

Municipal Standard Chart of Accounts and Financial Management Performance of South African Municipalities



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Abstract Despite many attempts to reduce and eliminate unauthorised, irregular, fruitless and wasteful expenditures (UIFWE) in municipalities, the phenomenon, on the contrary, has been on the rise. The most recent attempt was the introduction of municipal Standard Chart of Accounts (mSCOA) in 2017, which is implemented digitally through a computer-based system. Despite its implementation, UIFWE have, however, continue to be on the rise. This study assesses the effects of mSCOA on the UIFWE incurred by South African municipalities. To achieve this, data was mined from Auditor General of South Africa's reports, from 2015–16 financial year to 2021–22 financial year, and trend analysis and descriptive statistics used to analyse the data. Analysis of the data mined could not prove any effect of mSCOA on UIFWE. Since the implementation of mSCOA, there has been an increased trend in UIFWE incurred by municipalities. It seems program preconditions such as the complexity of mSCOA, complexity of government structures, political interference and municipal cultures, have significant impact on effects of mSCOA on UIFWE. Concerted efforts are required from every member of the governmental ecosystem if benefits from such a well-designed program are to result in improved financial management and good service delivery. Policymakers are advised to consider enablers and constraints of interventions before implementation, if they are to be successful.

Keywords municipal Standard Chart of Accounts · unauthorised, irregular and fruitless and wasteful expenditure · Municipalities · Trend analysis · Preconditions

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1 Introduction and Background

Performance of most South African municipalities has been often considered to be poor (Managa, 2012; Mello, 2018; Mishi et al., 2022; Odeku, 2019). Terms that have been used to describe South African municipalities include mismanagement (Mishi et al., 2022), maladministration (Thusi & Mashabela, 2023), nepotism (Hungwe & Mukonza, 2023), corruption (Breakfast et al., 2019), cadre deployment (Mlambo et al., 2022) and lack of accountability (Matebese-Notshulwana & Lebakeng, 2020) amongst others. One of the signs of poor performance has been the ever-increasing unauthorised, irregular, fruitless and wasteful expenditures (UIFWE) in municipalities have been a recurring phenomenon for quite some time (Enwereji & Uwizeyimana, 2019). Municipalities continue to incur UIFWE despite several interventions being put in place to curb them. Chief among them is the Municipal Finance Management Act (MFMA) which provides guidelines on how finances should be managed (Zindi & Sibanda, 2022). The MFMA prescribes that any official of the municipality who made or authorised UIFWE be liable for that expenditure (Munzhedzi, 2016). The MFMA places the municipal manager as the custodian of the MFMA and holds him/her accountable for UIFWE (Khaile et al., 2021). Other interventions include the national clean audit task team under the Hawks, which focused on municipal financial misappropriation; the Standing Committees on Public Accounts (SCOPA) which was supposed to ensure effective and efficient use of public funds and the Municipal Public Accounts Committees (MPACs) which was instituted to have oversight functions on municipal executives (Enwereji & Uwizeyimana, 2019).

Dzomira (2017) defined unauthorised expenditure as expenditure that municipalities incur without provision for it in the council-approved budget or which does not meet the conditions of a grant. He went on to define irregular expenditure as expenditure that was not incurred in the manner prescribed by legislation whilst fruitless and wasteful expenditure was defined as expenditures made in vain and that would have been avoided had care been taken (Dzomira, 2017). Such expenditure includes interest, the payment of inflated prices, penalties and late payment of creditors or statutory obligations, payments made for services not utilised or goods not received and the cost of litigation that could have been avoided (AGSA, 2017).

Researchers in the field of municipal performance have identified a multitude of factors behind the increasing trend in UIFWE. These include, among others, lack of accountability, corruption, political-administrative interface, insufficient human resource capacity, intergovernmental relations and institutional environment (Brown, 2020; Chitimira et al., 2022; De Visser, 2018; Munzhedzi, 2020; HSRC, 2022; Sutcliffe & Bannister, 2020). What is worrying is that these factors were raised more than a decade ago by authors including Bogopa (2013); Davids (2011); Laubscher (2012); Managa (2012); Mantzaris (2014); Mantzaris and Pillay (2014); Manyaka and Nkuna (2014); and Matsiliza (2013). This implies that interventions implemented between earlier and recent studies did not have meaningful effect on reducing UIFWE and improving financial management performance.

Table 1 Change in UIFWE since implementation of mSCOA in 2017

Expenditure	Percentage change
Unauthorised	82%
Irregular	40%
Fruitless and wasteful	246%
Overall	62%

Source: Auditor General reports, 2018/19 to 2021/22

New on the list of interventions to improve municipal performance is municipal standard chart of accounts. This was a product of claims that a single accounting system for local government departments would permit centralised planning and budgeting, as well as the capacity to observe the expenditure of funds centrally (AGSA, 2017; Dzomira, 2017). Such a reform would enhance financial discipline, improve efficiency, transparency, and accountability in use of public resources (Dzomira, 2017). The municipal standard chart of accounts (mSCOA) was introduced to improve public accountability and financial reporting (National Treasury, 2015) and thus, reduce UIFWE and improve financial management. Despite the theoretical benefits of mSCOA, the amount of UIFWE seem not to be slowing down since its implementation on the first of July 2017, as portrayed in Table 1.

Table 1 portrays an increase in all variables of UIFWE, with fruitless and wasteful expenditures increasing by over 240%. The incurrence of these expenditures is a product of mismanagement of financial resources (Glasser & Wright, 2020) and as such it is a sign of misuse of taxpayers' and ratepayers' money, which is associated with poor financial management performance (Mishi et al., 2022). Matebese-Notshulwana and Lebakeng (2020) argue that incurrence of UIFWE has prevented the reduction of social inequalities which has undermined social cohesion.

It is against this background that this study, using descriptive statistics, attempts to establish the effects that mSCOA has had on financial performance of municipalities, since its implementation on the first of July of 2017 (Brown, 2020). UIFWE was used as a proxy for financial management performance of municipalities. This proxy was selected because the Auditor General of South Africa (AGSA, 2022) links incurrence of UIFWE to financial management performance of municipalities. To this end, the objective of the paper was to establish whether mSCOA has had some influence on unauthorised, irregular and fruitless and wasteful expenditure, from the time it was implemented in 2017 until 2021–22 financial year. Using the data generated by the Auditor General of South Africa, trends in UIFWE were created using Microsoft Excel. The study found no evidence of reduction in UIFWE, thus no improvement in financial management performance of municipalities during the period in study. These findings provide a basis for future studies as currently no study was carried out on evaluation of effects of mSCOA in South African municipalities.

2 Literature Review

2.1 *Theoretical Grounding*

Most studies in the performance of municipalities have used the agency theory (Dzomira, 2017; Enwereji, 2022; Enwereji & Uwizeyimana, 2019; Khaile et al., 2021) and the stewardship theory (Majam, 2022; Msindwana & Ngwakwe, 2022) to explain the relationship between municipal administrators (MAs) and the citizens. The agency theory focuses on the relationship between the principal and the agent, where the agent carries out the interests of the principal (Davis et al., 1997; Khaile et al., 2021). In municipalities, the agents are the MAs whilst the citizens are the principals (Dzomira, 2017). On the other hand, the stewardship theory focuses on the idea that MAs prioritise needs of their communities by applying their knowledge, skills and expertise to make decisions that uplift their communities (Majam, 2022). These two theories were created for corporate organisations where the primary goal is to maximise wealth of shareholders (Ross et al., 2019). Local government organisations are, however, complex and actions of MAs are influenced by many, at times, conflicting factors (Davids, 2011). For these reasons, the study adopted the Social Realism Theory (SRT) to explain the performance of MAs, who are agents of the citizens. This theory was selected because it goes beyond intrinsic factors in explaining the decision-making process of the MAs.

2.2 *Social Realism Theory*

Social Realist Theory, which was coined by Margaret Archer, is an extension of Critical Realism Theory (CRT) which argues that there are three stratified layers of realism which include the empirical layer where experiences and observations occur, the actual layer where events occur and the real layer which comprise mechanisms that mediate events and eventually, experiences. The real layer is where invisible and intangible mechanisms are located and it is these mechanisms that give rise to events which lead to experiences and observations (Bhaskar, 2002; Boughey & McKenna, 2021; Lockett, 2011). CRT enables us to understand that our experiences emerge from a layer of reality where mechanisms exist, whether we are aware of them or not (Boughey & McKenna, 2021).

SRT focuses on the Real layer of CR by subdividing it into the domains of structure, culture and agency. It enables the examination of events and experiences by considering the relationship between social structures and people (agency). The social structures are decomposed into the two realms of structure and culture. Structures distribute access to material resources and organise relations in societies (Boughey & McKenna, 2021; Case, 2015). Culture includes the world of ideas, beliefs, myths, opinions (Case, 2015) as well as values, and concepts and theories (Boughey & McKenna, 2021). Agency is the domain of human interaction and the

exercising of powers vested in humans, as individuals or groups (Case, 2015). Basing on this theory, the performance of municipal administrators is a function of their personal agency as mediated by social structuring and cultural conditioning (Luckett, 2011). Unlike the agency theory, factors behind low municipal performance, as seen by high levels of UIFWE, are explained by agency of administrators as influenced by structures and culture. It is not possible to talk about agency without referencing to the structural and cultural factors driving that agency.

2.3 *Factors Affecting UIFWE*

As discussed before, the exercise of duties by municipal administrators is impacted and conditioned by social structures and cultures, mostly beyond their control. The following sections discuss these factors.

2.3.1 **Structural Factors**

Weak control environment: The weak municipal control environment (Moloi, 2018) does not encourage efficiency. On the contrary, it promotes municipal administrators not to be committed to their custodianship roles and ignore their accountability duties (Myeza et al., 2021). Accountability is critical for effective running of municipalities, without it, it is difficult for MAs to take full ownership of their actions (Chitimira et al., 2022). Lack of commitment (Myeza et al., 2021) and a disregard to law (Odeku, 2019) contribute to the poor state of public accountability. Most of the challenges associated with public accountability are not a result of lack of appropriate policy frameworks, but lack of appropriate implementation of existing policies fostering public accountability (Munzhedzi, 2016; Sutcliffe & Bannister, 2020). Sutcliffe and Bannister (2020) argue that lack of accountability and transparency in municipalities has caused corruption and maladministration to be prevalent and deeply rooted in some municipalities. This argument is also echoed by Mbanyele (2021) who adds that accountability structures that are not credible and individual agency characterised by impunity have enabled corruption.

South African municipalities lack accountability procedures, despite MFMA prescribing perpetrators to be held liable for maladministration (Odeku, 2019). To make matters worse, there is a lack of commitment to hold those implicated in wrongdoing accountable for their actions (Munzhedzi, 2016). The lack of holding municipal officials accountable for maladministration is a huge concern in municipalities and this lack of consequence management can be attributed to an inadequate institutional environment and culture, and skilled leadership (Moloi, 2018). The insufficient implementation of consequence management, including partial application, leads to low morale, high staff turnover and poor performance (HSRC, 2022). Khaile and Davids (2020) argue that council oversight committees, which are meant to instil accountability, are made of members who are part of politically divided

councils. They further argue that political decision-making is not informed by rationality but rather by party political mandate. As a result, committee members are partisan in practice which compromises accountability. The political infighting at national level which results in issuance of directives and threats and firing of councillors also weakens the control environment. Infighting within parties as well as coalitions in municipalities results in poor performance of municipalities (Mbanye, 2021).

Other factors resulting in weak control environment cited in literature, including poor monitoring and oversight measures, lack of political will (Chitimira et al., 2022; Sutcliffe & Bannister, 2020) weak ethical systems, poor implementation and monitoring of supply chain management systems and policies, lack of well experienced administrators (Zindi & Sibanda, 2022); ineffective internal control tracking, nepotism in appointments, and inability of management to enforce consequences (Mojji et al., 2022).

Human resources: A report by HSRC (2022) claim inadequate human resources, skilled leadership, and skilled employees as some of the constraints to proper municipal administration, a claim also supported by Munzhedzi (2020) and Sutcliffe and Bannister (2020). The report goes on to claim that most municipalities have high vacancy rates, high staff turnover, incompetent staff and several appointments in acting positions (HSRC, 2022). The challenge of unskilled human resources is associated with municipalities that struggle with finances as they are unable to attract and appoint people with the skills required (Hungwe & Mukonza, 2023; Molo, 2018). Another factor cited for poor human resources is the inability of municipalities to recruit suitable personnel due to the weak control environment, which is unattractive for professionals (Sambo, 2019).

Politics: The support from the government and/or politicians is required to enforce the relevant municipal policies and drive good service delivery in any municipality (Chitimira et al., 2022). Unfortunately, there is a lack of political will to support good municipal administration (Munzhedzi, 2020). The interference of politics, which De Visser (2018) and Sutcliffe and Bannister (2020) referred to as political-administrative interface, means that political interests are prioritised over to needs of the communities (Chitimira et al., 2022). At the political-administrative interface, politicians (councillors) behave as if they are administrators whilst administrators behave like they are politicians (De Visser, 2018). Conflation of roles where some municipality officials occupy political and administrative roles also affects municipal administration. This is because decision-making process may be politically influenced rather than being influenced by the needs of communities (Mbanye, 2021).

Due to political interference, cadres are appointed in key municipal positions without meeting minimum competency levels and critical skills required for their positions (Mbanye, 2021). According to Magagula et al. (2022), cadre deployment in key municipal positions has a major contribution to the shortage of skilled personnel. In addition to unskilled leadership and personnel running municipalities, the relationship between the political and administrative leaders has a negative

impact on performance of municipal officials as political appointments in leadership positions create frustrations among municipal employees (HSRC, 2022).

The unwillingness of municipal councils to exercise their oversight roles claimed by Khaile et al. (2021) might also be explained by political interference. As the mayor of a municipality is a political appointee, who also acts as a municipal administrator, his or her decisions might go unquestioned due to political alliances. The unwillingness of councils to question decisions may be to protect their political alliances or their own source of income (De Visser, 2018). De Visser (2018) claims that the substantial remuneration of councillors fortifies party discipline, falling out with the party is about more than an ideological rift but also means risking loss of the only income.

Intergovernmental relations: The other reason cited for poor performance in municipalities are the relations between different levels of government. Brown (2020) found that agenda for lower levels of government such as municipalities, are set at higher levels (national government) and lower governments are expected to implement policies they had no part in their formulation. Intergovernmental forums that are meant to be consultative, are rather informative. He claims that needs for local government are not considered when regulations are implemented. De Visser (2018) provides a similar argument that national and provincial governments do not work in tandem. There is lack of coherence between national and provincial governments and municipalities often find themselves at the receiving end of such incoherent laws and policies. This is a consequence of turf wars between the two governments or simply not working together (De Visser, 2018).

2.3.2 Cultural Factors

Corruption: The lack of accountability and poor control environment have promoted corruption, fraud and maladministration, especially in the tender processes (Chitimira et al., 2022). Municipalities award contracts to employees, councillors, close family members or other state officials (Bendle & Hollands, 2015). Despite being directly related to fruitless and wasteful expenditures, corruption has led to many other indirect causes such as employment of people who do not have the minimum required skills, qualifications and experience (Chitimira et al., 2022). Employing such people would lead to incurrance of UIFWE as they will be unable to fulfil their duties.

User attitudes: Attitudes of municipal administrators also plays a part in implementation of policies (Lazarova et al., 2022). This is likely to be prevalent with administrators who double up as politicians. In such a case, they believe that their political hat will protect them from any consequences for non-performance.

The section that follows discusses the procedures followed in carrying out the study.

3 Methods

The study followed a descriptive quantitative approach where data from the reports by the Auditor General's office were extracted and used to estimate the influence of mSCOA on financial management performance of municipalities. No sampling was done as data from all municipalities in South Africa were considered. To estimate the change resulting from implementation of mSCOA, we considered 2 years prior to implementation of mSCOA (2015–16 and 2016–17); the year of implementation (2017–18) and 4 years after implementation (2018–19; 2019–20; 2020–21 and 2021–22). The selection of these years allowed us to observe the trend during the selected periods. We argue that, considering the objectives of mSCOA, the impact of mSCOA should show in the trends of UIFWE before and after its implementation. We do confess that there could be several once-off factors that could influence UIFWE, which were not present before mSCOA implementation, such as COVID-19 pandemic, but the general trend of UIFWE should be downward or at least constant if mSCOA has an influence on financial management performance of municipalities.

3.1 *Measurement of Municipal Financial Management Performance*

Performance is a broad concept which can be measured in terms of financial management (Mishi et al., 2022). Financial management performance involves analysis of how municipalities effectively utilise financial resources to attain their predetermined objectives (Sibanda et al., 2020). To estimate financial performance of municipalities, UIFWE was used as a proxy. This proxy was selected because the Auditor General of South Africa (AGSA, 2022) links incurrence of UIFWE to financial management performance of municipalities. Municipalities that incur high levels of UIFWE are considered to have poor financial management performance whilst those with lower UIFWE have higher financial management performance. This claim was supported by Mishi et al. (2022) who found unauthorised, fruitless and wasteful expenditures to negatively impact on efficiency, thus performance of municipalities.

3.2 *Data Analysis*

To visualise the trends of UIFWE during the selected period, trends were created from the data obtained, using Microsoft Excel programme. The data was analysed in aggregate form (South Africa as a whole and total UIFWE) as well in disaggregated form (per province and per category of UIFWE). Such an approach would assist with

having a big picture view as well provincial and cost category view, which would reduce the effects of averaging out the effects.

4 Results

The analysis is premised on the assumption that, all things being equal, the implementation of a program should result in change of performance if it is to be considered effective. As such, we assume that the implementation of mSCOA should improve the financial reporting and financial management of municipalities, by reducing UIFWE which in turn, would improve the financial management performance. In so doing, we understand the complex nature of financial management, the shortage of skills in municipalities, insufficient financial resources and the volatile environments that municipalities operate in.

To aid in estimating the impact of mSCOA on UIFWE, a combined bar and line graph was used to present the trend of the expenditures. Figure 1 presents the trend of the expenses.

Whilst Fig. 1 does not clearly show a smooth trend, there is a general increase in UIFWE throughout the period under study. Considering the unreadiness of several municipalities to implement mSCOA (AGSA, 2017; Brown, 2020), a huge increase in UIFWE was expected in 2017–18 financial year but on the contrary, the expenses dropped compared to the previous financial year. It is difficult to assume that the implementation of mSCOA, of which about 84% of the municipalities (AGSA, 2017) were not ready, was responsible for such a drop in expenditure. The

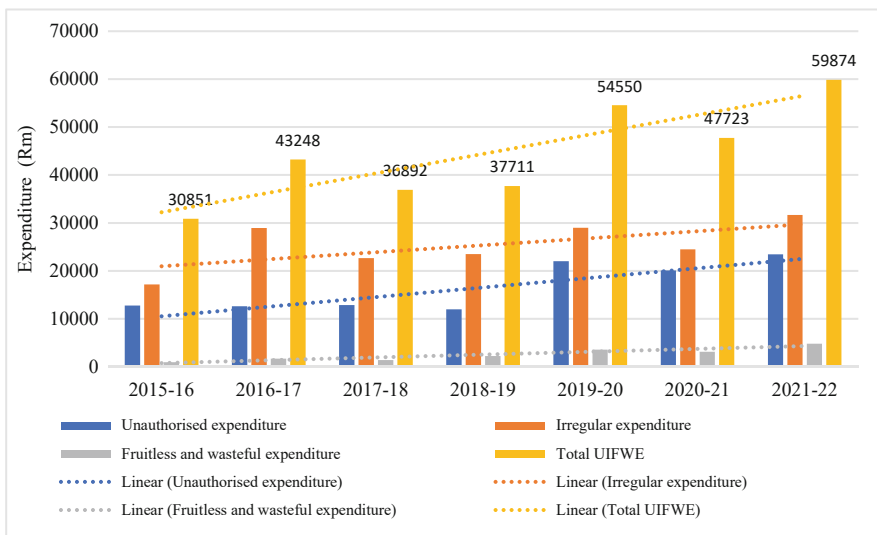


Fig. 1 UIFWE: 2015 to 2022 financial year. Source: Auditor General reports, 2015/16 to 2021/22

Table 2 Changes in UIFWE after implementation of mSCOA per province. Source: Auditor General reports, 2015/16 to 2021/22

	2017-18	2018-19	2019-20	2020-21	2021-22
EC	100%	-54%	41%	3%	122%
FS	100%	48%	74%	-37%	16%
GP	100%	-28%	160%	-13%	33%
KZN	100%	83%	9%	-30%	15%
LP	100%	-16%	42%	16%	-19%
MP	100%	3%	52%	-15%	51%
NC	100%	-10%	69%	5%	-1%
NW	100%	13%	23%	0%	-18%
WC	100%	243%	-49%	-2%	16%

implementation of mSCOA, could however, have unsettled administrators limiting the use of their budgets. Whilst there was an overall decrease in total expenses in 2017–18 financial year, unauthorised expenditure increased.

There is a general increase in UIFWE since implementation of mSCOA on 1 July 2017 with a very slight reduction in 2020–21 financial year. The total UIFWE increased from a total of R36,892 billion in 2017–18 to R59,874 billion in 2021–22 financial year. Whilst one can argue for non-factoring of effects of inflation, the increase of over 60% in a four-year period is very high. Between 2018 and 2022 financial years, unauthorised expenditure increased by 82% (R10,576 billion); irregular expenditure increased by 40% (R9 billion) whilst fruitless and wasteful expenditure rose by more than 246% (R3,406 billion). These significant changes are a sign of a situation that is deteriorating.

It is possible that a holistic view may, at times, overshadow some positive developments. To further understand the meaning of the results and eliminate effects of averaging out figures for all provinces, the aggregated changes per province, since the implementation of mSCOA, are presented in Table 2.

Using 2017–18 as a base year, we calculated the changes in UIFWE based on aggregate figures. Table 2 shows that there were a few positives along the way but the overall picture being portrayed is of a negative nature. This picture does not show any sustained increase or decrease in UIFWE since implementation of mSCOA. Whilst there were some positives from 2017–18 financial year to 2018–19 financial year, only Western Cape enjoyed a reduction in UIFWE in 2019–20 financial year.

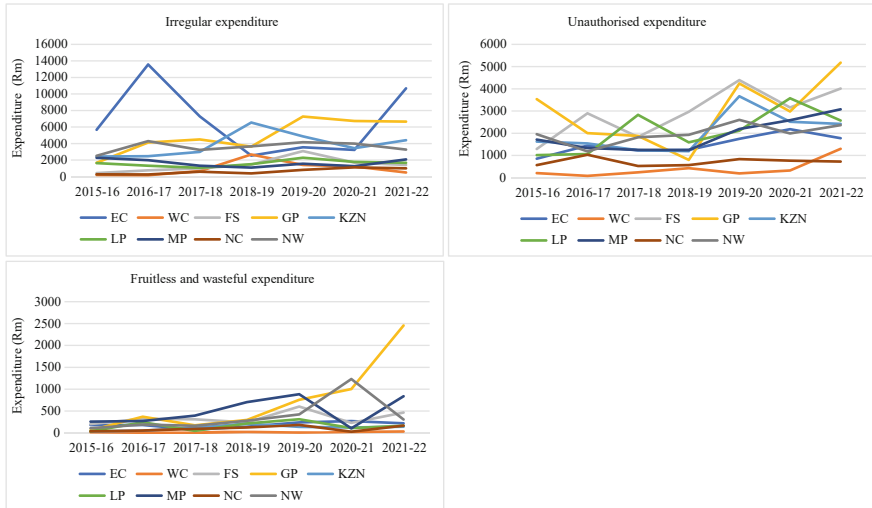


Fig. 2 UIFWE per province. Source: Auditor General reports, 2015/16 to 2021/22

Whilst this can be seen as a positive, generally, the Western Cape Province has obtained clean audits and implementation of mSCOA could not be the reason for this improvement.

The 2020–21 financial year had the most positive outlook with a reduction in UIFWE in five of the nine provinces whilst there was no change in the Northwest Province. Only Eastern Cape, Limpopo and Northern Cape had an increase in UIFWE. After showing some positives in 2020–21 financial year, the expenditures increased in six of the nine provinces in the 2021–22 financial year. Looking at these aggregate provincial expenditures, there is no single province that enjoyed a reduction in UIFWE over the five-year period presented in the table. The closest to good performance was the Western Cape Province, which enjoyed a two-year reduction in UIFWE, in 2019–20 and 2020–21.

In further understanding the trends in UIFWE incurred by municipalities, we disintegrated the expenditures according to the category, per province. Figure 2 shows the results of this process. As portrayed in Fig. 2, irregular expenditure is a component of UIFWE that contributes the highest proportion. These costs fluctuated during the period under study, in all provinces except for Northern Cape, which seemed constant. Provinces with highest fluctuations included Eastern Cape, Gauteng and Free State, showing a greater inability to manage these expenses. The trends in irregular expenditures, in all provinces, do not provide any evidence of a reduction in irregular expenditures, showing no evidence of improvement in municipality financial management performance.

Unauthorised expenditures, which contributed the second highest proportion of UIFWE, also showed lots of fluctuations in all provinces. Whilst no clear trend is visible in Fig. 2, the unauthorised expenditures in the 2021–22 are much higher than the 2015–16 expenditures which were incurred before implementation of mSCOA.

Whilst also fluctuating, fruitless and wasteful expenditure, unlike irregular and unauthorised expenditures, portrays a visible incremental trend in the period under study. This trend is mostly contributed to by Mpumalanga, Northwest and Gauteng provinces which had the highest movements in these costs. All components of UIFWE in all provinces, have shown no evidence of a gradual reduction, implying no improvement in management of these costs in municipalities.

The indication of no significant change or reduction in UIFWE is worrying, considering the resources that are put in efforts to improve financial management performance, reduce UIFWE and eventually, improve service delivery. Substantial resources were utilised in developing mSCOA, piloting it and training administrators, as such, it would be worrying if it becomes a fruitless and wasteful expenditure.

The data presented in the tables and figures before shows some trends in the UIFWE, expressed per province and aggregately. From the country view as well as provincial view, there is no evidence that financial management performance has improved since implementation of mSCOA, even 4 years after its implementation. On the contrary, data shows that the situation is getting worse if the expenditures incurred are a true reflection of performance. Whilst it cannot be claimed that mSCOA is not generating intended results, there is no evidence that it is.

Using the Social Realist lens, the lack of evidence for positive effect of mSCOA can be attributed to a number of social structures which affect agency of MAs. The result is not necessarily a sign that the mSCOA intervention was poorly designed but points to inadequate preconditions to implementation as well as constraints in its implementation. This claim is justified by the confidence that some researchers have in the South African municipal policies whilst they decry their poor implementation (Munzhedzi, 2016; Sutcliffe & Bannister, 2020). By focussing on social structures conditioning, SRT provides a better explanatory view to poor performance of municipalities. Social structures, as well as past experiences of MAs, act as preconditions necessary for success of interventions. Most of these factors were identified in previous research.

Institutional structures are a necessary condition for success of interventions such as mSCOA. One of these structures is digital transformation (Lazarova et al., 2022) which is necessary for adoption and use of mSCOA. Whilst it is a fundamental precondition to success of mSCOA, the digital transformation of administrative processes in municipalities is a slow and complex process that requires special attention (Lazarova et al., 2022). A study by HSRC (2022) found that ICT is one of the key skills that most municipalities lack. Most municipalities particularly in developing countries experience challenges in adopting and implementing e-municipality (Nel-Sanders & Malomane, 2022). Even municipalities in developing countries have huge disparities amongst them in terms of the digital divide, technical, economic and social issues. The digital divide within South African municipalities is not surprising, considering the huge social disparities between urban and rural areas as well as between provinces. Whilst provinces such as Western Cape and Gauteng do have sufficient resources due to their developed economies, provinces such as the Eastern Cape and Mpumalanga are lagging, leading to difficulties in attracting qualified and skilled administrators to effectively run the municipality

businesses. These differences make implementation of a program such as mSCOA, slow, as claimed by Lazarova et al. (2022). It is therefore possible that results of the project are yet to be felt due to this slow transformation. Replicating a similar study in a year or two would improve the reliability of the findings.

Intergovernmental relations is another structure that constrain success of mSCOA. In his study, Brown (2020) argued that municipalities were not ready for implementation of mSCOA in 2017 and as such, it was implemented at the behest of national government (National Treasury), without considering the status and needs of municipalities. The claim also resonates with De Visser (2018) who argue an incoherence of policies between provincial and national government. Brown (2020) suggested that the National Treasury should have implemented mSCOA on a phased approach as municipalities differed in terms of categorisation, their financial and human resources capacity. At time of implementing in 2017, system vendors were still in the process of developing mSCOA-enabled systems. Similar arguments were highlighted in the Auditor General's report (AGSA, 2017) where it was reported that most municipalities were making very slow progress. Some of the factors claimed to slow down the readiness included, among others, capacity and skills constraints; financial resources; waiting for outcomes of pilot municipalities; data cleansing, migration and mapping and keeping up with different versions of mSCOA released.

Sutcliffe and Bannister (2020) identified a number of implementation weaknesses on implementation of mSCOA. These included the incorrect use of the mSCOA and municipal accounting practices; budgeting, transacting and reporting in excel spreadsheets and then importing to core financial systems instead of preparing directly in the core systems; municipalities not locking their adopted budgets or financial systems at end of month. The publication claims that use of excel spreadsheets gave rise to manipulation of data, fraud and corruption as controls built in core systems were not triggered, enabling transactions not allowable to go through (Sutcliffe & Bannister, 2020).

Other structures that could have an effect on success of mSCOA include political interference, weak control environments, insufficient human capacity, corruption and attitudes of municipal administrators, which were discussed in the literature review section. Regardless of the exact preconditions behind slow progress of mSCOA, it is critical that these underlying factors are identified and attended to, to avoid mSCOA being a fruitless and wasteful exercise.

5 Limitations

There are a number of limitations in this study. Firstly, there are no inferential statistics to show the presence and extent of relationship between mSCOA and financial management performance, in this case UIFWE. Whilst there seems to be an increase in UIFWE, we could not prove its relationship with mSCOA, making it impossible to generalise the results. The increase in UIFWE could have been a result of extraordinary events such as COVID-19 pandemic, yet this study could not

establish the impact. Secondly, there is not enough disintegration of the data beyond the provinces. Breaking down the data into municipalities and performance activities could have provided better quality results needed practice purposes. Lastly, complex projects such mSCOA may require more time to have an impact and as such, this study could have been carried out too early. This is because mSCOA is a relatively new intervention and there has not been a long-enough time to measure the effects. It is necessary to repeat a similar study in the future. Despite these limitations, there is need for National Treasury, who is the custodian of MPFA, to assess the enablers and constraints for success of the municipal standard chart of accounts.

6 Conclusions

This study intended to establish if UIFWE dropped and financial management performance improved as a result of the implementation of mSCOA in 2017. Trend analysis performed did not indicate any reduction in UIFWE, instead, the expenditures increased. This finding is an indication that, factors beyond mSCOA, are responsible for non-performance of mSCOA. This resonates with authors such as Munzhedzi (2016); and Sutcliffe and Bannister (2020), who argue that poor performance is not a consequence of lack of good policies. The SRT informs us that implementation of interventions and policies without consideration for structures and culture would not result in meaningful change. Instead of spending limited resources on development of policies and interventions, the government and its agencies, are advised to direct more energies in identifying, assessing and realigning structures that would enable or constrain performance of policies and interventions. Concerted efforts are required from every member of the governmental ecosystem if benefits from well-designed programs such as mSCOA are to result in improved financial management performance and service delivery. National Treasury should revisit the conditions necessary for success of mSCOA and address them to improve its performance.

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