of financial accountability, the causes of financial misconduct, and the need for consequence management. This research was grounded in the social constructivist paradigm, which assumes that individuals construct their understanding of the world through subjective meanings derived from their daily experiences (Creswell, 2014). This paradigm was particularly suited to the purpose of the study which was to evaluate the effectiveness of consequence management in enhancing financial governance in North West provincial municipalities. The researchers were able to delve deeply into the participants' perspectives, capturing their traditional, social, and contextual understandings through meaningful interactions. This approach allowed for an exploration of the complexities surrounding financial accountability in municipalities.

A qualitative research approach was central to the investigation, focusing on non-numerical data collection and narrative reporting of findings (Bryman & Bell, 2015). This approach was instrumental in gaining a comprehensive and in-depth understanding of the challenges and dynamics related to financial

accountability in municipalities. To address the research problem, an exploratory research design was chosen. This design was particularly appropriate given the limited existing information on why municipalities in the North West Province struggle to achieve financial accountability. The exploratory design enabled the researchers to probe deeply into the experiences and perspectives of key role-players in the municipalities, uncovering insights that might otherwise remain hidden.

The study was conducted in the municipalities of the North West Province, which served as the primary research site. The North West province was selected for this study due to financial misconduct within its municipalities and the failure to enforce consequences on the responsible role-players. Four district municipalities in the North West province, as well as their municipal finance personnel, make up the study population. A purposive sampling strategy was used to choose eight (8) local municipalities (two from each district municipality) for this investigation. In addition, for this study, 48 participants were chosen, including municipal finance workers, councillors, and MPAC. Municipal accountants, municipal managers, supply chain managers, and internal auditors are among the financial employees. In this study, the five local municipalities were selected purposively for this study. Andrade (2021) maintains that a purposive sampling technique refers to the selection of respondents based on personal judgment. Campbell et al (2020) and Andrade (2021) affirms that the adoption of purposive sampling enhances an assurance of originality of data collection due to interaction with participants, also the best respondents who can contribute to a study will be selected for data collection. Regarding member selection, participants were selected purposively including 48 role-players in the municipality of which thirty-six participated actively. These role-players consist of municipal accountants, municipal managers, the Municipal Public Account Committee (MPAC), and selected councillors. In-depth interviews were used as the primary data collection instrument. This method allowed the researchers to gather detailed insights by asking a series of structured yet flexible questions. The interviews were designed to elicit the participants' opinions, experiences, and suggestions for improving financial accountability. To analyse the data, ATLAS-ti® software (version 25.0) was employed. This software facilitated the identification and organisation of themes and categories, which were then discussed in detail. The empirical findings were corroborated with non-empirical data, ensuring a robust and comprehensive analysis.

The study adhered to rigorous standards of trustworthiness, which were maintained through the principles of credibility, transferability, dependability, and confirmability. These measures ensured that the findings were reliable, valid, and applicable to other contexts. Ethical considerations were also prioritised throughout the research process. Key ethical principles such as informed consent, anonymity of responses, voluntary participation, and protection of participants' safety were strictly observed. Furthermore, researchers maintained a professional distance from the interviewees, ensuring objectivity and avoiding bias. Plagiarism was carefully avoided in the reporting phase, and all sources were appropriately credited. Table 3 presents the sites and participants selection of the study.

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District municipality	**Local municipalities**	**Local municipalities selected**	**No. of municipal role-players selected**	**No. of MPAC selected**	**No. of councillors selected**
Ngaka Modiri Molema	Mahikeng Ditsobotla Ramotshere Tswaing Ratlou	Mahikeng Ditsobotla	2 2	2 2	2 2
Bojanala Platinum	Madibeng Rustenburg Moretele Kgetlengrivier Moses Kotane	Rustenburg Kgetlengrivier	2 2	2 2	2 2
Dr Ruth Segomotsi Mompati	Kagisano-Molopo Naledi Mamusa Lekwa-Teemane Greater Taung	Naledi Greater Taung	2 2	2 2	2 2
Dr Kenneth Kaunda	JB Marks Maquassi Matlosana	Maquassi Matlosana	2 2	2 2	2 2

Table 3: Site and participant selection for the district municipalities

Table 3 depicts that six (6) participants were selected from each of the municipalities making a total of forty-eight (48) participants

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Presentation and Discussion of Findings

This section presents the findings obtained from the interviews with the municipal role-players, MPAC, and the councilors. The study interviewed forty-eight (48) participants, unfortunately, thirty-six (36) participants were interviewed making a total of 75% response rate. The interviews were a mix of online and face-to-face and captured through field notes and audio recordings. The researcher used interview guides to regulate the flow of the interviews with the participants. In the view of Serame (2011), the findings of a study remain valid when a 70% response rate is achieved, and this ascribes validity and reliability to the findings of this study. During data analysis, the researcher read through the responses and codes were generated. ATLAS.ti software (Version 25.0) was used to arrange the responses into themes and categories. Themes represented the research objectives and categories represented the responses from the participants. The themes and categories were interpreted and discussed. Pseudonyms were used to represent the role-players in this study. Role-players were denoted as RL1–RL12, members of the Municipal Public Accounts Committee (MPAC) as MP1–MP12, and councilors as CO1–CO12.

The Meaning of Financial Accountability

This section explored if the participants understood the meaning of financial accountability. Their responses are summarised in ATLAS.ti network diagram in Figure 1.

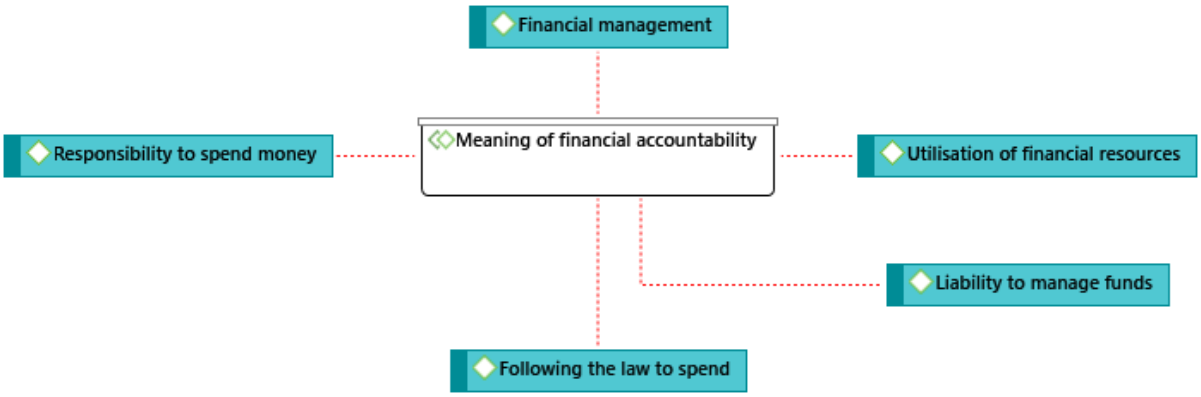


Figure 1: Participants' perceptions on the meaning of financial accountability

In Figure 1, participants indicated that financial accountability means proper financial management, adequate utilization of financial resources, liability to manage public funds, following the law in spending public funds, and the responsibility to spend money. The responses from these participants' perceptions share the same direction which is the ability to manage public funds and to be accountable for this expenditure. The direct excerpts from the participants are as follows:

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***RL1 said**, "Financial accountability depicts the ability of municipal financial employees to handle municipal finances competently".*

***In this case, RL2 said**, "I can say that adequate financial management is needed to achieve financial accountability".*

***RL4 said**, "Financial management entails the ability to manage funds competently, when you don't manage your finances well, you cannot achieve financial accountability".*

***RL7 and RL9** concurred that "Adequate financial management depicts sound financial accountability".*

***RL5 said**, "I can agree that financial accountability entails the ability to manage public funds…public financial accountability cannot be attained when you cannot manage public funds effectively, also when you cannot be accountable to spending the funds entrusted unto your care".*

***RL8 said**, "Accountability is simply the ability to handle funds".*

***RL9 replied** "Public financial accountability is the responsibility to handle money belonging to the public. When a person is given the mandate to spend the public funds…that person becomes responsible and accountable to manage the funds".*

***In the same direction, MP3 said** "Financial accountability points towards the equitable utilisation of financial resources".*

***MP4 said**, "Whenever we review the financial reports of the municipal role-players, we discover that there are irregular, unauthorised and fruitless expenditures, and then we can infer that some funds spent do not attain accountability".*

***MP5 and MP7 confirmed that** "Financial accountability means the act of spending wisely with public funds".*

***MP8 and MP9 confirmed**, "Some municipal role-players spend recklessly even without abiding with the laws guiding municipal finances… so accountability in this case is the ability to spend municipal finances while observing laws guiding municipal finances".*

***CO12 confirmed** "Some laws guiding the municipal finances such as MFMA and PFMA specify how to handle municipal funds but unfortunately, some municipal financial administrators do not follow these legislations…we cannot attain financial accountability if we don't follow the financial laws…so financial accountability depicts the ability to spend the public funds while following the laid down laws.*

***Also, CO11 concurred that** "Accountability is attained when the public financial resources are judiciously utilised".*

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In the same direction, CO4 affirmed *"Public accountability is synonymous with the ability to manage funds effectively".*

CO1 concluded*, "Public financial accountability depicts the responsibility to manage public funds".*

The findings obtained in this section concur with that of Woods and Mantzaris (2012) who maintain that financial accountability refers to the process of proper allocation, utilisation and reporting of financial assets of the public. In this case, Woods and Mantzaris (2012) affirm that financial accountability cannot be achieved if the role-players do not use the financial resources effectively and report to the public. In the view of Nombembe (2012), financial accountability is highly needed to guarantee that government officials abide by financial management principles, guidelines, and applicable regulations. Also, Enwereji and Uwizeyimana (2019) further affirm that proper financial reporting, as well as an accounting system, should be applied to increase efficient fiscal control and financial management by the government to avoid unwanted, fruitless, and irregular expenditures. Financial accountability, according to Mantzaris (2013), is the ability to manage public finances while also keeping the general public informed about a municipality's financial status, financial performance, service effort, and accomplishment.

Causes of Financial Misconduct

This section explored the causes of financial misconduct. Figure 2 summarises the responses of the survey participants who were asked to identify the reasons for financial misconduct.

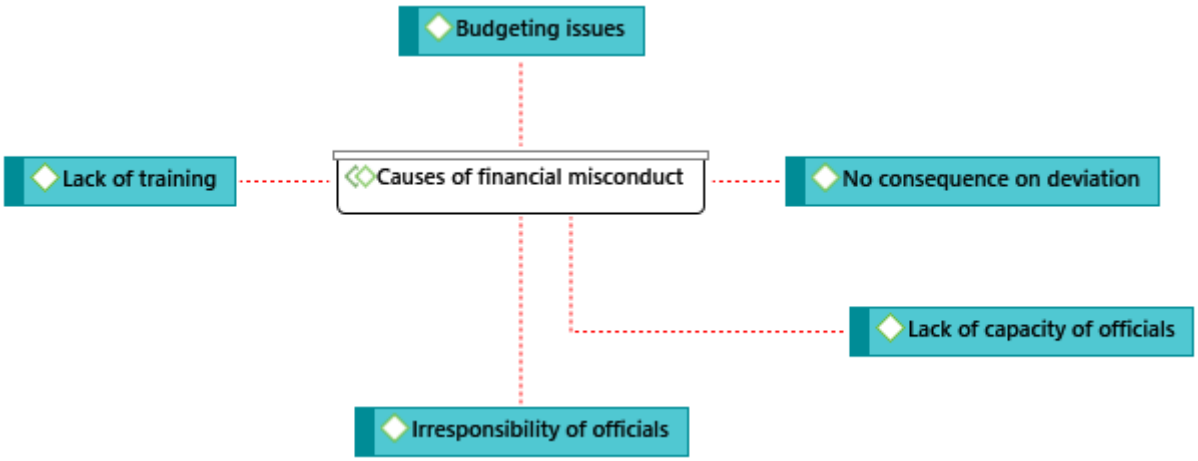


Figure 2: Causes of financial misconduct

According to Figure 2, the participants agreed that budgetary challenges, a lack of consequence management, officials' incapacity, officials' irresponsibility, and a lack of training are all causes of financial wrongdoing. The next sections go through these factors in detail.

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Budgeting Issues

Budgeting is a financial process that entails calculating expected revenue and expenditures for a specific fiscal year. Participants attested that inappropriate budgeting is one of the causes of financial misconduct. Some excerpts from the participants are as follows:

RL7 said *"Budgeting issues contribute to municipal financial misconducts. You see…. when you budget that the municipality will get a certain amount, in a case where the municipality received more than the budgeted amount, irregular, unwanted and fruitless expenditure will soar high."*

MP6 said *"Budgeting issues have contributed to causing financial misconduct in our municipalities. Sometimes our leaders implement fraudulent budgets which are excessively high due to their intentions to embezzle public funds…there should be committees to check if the budgets are made to achieve their targets of for selfish gains."*

Ofojebe and Amaikwu (2021) point out that municipal budgeting provides a systematic financial planning strategy and detailed guide to restricting financial management procurement activities. The municipal budget contains the requisite development plans implemented by a municipality to meet its long-term and medium-term goals. Chandler (2021) points out that managers must justify variations in income, expenditure, and exceptional spending between the real and budget statistics. There is an evident need to avoid fraud, describe the gap between real expenditure and budget predictions, and be guided by monthly cash flow regulations. The municipal manager must send the financial report to the mayor at the end of the fiscal year, who must verify that the budget was implemented by the Service Delivery and Budget Implementation Plan (SDBIP) and, if necessary, recommend an adjustment budget and SDBIP revisions by section 28 of the MFMA (Pauw et al., 2013). If the legislature or municipal council completely accepts this power, budgetary regulation can be achieved in local municipalities. In this regard, Banerjee (2015) claims that budgetary control in local governments serves as a "watchdog" to guarantee that acceptable financial policies and expenditures are adhered to each fiscal year. Municipal administrators must enforce appropriate measures to avoid exorbitant or unwanted spending to avoid variances between budget goals and actual performance. Reasons must be provided, and municipal administrators must ensure that this does not affect the municipalities' service delivery commitment.

No Consequence for Deviation

Consequence management is the act of ensuring that managers or public officers who are involved in financial misconduct do not go unpunished (AG, 2019). The participants in this study concurred that legal actions are not taken on most municipal financial employees who are involved in financial misappropriations. The following are excerpts from the participants:

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RL2 said *"The problem we [have] in municipalities is that legal actions are not taken against most financial employees who misappropriate public funds.*

MP5 added *"Action is really delayed and then action is denied…. we need immediate action on culprits…it is very important so that others who intend to be involved in fraud would desist.*

MP10 said *"Go to the papers or the internet, you will see the level of irregular, unauthorised and fruitless expenditures of the local municipalities…. does it mean that those who are involved cannot be traced? We are very corrupt…we need to ensure that culprits do not go scot-free".*

The framework of consequence management as affirmed by the Auditor General (2019) insists that public managers should plan, do, check, and act in an endeavour to apply consequence management in the public sector. About plan, managers should create goals that should be achievable by all units and this should be clearly stated and communicated to all that are concerned. In doing this, managers are expected to position both internal and external control measures, information and communication technologies (ICT), and basic financial management controls in place. In checking, managers are required to check deviations consequent to the set standards by the management. In a situation where the managers deviate from the available legislation in spending public funds, the Auditor general pinpoints that such officials should be punished according to law.

Lack of Capacity of Officials

Capacity in this case depicts the abilities of the municipal financial employees to handle administrative and financial tasks competently. In the interviews, some participants, especially the members of the Municipal Public Account Committee affirm that most municipal employees cannot handle their tasks. They further state that some employees do not even qualify to hold certain positions but due to nepotism and other related issues, they happen to occupy sensitive positions. The following vignettes amplify some responses from the participants:

MP7 said*, "During our monitoring and evaluation meetings we clearly find out that some municipal officials are not worthy to occupy certain positions…and this is one of the reasons for financial misconduct".*

MP9 said*, "The human resource officials should ensure that employees should be selected on merit and should not be influenced by nepotism".*

MP11 said*, "Municipal financial positions are very sensitive positions, during selections, the HR should ensure that the right candidates who possess the skills and capacity are selected to avoid making gruesome mistakes at work".*

The findings obtained in this section validate the observations made by Onyango and Wanyoike (2020) who opines that employees who can perform their job specifications do better than those who do not

have the capacity. In this case, Falola and Osibanjo (2014) posit that training of officials remains the option to empower those financial employees that do not have the capacity. Training, according to Falola and Osibanjo (2014), is a conscientious procedure whereby employees of an organisation are developed to make them confident and capable in their various responsibilities. Apart from increasing job performance and job satisfaction, Onyango and Wanyoike (2020) affirm that training individuals and teams enhances self-actualisation and self-esteem. This type of training sharpens employee's job skills, particularly in the areas in which they have been trained.

Irresponsibility of Officials

This refers to the conscious recklessness of municipal officials in spending public funds. The participants in this section confirm that most municipal office-holders spend municipal financial resources recklessly and this hampers the service delivery imperative of the municipalities. They further attest that the irresponsibility of the municipal officeholders has contributed to poor financial accountability. Here are some responses from the participants:

***RL4 said**, "Some municipal role-players and councillors are constantly involving fraudulent tender processes".*

***RL6 said**, "Some municipal financial workers sometimes inflate the amount of tenders just to suit their personal gains…this is a conscious recklessness and irresponsibility which threatens the service provision motive of the municipality".*

***MP1, MP2, and MP3 affirms** "The recklessness is mostly perpetrated by some councillors who are poised at making money before the end of their tenure".*

This finding validates that of du Plessis (2021) who attested that some councillors in the North West province inflated COVID-19 tenders for their selfish gains. In the same direction, Nombembe (2021) recalls that some municipal officials sold some RDP homes fraudulently for their selfish interests. Du Plessis (2021) further highlights that the continued irresponsibility of these municipal officials to siphon public funds is due to a lack of internal control measures.

Lack of Training

Training is needed in every organisation to help the employees acquire specific skills for handling their job specifications competently. The participants in the study confirmed that lack of training contributes to poor financial accountability. The excerpts of the participants are as follows:

***RL8 affirmed**, "The issue of competence is needed in financial management… unfortunately, some of the financial employees are not competent to handle financial issues".*

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***RL9 said**, "The most annoying thing is that some of the financial workers are not trained to handle their duties.*

***MP6 said**, "Training should be done at regular intervals in the municipalities to expose some innovations and new methods of handling financial issues…but it is always hard to see municipalities facilitate trainings regularly…. this really affects competency".*

Miller et al. (2011) define training as a process of increasing and developing employees' knowledge and abilities. Employees learn new skills and strategies for dealing with their job requirements as part of the training process. According to Jalali, Baghban, and Abedi (2011), planning is used to improve individual, group, and/or organisational performance. Improved performance means that demonstrable changes in knowledge, skills, attitude, and/or social conduct have occurred." Onyango and Wanyoike (2020) is convinced that training, as a tool for human development, is essential for leadership development, people organisation, the establishment of self-help organisations, mobilisation of people and resources, empowerment of resource-poor rural groups, and entrepreneurial development, among other things.

The Need for Consequence Management

This section explored the need for consequence management in the local municipalities of the North West province. Figure 3 presents the findings of the participants.

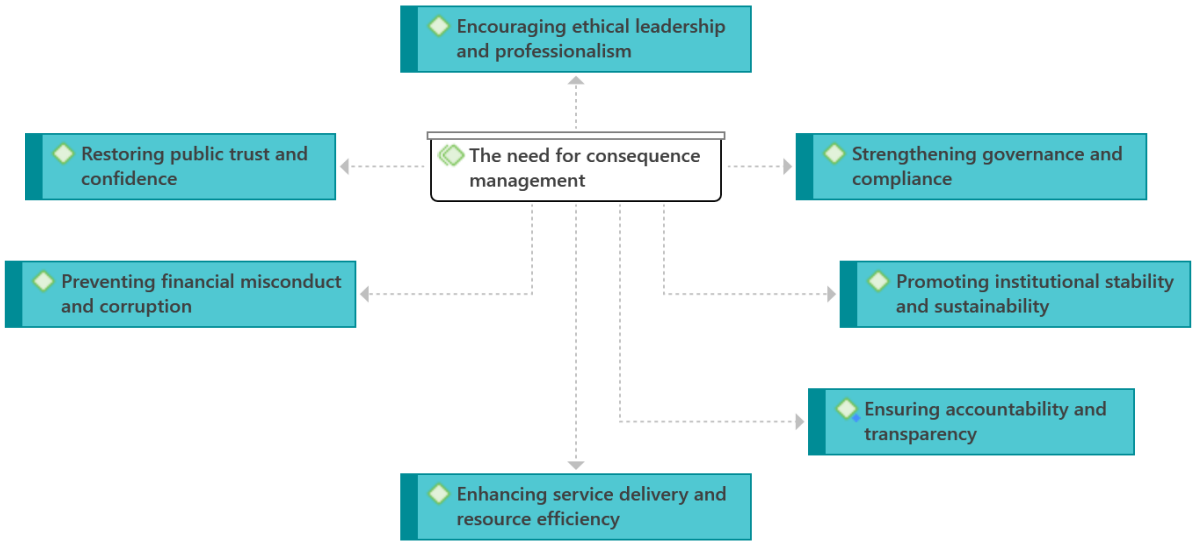


Figure 3: The need for consequence management

Findings from this section demonstrate that the role players recognise the importance of consequence management. They affirmed that it encourages ethical leadership and professionalism, strengthens governance and compliance, promotes institutional stability, ensures accountability and transparency, enhances service delivery and resource efficiency, prevents financial misconduct and corruption, and

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restores public trust and confidence. Consequence management was viewed by the participants as a key enabler of municipal financial accountability. The participants of the study concurred that the inability to apply consequence management in the municipalities has resulted in poor financial accountability and there is a need to address this social menace. The few selected excerpts of the participants below confirm these perceptions on consequence management:

RL6 said, *"Consequence management enhances municipal financial accountability…when there is punishment on deviations…both municipal financial workers and councillors would be careful in spending financial resources".*

MP3 said, *"Consequence management investigates the financial records of the municipality thereby making it difficult for culprits to escape".*

MP12 affirms, *"The problem we have in the municipalities is that actions are not adequately taken on the culprits…the law enforcement agents should ensure that legal action is taken against the culprits without fear or favour".*

CO1 said, *"When reasonable action is taken against a culprit, then...others will learn from it".*

The National Treasury (2018) points out that there is a need for local municipalities to be accountable to the provincial or national government to guarantee that residents receive the dividends of democracy. The Auditor General (2019) further stipulates that municipalities in South Africa have many strategic tools available in the battle against corruption and maladministration, and their attempts to improve strategic and personal credibility, following 25 years of municipal government in a growing democratic phase have not been proved effective. Regarding the anti-corruption measures adopted, the local municipalities' ability to implement anti-corruption norms on the administrative and political leadership has remained unsuccessful (NT, 2018). This is due to the degree to which bureaucracy follows certain requirements. The auditor-general has emphasised that the lack of compliance with legislation is very weak and the inability to impose penalties on corruption. Enwereji and Uwizeyimana (2019) noted that there is a severe financial transgression by the political and administrative leaders, yet no consequence management is applied. It has been confirmed by COGTA (2018) that municipalities are the targets for transgressors who have confidence that the mechanisms of municipalities to manage consequences are poor, while their methods of detection are ineffective and can be exploited to corrupt ends. On this note, the Municipal Financial Management Act Section 173 asserts that any financial offence committed by any administrator should be reported to SAPS immediately for investigation. In terms of punishment, Section 174 of the same MFMA stipulates that a public officer is liable on conviction of an offense under Section 173 to a maximum of five years in jail or an appropriate fine established by applicable legislation.

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Conclusion

The study highlights the critical importance of financial accountability and the detrimental effects of financial misconduct within municipal governance. It stresses the necessity for robust financial management practices, adherence to legal frameworks and the implementation of effective consequence management systems. The findings reveal that achieving financial accountability requires proper budgeting, resource utilisation, and compliance with laws and the ethical conduct of municipal officials. Furthermore, the study emphasises the crucial role of training and capacity-building in enhancing the competence of financial administrators, thereby reducing instances of financial mismanagement. Consequence management emerges as a vital mechanism for fostering accountability, transparency, and ethical leadership within municipalities. Without stringent enforcement of consequences for financial misconduct, the cycle of corruption and poor governance is likely to persist, undermining public trust and service delivery. The study calls for a systemic overhaul in municipal governance such as establishing stronger internal controls, regular training programs, and the enforcement of legal penalties for financial transgressions. Municipalities can restore public confidence, ensure efficient resource utilisation, and ultimately fulfill their mandate of delivering quality services to communities by addressing these issues. The findings serve as a clarion call for policymakers, municipal leaders, and stakeholders to prioritise financial accountability and governance reforms to combat financial misconduct and promote sustainable development.

Recommendations

To enhance financial accountability in North West provincial municipalities, a consequence management framework must be implemented to enforce strict compliance with financial regulations. This requires strengthening oversight mechanisms to ensure that financial mismanagement is identified, reported and addressed promptly. Municipalities should establish independent audit and compliance committees to monitor financial activities and hold officials accountable for any deviations. Legal and disciplinary actions must be consistently applied to deter unethical financial practices. Eliminating political interference in financial oversight processes is crucial to ensuring that consequence management is applied fairly and without bias. Transparent reporting structures should also be reinforced to ensure that financial transactions and municipal expenditures are openly accessible for public scrutiny.

Capacity-building initiatives should be prioritised to equip municipal financial employees with the necessary skills to manage public funds efficiently. Training programs focusing on financial management, ethical leadership, and compliance with the Municipal Finance Management Act (MFMA) should be introduced and regularly updated. Municipalities must also foster a culture of accountability by embedding ethical practices into their financial governance structures. Encouraging whistleblower protection policies and strengthening internal controls will help detect and prevent financial misconduct.

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Furthermore, the application of digital financial management systems can enhance efficiency, accuracy, and transparency in budget planning and expenditure tracking. Municipalities can ensure long-term financial accountability, improve service delivery, and restore public trust in local government institutions by implementing these measures.

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Appendix

1. A financially unqualified opinion with no findings (clean audit) means the municipality:

>>Produced quality financial statements free of material misstatements (in other words, errors or omissions that are so significant that they affect the credibility and reliability of the financial statements)

>>Produced quality performance reports that measure and report on performance in a manner that is useful and reliable.

>>Complied with key legislation

2. A financially unqualified opinion with findings means the municipality was able to produce quality financial statements but struggled to produce quality performance reports and/or comply with all key legislation.

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3. A financially qualified opinion with a finding means the municipality's financial statements contained material misstatements that were not corrected before the financial statements were published. The municipality also had challenges with the quality of the performance report and/or compliance with key legislation.

4. The financial statements of a municipality with an adverse opinion with findings included so many material misstatements that disagreed with virtually all the amounts and disclosures in the financial statements.

5. A municipality with a disclaimed opinion with findings could not provide evidence for most of the amounts and disclosures in the financial statements. It is therefore difficult to conclude or express an opinion on the credibility of the financial statements. Municipalities with adverse and disclaimed opinions are typically also unable to provide sufficient supporting documentation for the achievements they report in their performance reports and do not comply with key legislation.

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