

Factors Contributing to Limited Progress in Municipal Financial and Performance Management in South Africa

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ARTICLE INFO:

Received: 25-04-2026

Revised: 08-05-2006

Accepted: 25-05-2006

Keywords:

Municipal, Financial management, Performance management, Audit Results, South Africa

DOI: <https://doi.org/10.64423/arpa.v34i1.90>

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ABSTRACT

This study examines the factors contributing to the limited progress in financial and performance management within municipalities in South Africa. A structured narrative literature review approach was used, and a thematic narrative synthesis approach was applied to analyze and organize the findings into main themes. The findings reveal a lack of performance in municipalities, which is contributed to by factors such as a lack of financial administration, a lack of skills, political interference, and poor oversight. The article further shows that together, these factors translate into more issues within municipalities as they contribute to corrupt activities, poor service delivery, and audit outcomes. These issues are mainly caused by non-compliance with legislation on financial and performance management in municipalities. This study identifies a nexus between financial and performance management, where funds given to municipalities must be effectively utilized for service provision, and performance systems are utilized to measure whether the funds attained the desired outcomes. This relationship has not been clearly established in previous studies. To address these issues, this study proposes strengthening capacity in municipalities based on merit principles, sound and strong oversight, and enforcement of compliance with the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). The findings further suggest that clear targeted performance, less political interference, effective accountability mechanisms, and consequence management are required. Municipalities can benefit from learning from benchmarking with other municipalities to improve their financial and performance management, attain clean audits, service delivery, and reach performance targets.

Introduction

Financial and performance management remain essential components of effective and sound municipal administration in South Africa. Manyaka and Sebola (2015) state that financial and performance management have to do with municipal planning, allocation, utilisation, as well as reporting on the use of public funds while gauging service delivery outcomes against the set targets. Good public finance management promotes transparency, accountability, and efficient fund utilization, whereas performance

management monitors progress and enhances service provision. Therefore, financial and performance management remain inseparable twins working together to attain good governance and developmental local governance. Despite the government's legislative frameworks and programmes geared towards enhancing municipal governance, most municipalities in South Africa encounter financial and performance issues. The literature documents that municipalities in South Africa encounter problems related to financial and performance management (Khasodi, Mahlala & Hofisi, 2023).

Municipalities have not fully implemented or prioritized financial and Performance Management Systems (PMS), which continues to affect service delivery outcomes (Shava & Chamisa, 2018; Mkhize, Nzimakwe & Mthuli, 2021). According to Zondi, Nzimakwe and Mbili (2017), it leads to multiple problems such as corrupt practices, issues in procurement and tendering, delays in projects, poor performance, and most importantly, poor service delivery. Such problems in public administration and management are not new and have been reported at all levels of government (Schoeman & Chakwizira, 2023). It must be noted that at the end of the day, these challenges lead to poor audit results, poor service delivery performance, as well as irregularities in financial resource utilisation. Currently, these problems are present in local government administration and have been continuously raised in recent literature (Mabizela & Malinga, 2025; Mkhabela, Isabirye & Moloi, 2026).

Scholars such as Motubatse (2016) and Ngqobe et al. (2021) state that municipalities fail to produce and avail financial reports, meet performance targets, and comply with the Municipal Finance Management Act. These problems are documented in the literature and in the Auditor-General of South Africa (AGSA) municipal reports. For instance, the AGSA report for 2021-2022 shows that only 38 out of 257 municipalities attained clean audit outcomes (Auditor-General of South Africa, 2023). The remaining 219 municipalities failed to attain a clean audit due to poor performance reporting systems, lack of governance and accountability, lack of financial and technical skills, and political interference.

The persistence of these problems raises questions about the effectiveness of municipal governance in the country. This is because municipalities are the sphere closest to the community (Mabeba & Thusi, 2025), and their performance directly affects community life in terms of access to essential services such as housing, water, electricity, and sanitation. When financial and performance management systems are not effectively employed, it affects public trust and lessens accountability, transparency, and service delivery. This shows the necessity of enhancing the understanding of the main causes of limited progress in financial and performance management within the local government environment. This article exists for this reason examines the contributing factors to the limited progress in municipal financial and performance management in South Africa.

Literature Review

Understanding Financial and Performance Management in Public Administration

In public administration, financial and performance management are regarded as the manner in which governments budget, utilize, and manage their funds and gauge whether goals are attained (Verbeeten, 2008). According to Awoonor (2025), the concept of financial management is about the spending of public funds in line with the legislation governing the use of public funds in South Africa, which is the PFMA for public institutions and the MFMA for municipalities. On the other hand, performance management involves gauging the performance of municipalities in terms of key performance targets, whether they have been attained. In many public institutions, these two systems are meant to work together to improve service delivery and enhance accountability. However, research has shown that there are often problems in

the implementation of these systems. Many public organizations struggle with poor financial control, weak reporting systems, and a lack of skilled staff (Celestin 2015). Simultaneously, PMS are not always properly linked to budgeting and planning processes, making it difficult to determine whether money spent leads to better services. Issues such as weak oversight, poor coordination, and a lack of accountability continue to affect both financial and performance management, resulting in poor service delivery in the public sector.

Legislative Framework Governing Municipal Financial and Performance Management in South Africa

The financial management system of South African municipalities is built on a strong and comprehensive legal framework. This study is based on Section 153(a) of the Constitution of the Republic of South Africa, 1996, which states that municipalities must manage finances effectively to ensure the provision of services. This implies that municipalities are required to plan, budget, spend, and monitor their finances to attain their goals. This is followed by the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003), which is the foundation of municipal financial governance. Botlhoko (2017) indicates that the MFMA was introduced to modernize and standardize financial practices across municipalities, encouraging the principles of effective financial management, transparency, and accountability. This legislation provides municipalities with detailed guidelines for budgeting, spending management, and financial reporting, ensuring that financial practices are in line with national development objectives and the constitutional mandate to provide essential services. The Municipal Systems Act, on the other hand, develops performance management standards, of which Kgechane (2013) states that demonstrate the role of municipalities must oversee and evaluate their financial and service delivery duties.

Performance Management Practices and the Role of Oversight Institutions

The administration of performance management in municipal environments is a vital part of local governance, which ensures that service provision fulfils the requirements of society and is in line with developmental goals (Selepe, 2023). This includes the use of tools and systems to assess, monitor, and enhance activities in municipalities. The Service Delivery and Budget Implementation Plan (SDBIP) is a vital mechanism in this system, which provides municipalities with specific performance goals, schedules, and quantifiable results. Selepe (2018) states that SDBIP make certain that what municipalities do is in line with their budgets. This, in turn, allows for persistent monitoring and evaluation of service delivery progression. Integrated Development Plans (IDPs) are in line with the SDBIP, as they explicitly state the municipality's sustainable development goals and approaches for long-term attainment. Scholars such as Maponya, Nkoana and Maenetja (2024) suggest that the IDP is a guide used for strategically coordinating numerous functions of municipalities, prioritizing the distribution of resources, as well as solving non-identical problems of society.

The IDP further promotes a participatory approach, whereby society and other stakeholders are allowed to contribute, ensuring inclusiveness and adaptability. It must be noted that the SDBIP and IDP form part of performance management and help to align both the long- and short-term activities of the municipalities. The AGSA is one of the oversight institutions that audits municipalities' financial statements (Moji, Nhede & Masiya, 2022) and raises issues such as fraudulent and corrupt activities, non-compliance with legislation, and flags irregularities identified. The AGSA audits municipalities annually and produces a report that shows the issues identified relating to governance and develops suggestions for improvement. Other institutions include the National Treasury, which, together with provincial treasuries, offers technical

help as well as oversight and guidance on managing finances in a manner that ensures compliance with legislative mandates. Within municipalities, municipal councils and Municipal Public Accounts Committees (MPACs) serve as oversight bodies that examine financial reports, budgets, and performance assessments. By ensuring that officials are held responsible for poor performance or financial wrongdoing, MPACs serve as a vital link between oversight institutions and the public sector.

Financial and Performance Management and Service Delivery in the South African Municipalities

In South Africa, there is an ongoing issue whereby municipalities struggle with implementing financial management systems and PMS. Previous studies, such as Mofokeng (2017), show that these systems were introduced into the administration of the government to enhance performance and service. However, these systems have not been effectively implemented, contributing to poor service provision. This shows that legislation, together with systems, is insufficient to ensure good performance in municipalities. It is believed that many issues are present in South African municipalities that have to do with financial and performance management. First, Shongwe and Meyer (2023) stated that municipalities struggle with human resources to manage financial systems and monitor performance effectively. This issue is also raised by Nkgapele, Mofokeng and Zindi (2026), who state that municipalities lack the capacity to produce reliable performance information and deliver services effectively. Consequently, this human resource issue directly impacts the ability of municipalities to report finances and performance, plan budgets, and audit processes (Schoeman & Chakwizira, 2023).

The consequences associated with this are that it leads to problems such as delays in the municipalities, mistakes in reporting, and poor financial controls. This shows how human resources play a huge role in municipal operations. These staffing issues extend beyond human resources and lead to maladministration and corruption in municipalities. This is evidenced by recent studies that show the presence of irregular expenditure, unauthorized procurement, and misuse of public funds across municipalities in South Africa (Zweni, 2022; Zweni, Koma, Jutta & Mahlala, 2023; Thusi & Selepe, 2023). These problems threaten the municipal financial stability of municipalities and public trust. The biggest problem identified by Public Administration scholars is that there are no effective accountability mechanisms, as public servants are not held accountable for their decisions relating to the mismanagement of municipal finances (Munzhedzi, 2016). These issues climb the ladder to all levels of government, not just the local government, which can even be thought of as a contagious disease.

Weak revenue collection further undermines financial sustainability. Tshoshi (2022) observed that many municipalities face difficulties in collecting revenue effectively and, as a result, depend heavily on national government transfers. This reliance restricts fiscal autonomy and diminishes the capacity to fund infrastructure projects and enhance service delivery. Inadequate financial planning compounds these problems, as municipalities frequently struggle to allocate and manage resources efficiently. Political interference has emerged as a major concern in municipal governance. According to Mishi, Mbaleki, and Mushonga (2022), political involvement in administrative matters can disturb financial procedures and result in inefficient resource distribution. When decisions are driven by political agendas rather than professional criteria, the effectiveness of financial management and PMS is compromised.

Although South Africa has a comprehensive legal and policy framework governing municipal finance, most notably the Municipal Finance Management Act (MFMA), the practical implementation of these provisions remains weak. The literature consistently highlights persistent problems such as

limited institutional capacity, corruption, inadequate accountability, poor revenue collection, and political interference, all of which continue to erode municipal performance. These challenges are interrelated and mutually reinforcing, making it difficult for municipalities to enhance financial management and service delivery. The evidence suggests that the core issue is not the lack of policies but rather deficiencies in implementation, municipal capacity, and governance structures. This underscores the importance of understanding the factors that obstruct effective financial and performance management in municipal governments.

Research Methodology

This study used secondary sources and a structured narrative literature approach. The main reason for this approach was to allow the article to examine the contributing factors to the limited financial and performance management progress within municipalities in South Africa. Similar to other research studies, this study required searching for secondary sources, and a search strategy was followed. These sources were located using search engines such as Google Scholar, Research Gate, Semantic Scholar, and Scopus, as well as university libraries and reliable government websites. The authors used terms such as “*Financial and Performance management in municipalities*,” “*Financial management in municipalities*,” “*Performance management in municipalities*,” and “*Financial and Performance management challenges in South Africa*.” Once the sources were identified, the authors developed inclusion and exclusion criteria, whereby sources written in English and published in the last 10 years (2016-2025) were included, given that they addressed financial and performance management within South African municipalities. Other reliable sources, such as legislative frameworks, policies, and government reports, were also included. On the other hand, any source that did not meet the inclusion criteria was excluded from the article. The authors used a thematic narrative synthesis approach to analyze the data and organized the main themes.

Findings and Discussions

Factors Contributing to Limited Progress

Municipalities affected by poor financial and performance management experience poor service deliveries. This undesirable reality is attributed to multiple factors, such as corruption, mismanagement of funds, lack of transparency, and inadequate oversight (McKenzie, 2023; Selelo & Lebotsa, 2024). Notably, performance is compromised when a municipality is characterized by tensions within the political/administrative interface, instability of the administrative leadership, skills deficit, erosion of accountability and authority, poor organizational design, inappropriate staffing, and low staff morale (Malila, 2020; Thusi & Selepe, 2023). Often, the relationship between financial and performance management manifests in a manner that when one falters, it negatively affects the other. In essence, the two are inextricably interlinked. Poor municipal financial and performance management prevails due to the significant challenge of a lack of accountability and weaker oversight committees (Gcabashe & Pillay, 2025). Despite existing oversight mechanisms, there is a concerning unwillingness to set measurable targets to include performance monitoring mechanisms, review, performance improvement, and regular reporting, which results in poor performance.

There are challenges of political, legal, and financial hierarchical accountability that impede municipal performance (Van Niekerk & Sebakamotse, 2020). Limited progress abounds when municipalities fail to promote financial accountability, which unfolds in a manner that they fail to enhance their budgetary control measures and guard against the fraud and corruption. This results in fiscal

challenges such as irregular, fruitless, and wasteful expenditure, discrepancies between allocated funds and actual disbursements, unaccounted financial losses, insolvency, and lack of cash, which compromise the performance of municipalities and their finances. Municipal managers are obliged to ensure that there are signed performance agreements with all senior managers reporting directly to them for implementing their relevant functional areas of responsibility (Nkoana et al., 2024). The prevalent challenge of unclean audits across municipalities in South Africa demonstrates that the above-mentioned prospects are not adhered to when it comes to performance agreement deliverables, which were agreed upon between municipal and senior managers.

This subsequently leads to limited financial and managerial performance. The weak formulation and institutionalization of oversight committees, such as the (MPAC and internal audit committees, make municipalities susceptible to the detriments of financial distress (Mqadi, 2020; Moji, Nhede & Masiya, 2022). Similarly, when there is a weak formulation and institutionalization of Section 79 and the portfolio, performance is compromised, given that there is no proactive monitoring and evaluation exercised on the municipal administration. In effect, continuous monitoring and evaluation alerts authorities of unauthorized transactions and misuse of municipal funds (Jorge et al., 2017). Moji et al (2022) posited that most municipalities in South Africa have weak, inexperienced oversight committees, constituted of individuals who lack the necessary capabilities and skills to comprehend the data provided, such as financial reports. Gcabashe and Pillay (2025) argue that this is due to oversight committees comprising politically elected officials who are not trained in financial and performance management skills.

This has tremendously contributed to unclean audits, finances, and poor performance across municipal units. Another challenge is political meddling, which influences their inactivity. This impedes the municipality's ability to take appropriate measures against corruption, poor governance, and maladministration. These shortcomings are further attributed to the failure to execute the plans entailed within the IDP and actualise service delivery. Moreover, a lack of sound PMS hinders the abilities of municipalities to successfully actualize their objectives into measurable outcomes and contributes to the failure to meet stipulated timeframes (Phumlani, Nkabinde & Nkgapele, 2025). Political indifference hinders hierarchical accountability in relation to performance and financial management. When there is no clear political administration, political clientelism and patronage networks undermine financial and performance management, manifesting in the prioritization of personal loyalty and exchange of favors over merit and accountability (Nkoana, Selelo & Mashamaite, 2024).

Subsequently, this pursuit creates an environment in which qualified individuals are sidelined on the altar of political factionalism, patronage, or interference. This further undermines the importance of community participation in decision-making processes for programs such as the IDP (Maponya, Nkoana & Maenetja, 2024). Undesirably, loyalty to political interests and cronyism are prioritized over fundamental municipal plans and objectives. In most instances, financial and performance instability are rooted in the pervasive influence of politically motivated endeavors, such as funding politically expedient projects. Similarly, political infighting and factionalism shift the focus from developmental objectives and fundamentals, as they often paralyze the council from executing its objectives in unity and harmony. These political factors undesirably chain the performance and financial health of a municipality into a collective decline.

Molobela (2016) articulated that most municipalities tend to spend more than their available resources, which accentuates deficits and issues of current liabilities exceeding current assets, driving them into liquidity challenges. This has negative implications for performance and financial management. Molobela (2016) further added that some municipalities are derailed by poor revenue planning and

inefficient debt collection practices. Poor revenue planning embodies improper forecasting, misaligned budgetary processes, and inconsistent billing processes, which stem from poor financial management, leading to large financial gaps and poor performance.

This is because revenue generation is critical as it strengthens the financial muscles of a municipality; when it is poorly planned, it can result in the municipality relying on uncertain revenue that may not materialize in the end. The Auditor-General of South Africa (2022) highlighted that some municipalities are grappling with the challenge of collecting revenue from ratepayers. This demonstrates the undesirable influence of poor revenue planning and sound financial management systems on services delivered to communities comprising impoverished citizens, as they hinder revenue. It is important to note that in such instances, municipalities find it difficult to ensure that basic services are rendered to the destitute members of society because they have a basic right, as propounded in Chapter Two of the Constitution of the Republic of South Africa, 1996, to be provided with basic services. Notably, most of those who face this staggering reality are found in rural areas or certain rural communities.

Municipalities with infrastructure characterized by obsolete and outdated systems are likely to have poor financial performance, given that it contributes to revenue generation, such as water and electricity meters (Van der Walldt, Fourie & Malan, 2024). Poor revenue generation contributes to poor infrastructure maintenance and a lack of service delivery to communities. One factor that has constantly reappeared as an impediment to good financial performance is the deficit of skills among the human capital of different municipal units (Enwereji & Uwizeyimana, 2019; Malila, 2020). Furthermore, Thusi and Selepe (2023) highlighted a concerning phenomenon in which a portion of the personnel responsible for critical areas such as budgeting, fiscal management, and compliance lack the necessary skills and expertise complementary to their positions. This results in poor performance and mismanagement. The detriment of a lack of necessary skills and expertise is exacerbated by non-meritocratic apportionment.

The Effects of Municipal Financial and Performance Management

Efficient and effective Financial and Performance Management is the bedrock for municipalities to be developmental while satisfying the needs of their constituencies. This positions municipalities to ensure that all the resources at their disposal are not only allocated but also backed by uncompromised accountability and transparency (Enwereji & Uwizeyimana, 2019; Malila, 2020). Sound municipal financial and performance management has immense spillover effects that are reflected in various outcomes, such as diligent revenue planning, efficient expenditure management, reliable oversight systems, and a clear developmental agenda. It creates a conducive environment in which service delivery is highly materialized, boosting citizens' confidence in the municipality, which also enhances investor confidence (Ajam, 2025).

When a municipality is known for efficient and effective financial and performance management, it attains credibility in the eyes of citizens, civil society organizations, and potential investors from the private sector, which is essential for executing public-private sector partnership projects such as infrastructure development and investments. Fundamentally, efficient and effective performance management transforms the plans and ambitions of a municipality into impactful outcomes. This is because thorough performance management encompasses transparent performance indicators, consistent monitoring, and accountability systems, wherein issues are detected at the inception and are thoroughly addressed before they cause colossal effects.

It also provides municipalities with immense leverage in terms of upholding justice and accountability for individuals engaged in undesirable and malicious acts, which jeopardizes municipal progress and

Factors Contributing to Limited Progress in Municipal Financial and Performance Management in South Africa

Simon Matome Nkgapele, Sifiso Mofokeng, Maponya, Gcabashe

objectives (Legodi, Coetzee & Erasmus, 2025). Furthermore, it includes being able to hold senior managers and leaders accountable individually when the need arises (Van Niekerk & Sebakamotse, 2020). Subsequently, this positively impacts the municipality's performance in terms of ensuring effective delivery of important aspects such as the municipality's IDP and all the prospects embedded within it, which ultimately reinforces ethical leadership and transparency. The Proverb "The tree shall be known by its fruit" resonates with the perspective that a municipality with good financial and performance management is easily seen through effective service delivery. Fundamentally, when these two important aspects are well managed, it is witnessed through basic services such as water, sanitation, electricity, and waste management, offering a compelling testimony of excellence that is undeniably plain for all to witness. Substantially, this offers a municipality a fundamental pathway to transition from merely focusing on basic services to addressing more complex and pressing challenges, such as climate change mitigation and adaptation, urban regeneration, rural development, and local economic development, to address poverty and unemployment crises. For instance, when a municipality has effective and efficient financial and performance management, it is favorably situated in terms of having excess finances and strong institutional capacity. This helps them promote their developmental mandates and focus on and invest in critical areas that need to be addressed in their jurisdiction. The effects of sound financial and performance management cascade towards long-term synergistic planning and sustainability of a municipality (Khasodi et al., 2023).

This can instill a fiscally and monetarily viable culture wherein there are long-term financial and infrastructural investments to tackle some of the most pressing issues municipalities are confronted with. Given that all funds will be tracked through sound revenue systems, efficient expenditure management, and oversight. Mofolo (2015) and Van der Walldt et al. (2024) add that good performance management reinforces reliable monitoring and evaluation systems, which help bridge the gap between planning and implementation, ultimately ensuring that objectives do not remain as static ambitions but are implemented to foster socio-economic development. This is essential because there is a common trend of having well-drafted municipal plans that are not supported by thorough implementation in South Africa. Fostering efficient performance management creates an environment in which issues such as incompetence, institutional apathy, and staff disengagement are culturally eradicated from potentially halting the developmental mandates of a municipality. This helps prevent the prevalence of maladministration and impunity. Consequently, when performance is managed diligently, it enhances good financial management, which greatly guards against the potential occurrence of issues such as misallocation of funds, corruption, and allocation of funds to nonessential projects and endeavors (Selelo & Lebotsa, 2024).

Additionally, sound financial and performance management encompass positioning municipalities to attract and retain skilled professionals and attain high employee morale and performance. It is irrefutably essential for municipalities to evolve from focusing on basic service delivery to being developmental in nature to foster socio-economic development. To meet this objective, efficient and effective financial and performance management should be regarded as fundamental necessities, as opposed to tick-box optimal activities, to pave the way for municipalities to function as well-oiled machines. Through sound institutional values, ethical leadership, good revenue planning, efficient expenditure management, and oversight systems, municipalities can foster efficient and effective performance and financial management, which paves the way for sustainable development and improves the standards of living of their constituencies.

Lessons for Underperforming Municipalities from Best-Performing Municipalities

Devastatingly, AGSA (2024) revealed that of the 257 municipalities, only 41 achieved clean audits for the 2023 – 2024 financial year. This accounts for only 16% of the total (AGSA, 2024). Therefore,

it is fundamentally important to delve into the management techniques, operational procedures, and performance indicators that successful and best-performing municipalities use to draw lessons for underperforming municipalities. Additionally, it is worth mentioning that of the eight metropolitans in South Africa, only one attained a clean audit, which it has consistently achieved for three consecutive years (Legodi, Coetzee & Erasmus, 2025). This is the City of Cape Town. Given this clean record, it stands as a beacon of excellence, which is quite rare in the South African context, making it critical for municipalities with unclean audit reports, coupled with limited financial performance and management, to learn from it.

It is crucial to note that a clean audit is also not automatically synonymous with efficient service delivery and does not preclude potential challenges, particularly related to performance and issues such as poor revenue planning and resource misallocation to nonessential endeavors. Commendably, the Midvaal Local Municipality has not only been attaining clean audits, but has also positioned itself as a well-performing municipality across several units and structures of leadership (Khasodi, Mahlala & Hofisi, 2023). Additionally, McKenzie (2023) and Rashe (2023) demonstrated that the municipality has instilled a culture of good governance, compliance, and internal supply chain management, as well as ensuring that officials who do not comply are met with appropriate disciplinary and accountability measures that promote good performance and financial management. Evidently, the municipality boasts proficient service delivery with minimal occurrences of service delivery protests over the last decade (Khasodi et al., 2023). The authors further demonstrated that, on average, citizens hold positive sentiments regarding satisfaction with fundamental services. The literature shows a consistent pattern wherein municipalities that perform well are grounded in proactive leadership, performance management, and financial control measures aimed at combating the potential occurrence of irregular, fruitless, and wasteful expenditure, as well as important goals embedded within their IDPs.

This assertion resonates in the City of Cape Town, the best-performing metropolitan municipality in South Africa in terms of performance and financial management (Rashe, 2023). Notably, efficient and effective performance and financial management are achieved when a municipality does not view compliance as a tick-box exercise but as a fundamental principle in all municipal sections and units. It is observed that performance audits should not be conducted periodically but rather be normalized as a frequent and regular exercise in both executive decision-making and council oversight. According to Legodi et al. (2025), the City of Cape Town Metropolitan has institutionalized a responsive and proactive model grounded in things such as performance dashboards being made publicly available. This is backed by active and monitored service feedback and complaint systems that are meant to guard against the possibility of responses being tampered with. These play a vital role in enhancing performance and improving financial management.

Furthermore, when a municipality has good standing in terms of financial management and performance, it is then able to look beyond the provision of basic services by tackling some of the pressing issues, such as climate change mitigation and adaptation, infrastructure development, and fostering local economic development, because of the availability of funds and a developmental agenda. In contrast, municipalities facing chronic unrest and failing in terms of financial and performance depict a reality of poor service delivery with mere basic services, which ultimately makes it even harder to address some of the pressing issues affecting their constituencies. The West Coast District Municipality boasts a commendable record as the first South African municipality to attain 14 consecutive clean audits by 2024 (West Coast District Municipality, 2024). Additionally, the municipality is grounded in control discipline and preventative oversight against poor performance and financial management (Rashe, 2023).

These findings correspond with the writings of McKenzie (2023), who found that sound internal audit and oversight structures that are supported by the commitment to frequently monitor and evaluate various sections and prospects of municipal governance are deeply important for improving performance and financial management. Evidently, it is rare to find a study on poor performance, financial mismanagement, and poor service delivery in the West Coast District Municipality. This does not mean that the municipality is perfect or immune to deficiencies; instead, it indicates that they are handling performance and financial management better than many municipalities in South Africa, making it critical to draw lessons from them. Notably, municipalities that excel in these prospects have well-functioning audit, oversight, and risk committees that play a crucial role in reviewing procurement objectives, tracking compliance calendars, and aligning budget execution with development plans.

It then becomes clear that underperforming municipalities should learn from the best-performing municipalities. In corroboration, municipalities such as Drankenstein, Stellenbosch, and Swartland in the Western Cape and the Senqu Local Municipality in the Eastern Cape have shown the importance of institutional stabilization and internal capacity for being well, for improving performance and financial management (Rashe, 2023; Legodi et al., 2025; Gcabashe & Pillay, 2025). This helps harness internal capacity to ensure that those entrusted with municipal duties embody the rightful expertise to execute them. The Nkangala District Municipality in Mpumalanga offers several invaluable lessons for underperforming municipalities to learn from. This is attributed to its impressive performance, including clean audits in prior years, along with the crucial role it has been playing in terms of supporting its local municipalities (Magagula, Mukonza, Manyaka & Moeti, 2019). This does not imply that it is immune to deficiencies; instead, it indicates that it is handling performance and financial management better than many other district municipalities.

Among its commendable prospects, the Nkangala District Municipality holds its role in local economic development in high regard. This is reflected through several investor summits, along with various endeavors aimed at improving the economic state of the region, which helps boost its performance (Magagula et al., 2019). A good reputation boosts credibility in the eyes of investors. Additionally, underperforming municipalities ought to investigate the importance of strict adherence to schedules and frequent performance reviews across different units and departments to ensure that performance and financial challenges and implementation bottlenecks are detected and addressed before they inflict chronic effects. Successful and well-performing municipalities offer invaluable lessons for poor-performing municipalities in their quest to enhance performance and financial management. These include consistent and effective leadership and sound accountability systems supported by strong audit and oversight committees.

They further demonstrate that funds are allocated purely to meet socio-economic goals, overdoing so just for compliance, and aligning them with the fundamental needs of their constituents through participatory planning and budgeting. While acknowledging that no municipality is perfect or immune to deficiencies, the municipalities above demonstrate compellingly that efficient and effective financial performance management is attainable, and not only that, but they further show that getting these two right results in spillover effects and improved service delivery, among others. Therefore, underperforming municipalities ought to understand that financial planning should be given primary attention, along with sound institutional and administrative management that does not succumb to the politicization of municipal mandates. Fundamentally, the attainment of efficient and effective financial and performance management is merely technically inclined; it is deeply rooted in sound institutional and technical capacity and effective accountability systems. public participation and engagement, and leadership that is purely aimed at serving its constituencies.

Conclusion and Recommendations

The findings of this study reveal that limited progress in financial and performance management in municipalities is due to numerous factors, such as shortages of skills, political interference, poor oversight, and poor handling of public finances. These problems lead to poor audit results, service delivery, and municipal performance. If left as is, it raises questions about municipal governance, as funds are not used and monitored as intended. This article shows the relationship between financial and performance management, in which municipalities are given funds (financial management) to improve the lives of communities through service provision. Their performance is then measured (performance management) to ensure that funds are spent as intended and for the right purposes. This relationship was not clearly captured in previous studies. This study proposes that municipalities should resolve their human resource issues and recruit based on meritocratic principles rather than political connections. Institutions and oversight bodies must consist of skilled and well-trained individuals to ensure effective and regular reporting to society. Compliance with the MFMA and MSA should be a must rather than an option, and non-complying municipalities should be acted against to ensure effective consequence management. Municipalities should also ensure that the performance targets set are clear to reinforce accountability when targets are not reached, meaning that PMS should be effectively used to ensure good performance. There should also be a clear separation between political leaders and administrative work to avoid political interference in the health sector. Finally, the authors identify an opportunity for struggling municipalities to improve their finances and performance. This opportunity is benchmarking with municipalities that are doing quite well, not intending to copy them, but adopting specific practices that will ensure the attainment of clean audits and good performance.

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