

The root causes for local government's failure to achieve objectives

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ABSTRACT

The achievement of public sector service delivery objectives is crucial to citizens, both individually and collectively. While the public depends on local government organisations to deliver mostly essential services (the key services being water, electricity, sewerage, and roads), public sector audit reports, as well as numerous and frequently recurring service delivery protests, suggest that local government is failing to achieve its objectives. This study aims to identify the root causes of municipalities' failure to efficiently and effectively deliver the services they are mandated to deliver. A literature study (academic overview) and a review of key documents (specific reports on local government performance) were conducted to achieve this research objective. The study identified four main themes (root causes) that underlie municipalities' failure to achieve objectives. These root causes are: inadequate human resources capacity; shortage of skills; unethical organisational culture, and ineffective (or non-existent) performance management systems. Specific root causes and the underlying causative factors linked to these four main themes were also identified. Two all-embracing root causes appear to be connected with most of the identified specific root causes and their underlying factors. These are a lack (or total absence) of leadership commitment, and a management system that is almost completely devoid of consequences for poor performance and wrong-doing. These two all-embracing root causes were identified as fundamental to the majority of the identified failures.

Key words

Local government organisations; achievement of objectives; root causes for non-achievement

1 INTRODUCTION

Organisations exist in order to achieve specific objectives. The achievement of their objectives and their efforts to increase stakeholders' value should be the ultimate goal of every organisation, regardless of the sector in which they operate. Thus, those within the three spheres of South African government - national, provincial and local - should also be applying themselves to achieving this ultimate goal. In the context of South African local government, the key objectives are to render efficient and effective delivery of basic services to the public. Local government's political and administrative leadership is therefore required to ensure that public funds are appropriately utilised to achieve service delivery objectives and targets. However, the claimed achievement of service delivery objectives by local government leadership is being questioned, as evidenced by the increasingly frequent and violent demands expressed by the public (Nengwekhulu 2009:342; Basheka & Mubangizi 2012: 637; Van Baalen, Schutte & Von Leipzig 2015:3). Local government organisations thus seem to be struggling to achieve these service delivery objectives.

The Auditor General South Africa (AGSA) revealed that during the 2012-13 financial year, 133 (42%) out

of their total of 319 audit clients failed to achieve 20% or more of their performance targets (AGSA 2014:40). Despite its high relative number, it is still an improvement over the previous (2011-12) financial year where 169 (53%) out of a total of 317 local government organisations audited did not achieve 20% or more of their performance targets (AGSA 2013a:53). Local government's failure to achieve its objectives is being brought to the attention of the wider public by the increasing number and violence of service delivery protests currently taking place in the country (PSC 2010:40; Makhado, Masehela & Mokhari 2012:3). And despite the relatively "old" academic references, the inferences drawn from daily media reports are that the problems have continued to escalate.

This study aims to identify the reasons why local government organisations fail to achieve their service delivery objectives. In the next section, the research objective and its contribution to academic research are described, and this is followed by a section describing the methodology, scope and limitations of the study. An overview of the existing literature on the research topic is subsequently highlighted, in which the thematic causes for local government's failure to achieve its objectives are described. This is followed by the presentation of the research findings, which

are based on a review of pertinent documents that highlight root (specific) causes underlying each of the four thematic causes. These are subjected to further analysis to find the underlying factors contributing to these causes. Finally, a conclusion is provided and solutions suggested.

2 RESEARCH OBJECTIVE AND CONTRIBUTION

The objective of the study was to identify the root causes for non-achievement of objectives by South Africa's local government sector. This failure to achieve objectives has been repeatedly reported by the AGSA. There are three key benefits that arise from knowing the root causes for the failure to achieve objectives.

Firstly, International Standards for the Professional Practice of Internal Auditing, Performance Standard 2110, gives internal auditors the mandate to assist organisations to achieve their objectives through providing recommendations which improve the governance process (IIA 2012). Fundamental to succeeding at this task is an understanding of the root causes of the entity's (local government's) failure to achieve its objectives. Once understood, internal auditors are in a better position to advise management on appropriate measures to address these causes. This will enable internal auditors to better fulfil their mandate to assist local government to achieve their objectives.

Secondly, once the root causes for the failure to achieve objectives are known, management can develop appropriate and specific corrective strategies and measures that will enable their statutory and regulatory objectives to be achieved more efficiently and effectively. This should improve the level of service delivery to the public, and positively contribute to the growth of the country's economy.

Thirdly, although the focus of this study is on local government, some of the lessons learned from this research may be applicable to other spheres of government, as well as to private sector organisations, thus helping them all to improve their approaches to achieving their objectives.

3 RESEARCH METHODOLOGY, SCOPE AND LIMITATIONS

The research methodology consisted of a literature review and a document review. A literature review was conducted to synthesise a theoretical framework that would explain the non-achievement of organisational goals. The literature review thus identified the thematic root causes for non-achievement of objectives within local government organisations. Thereafter a review of key documents (the AGSA's annual audit reports) was conducted in order to answer the specific research question as it relates to South African local government – to answer the question “what is wrong?” This was followed by further investigation to discover the fundamental causes (the “why are things this way?”) of the failure of local government to deliver on its mandate, and to identify and understand probabilities and trends in this regard.

Guided by the thematic root causes identified during the literature review, a review of key documents was performed to identify specific root causes relating to the thematic causes. The documents chosen for critical review were the AGSA's consolidated general reports on the audit outcomes of local government organisations for the financial years 2011-12, 2012-13 and 2013-14, in order to identify specific root causes for the failure to achieve objectives. These reports were selected for review because they are the official documents reporting on the results of external audits done on local government's reporting of failures (and occasional successes) to achieve its objectives.

The scope of this study covered the AGSA's consolidated general reports for the financial years 2011-12, 2012-13 and 2013-14. The total number of local government organisations audited by the AGSA was 317 for the 2011-12 financial year (AGSA 2013a:24), 319 for the 2012-13 financial year (AGSA 2014:40) and 325 for the 2013-14 financial year (AGSA 2015:4).

4 LITERATURE REVIEW

The literature was reviewed in order to identify thematic root causes for non-achievement of objectives by local government. The review of the literature revealed the following four themes as the recurring root causes and thus the main impediments to the efficient and effective achievement of objectives within government organisations:

- Human resource capacity that is inadequate, and thus unable to ensure efficient and effective achievement of objectives (National Treasury 2007:2; Nengwekhulu 2009:346; COGTA 2009: 4; PSC 2011:16; Deloitte 2012:3; Municipal Demarcation Board 2012:15; National Treasury 2012:6; Draai & Oshoniyi 2013:869; Van Baalen *et al.* 2015:3);
- Shortage of skills required to execute functions efficiently and effectively (Kanyane 2006:116; PSC 2008:34; COGTA 2009:22, 66; Koma 2010:116; SALGA 2011; Deloitte 2012:3; Sing 2012:383; Draai & Oshoniyi 2013:870-871, 868; Van Baalen *et al.* 2015:5);
- Unethical organisational culture that condones the use of government resources for personal gain (COGTA 2009:10, 54-55; Nengwekhulu 2009:356; Deloitte 2012:1, 3; Makhado *et al.* 2012:3; PSC 2010:13; PSC 2011:13-14; Basheka & Mubangizi 2012:637; Masiloane & Dintwe 2014:186; Van Baalen *et al.* 2015:4); and
- Ineffective performance management systems that fail to provide management with timeous warnings of non-achievement of objectives, and thus inhibiting the implementation of corrective actions (Nengwekhulu 2009:356; Biron, Farndale & Paaue 2011:1306; Deloitte 2012:3; Baird, Schoch & Chen 2012:165, 175).

While it is recognised that these are not the only causes for local government's failure to achieve its objectives, based on the literature review they appear

to be the most common and pervasive causes. These four causes are discussed briefly below.

4.1 Inadequate human resources capacity

The local government sector depends mainly on human capital in order to achieve its objectives (PSC, 2011:16; Van Baalen *et al* 2015:4). Nevertheless, inadequate human resources capacity has been identified as one of the aspects negatively affecting the performance of local government, and this lack of capacity is due to ongoing high vacancy rates (COGTA 2009:4; Deloitte 2012:3; Van Baalen *et al* 2015:3). The Municipal Demarcation Board (2012:15) highlighted that as at end of 2011 financial year, an average of 32.5% of the funded posts within the local government sector nationally were vacant. An aggravated concern is that some of these vacancies are for key positions such as municipal managers and chief financial officers. The National Treasury (2012:6) reported that as at 02 October 2012, 20.9% of municipalities were headed by acting municipal managers, while for acting chief financial officers the statistic was 25.9%. It should be fairly obvious that these vacancies in key positions, and the excessive time taken to fill them, negatively affect the productivity and efficiency of local government entities (Deloitte 2012:3; Draai & Oshoniyi 2013:869).

The high staff turnover which occurs as a result of frequent changes in leadership, and particularly after each election, exacerbates the challenge of inadequate human resources within the local government sphere (COGTA 2009:66). The same phenomenon of high staff turnover was also highlighted by the Municipal Demarcation Board. In a report cited by the National Treasury (2012:7) it was noted that for municipal managers nationally, the average tenure was 3.34 years, while for municipal chief financial officers the average was 3.78 years. This instability in the leadership has a negative impact on local government's ability to achieve its objectives (National Treasury 2012:5).

Inefficient utilisation of available resources has also been identified as one of the challenges facing the public sector (National Treasury 2007:2). For example, the manner in which positions are created in the public sector does not seem to contribute to the efficient utilisation of the resources needed to enhance the rate of achievement of objectives. The positions are reportedly created on the basis of "logical sequence", and not necessarily on the job's demands or complexity (Nengwekhulu 2009:346). For instance, it is the norm within the local government employment hierarchy that the position below that of the Municipal Manager is that of a Director, and so forth. No assessment is performed to determine whether the job of the Director could actually be done by the person at the Manager level, which would then result in resource savings. This suggests that public funds are being used to maintain a bureaucratic hierarchy, rather than being utilised for funding personnel who are appropriately skilled for the achievement of project-specific service delivery objectives.

4.2 Shortage of skills

Employees' skillsets are a valuable asset, essential for the organisation's success (Robbins 2008:126; Baird *et al* 2012:175), and it takes qualified and skilled employees to execute their individual functions efficiently and effectively in order to ensure the achievement of the organisation's objectives. The shortage of skills has been identified as one of the highest contributors to the failure of the local government sector to deliver services to the public (Kanyane 2006:116; COGTA 2009:22; Deloitte 2012:3). Both technical and administrative skills are required in order for the local government sector to improve its service delivery performance (Koma 2010:116; Draai & Oshoniyi 2013:868).

The Local Government Sector Education and Training Authority, as cited by Koma (2010:115), reported that 31% of municipal managers did not have appropriate qualifications in the areas of finance, law, public administration, planning or development, while only 28% of chief financial officers did have finance related qualifications. The report further indicated that 35% of technical managers did not have engineering qualifications. The study by Van Baalen *et al* (2015:5) also confirmed that technical managers do not have the qualifications and/or experience required to ensure efficient and effective achievement of municipal objectives. This state of affairs (under-skilled and/or inappropriately skilled personnel) within local government has a negative impact on the performance of the local government. In an attempt to address the problem of skills shortages, the government introduced the Joint Initiative on Priority Skills (JIPSA) in 2006. The JIPSA outlines, amongst others, strategies that the government intended to apply to resolve the shortage of skills (Draai & Oshoniyi 2013:871). That the problems in the public sector appear at least as severe as they did a decade ago underlines the pervasive nature of the skills shortage, as it has apparently also affected the initiative established to remedy it.

One of the reasons identified as a contributing factor to the skills shortages is the fact that senior local government appointments seem to be based on whether the appointees support the political direction of the government or ruling party, and not necessarily on their qualifications, skills and experience (Kanyane 2006:116; SALGA 2011; Deloitte 2012:3; Mashumi 2013:632). There seem to be politically motivated interferences in the recruitment processes of the local government sphere, manifesting as a disregard for the candidate's technical competence (COGTA 2009:66). In addition, the government in general is faced with a problem of accelerated staff mobility where, after just one year in a position an employee is promoted to a higher position. Such employees are therefore not provided with an opportunity to deepen and broaden their skills in anticipation of later promotion to higher positions (Sing 2012:383). This ultimately results in the managerial field being one of the areas in the local government where there is a significant skills shortage (Draai & Oshoniyi 2013:870).

The other aspect contributing to the skills shortage within local government is the lack of skills development programmes and of commitment to training (COGTA 2009:66; Mashumi 2013:635). Deloitte (2012:3) has further identified that there is a dearth of regular training and development programmes on offer for local government employees, and this is contributing to the failure to achieve objectives efficiently and effectively. The PSC (2008:34) revealed that 31% of surveyed leaders within the public service had not identified the technical training needs of the personnel in their development plans. This implies that on-going training and development to enhance efficiency and effectiveness of staff in the execution of their duties is considered a low priority.

4.3 Unethical organisational culture

Robbins and Judge (2013:559) define ethical organisational culture as a culture which shapes high ethical standards among its members, takes into consideration the rights of various stakeholders, and is not only concerned with what goals are achieved but also how such goals are achieved. Unethical business practices in both the financial and performance areas have been identified as key factors contributing to the poor performance of local government (COGTA 2009:55; Deloitte 2012:1; Van Baalen *et al* 2015:4). Various studies acknowledge that the government has sufficient guidelines, legislation and regulations in place to operate ethically, efficiently and effectively, if motivated to do so, and that the unethical behaviour is mainly attributed to non-compliance with such laws and regulations (COGTA 2009:54; PSC 2010:13; Deloitte 2012:1).

The PSC (2011) study identified various business practices within local government that do not promote the creation of an ethical environment. Firstly, it was noted that the recruitment and/or selection committees of some municipalities did not have a formal process requiring members to declare potential conflicts of interests. This therefore created an opportunity for favouritism and nepotism to influence appointments (PSC 2011:13). Secondly, the study further highlighted that some municipalities did not have a security vetting process for key positions such as chief financial officers and supply chain managers. Such a process usually includes criminal and credit checks, verification of qualifications and reference checking (PSC 2011:14). The absence of this security vetting process puts the municipalities at heightened risk of appointing potentially unethical applicants who may be involved in fraudulent and corrupt activities.

Basheka and Mubangizi (2012:637) highlighted the fact that the rate of incidents of fraud and corruption within local government in South Africa appears to be increasing. The absence of adequate internal controls within the financial management systems of the local government functions certainly contributes to increasing this rate of fraud and corruption (COGTA 2009:54). Notwithstanding the fact that the research conducted by Masiloane and Dintwe (2014:186) focused on the public sector as a whole, they also confirmed that the rate of occurrences of fraud and

corruption is constantly increasing. The corollary is that increasing amounts of public funds are being consumed by incidents of fraud and corruption, and in pursuing the perpetrators. This increase obviously compromises the achievement of objectives by local government, as the public's funds are being illegally diverted away from their intended use to further the perpetrators' personal gain (COGTA 2009:10; Deloitte 2010:1).

COGTA (2009:55) and Nengwekhulu (2009:356) identified the lack of accountability and the absence of an effective disciplinary system within the public service as two of the factors contributing to its failure to perform. There appear to be no visible consequences for failure to perform or achieve objectives (Deloitte 2012:3), leaving public servants in general with no strong evidence that poor performance cannot be accepted or tolerated. The absence of consequences for unethical behaviour and poor performance also seems to be contributing to senior managers' lack of commitment to improve compliance and performance. This theme is present in the findings of the study conducted by Afesis Corplan, in partnership with the Department of Traditional and Local Government (Basheka & Mubangizi 2012:645). The study showed that 40% of respondents (members of the public) indicated that they had lost faith in municipalities and that it was pointless to report corruption cases since nothing would be done to address the issues (Basheka & Mubangizi 2012:645).

4.4 Lack of effective performance management systems

Deloitte (2012:3) found that the failure to achieve objectives by the local government can be attributed to ineffective or absent performance management and monitoring processes. This is despite the fact that government has put in place a performance management system. Baird *et al* (2012:175) found that ineffective performance management systems are a general business problem, and not only a challenge to the South African public service. The study by Biron *et al* (2011:1306) highlighted that high-performing organisations had their performance management systems actively led by senior managers, and that it was not merely seen as a process to be managed by Human Resources and/or incorporated into line managers' processes. The key advantage of having senior managers take the lead is that the performance management system becomes fully aligned with the organisation's strategy (Biron *et al*. 2011:1306), thereby positioning the organisation to achieve its strategic objectives more effectively and efficiently.

In light of the above, Nengwekhulu (2009:356) found that the apparent absence of a positive correlation between performance bonuses paid and the performance being rewarded, is not surprising. That this results in non-performers being rewarded as well as performers is equally unsurprising. This results in the demoralisation of the best performers, as good performance and non-performance are equally rewarded (Nengwekhulu 2009:356). Various authors cited by Baird *et al* (2012:165) emphasise the

importance of linking the performance with the rewards. This linking motivates superior performers to continue excelling, while at the same time encouraging poor performers to improve their performance (Baird *et al* 2012:165).

4.5 Conclusion

The literature review revealed that local government does not have adequate human resources (sufficient numbers), nor the skills required to ensure efficient and effective achievement of municipal objectives. In addition, not enough appears to be being done by the leadership to create an ethical organisational culture, and performance is unlikely to improve until an effective performance management system is put in place and becomes fully functional. The next section explores these four thematic root causes further to identify each one's own underlying and specific root causes, as manifest in South Africa's public service organisations.

5 FINDINGS

5.1 Results of the review of key documents

The AGSA's consolidated general reports on the audit outcomes of local government for the 2011-12, 2012-13 and 2013-14 financial years were reviewed in order to identify the root causes of each of the thematic root causes of non-achievement of municipal objectives identified in the literature review.

5.1.1 Inadequate human resources capacity

The AGSA expressed concern regarding the inadequate management of vacancies within local government. The report revealed that there were vacancies in the key senior positions of municipal managers, chief financial officers and heads of supply chain management units (AGSA 2013a:107; AGSA 2014:58; AGSA 2015:77-79). The details are summarised in Table 1 below.

Table 1: Vacant positions for senior managers (own compiled table)

Position	Vacant positions as at year-end			Movement description
	2011-12	2012-13	2013-14	
Municipal Managers	21%	16%	12%	The rate decreased by 5 percentage points (or 23.8%) in 2012-13 and by further 4 percentage points in 2013-14
Chief Financial Officers	23%	27%	13%	The rate increased by 4 percentage points (or 17.4%) in 2012-13 but decreased by 14 percentage points in 2013-14
Heads of Supply Chain Management units	21%	31%	24%	The rate increased by 10 percentage points in 2012-13 but decreased by 7 percentage points in 2013-14

The above results indicate that while the vacancy rates fluctuate for all three of these key managerial positions, there is no material improvement in the situations in the longer term.

In addition, the reports indicate a high staff turnover rate amongst municipal managers, chief executive officers, chief financial officers and heads of supply chain management units. The incumbents occupied these positions for an average period of just less than two years (AGSA 2014:58). This high turnover rate also plays a part in increasing the vacancy rate of these positions – and complying with statutory recruiting procedures adds many months to the turn-around time. Operating at a high vacancy rate may also have a negative impact on the efficient and effective achievement of municipal objectives, as some objectives (tasks/projects) may not have dedicated officials managing them. In addition, vacancies inevitably increase the workloads of the remaining staff, a situation that usually accelerates staff turnover and skills loss due to these often extended periods of excessive workloads.

5.1.2 Shortage of skills

The shortage of skills was substantiated by the number of officials who occupied key senior positions, despite not being in possession of the required minimum qualifications and competencies for their posts. The AGSA's 2011-12 report indicated that 73 (35%) municipal managers, 67 (33%) chief financial officers and 73 (36%) heads of supply chain management units did not meet the minimum competency levels required by municipal regulations

(AGSA 2013a:110). Similarly, for the 2013-14 financial year, 52 (19%) municipal managers, 60 (22%) chief financial officers and 57 (26%) heads of supply chain management units did not meet the minimum competency levels required by municipal regulations (AGSA 2015:80), and in 2014 the AGSA (2014:60) found that senior managers employed by 134 (42%) of its audit clients, and that finance officials at 145 (45%) of its audit clients also did not possess the minimum competencies and skills prescribed by municipal regulations for the 2012-13 financial year. This implies that these key officials may not be able to execute their functions to acceptable (required) levels of efficiency and effectiveness because they lack the competencies and skills these positions require (AGSA 2013a:113). The local government organisations and functions may consequently fail to achieve any of their intended service delivery objectives.

The AGSA's reports also identified the number of senior managers who had been appointed but who did not have the prescribed qualifications for these positions (AGSA 2013a:111; AGSA 2014:60). The details are summarised in Table 2 below.

These results indicate that there was a significant increase in the number of executive management members in 2012-13 as compared to 2011-12, who were appointed despite not being in possession of the required qualifications. It therefore appears that not enough is being done by the national and provincial leadership to support local governments' efforts to deal with the current shortage of skills. Instead, consultants are increasingly being appointed to

perform the functions which should have been executed internally by the government employees

(AGSA 2013b:6). Employing consultants results in significant additional expenditure.

Table 2: Senior managers appointed without minimum qualifications (own compiled table)

Position	Number of senior managers appointed without being in possession of prescribed qualifications		Increase percentage
	2011-12	2012-13	
Municipal Managers	10	30	300%
Chief Financial Officers	19	32	168%
Heads Supply Chain Management units	16	39	244%

The lack of leadership commitment to address these skills shortages was further substantiated by the fact that although consultants were extensively used by municipalities, there was no apparent transfer of skills at 139 (47%) of the 2013-14 audit clients, at 155 (62%) of the 2012-13 audit clients, and at 138 (61%) of the 2011-12 audit clients where the AGSA performed an audit of management of consultants. Recurring assistance from consultants and an increase in the overall usage of consultants by local government could be indicative of an absence of skills transfer (AGSA 2013a:114; AGSA 2014:62; AGSA 2015:84).

In support of this contention, during the 2011-12 financial year the AGSA (2013:116) reported that the recurring utilisation of consultants has occurred at 199 (88%) of its audit clients. Furthermore, for 2012-13 financial year 130 (52%), and for 2013-14 132 (45%) of the AGSA's audit clients did not monitor or manage the performance of consultants, thus failing to ensure that they were working efficiently and effectively to achieve the municipal objectives (AGSA 2014:62; AGSA 2015:84). While not specifically stated, this lack of interaction creates an impression that consultants were employed to "do the work" and not to address the skills gap, even as a useful by-product. In addition, failure to manage and monitor consultants' performance increases the possibility that local government is paying for inferior quality services, rendered by consultants that may not be fully familiar with local governments' statutory and regulatory environment, thus resulting in further fruitless expenditure.

5.1.3 Unethical organisational culture

The AGSA reported that of local government organisations audited, there were material findings related to non-compliance with laws and regulations for 94% of clients for 2011-12, 90% for 2012-13 and 79% for 2013-14 (AGSA 2013a:58; AGSA 2014:42; AGSA 2015:9). This high rate of non-compliance may suggest that the government is not endeavouring to establish an ethical foundation to the official activities of government organisations.

The AGSA's report revealed two phenomena which appear to explain this high rate of non-compliance with laws and regulations. The first phenomenon (root cause) is the almost total absence of effective or significant basic internal controls intended to prevent unethical behaviour and to address failures to achieve objectives effectively (AGSA 2013a:94; AGSA 2014:19). This breakdown of controls resulted in the following:

- **Irregular** expenditure totalling R11.4 billion was accumulated by 264 (81%) municipalities for the 2013-14 financial year; the comparable figures were R11.6 billion accumulated by 265 (83%) municipalities for the 2012-13 and R9.8 billion accumulated by 266 (84%) of the municipalities for 2011-12 (AGSA, 2013a:80; AGSA, 2014:46; AGSA 2015:48). This represents an increase of 24% for the 2012-13 financial year as compared to the previous year and a slight decrease of 6% in 2013-14 (AGSA 2014:26; AGSA 2015:48). As irregular expenditure constitutes amounts that were spent in contravention of legislation and outside of approved programmes (AGSA 2013a:79; AGSA 2014:47; AGSA 2015:48), the sustained high values recorded above support the notion that not much is being done to promote an ethical culture within municipalities. This environment enables government resources to be utilised for personal gain instead of for the achievement of service delivery objectives.
- An accumulated **unauthorised** expenditure of R11.4 billion was incurred by 190 (71%) municipalities during the 2013-14 financial year, compared with R9.2 billion incurred by 170 (53%) municipalities during the 2012-13 and R9.8 billion incurred by 181 (57%) municipalities during the 2011-12 financial year. Unauthorised expenditure represents amounts that were spent on unplanned, unapproved and unbudgeted activities and objectives (AGSA 2013a:77; AGSA 2014:45; AGSA 2015:51). Over time, this can contribute to the failure of local government, as increasing numbers of objectives are compromised, increasing the possibility that the municipality is judged to be no longer a going concern.
- **Fruitless and wasteful** expenditure of R687 million was accumulated by 250 (77%) municipalities during the 2013-14 financial year, in comparison with the total of R815 million accumulated by 220 (69%) municipalities during the 2012-13 financial year, and R568 million accumulated by 202 (64%) municipalities during the 2011-12 financial year. The 2012-13 figure for fruitless and wasteful expenditure thus represents an increase of 31% over the previous year, while the 2013-14 figure shows a slight decrease (AGSA 2013a:83; AGSA 2014:26; AGSA 2015:50). Fruitless and wasteful expenditure relates to the amount spent incorrectly or inappropriately, and which could have been avoided if reasonable care had been taken (AGSA 2013a:82; AGSA 2014:49). Again, this expenditure represents money that could have been utilised in pursuit of

authorised and legitimate service delivery objectives.

The AGSA (2014:45) expressed its concern regarding municipal managers who had not instituted the measures necessary to prevent irregular, unauthorized, and fruitless and wasteful expenditures.

The second root cause identified as contributing to the increasing rate of non-compliance is the apparent lack of consequences for transgressions of regulations and laws, and for poor performance (AGSA 2013a:103; AGSA 2014:19). The AGSA (2013a:92; 2014:25; AGSA 2015:10) revealed that this lack of consequences was evident in about 71% of audit clients during both the 2011-12 and 2012-13 financial year audits and in 42% of audit clients during the 2013-14 financial year. The report further highlighted that some audit clients had not yet investigated the previous year's irregular, unauthorised, and fruitless and wasteful expenditures, and had failed to determine if any person was liable, or could be held responsible, for the purpose of recovering such money, as is required by the Municipal Finance Management Act (South Africa 2003; AGSA 2013a:103; AGSA 2014:45; AGSA 2015:10). When public servants are not held accountable for non-compliance with laws and regulations and poor performance, the perception is created that such behaviour is acceptable and tolerated (AGSA 2013a:92; AGSA 2014:80).

5.1.4 Lack of effective performance management systems

The AGSA reported on local government's performance at an organisational level and at an individual level. These two levels are discussed below.

Performance at an organisational level

The AGSA's reports indicate that 61% of audit clients for 2013-14, 66% for 2012-13 and 74% for 2011-12 had material findings pertaining to the quality of annual performance reports, which illustrates the extent to which objectives have been achieved (AGSA 2013a:51; AGSA 2014:40; AGSA 2015:11). This is despite the development and promulgation of various pieces of legislation on performance information that also provide guidance on strategic planning, performance management and reporting. In addition, the AGSA (AGSA 2015:69) reported that 47% (152) of its audit clients for 2013-14, 50% (160) for 2012-13 (AGSA 2014:40) and 37% (116) for 2011-12 (AGSA 2013a:51) did not comply with this legislation. Municipalities' non-compliance with performance information legislation has resulted in the following audit findings, which explain why the process of performance management is seen as ineffective:

- The annual performance reports are not aligned with IDPs and Service Delivery Budget Implementation Plans (SDBIPs). IDPs and SDBIPs are documents containing the definitions of service delivery objectives, performance indicators and targets. The annual performance

reports prepared by municipalities are required to identify the progress made towards achieving these objectives, performance indicators and targets where these are different from those defined in the IDPs and SDBIPs (AGSA 2013a:55; AGSA 2014:41; AGSA 2015:68). These differences suggest that government resources were utilised to execute unapproved and unplanned activities or service delivery objectives, and may result in the planned and approved service delivery objectives not being achieved.

- The objectives set out in the IDPs and SDBIPs are not specific and measurable, and it is thus difficult to monitor their achievement effectively (AGSA 2013a:55; AGSA 2014:41; AGSA 2015:68). This complicates the process of establishing how well the organisation has performed relative to its objectives. Failure to monitor the performance of the organisation with any degree of accuracy or certainty may ultimately result in under-achievements not being detected, and thus not being corrected in a timely manner.
- Although some local government entities acknowledged that their objectives had not been achieved, no reasons were offered for these failures, and the action plans to improve the performance were also absent from the annual performance reports (AGSA 2013a:55; AGSA 2014:41; AGSA 2015:68). Local governments may therefore experience repeated failure to achieve their planned service delivery objectives because the underlying root causes remain unidentified and unaddressed.
- For audit clients who did manage to prepare annual performance reports, the information contained in these reports was seen by the AGSA as "not useful" and "unreliable" for 145 (45%) of its audit clients for 2012-13 (AGSA 2014:40) and for 131 (56%) of its audit clients for 2011-12 (AGSA 2013a:55). Although there was a decrease from 56% to 45% during 2012-13 financial year, the number of audit clients with annual performance reports which were seen as neither useful nor reliable increased during 2013-14 financial year to 167 (55%) and 158 (52%), respectively (AGSA 2015:68).

Performance at an individual level

The AGSA expressed concern regarding local government's failure to embed principles pertaining to the performance and productivity of employees. The report highlighted that 36 municipal managers did not have signed performance agreements in place for 2011-12, while 37 municipal managers' performance agreements for the same period did not comply with the Municipal Systems Act (MSA). The report also revealed that at 33 (10%) municipalities for 2011-12, at 40 (12%) municipalities for 2012-13 and at 26 (10%) municipalities for 2013-14, their senior managers did not have any performance agreements in place. (AGSA 2013a:105; AGSA 2014:60; AGSA 2015:81). Without a performance agreement in place, municipalities may not be able to adequately monitor whether employees are achieving their objectives or

not. This may compromise the achievement of organisational objectives as the organisation's performance is dependent on the sum of the individual employees' performance.

The report further indicated that municipal managers at 85 (41%) of the municipalities audited had not received performance evaluations in the 2011-12 financial year, and that at 53 (21%) of the municipalities *none* of the senior managers had had performance evaluations in the same period. In addition, for the 2011-12 financial year, 41 (20%) municipal managers and senior managers at 37 (14%) municipalities had been paid performance bonuses without having participated in performance evaluations, and these bonuses had not been approved by their municipal councils (AGSA 2013a: 105). In addition, for the 2012-13 financial year 43 (13%) municipalities still did not have performance management systems in place for employees other than senior managers (AGSA 2014:60). The implication is that local governments might have paid

performance bonuses to numerous employees who had failed to achieve their performance targets.

The results of the documentary review have highlighted specific root causes linked to each thematic root cause identified in the literature review. These specific root causes were subjected to further analysis in order to identify the factors and reasons which contribute to and underlie these specific root causes, as well as to identify any potential trends in this regard. The results of this analysis are outlined in the next section.

5.2 Analysis of the factors underlying and contributing to specific root causes

Table 3 below presents each thematic root cause (generic) identified in the literature review, and under each of these are the specific root causes identified during the documentary review (AGSA reports). These specific root causes are then linked to the underlying causative/contributing factors.

Table 3: Linking thematic root causes to specific root causes and their underlying causative factors

Summary of specific root causes identified during the documentary review	Underlying factors contributing towards the existence of specific root causes
Thematic Root Cause 1: Inadequate human resources	
Municipalities have high vacancy rates for their senior positions.	<ul style="list-style-type: none"> Some vacant senior positions take in excess of six months from becoming vacant to be advertised (AGSA 2013a:108). Certain senior positions remained vacant for more than six months (AGSA 2014:58; AGSA 2015:76), and others were still vacant more than twelve months after becoming vacant (AGSA 2013a:107; AGSA 2015:77). There are no formalised and streamlined recruitment, selection and appointment processes to speed up the filling of vacant positions (AGSA 2013a:109). Some municipalities have unprofessional, politicised images, and their remoteness and poor working conditions prevent them from attracting the professionals needed to effect a turnaround in local government administration (AGSA 2013a:109).
High staff turnover at municipal manager, chief executive officer, chief financial officer and head of supply chain management unit level.	<ul style="list-style-type: none"> The absence of standardised salary scales enable municipalities to poach staff from each other by offering higher remuneration packages (AGSA 2013a:109). There appear to be regular administration leadership changes or restructurings within municipalities that are politically driven, especially after elections.
Thematic Root Cause 2: Shortage of skills	
Some officials in key senior positions do not meet the minimum competency levels required by municipal regulations, while others do not have the required formal qualifications.	<ul style="list-style-type: none"> Technical knowledge of financial and performance management and reporting is not a prerequisite for elected officer-bearers (AGSA 2013a:90). Current employees are not required to attend regular training and development courses, and they are thus failing to keep up with changes in the local government environment and improvements in their specific fields of expertise (AGSA 2013a:110).
At a majority of municipalities there is no transfer of skills from consultants to the in-house employees, which results in the recurring utilisation of consultants.	<ul style="list-style-type: none"> Some contracts entered into with consultants do not include the transfer of skills as a deliverable (AGSA 2013a:118; AGSA 2015:86). In some instances where skills transfer is included as a deliverable in the consultants' contracts, there are no monitoring measures in place to ensure compliance (AGSA 2013a:118; AGSA 2015:86).
Thematic Root Cause 3: Unethical Organisational Culture	
Over 90% of audit clients did not comply with performance-specific laws and regulations in either of the financial years under review. In addition, there was a high rate of irregular, unauthorized, and fruitless and wasteful expenditure within local government organisations.	<ul style="list-style-type: none"> There appear to be no consequences for transgressions of and non-compliance with statutes and regulations, as evidenced by the approximately 71% of audit clients identified annually as delinquent in these areas (AGSA 2013a:92; AGSA 2014:25). The local government leadership appears to be unable or unwilling to set an appropriate "tone at the top" that would indicate that transgressions will not be tolerated (AGSA 2013a:104). When public servants are not held accountable for failing to comply with

The root causes for local government's failure to achieve objectives

Summary of specific root causes identified during the documentary review	Underlying factors contributing towards the existence of specific root causes
	<p>laws and regulations, and poor performance goes unchallenged, the perception created is that such behaviour is acceptable and/or tolerated (AGSA 2013a:92; AGSA 2014:80).</p> <ul style="list-style-type: none"> • There appear to be no basic controls in place to prevent irregular, unauthorized, and fruitless and wasteful expenditure from occurring (AGSA 2014:45).
The cases of irregular, unauthorized, and fruitless and wasteful expenditure are not investigated, and reasonable measures are not taken to recover such expenditure where there was negligence on the part of specific employees.	<ul style="list-style-type: none"> • There appears to be pressure from political leadership to prevent investigations into transgressions, and/or to minimize actions taken against alleged transgressors (AGSA 2013a:104). • There appears to be a lack of commitment by political leadership at all levels, to mitigate the current weaknesses in systems and regulations that are responsible for inhibiting the efficient and effective delivery of services to the public (AGSA 2013a:112).
Thematic Root Cause 4: Lack of effective performance management system	
<p>The majority of municipalities had material findings published relating to the quality of their performance reports. These findings include views that:</p> <ul style="list-style-type: none"> • The performance reporting was not in line with the planned and set service delivery objectives, and did not respond appropriately to performance indicators and targets. • Objectives set in the IDPs and SDBIPs were not specific and measurable, making it difficult to effectively monitor their achievement. • Reasons for under-achievements were not identified, and the action plans to address them were not documented in the annual performance reports. • Information contained in the annual performance reports of some audit clients was seen as 'not useful' and 'unreliable'. 	<ul style="list-style-type: none"> • Strategic planning, and performance management and reporting is not compliant with legislation (AGSA 2013a:51; AGSA 2014:40; AGSA 2015:69) which also provides guidance on how quality performance reporting can be achieved. • Municipalities are not able to adequately plan, manage and report on their own performances (AGSA 2013a:55). • The AGSA has repeatedly provided recommendations on how the performance information can be managed to ensure efficient and effective achievement of objectives. However, the political leadership seems to be slow to implement these recommendations that would otherwise address the root causes of poor performance (AGSA 2013a:89; AGSA 2014:79). • There appears to be a lack of commitment by the political leadership to rectifying the weaknesses currently preventing efficient and effective delivery of services to the public (AGSA 2013a:112).
Some municipal managers and senior managers either did not have performance agreements in place, or their performance agreements did not comply with the requirements of the MSA.	The culture of improving the performance of municipalities through assigning objectives to specific officials to enhance their achievement and ensure accountability seems to have not yet been entrenched (AGSA 2014:60).
Some municipal managers and senior managers received performance bonuses even though no performance evaluation had been performed.	The mayor and council appear to lack the commitment to ensure that the performance bonuses are paid only to deserving senior managers and municipal managers who have achieved their targets (AGSA 2013a:106), even though this would also encourage those who did not perform well to improve.

The above table summarises the underlying factors contributing towards the existence of the specific root causes that were identified in section 5.1. The analysis revealed two trends that appear to be connected with most of the identified underlying factors, namely a lack of leadership commitment and a lack of consequences for poor performance and non-compliance. Efforts to address these two underlying factors adequately are needed in order to enhance the achievement of municipal objectives.

5.3 Conclusion

The documentary review identified deficiencies in human resource capacity as a key root cause of problems facing local government, and this manifests as high vacancy levels and accelerated staff turnover rates at senior management levels. The review further indicated widespread appointment to senior positions of officials who lack the necessary competencies and qualifications for those positions. In addition, despite the increasing number of consultants being appointed, there is an absence of skills transfer from consultants to local government employees that perpetuates the shortage of skills within local government organisations. Furthermore, the review highlighted that the organisational culture was essentially unethical, and that this and the ineffective

performance management systems were the outcomes of a culture of non-compliance with laws and regulations governing irregular, unauthorised, and fruitless and wasteful expenditure. This duet of unethical culture and ineffective performance management also negatively affected strategic planning, and performance management and reporting. The results of this non-compliance are seen in the high rates of irregular, unauthorised, and fruitless and wasteful expenditure, as well as material findings on the quality of performance reports. The key factor facilitating the high rate of non-compliance was the lack of consequences for transgressions and poor performance.

6 CONCLUSION AND RECOMMENDATIONS

The objective of this study was to identify root causes for non-achievement of objectives by South Africa's local government sector. The results of the literature review indicated four thematic (universal) root causes or common reasons why local government organisations are failing to achieve their service delivery objectives efficiently and effectively. These thematic root causes are an inadequate human resources capacity, widespread shortages of skills, an unethical organisational culture, and an ineffective performance management system. A documentary review of the

AGSA's reports for financial years 2011-12, 2012-13 and 2013-14 was performed in order to identify specific root causes for these thematic root causes.

The results of the documentary review revealed that inadequate human resources was a result of a high vacancy rate amongst senior positions; vacancies which take too long to be advertised and filled; high staff turnover, and recruitment processes which are neither formalised nor streamlined. In addition, the unprofessional, politicised image of and remoteness and poor working conditions in some municipalities was also recognised as contributing to municipalities' failure to attract appropriately qualified professionals to fill vacant positions and thus to improve their service delivery performances. The high staff turnover was mainly caused by differences in salary scales that enable municipalities to poach staff from each other. The review further highlighted that the shortage of skills was characterised by the appointment of people to senior positions who do not have the required qualifications, competencies and skills. In addition, there is a general absence of regular training and development programmes for employees. Although a significant amount is invested in the use of consultants, there is no effective skills transfer to the in-house employees to redress the skills gap, even if contractually required of the consultants.

The unethical organisational culture was mainly evidenced by the high rate of non-compliance with laws and regulations governing irregular, unauthorised, and fruitless and wasteful expenditure. This culture of non-compliance resulted in high rates of irregular, unauthorised, and fruitless and wasteful expenditure (which in some cases were not investigated), nor was there an intention to recover such expenditure where there negligence on the part of specific employees had been identified. In the same vein, the absence of effective performance management systems was also the result of non-compliance with laws and regulations pertaining to strategic planning, performance management and reporting. This resulted in material audit findings on the quality of performance reports. The results of the study highlighted that the main contributing factor to the high rate of non-compliance with laws and regulations was an obvious lack of consequences for transgressions and poor performance.

Based on the thematic and specific root causes identified in the literature and documentary reviews, an analysis was made to further identify the underlying factors which contribute to the existence of these root causes. The results of the analysis revealed that the thematic and specific root causes identified owe their existence mainly to the presence of two all-encompassing root causes. First, there seems to be lack of commitment by the political and administrative leadership to improve the overall performance of the local government organisations and to enforce compliance with laws and regulations. Secondly, there is an almost complete lack of consequences for poor performance and the transgression of statutes and regulations. This implies that there is a relationship between leadership's commitment to uphold laws and regulations and the creation of an environment where the rule of law is respected. Transgressions of laws and regulations should carry clear and swift consequences.

It is therefore recommended that the country's political leadership institutes reasonable measures to address the root causes of the high vacancy rates, the shortage of skills, the widespread unethical behaviour (particularly of senior officials), and the ineffective performance management systems within local government. The recruitment processes should be streamlined to expedite the process of filling the positions. The vacant positions should be advertised in a timely manner, and filled by people who have the required qualifications, competencies, experience and skills. All service level agreements entered into with consultants should contain specific requirements for the transfer of skills, and their implementation should be adequately monitored to ensure that the skills shortage in the public service is effectively addressed. In addition, an effective management system should be established that includes consequences for non-performance and / or misconduct, to improve the leadership's commitment to addressing the occurrence of unethical behaviour, and to monitor and address performance management weaknesses. Persuading leadership to commit to addressing the root causes of non-achievement of objectives, coupled with the implementation of an effective management system may assist in improving the performance of local government organisations.

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