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COMPLIANCE TO SOUTH AFRICAN AUDITOR GENERAL'S AUDIT RECOMMENDATIONS: A CASE STUDY*

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Abstract. The current state of local government has reached a crisis point, marked by escalating financial distress and persistent poor financial governance outcomes. Across South Africa, municipalities are grappling with economic instability. There are exacerbating concerns regarding the effective management of public resources. Empirical studies and municipal audit reports have shed light on the pervasive nature of this crisis, revealing a troubling pattern of irregularities and weaknesses that persist from year to year. Despite various measures, such as the Local Government Turnaround Strategy, there continues to be a need for more compliance enforcement, perpetuating a cycle of recurring challenges. The purpose was to determine the extent to which local municipalities in the Waterberg District Municipality, Limpopo Province, South Africa, have implemented and complied with the recommendations of the AGSA. Methodologically, a qualitative approach was used, drawing from various primary and secondary data sources. A thorough literature review was done to determine how closely municipalities follow the AGSA's annual audit recommendations. The primary conclusions indicated that internal factors, including inadequate financial management procedures, a shortage of time and resources, staffing issues, and political meddling, were to blame for the municipalities' unfavourable audit opinions. Furthermore, there remains a mix of sentiments regarding the implementation of AGSAs, even though most municipalities follow the AG's recommendations. The study suggests several practical approaches to address these issues, including creating a unit for monitoring and evaluation, putting internal solid control measures in place, implementing consequences management, implementing an effective system for managing records, and performing skills audits.

Keywords: Audit Outcomes; Auditor-General; Municipalities; Financial Management; Municipal performance; Compliance; Waterberg District Municipality

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1. Introduction

South Africa's public sector has struggled with a declining audit result and a precarious financial situation since the advent of democracy. Trends in AGSA reports have drawn attention to the growing culture of non-compliance in municipal audit results, contending that the South African media often highlights the government audit reports' overall portrayal of financial disarray and widespread misuse of taxpayers' money. Previous research has consistently demonstrated that recommendations, guidelines, and risk areas identified by the AGSA should be regularly considered or inadequately implemented by all levels of government, including local governments. (AGSA 2014: 9, 2015: 12). The dismal status of South Africa's municipal finances is difficult to understand,

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despite the COGTA's intervention since 2009 and the AGSA's explicit reform plans (Wessels, Makhosandile Kwaza & Ijeoma, 2021).

In a report submitted to Parliament in September 2005, the South African Local Government Association (SALGA) exposed the dire state of financial accounting and auditing at the local government level. Non-compliance, inadequate internal audits, and capability gaps were identified as significant obstacles affecting the financial management of most municipalities (Manes-Rossi, Nicolò & Argento, 2020). Emphasising the significance of a "clean audit" opinion, the National Treasury, AGSA, and COGTA have all stressed their critical role in signifying sound governance (COGTA, 2009; AGSA, 2011; National Treasury, 2014). However, numerous challenges, including poor governance, ineffective financial management, and inefficient administration, obstruct municipalities from obtaining a clean audit opinion (Dhansay, 2022).

Similar challenges plague municipalities globally, not limited to those in South Africa (COGTA, 2009; PricewaterhouseCoopers, 2010; Deloitte, 2013a; Cordery & Hay, 2022).

Numerous studies have underscored the interconnectedness between financial management, governance, and audit difficulties in local governments worldwide (Siswana, 2007). In the same vein, Martins & Lvarez (2007) reveal that this culture of non-compliance has led to billions of rands being misspent in wasteful, unauthorised and irregular expenditures. Despite some municipalities demonstrating compliance and stringent control procedures, the AGSA reports indicate that progress could be more robust and overshadowed by widespread non-compliance in various South African municipalities (AGSA, 2019).

The issue of poor audit findings transcends the boundaries of a single municipality or province, extending to a national concern (Oberholzer, 2012; Auditor-General of South Africa, 2019b). Motubatse (2016) and van der Walddt, Fourie and Malan (2024) state that the problem is still present in both developed and developing countries and several government sectors and institutions in South Africa. Consequently, this study aimed to determine and examine the degree to which local municipalities in the Waterberg District Municipality have implemented and complied with the recommendations of the AGSA audit.

2. Theoretical Examination

Various theories and rationales have defended the significance of auditing concepts. Auditing theories explain the concepts and framework guiding the auditing process. Consequently, these frameworks facilitate understanding the connections between the organisation and other stakeholders. This study employed the Principal-Agent (PA) theory and Policeman theory as the primary theoretical framework, owing to their relevance to audit functions and the evidence-collection methodology for organisational audit activities. A detailed account of these theories is provided below.

2.1. Principal-Agent Theory

Considerable research has been conducted to comprehend the reasons behind non-compliance with municipal financial management policies and to propose remedies. Significantly, the principal-agent theory has underpinned these investigations, offering empirical scrutiny, clarification, and theorisation to grasp the complexities of flouting municipal regulations (Khaile, Davids & Khaile, 2021). Previous research on auditing in private enterprises has successfully employed the principal-agent theory, deploying this framework to examine the auditor's role as the principal's agent (Baiman & Lewis, 1989; Power, 1997),

Other scholars have explored accountability and delegation in the federal government using the principal-agent theory (Venton, 1997; Strom, 2000; Muller, 2000; Lupia & McCubbins, 2000). The Principal-Agent theory is increasingly recognised as a valuable approach for investigating public accountability, given its capacity to

accommodate a broad array of institutional arrangements and evaluate their efficacy in incentivising agents to act as desired (Gailmard, 2012). Gailmard (2012) states that the principal-agent theory is the most prominent paradigm for elucidating research duty and answerability, particularly in the public sector.

This study employed the principal-agent theory to underscore the significance of shared information between both parties, highlighting the criticality of fostering a principal-agent relationship built on trust, as local governments exist to serve their constituents. Consequently, prompt and comprehensive disclosure of information to clients becomes imperative when issues arise.

The principle-agent hypothesis is believed to serve as a check and a deterrent to non-compliance. According to Thomann, Van Engen and Tummers (2018), it is imperative that agent shirking be stopped and dealt with. The principal-agent theory has proven to be a flexible and effective instrument for investigating how institutional contexts affect public policy and decision-maker accountability.

The principal-agent theory states that a supposedly morally pure, honest, and moral principal must have authority over an official who is possibly dishonest and disobedient. However, most municipalities in South Africa are quite different. Döhler (2018: 190) states that "the principal's moral hazard thus appears as an anomaly or even an impossibility that does not feature in the canonical standard of the principal-agent theory. The academic research on municipal financial accountability and oversight also exhibits the agent bias inherent in the principal-agent theory (Khaile, Davids & Khaile, 2021). The PA theory in auditing explains the dynamic between. It highlights potential conflicts of interest, the need for objective assessments, the measures taken to decrease agency problems and information asymmetry in financial reporting, and the demand for these things.

2.2. The Policeman Theory

The policeman theory holds that the only responsibility of auditors is to detect and stop fraud. Policeman theory asserts that this was the case because the auditing function was searching, discovering, and preventing audits as the auditors' responsibility. Egbunike and Egbunike (2017) claim that the audit paradigm has changed since the 1940s and that current financial statement fraud has made this change worse.

In organisational activities and operations, this paradigm promotes truthfulness and justice (Hayes et al., 2005:44). This is crucial as it covers a range of topics, including accountability and integrity; therefore, the information produced is dependable. The audit requirements are discussed in more detail (Itonen, 2010). The prevalence of financial theft and public sector fraud in numerous government entities has made financial audit systems one of the many regulatory and monitoring measures that are now required (Hazaea et al., 2020).

Tapang and Ibiam (2019) claim that bribery, stealing government property, and embezzlement of public monies are frequent in public sector organisations. The policeman theory supports the assertion that extensive information sharing, auditing, monitoring, and evaluation of the function of independent and responsive SAIs are necessary to help the national government improve its oversight performance and guarantee accountability and transparency for the benefit of the citizens. Stakeholder or public demands for better service delivery and equal resource distribution are the cause of this (Khan & Stern, 2007).

3. Legislative Frameworks

The legislative and statutory framework provides a foundation for responsible administration and oversight of municipalities. The following laws regulate auditing in municipal and government departments. Each of these laws has a distinct function to perform, which is described below.

3.1. Constitution of the Republic of South Africa, 1996

The supreme law of the land in South Africa is the Constitution. Chapter 9 of the Republic of South Africa's 1996 Constitution states that the AGSA is one of the public institutions supporting constitutional democracy. Section 188 of the Constitution describes AGSA's authority, and AGSA must fulfil its duties to uphold the Constitution. AGSA's constitutional function is exercised to carry out its highest priority mission. The AGSA is in charge of auditing the financial statements of the public sector under Section 188 of the Constitution.

3.2. Local Government: The Municipal Finance Management Act, 2003

The Municipal Financial Management Act 56 of 2003 mandates preventing, detecting, and penalising non-compliance with municipal financial management principles. The act states that in order to ensure that resources are used sensibly and effectively and that reports are sent to the appropriate legislative bodies, the AG must have a reasonable assurance that proper management procedures are being followed. The MFMA states that the AG must be reasonably satisfied that acceptable management processes are followed to guarantee that available resources are used economically and efficiently and that reports are given to the appropriate legislative bodies. The statute assigns responsibility for "the economical, efficient, and effective usage of resources" to the accounting officer.

3.3. The Public Audit Act, 2018

Public Audit Act (Act 5 of 2018) Section 39 requires the auditor to be selected annually by the supervisory panel, established by PAA Section 10(3), to audit the Auditor accounts, the General's financial statements, and financial management and performance information. The PAA requires an AGSA audit and report for every municipality, municipal entity, state department and administration at the national, provincial, and local levels, constitutional organisations, parliamentary administration, and every province legislature. The potential impact of the Public Audit Amendment Act of 2018 on the effectiveness of the Auditor-General South Africa was analysed by Deliwe (2019).

3.4. Auditor-General Act, 1995

Through the Auditor-General Act of 1995, the Auditor-General is authorised to look into any issue, including the effectiveness and efficiency of internal controls and management practices related to the costs and revenue of an organisation whose accounts are being audited. This act gives the Auditor-General the authority to determine whether any stores, equipment, securities, money, stamps and other property of an organisation whose accounts they are auditing were acquired at a fair price and used effectively.

4. Empirical Literature

4.1. Auditing in the Public Sector

Given the inadequacy of spending controls in government departments, instituting a public sector auditing aptitude was primarily motivated by the imperative for enhanced accountability. Consequently, the key objectives of public sector auditing encompass reinforcing public trust in the public sector and the enhancement of governance effectiveness. The International Internal Audit Standards Board (IIA) (2012) emphasises auditors' indispensable role in ensuring effective governance within the public sector.

According to Iyoha & Oyerinde (2010), audit reports generated from accounting data within public institutions serve as critical sources of information that can aid government efforts in promoting public democracy and development. Auditing enhances the credibility of financial statements, adds value and bolsters investor confidence (Chen, Srinidhi & Su, 2014:223). Like the Auditor General's offices, Supreme Audit Institutions (SAIs) provide local governments, government ministries, parastatals, and other public entities with aggregated reports on audit findings. The reports emphasise trends during end-of-fiscal-year audits (Hogan & Wilkins, 2008; Mabelane et al., 2024).

Public sector auditing represents a specialised field, requiring auditors to possess the requisite knowledge base to conduct audits in alignment with statutory quality control criteria, as highlighted by Kotsanopoulos & Arvanitoyannis (2017).

4.2. Global Municipal Audit Challenges

Previous studies have examined the root causes of municipal financial distress and specific warning signs of such issues, both locally and internationally. It is crucial to distinguish between causes and signs. However, while municipalities in affluent nations may obtain clean audits, those in underdeveloped countries, especially in Africa, need help to attain such audits.

To fight corruption and ensure the public sector operates effectively and efficiently, the report suggested identifying organisational structural weaknesses and concentrating on putting preventive measures into place.

Procurement irregularities remain a primary source of these financial anomalies. The Auditor-General (2017) emphasises the need for consequence management to curb these irregularities, which are particularly prevalent in numerous nationwide municipalities.

4.3. Oversight Role of the Office of the Auditor-General in Financial Accountability

The yearly audit in the public sector encompasses an evaluation of financial accounts, formal performance statistics, and adherence to legal regulations. The PFMA, MFMA, and King Report III on Corporate Governance highlight how important accountability is to the South African public sector. These legislative actions highlight the importance of this requirement.

The Auditor-General of South Africa (AGSA) is authorised to undertake special audits, investigations, and performance audits, among other discretionary engagements (Ngoepe, 2012). Bhana's (2008) analysis emphasises the significant attention AGSA general reports give to record-keeping. According to Bhanna (2008), the first of six good-practice indicators for successful audit outcomes is a clear trail of supporting documentation that is easily accessible and provided promptly.

Financial accountability is enshrined in the South African Constitution, with every governmental institution and official tasked with fulfilling their obligations (Nzewi & Musokeru, 2014). Operating as the State Auditor-General, the Office of the Auditor-General functions as a watchdog to uphold public financial accountability. Governments are expected to effectively manage public funds, integrating financial and non-financial reporting, control, budgeting, and performance, and generate comprehensive reports on the outcomes of their financial expenditures. Additionally, stakeholders are expected to behave ethically (Sahgal and Chakrapani, 2000:3).

In South Africa, the Office of the Auditor-General is primarily responsible for overseeing government expenditure. The Constitution of the Republic of South Africa (1996) mandates appointing an Auditor-General to review and report on the financial records, accounting procedures, and financial management of all national, provincial, and local state agencies, including municipalities and other institutions. This constitutional requirement created the position of Auditor-General in the country (Republic of South Africa, 1996).

4.4. Factors Influencing Municipalities' Inability to Execute AGSA Audit Recommendations

The literature review suggests that these factors are the most widespread and persistent, although it is recognised that other factors additionally contribute to the local government's failure to achieve its objectives (Ramutsheli, Janse Van Rensburg, 2015). A literature review was conducted to identify the thematic root causes behind the local government's inability to achieve its aims. The literature review unveiled eight primary obstacles that hinder government departments from effectively and efficiently reaching their goals. These elements are listed below. A summary of each of these eight components is presented subsequently.

4.4.1. The absence of audit committees

Ibrahim, Baker, and Doyle (2014: 15) emphasise that specific committees oversee the implementation of audit recommendations within local governments, other departments, and agencies, assessing their adherence to AGSA guidelines. They further argue that the adoption of AGSA recommendations serves as a measure of committee efficacy. However, studies suggest that the ineffectiveness of audit committees hinders the execution of AGSA recommendations. Sigidi (2012: 14) states that most municipalities have established audit committees.

4.4.2. Lack of experienced personnel

The effectiveness of local government is negatively affected by under-educated and under-skilled employees in local government (Mamogale, 2016). According to CoGTA (2009):22 and Deloitte (2012):3, a skills shortage is the main reason local government cannot provide for the needs of the public. It needs administrative and technical skills to improve the quality of its service delivery (Koma 2010:116). According to Makwetu (2014), more needs to be done to address the problem of acquisition and contract management. Van Helden, Gronlund, Mussari, & Ruggiero (2012) argue that public sector managers often hire consultants because they need more knowledge, experience, and skills. Managers rely on consulting services since the skills transfer process is not formalised.

A lack of skills is the primary cause of local government's inability to meet the demands of the public (Kanyane, 2006:116; CoGTA, 2009:22; and Deloitte, 2012:3). According to Koma (2010:116), for the public sector to raise the calibre of services it provides, administrative and technical skills are required. Van Helden, Gronlund, Mussari, and Ruggiero (2012) state that public sector managers frequently employ consultants because they lack training, expertise, and experience. Management still relies on consulting services because transferring skills needs to be codified.

4.4.3. High Vacancy Rates

Elevated staff turnover as a result of frequent leadership changes, most notably following elections, exacerbates the issue of insufficient human resources in the local government sector (CoGTA, 2009:66). Ramutsheli and Janse van Rensburg (2015) noted that the Municipal Demarcation Board also raised the issue of excessive staff turnover. According to the National Treasury (2012), the local government's capacity to accomplish its goals could be improved by the instability of its leadership. Shipalana and Phago (2014) claim that high vacancy rates increase workloads, which exacerbate low determination and employee burnout. Appointed incumbents are expected to do their best to fill the gaps created by vacancies, resulting in heavy workloads and fatigue. Makwetu (2014) found that turnaround times were long, and vacancies needed to be better managed, preventing the municipality from operating at maximum efficiency and causing a lack of effective performance management systems.

4.4.4. Lack of Proper Record Keeping

Ngoepe (2012) states that inadequate record-keeping is one of the problems causing dire financial situations, which is highly embarrassing for the government entities involved. An audit can only be carried out with supporting documentation consistent with what AGSA observes in most government agencies. As the cornerstone of the organisation's overall governance initiatives, efficient document management is essential to the audit process. According to Ngoepe (2012), the majority of South African records are only maintained current once they are archived, at which point it is too late to take control of the records.

4.5. Government Measures Aimed at Resolving Municipal Audit Compliance Difficulties in South Africa

The government launched audit compliance activities in response to the unsatisfactory audit results. The government has taken various measures in response to negative audit results; these measures point to insufficient financial management and reporting requirements (Atkinson, 2007). The adoption of Generally Accepted Accounting Principles standards brought significant modifications to processes, systems, and capacities

(Government of South Africa, 2014). Audit results analysis revealed extensive systemic issues, such as significant delays in service delivery, governance deficiencies, fraud, and corruption. Poor financial management heavily influenced municipal challenges (Powell et al., 2014:5–6). In response, CoGTA introduced the Local Government Turnaround Strategy (LGTAS) (CoGTA, 2009a:4). The LGTAS mandated that municipalities achieve clean audit findings by 2014 (CoGTA, 2009a:21).

To improve local government audit opinions, Operation Clean Audit 2014 (OCA 2014) was launched in 2009 as part of a "turnaround plan." According to Oberholzer (2012), the administration has started various initiatives and programs to improve effectiveness and reorganise local government. This program's goal was to solve the issues that gave rise to the AGSA's unfavourable audit conclusions against municipalities.

The government launched the 'Back to Basics' initiative in 2014, aiming to bolster local governments' efficiency and governance (CoGTA, 2014). This strategy aimed to revitalise municipal governance by focusing on the fundamental aspects of operations to serve communities better, drawing from previous programs and assessments of municipalities at the time. The Back-to-Basics Programme sought to empower citizens to hold the government accountable (COGTA 2017: 5). An evaluation conducted by KZN COGTA highlighted variations in the programme's success (COGTA 2017:6), revealing that municipalities viewed the program more as a monitoring tool than as a restructuring initiative, indicating a failure to achieve its goals (COGTA, 2017: 12).

Another intervention has been the introduction of the Municipal Support Programme, whose ultimate purpose is to assist municipalities with qualifying audit outcomes to develop and preserve these gains gradually. The MASP's principal purpose is to assist municipalities with qualified or worse audit results in improving progressively and maintaining these improvements and assist municipalities with unqualified audit results in supporting and sustaining their audit results.

To eliminate revised audit reports among municipalities by 2014, a strategy involves merging weaker self-governing cities with more assertive municipalities (Powell et al., 2014). Despite this, the implementation of municipal recovery measures under Section 139 of the South African Constitution by the national and provincial governments, as suggested by Powell et al. (2014), has yet to yield the desired outcomes.

4.6. Causes of Poor Audit Outcomes

Many scholars have also pointed out that some of these features, such as the level of governance, financial management and leadership, are related to the audit problems faced by local governments around the world (Dalton et al. 1998:270; AGSA 2012:11). Since setting the goal in 2011, AGSA and other scholars have consistently stated that the biggest hurdles to achieving clean audit results are ineffective governance, inadequate leadership, and poor financial Management (AGSA 2013a:196, 2013b:87). The general state of the economy, a lack of information, and the problems with asset management that the public sector faces are primarily caused by the lack of significant regulations that would facilitate asset management.

Diedericks (2017) asserts that a primary cause of inadequate audit results in the public sector is a need for more evidence to support publicly stated conclusions. Govender & Redd (2014) contend that more trustworthy data is needed to maintain the objective's primary purpose as a tool for accountability. Moreover, with reliable data, performance monitoring is feasible. Hendricks and Botha (2015) claim that qualified audit opinions, whether financial or non-financial, are the outcome of a company's inadequate performance reporting system.

Motubatse, Ngwakwe and Sebola (2017) assert that strong leadership and governance are necessary for clean audits. AGSA (2015) states that the progress of clean audits in certain municipalities could be compromised if the three primary issues listed below still need to be resolved. There are three main perpetrators: the political leadership and upper management of municipalities, the tardy response to enhancing essential internal controls,

the lack of repercussions for subpar performance and instability, and the extended vacancy in key local leadership positions.

According to Ngoepe (2012), study findings reveal a variety of issues are root causes in a review of the AG's report on South African municipalities. Makwetu (2014) found six critical factors influencing the negative audit opinion. Makwetu (2014) states that more must be done to address procurement and contract management deficiencies. The three most difficult tasks in this process are applying supply chain management concepts, producing supporting documentation, and resolving conflicts of interest. Appointed incumbents are expected to perform to the highest standard to cover the voids left by vacancies, which adds to their workload and weariness.

Researchers like Van Helden, Gronlund, Mussari, and Ruggiero (2012) found that managers in the public sector usually employ consultants because in-house staff members are not qualified or have the requisite experience. The study also points out that managers continue to use consultants' services because the skills transfer process is not generally structured. According to the Auditor-General (2020), communities' interests must be safeguarded and strengthened via effective leadership founded on a culture of morality and integrity in company operations.

4.7. State of Compliance in the Waterberg District Municipality

As per the provisions of Section 216 of the 1996 Constitution, the National Treasury is tasked with enforcing adherence to laws in every government domain. Numerous AGSA reports exposed a persistent culture of non-compliance with essential laws in the municipal sector. Accordingly, the AGSA's findings on the results of five consecutive audits (from 2016 to 2020) showed that the level of compliance of the abovementioned municipalities needed to be improved.

The Auditor-General's most recent audit findings, which cover the years 2016 to 2020, expose disturbing details about the Waterberg District Municipalities. According to the reports, municipalities in this district have consistently received audit results. In 2019, the district's Mogalakwena Local Municipality was subject to section 139 intervention due to financial mismanagement and general regression. The Auditor-General identifies various issues that contribute to and exacerbate these regressions. One of the issues is that audit recommendations need to be followed.

Over the last five years (and beyond), most municipalities in the district have yet to receive a clean or unqualified audit result. As a result of these outcomes, municipalities have and continue to face serious financial problems. A six-year review of audit results revealed that, while the municipalities share a district, there are significant differences between them, with the Mogalakwena Local Municipality consistently underperforming compared to the others, indicating that all municipalities require improvement. Some municipalities' audit outcomes ranged from "disclaimer" (2015/2016-2018/2019) to "qualified" (2019/2020), while Mogalakwena Municipality received an adverse report, which paints a bleak picture of municipal performance in the Waterberg district, raising concerns about public confidence in governmental institutions failing to obtain clean audits. It also suggests a gloomy future for financial management practices in the province.

Further analysis indicates that there has been improvement in some municipalities, such as Thabazimbi Local Municipality, from a 'disclaimer' to a 'qualified' audit outcome in the 2018/2019-2019/2020 financial year. Modimolle-Mookgopong Local Municipality improved from a 'disclaimer' to a 'qualified' audit outcome in the 2019/2020 financial year, which shows that some municipalities are putting an effort into trying to implement.

5. Research Direction

The study employed a qualitative methodology to analyse the compliance level of South African municipalities with Auditor General South Africa (AGSA) audit recommendations, focusing specifically on the Waterberg

District Municipality in Limpopo province. The district has five local municipalities, and three of the five local municipalities were invited to take part in the study; they were selected due to a noted regression in their audit results over time.

The targeted population consisted of 24 participants experienced in strategic planning and audit processes, including mayors, municipal managers, CFOs, internal auditors, audit committee members, Municipal Public Accounts Committee (MPAC) members, and Municipal Council members. However, only one CFO, seven internal auditors, two audit committee members, three MPAC members, and three Municipal Council members participated. The study employed purposive sampling, and the research design was exploratory, aimed at uncovering challenges related to suboptimal municipal performance and persistent AGSA audit issues. Data collection included a review of academic literature, semi-structured interviews, and secondary data from municipal websites and AGSA reports. The data was analysed using an inductive methodology to find emerging themes and patterns.

Ethical considerations were carefully addressed, encompassing the acquisition of appropriate permissions, the assurance of informed consent, the safeguarding of participant anonymity, the maintenance of confidentiality, and the minimisation of potential risks. The methodological framework was designed to examine municipal compliance with AGSA recommendations, providing a robust foundation for subsequent data analysis and interpretation.

6. Findings and Discussion

To ascertain whether municipalities follow and implement AGSA audit recommendations to foster a culture of clean audits, a series of semi-structured interviews with sixteen participants from the three towns in the Waterberg District were used to gather data to discuss the findings. This data is essential since it will help to clarify why problems found during AGSA's yearly audit are not sufficiently resolved year after year. In order to undertake the analysis, four topics were determined by the study's predetermined objectives. The following describes the four themes that surfaced.

6.1. Implementation of AGSA Recommendations

Scholars often attribute audit-related challenges faced by local governments globally to two key factors: governance and the quality of leadership (AGSA, 2012:11: 40). Municipalities are responsible for carefully considering AGSA's advice and making diligent efforts to address any issues or deficiencies identified in audit reports. Local governments face formidable challenges in putting audit recommendations into action, and in numerous instances nationwide, this objective has proven to be elusive and challenging for all parties involved (COGTA, 2009:9).

Findings revealed that several factors, including budgetary limitations, a lack of resources, and unqualified administration, needed to improve the municipalities' ability to implement the recommendations of the AGSA audit. This statement is consistent with Mamogale's (2016) assertion that employees in local government who lack sufficient education or skills hurt the efficacy of the government. Subsequent investigation showed that although most municipalities implement the Auditor General's recommendations, opinions on the subject are not unanimous.

The following response supports the justification for this abovementioned statement. "As a government, I believe we have gone a long way, but certain things could still be done better. Our municipality is still far from receiving a clean audit opinion due to several contributing factors. First, there are capacity issues; as a municipality, we are sometimes asked to accomplish more with less; numerous open positions have been unfilled for years; additionally, one person is expected to complete tasks that three people should complete. These cost-containment

measures are the second obstacle we must overcome. The cadre deployment system challenges the independence and professionalism of audit outcomes in local municipalities, despite its supporters arguing that it fosters party alignment and policy coherence. This is a problem that affects the local government sector. The cadre deployment systems lead to appointing people not qualified for their positions due to a lack of training or experience, which affects the general proficiency of local government administrations and may result in financial mismanagement, inefficiencies, and an increased probability of audit findings concerning non-compliance and irregularities".

6.2. Measures to Resolve Municipal Audit Compliance Difficulties

To address the challenges with municipal audit compliance in South Africa, suitable measures must be put in place, as this study makes clear. Based on the study's findings, most respondents concurred that action should be taken to guarantee that audit challenges are addressed. These actions include monitoring performance management, strict control measures, and monitoring and evaluation mechanisms for tracking progress against the implementation of AGSA recommendations. Moreover, it was discovered that a few municipalities are dedicated to correcting audit findings from the previous year. They have concentrated on doing so by creating audit action plans and reporting on the progress of implementing AGSA recommendations at monthly meetings.

The following response supports the justification for this abovementioned statement "To help identify potential obstacles and bottlenecks in the implementation process, our municipality has monitoring and evaluation mechanisms as part of our commitment to improving audit outcomes. We identify areas that need extra funding, strategic alterations, or targeted interventions to stay on course by routinely analysing progress reports and conducting in-depth evaluations. Finally, it should be noted that monitoring and evaluation systems are more than just administrative necessities; they also play a critical role in fostering organisational excellence and guaranteeing that AGSA recommendations are carried out and ultimately contribute to the long-term sustainability of clean audit results". Another respondent indicated that "To ensure that the municipality receives a clean audit, we as a municipality have put in place a comprehensive set of measures, including strict internal control measures, to encourage financial transparency, accountability, and adherence to regulatory standards. We hope the municipality will adopt a culture of responsibility, openness, and ongoing development because of these actions".

6.3. Causes Of Municipalities' Inability to Attain a Clean Audit Outcome

The research, which drew conclusions from a number of studies, emphasised the difficulties South African municipalities face in putting in place efficient financial oversight systems. Poor audit outcomes in local government were found to be caused by a number of issues, including departments operating in silos, a lack of monitoring and evaluation procedures, improper records management, extended vacancies in critical positions, and political interference. The study also showed that the three local municipalities face difficulties putting AGSA recommendations into practice because of problems with absenteeism, resource limitations, and accountability problems.

To justify the above statement, one respondent indicated that "I think that the tendency of various municipal units to operate in silos is one of the main reasons why municipalities struggle to achieve clean audits. There is a fragmented financial management and governance approach when units operate independently and ineffectively cooperate. These units frequently experience duplication of effort, a lack of information sharing, and a communication breakdown when they function independently". Another respondent indicated that "The inability of municipalities to achieve a clean audit opinion often involves a combination of factors, with record-keeping being just one element. Since accurate and transparent financial records are the cornerstone of any audit procedure, poor record-keeping practices can exacerbate audit difficulties. Inadequate record-keeping procedures by municipalities can result in errors, hold-ups, and trouble supplying the required paperwork to the auditor".

6.4. Strategies to Ensure the Culture of Clean Audit

The study underlined the significance of municipalities obtaining unqualified audit results and outlined several strategies to address problems with local financial governance. Participants emphasised actions like hiring skilled, knowledgeable, and experienced employees, conducting frequent skill audits, providing organisational training, and setting up effective record-keeping procedures. The participant went on to say that for the municipalities to successfully implement the AGSA recommendations, systems for monitoring and reporting needed to be set up, and there needed to be enough resources available.

One of the participants indicated that "To guarantee a clean audit outcome, the municipality must acknowledge that there are several areas for improvement. Skills audits and continuous training within the organisation should be implemented on the HR front". Other respondents supported the statement above by saying "The municipality should invest in ongoing training programs for municipal employees, particularly in finance and compliance, to improve staff understanding of audit requirements and financial best practices". Whilst another respondent indicated that: "To guarantee the seamless implementation of the suggested suggestions, municipalities must establish strong monitoring and reporting mechanisms that enable tracking advancements about the implementation plan".

7. Conclusion and Recommendations

The study recommends recruiting qualified personnel, conducting skills audits, continuous training, monitoring and evaluation, developing robust internal control measures and seamless collaboration between units. It is clear from the arguments and findings presented in this study that the Auditor-General of South Africa's (AGSA) recommendations are meant to help municipalities improve their financial management and governance procedures; however, for a variety of reasons, municipalities may find it challenging to put these recommendations into practice. The findings suggest that the unfavourable audit opinions in the municipalities are a result of inadequate financial management practices, amongst other things,

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