



Municipal Audit Consistency Barometer

Audit consistency as measure of resilience in local government

By DM Powell, M O'Donovan, Z Ayele, and T Chigwata

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Municipal Audit Consistency Barometer (MAC-B): Audit consistency as measure of resilience in local government

How measuring municipal audit consistency over 5 years can be a useful policy tool

If resilience in local government is the outcome of all three spheres performing their constitutional responsibilities, how can we measure the contributions that the national and provincial governments are making to clean audits in local government?

Our previous report *Operation Clean Audit 2014: Why it failed and what can be learned* examined the impact of national government's policy that all municipalities must achieve clean audits by 2014 (OCA 2014) and identified the risks that arise when policy is not based on statistical analysis. This report shows how measuring *consistency* in municipal audit outcomes over the five-year term of office of local government can be a useful proxy for analysing, not only the resilience of local government, but also the utility of the provincial and national powers of corrective intervention under s139 of the Constitution.

By setting a fixed target for achieving clean audits in all municipalities that bucked actual trends, and not adjusting them to the annual audit results, OCA 2014 had no realistic prospect of success and simply measured failure. The lesson is that targets should be realistic judged on the facts, progress should be assessed regularly and honestly, and strategies should adjust to new facts as these appear, not cling to fixed targets regardless of changed circumstances.

The best predictor of future audit outcomes in a municipality is its past audit performance. The pattern of past results, rather than good intentions framed in policy, are a reasonable indicator of what can reasonably be expected. For example, a municipality that has consistently received an adverse opinion, disclaimer or failed to submit (ADF) in recent years is more likely to receive the same rating the next year than it is to receive an unqualified audit. There is a low probability of it achieving the target for a clean audit and a much higher probability that it won't. This is of course only a probability based on past performance, not a certainty, because audit outcomes do fluctuate between financial years. For instance, none of the municipalities that have received "unqualified audits without findings" consistently obtained that outcome every year. But the probability that past patterns will recur in future, all things being equal, provides a useful basis for both policy and further measurement.

The purpose of the Municipal Audit Consistency Barometer (MAC-B)

To account for fluctuations over time and use consistent patterns in audit outcomes to form opinions about the resilience of a municipality and the institution of local government as a whole, as well as choose pathways for reform that have reasonable prospects of success a measure that incorporates audit consistency is required. The Municipal Audit Consistency Barometer (MAC-B) was developed with those objectives in mind. MAC-B suggests a different way of thinking about audit outcomes at two levels: as a measure of the resilience of local government and of national/provincial governments' observation of their obligations towards local government.

Using audit consistency over time as a measure of resilience in local government

Each year the public debate on the AG's report on municipal audit outcomes tends to focus on the aggregate annual results and trends (regression or progress compared to the previous audit). MAC-B, however, shifts the focus to consistency in audit outcome over a five year term of local government, and using the patterns that emerge as the basis for further analysis, decision-making, and further measurement.

Employing modal analysis, MAC-B categorizes each municipality according to the audit outcome it most consistently achieved in the previous five years, with each municipality placed under one of five modes corresponding to the rating system used by the Auditor-General: Unqualified (with and without findings), Qualified, Adverse, Disclaimer, and Failed to submit. The rating system is designed to show sufficient variation between the categories while minimizing the prevalence of ties in audit ratings.¹

For example, if in the last five years a municipality received two "unqualified audits without findings" and three "unqualified audits with findings" then MAC-B will place that municipality under the "unqualified with findings" mode.

MAC-B measures patterns of consistent compliance in a municipality over the last five years and uses that pattern as a proxy of the degree to which local government is exhibiting resilience or impunity with regard to compliance with its auditing obligations and thus accountability.

Audit consistency as a proxy for measuring provincial s139 corrective interventions

¹ See the technical note to this report on our website at www.mlgi.org.za.

The public debate on municipal audit results tends to focus only on local government. The fact that local government operates in an intergovernmental system is ignored. Good local government is not only a function of the operations of municipalities themselves. It is also a function of how the other two spheres conduct themselves towards local government, and how they perform their responsibility to contribute to good local government. National and provincial governments have obligations to monitor, support and supervise local government under the Constitution and legislation. The Auditor-General's reports frequently contain recommendations to the national and provincial governments about what action they should take to support improvement in local government.

There is currently no way to measure the contribution of the national and provincial spheres to improving the quality of local governance. There is no way to correlate trends in national and provincial governments' compliance with their constitutional obligations with impacts on local government and thus explain how the different parts of the system of multilevel government interact in producing local government audit outcomes.

This report makes an attempt to examine municipal audit outcomes as an outcome of the intergovernmental system, looking at one aspect of that system: the power of provincial and national government under section 139 of the Constitution to intervene in local government to correct serious financial problems. By correlating MAC-B data with data on interventions the Report suggests a way to use audit data as a basis for analysing how interventions are and could be triggered, how well they work and what reforms are required.

Structure of the report

This report has two main sections. The first section examines the consistency ratings of municipalities by category and province. The second section correlates MAC-B consistency data with data relating to provincial corrective interventions in 36 municipalities under section 139 of the Constitution to assess the utility of intervention as a means of addressing serious problems of financial accountability in local government. Certain reforms are suggested to improve the administration of the intervention regime.

The Municipal Audit Consistency Barometer (MAC-B)

Comparing MAC-B ratings for metro, district and local municipalities

Table 1 below shows the consistency ratings for all municipalities according to the categories used by the Auditor-General, in the period 2007/08 to 2011/12. For the purposes of calculating MAC-B ratings unqualified audit (with and without findings) are treated as a single category. It can be seen that only 118 municipalities, or 42.5 percent of all municipalities, consistently received unqualified reports (with or without findings) in that period. This band of consistent compliance or clean audit is an indication of resilience. Forty two (42) municipalities, or 15 percent of all municipalities, consistently received qualified reports. However, 118 municipalities, or 42.5 percent of all municipalities, consistently received an adverse, disclaimer or failed to submit (ADF) rating. A consistent ADF rating indicates a serious and consistent breach of statutory obligations.

Table 1: Audit outcomes the three types of municipalities most consistently received from 2007/08 to 2011/12

Type of municipalities	Mode						Total
	Unqualified with no findings	Unqualified with findings	Qualified	Adverse	Disclaimer	Failed to submit	
Metropolitan municipalities	-	5	2	-	1	-	8
District municipalities	1	26	5	-	8	4	44
Local municipalities	1	85	35	2	76	27	226
Total	2	116	42	2	85	31	278

Source: MAC-B (2014)

The consistency ratings are also shown for all three categories of municipality (Metro, District and local). Metropolitan and district municipalities consistently received better audit results than local municipalities over the period. Almost two thirds, or 62 percent, of both metropolitan and district municipalities were likely to receive an unqualified audit. By contrast almost two thirds of local municipalities, or 62 percent, were likely to receive a qualified, adverse or disclaimed audit (or had failed to submit the required documentation on time).

Only one metropolitan municipality (Mangaung) received disclaimers several times. A quarter of all district municipalities, or 26 percent, were likely to fall in the ADF category. Less than half, or 38 percent, of local municipalities were likely to receive an unqualified report. Most received an audit that was with qualification, adverse, disclaimed or was not submitted on time. Some 35 local municipalities, or 15 percent of all local municipalities, were likely to receive a qualified audit. Moreover, over 100 local municipalities, or 45 percent of the total, were in the ADF region.

Comparing municipal audit ratings by province

Table 2 compares consistency ratings for municipalities by province. It shows that KZN has the highest proportion of municipalities likely to receive an unqualified audit report (with or without). In that province 83 percent of local, district and metropolitan municipalities have a MAC-B rating of unqualified audit. The province with the next best performance rating is the Western Cape, where 80 percent of municipalities received unqualified audits. By contrast fewer than 20 percent of municipalities in the Eastern Cape, the Free State, Limpopo, and North West provinces were likely to receive an unqualified audit.

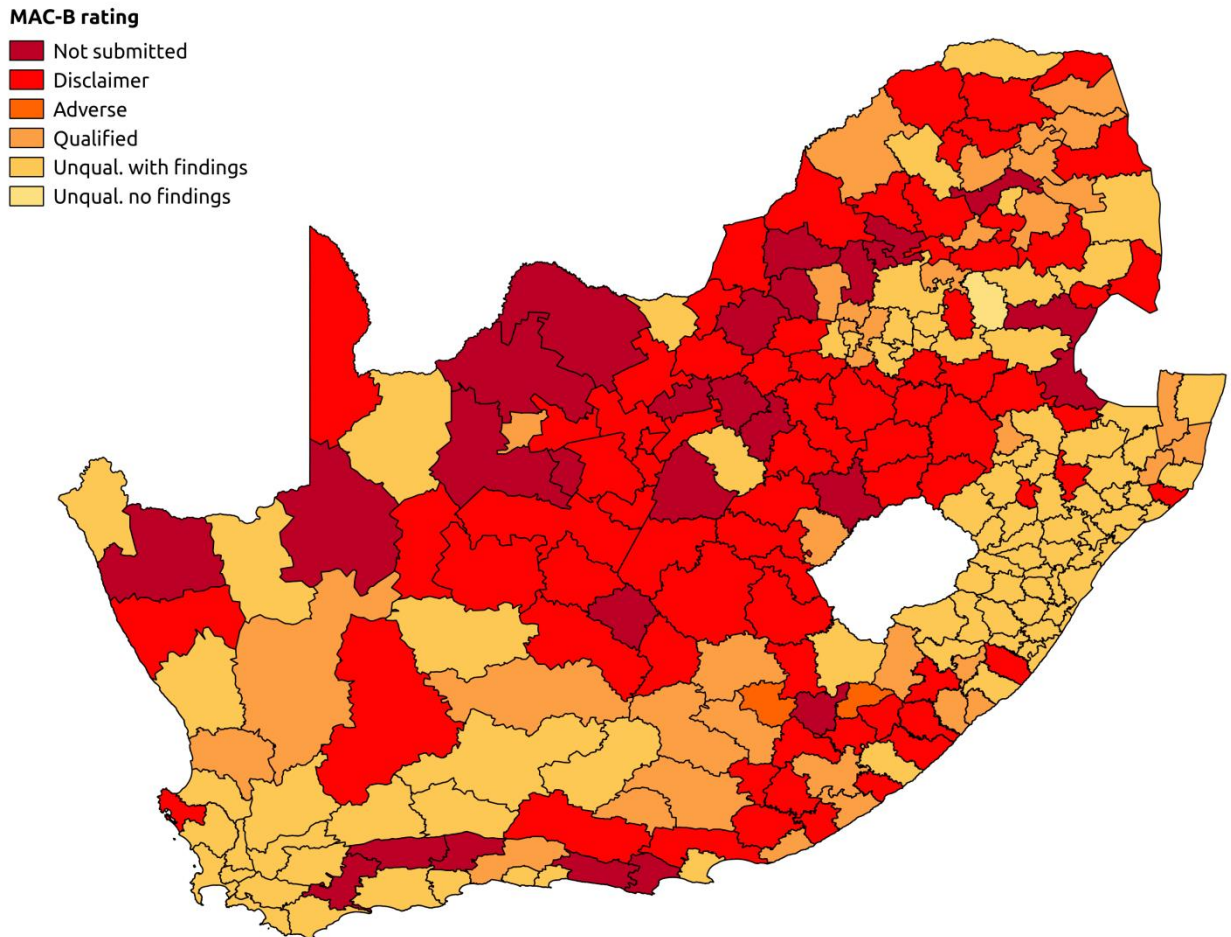
Table 2: Audit outcomes of municipalities by province 2007/08 to 2011/12

Provinces	Mode						Total
	Unqualified with no findings	Unqualified with findings	Qualified	Adverse	Disclaimer	Failed to submit	
	0	1	2	3	4	5	
WC	-	24	2	-	1	3	30
NC	-	6	5	-	14	7	32
NW	-	2	2	-	9	10	23
MP	2	8	1	-	7	3	21
Lim		4	9	-	15	2	30
KZN	-	51	5	-	5	-	61
Gau	-	8	4	-	-	-	12
FS	-	4	1	-	16	3	24
EC	-	9	13	2	18	3	45
Total	2	116	42	2	85	31	278

Source: MLGI MAC-B (2014)

Map 1 below shows a visual representation of the geographic distribution of consistency ratings for local and metro municipalities. What is noticeable is the concentration of local municipalities with poor consistency ratings in North West, Free State, and Eastern Cape Provinces. By contrast KwaZulu-Natal and the Western Cape and Gauteng have higher overall ratings.

Map 1: Geographical representation of municipalities with different consistency rates



Using MAC-B as a proxy to assess the utility of s139 interventions

Good local governance requires that provincial and national governments use their powers of corrective intervention to address serious financial problems

Provincial government may take corrective action under section 139 of the Constitution whenever municipalities do not or cannot fulfil their executive obligations.²

² s139 of the Constitution of the Republic of South Africa 1996, read with Chapter 13 of the Municipal Finance Management Act 56 of 2003 (MFMA). This is not the only corrective remedy. National Treasury

Intervention can take a variety of forms, ranging from the less to more intrusive. The former may include the province directing the municipality to take certain remedial steps, and the latter the province assuming the responsibility for meeting the municipal executive obligation. When the failure relates to a “serious or persistent material breach of a financial obligation,” however, the province must intervene. If it fails to do so national government must intervene. Mandatory intervention can involve disbanding the municipality and must involve introducing a financial recovery plan.

The Municipal Finance Management Act (MFMA)³ identifies typical circumstances that warrant either discretionary or mandatory intervention. Included among the grounds for discretionary, and possibly mandatory, intervention are the failure to submit financial statements to the AG for auditing and a disclaimed or withheld opinion.

There should be a direct institutional correlation between consistency in audit outcome and intergovernmental coordination. Ground for intervention under s139 would be:

- A consistent ADF rating would be prima facie evidence of serious financial problems and grounds for a 139 intervention.
- The object of s139 is to restore good local governance by ensuring that serious problems are watched and addressed.
- Provincial government (and national in its stead) must intervene if financial problems are serious, material, and persistent.
- A failure on the part of national and provincial governments to intervene in those cases would be a breach of their obligation to take corrective action against non-compliant municipalities.
- Non-intervention when there is an obligation or good grounds to do so would promote impunity for misconduct in municipalities and compromise good local governance.

Given the clear institutional and legal linkages between audit outcomes and interventions, a MAC-B rating can be used as a proxy for how well the intervention regime is working in correcting municipal failures. The correlation between the MAC-B rating and the locus of the s139 interventions would reveal if the latter is achieving the desired impact:

- Consistent ADF ratings is a proxy for serious problems warranting s139 intervention.

may stop the transfer of funds to municipalities in cases of serious financial problems under s38 of the MFMA. The municipality’s annual financial statements is one of the factors that National Treasury must consider in deciding to stop funds.

³ Act 56 of 2003.

- There should be a reasonable correlation between the number of municipalities consistently receiving ADF and those in which s139 intervention takes place.
- Changes in the MAC-B rating would be a proxy of whether the intervention has worked or not.
- Significant discrepancy between the number of municipalities consistently in the ADF range and the proportion of municipalities in that range who have had interventions would be an indicator of the current utility of the s139 procedure.
- A consistently large discrepancy between ADFs and interventions would be an indication that non-intervention could be incentivizing impunity for misconduct rather than correcting the underlying problems that must be addressed for there to be resilience.

There were 36 interventions under s139 between July 2009 and April 2014

Table 3 shows all of the interventions that took place between July 2009 and April 2014, as recorded by the National Council of Provinces (NCOP).⁴ The table shows the name of the municipality, the province, and the MAC-B rating (highlighted in red) of the affected municipality.

⁴ See The National Parliament Website:
http://www.parliament.gov.za/live/content.php?Category_ID=326 (Accessed 31 May 2014).

Table 3: The MAC-B ratings for municipalities under s139 intervention between July 2009 and April 2014)

Municipality	Province	Unqualified no findings	Unqualified findings	Qualified	Adverse	Disclaimer	Failed to submit
Ngaka Modiri Molema	North West						
Mkhondo	Mpumalanga						
Thaba Chewu	Mpumalanga						
Thabo Mafutsanyane	Free State						
Indaka	KwaZulu-Natal						
Okhahlamba	KwaZulu-Natal						
Umhlabuyalingana	KwaZulu-Natal						
Nala	Free State						
Masilonyana	Free State						
Sundays River Valley	Eastern Cape						
Madibeng ⁵	North West						
Moses Kotane	North West						
Tswaing	North West						
Thembisile Hani	Mpumalanga						
Naledi	Free State						
Mafikeng	North West						
Overberg	Western Cape						
Msunduzi	KwaZulu-Natal						
Swellendam	Western Cape						
Mtubatuba	KwaZulu-Natal						
Imbabazane	KwaZulu-Natal						
Abaqulusi	KwaZulu-Natal						
Bushbuckridge	Mpumalanga						
Emalahleni	Mpumalanga						
Matlosana	North West						
Maquassi Hills	North West						
Ditsobotla	North West						
Umzinyathi	KwaZulu-Natal						
Uthukela	KwaZulu-Natal						
Ugu	KwaZulu-Natal						
Mnquma	Eastern Cape						
Umvoti	KwaZulu-Natal						
Oudtshoorn	Western Cape						
Mogalakwena	Limpopo						
Total interventions		0	16	1	0	9	9
Percentage of interventions		0	42	3	0	27	27

Of the 36 interventions six interventions were in district municipalities and 30 were in local municipalities. The most frequent interventions in the local municipalities were in

⁵ Madibeng local municipality was intervened twice, first in March 2010 and recently, in February 2014.

KwaZulu-Natal (9) and North West Provinces (8) followed by Mpumalanga (5) and Gauteng, the Western and Eastern Cape (with 2 each). No interventions took place in the Northern Cape and there was only one in Limpopo. In Gauteng interventions took place only in Nokeng Tsa Taemane municipality but that authority was subject to two interventions prior to the local municipality being dissolved and incorporated into Tshwane Metro. Similar repeated interventions took place in Indaka (KwaZulu-Natal) and Madibeng (North West) municipalities.

How well is the s139 intervention procedure working?

The s139 procedure is a complex intergovernmental system. It is beyond the scope of this report to examine how all of the various parts are functioning. However, MAC-B is useful in identifying consistent and significant patterns in the relationship between audit outcomes and interventions in three key respects:

- To measure whether or not the statutory triggers for intervention in the MFMA are working,
- To measure whether s139 is reaching the municipalities that pass muster for intervention,
- To measure whether there is evidence that intervention leads to improved MAC-B rating.

Disclaimers are a good predictor of grounds for intervention under the MFMA

Table 3 shows the MAC-B rating of the municipalities that were under s139 intervention. To assess the utility of s139 the audit status of the municipality in the year immediately prior to the 139 intervention is a useful proxy. Poor audits suggest that an intervention was required and repeated poor audits would suggest a more compelling reason for intervention. The Auditor General has not yet published opinions on local government for the periods after 2011/12 financial year and our analysis is thus confined to those s139 interventions that were launched prior to that financial year.

In the vast majority (90 percent) of these municipalities the intervention was preceded by the municipality receiving a disclaimer or adverse audit from the Auditor-General. There were two exceptions: Umhlabuyalingana and Msunduzi municipalities in KwaZulu-Natal. In the first instance the municipality had received an unqualified audit with findings and in the latter a qualified audit.

A disclaimer or an adverse audit is thus a strong (but not definitive) precursor to a s139 intervention. That means there is a correspondence between practice and the grounds for intervention in the MFMA, which means that a municipality receiving a disclaimer is can be considered a useful early warning sign of serious problems in financial management in the municipality. As such, a disclaimer should raise a red flag about the risk of serious problems.

A disclaimer is a good predictor of repeated disclaimers

As Table 4 shows a disclaimer is also a predictor of repeated disclaimers. The table shows how many disclaimers were received by municipalities in the MAC-B audit period. During this period half of all municipalities received no disclaimers. However, if a municipality did receive a disclaimer they more often than not received several disclaimers in the period. In fact 70 percent of municipalities that did receive a disclaimer received two or three disclaimers. Almost half of them received three disclaimers. A disclaimer is thus a good proxy for the presence of serious and persistent material problems of the kind that warrant intervention under s139.

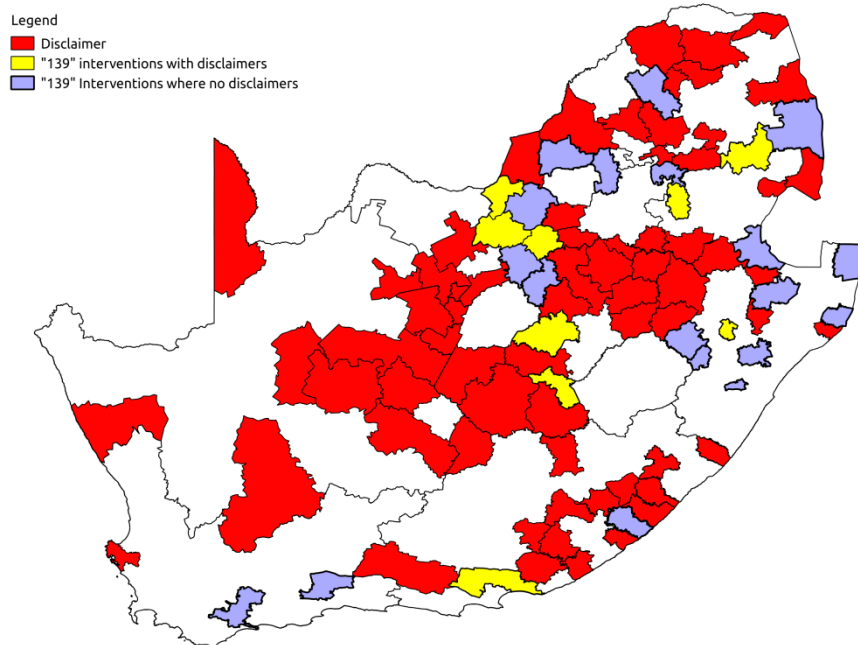
Table 4: Proportion of municipalities receiving one or more disclaimer

Number of disclaimers in MAC-B period	Number of municipalities	Proportion of municipalities	Proportion of disclaimed municipalities
None	137	50%	-
One	40	15%	29%
Two	33	12%	24%
Three	64	23%	47%

The majority of municipalities that receive a disclaimer were not subject to intervention

Even though disclaimer is a reasonable proxy that grounds for intervention are present, the majority of municipalities receiving a disclaimer during the MAC-B period were not subject to intervention. Map 2 below shows the geographic location of the “139” interventions against a backdrop of current MAC-B rating. It illustrates *inter alia* the geographical dispersion of the interventions while highlighting that a) most interventions were in municipalities which receive fairly good MAC-B ratings and b) few municipalities with a MAC-B rating of “disclaimer” were subject to interventions.

Map 2: Geographical location of s139 interventions against MAC-B rating



Inconsistency in provincial use of the intervention powers

The correlation between the MAC-B rating and s139 interventions was described above and it was shown that the vast majority of s139 interventions had been preceded by a disclaimer. Further analysis shows that the more disclaimers a municipality receives the more likely it is to be the subject of a s139 intervention. For example, when taking the last five year period for which audit outcomes are available, only 6 percent of local municipalities which had never received a disclaimer had been subject to a s139. By contrast almost one-quarter (24 percent) of local municipalities which had received five disclaimers in the period had been subject to a s139. Generally speaking the more disclaimers a municipality receives the more likely to be subject to a s139. This said, it remains unlikely that any given municipality will be subject to a s139 - even if it receives a disclaimer every year.

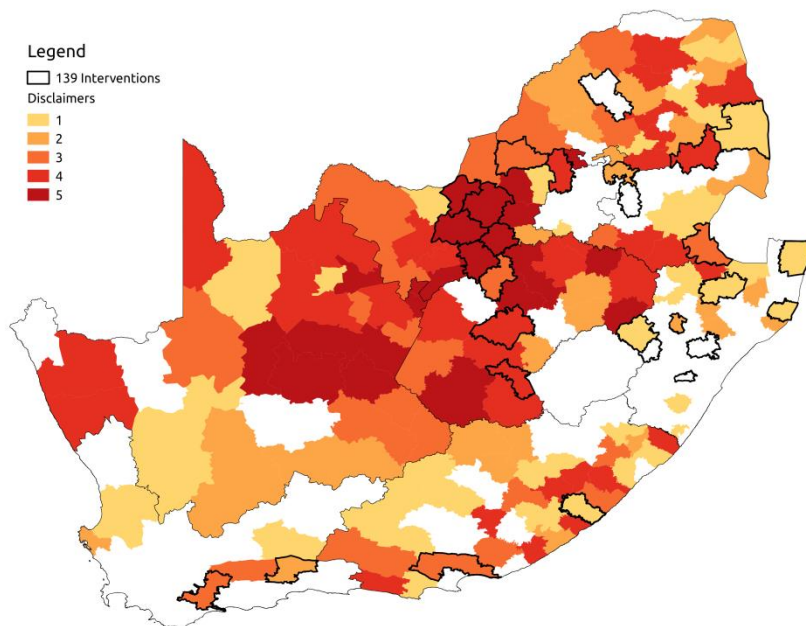
The prevalence of s139 interventions by frequency of disclaimer is tabulated below.

Table 5: Frequency of disclaimer compared to frequency of s139 intervention

Number of disclaimers	Local municipalities	s139 interventions	Percent intervened
0	88	5	5.7%
1	36	6	16.7%
2	29	3	10.3%
3	25	5	20.0%
4	35	4	11.4%
5	21	5	23.8%

The map below illustrates the relationship between s139 interventions and the number of disclaimers each local municipality received in the latest five year period.

Map 3: Geographical distribution of disclaimers and s139 interventions



The map shows large differences in the use of s139 by the provincial governments. The North West province was most likely to subject local municipalities to a s139 and over a third of them (37percent) were so affected. All the local municipalities subject to five disclaimers and a s139 were in that province. Few interventions took place in municipalities which had not received at least four disclaimers. Despite this not all local municipalities in the North West province which had received five disclaimers were subject to s139 intervention. By contrast few municipalities in KZN received more than one disclaimer yet this province was the more likely than provinces other than the North West and Mpumalanga to impose a s139. Sixteen percent of local municipalities in KZN were subject to a s139.

There is insufficient data to determine if intervention improves MAC-B ratings

The latest MAC-B is derived from each municipality's audit rating for the period 2007/8 to 2011/12 (inclusive). This period includes the year in which most interventions were initiated. Table 6 contrasts the consistency rating against the municipality's status immediately before the intervention. As the interventions were initiated during the MAC-B period it does not show the impact of the s139 interventions. Rather it points to whether or not the ratings immediately prior to the s139 intervention were in line with the municipality's consistent pattern of performance. Those municipalities in which the intervention was initiated after 2011/12 financial year are not indicated in the table.

Table 6: Status before intervention compared to MAC-B rating

Municipality	Province	Status before intervention	MAC-B status
Ngaka Modori Molema	North West	Disclaimer	Failed to submit
Nokeng Tsa Taemane	Gauteng	Disclaimer	(municipality disestablished)
Mkhondo	Mpumalanga	Disclaimer	Failed to submit
Thaba Chewu	Mpumalanga	Disclaimer	Disclaimer
Thabo Mafutsanyane	Free State	Disclaimer	Unqualified with findings
Indaka	KwaZulu-Natal	Disclaimer	Disclaimer
Okhahlamba	KwaZulu-Natal	Disclaimer	Unqualified with findings
Umhlabuyalingana	KwaZulu-Natal	Unqualified with findings	Unqualified with findings
Nala	Free State	Disclaimer	Failed to submit
Masilonyana	Free State	Disclaimer	Disclaimer
Sundays River Valley	Eastern Cape	Disclaimer	Disclaimer
Madibeng	North West	Disclaimer	Disclaimer
Moses Kotane	North West	Disclaimer	Failed to submit
Tswaing	North West	Disclaimer	Disclaimer
Thembisile Hani	Mpumalanga	Disclaimer	Qualified
Naledi	Free State	Disclaimer	Disclaimer
Mafikeng	North West	Disclaimer	Disclaimer
Overberg	Western Cape	Disclaimer	Unqualified with findings
Msunduzi	KwaZulu-Natal	Unqualified with findings	Unqualified with findings

What is noticeable is that the audit outcome of the municipality immediately prior to the s139 intervention is usually in line with its consistent performance. In four of the 19 municipalities (Overberg, Thembisile Hani, Okhahlamba, Thabo Mafutsanyane) the audit immediately prior to the s139 intervention was inconsistent with the general performance of the municipality. In each of these the municipality performed significantly worse than expected

Observations and recommendations

1. A disclaimer should automatically put a municipality under a special “watch”

Because a disclaimer is a good predictor of a pattern of financial problems that are grounds for interventions under the MFMA, the effect of the Auditor-General issuing a disclaimer should be to place a municipality under a special watch regime. Under that watch regime the municipality should be subject to mandatory inspection and reporting obligations and directives from national and provincial governments.

There is clearly a mismatch between the opinion of the Auditor General and where interventions took place. On the one hand interventions were not confined to municipalities which had failed the AG's minimum standard, while on the other hand repeated failure to meet the minimum criteria rarely resulted in intervention by the provincial authorities. It is the apparent lack of penalties that leads local public office bearers to behave as if there are no consequences for poor management. Earlier this year the Auditor General Kimi Makwetu spoke bluntly about this problem, stating that it remained a problem that in the public service “there were no consequences for failing to do the job properly”⁶.

While the AG's statement may be correct in so far as there is an absence of a systematic programme to prosecute or redeploy non-performing public officials the 2014 election results suggest that there are political consequences for political parties in charge of municipalities that re under intervention. The election of May 7 indicates that support for the ruling party declined moderately after the national election in 2009. During this period the total number of votes cast for the ruling party dropped by 242 thousand. Its proportion of all votes cast dropped by three percent. However in local municipalities which had been subject to s139 interventions support for the ruling party dropped half again as much. Put differently, support for the ruling party declined by 4.7 percent in the s139 municipalities while it declined by only 3 percent elsewhere. The situation is further aggravated by declining participation rates. In local municipalities that were not subject to s139 interventions the participation rate among registered voters dropped by 3.6 percent. In the s139 municipalities participation rates dropped slightly more than 3.9 percent.

While these declines are relatively small they do add up to a significant number of votes. Had the ruling party obtained the 2009 level of support among registered voters it would have obtained an additional 168 000 votes in the s139 local municipalities alone in 2014. These votes amount to 70 percent of the total loss by the ruling party between the two elections.

This should not be taken to imply that the reasons for declining voter support can be fully attributed to the conditions that gave rise to the s139 interventions in the first place. However, what should be clear is that the s139 interventions clearly failed to undo all of the resulting damage to party support patterns.

2. The failure to intervene in cases of repeated disclaimer must be explained

Repeated disclaimers are a proxy that grounds for mandatory intervention under the PMFA are present. Mandatory intervention is a highly structured regime in which provincial and national governments set measurable objectives for recovering the

⁶ See <http://www.bdlive.co.za/national/2014/02/06/concern-over-lack-of-consequences-as-departments-squander-r22bn>

municipality from serious financial problems. A failure to intervene should therefore trigger an obligation on national and provincial COGTA's to explain the reasons for non-intervention. The onus should not be on the AG to explain the reasons for non-action. Currently, there is no shift in onus. Repeated disclaimers should also trigger an automatic intergovernmental enquiry into the competence and conduct of the chief financial officer and the municipal manager of the municipality, with sanctions for wrongdoing or incompetence.

3. Targets for improvement should be based on consistency in audit outcomes

Targets for improving financial management should be based on patterns of consistency, not on abstract targets. Past patterns of performance are a better predictor of future outcomes than untested reforms or abstract targets. There is a low probability that targets that buck past trends will result in a changed outcome. If attaching targets to audit improvement is desirable a new system is required that does not impose general targets in the abstract, as was the case in OCA-2014, but uses consistency ratings.

4. Establishing an intergovernmental information management system around s139 is more important than introducing new legislation

Corrective intervention under s139 is an intergovernmental procedure. The three spheres of government have interlocking responsibilities, and both legislative and executive organs have roles to play. The various role-players do not function as if they were part of an intergovernmental system. There is legislation governing the mandatory but not the discretionary intervention. The various organs appear to operate independently from each other, using different approaches to collecting data or crafting notices. There is no integrated information management system on s139 interventions from which all organs work and collaborate. Yet, as this report show, systematic analysis can be a useful tool for policy-makers and regulators in this field. Introducing new legislation is probably not the main priority right now as The MFMA already provides an extensive legislative framework. The problem is using that machinery effectively, not creating new law.

The priority should be to systematize the management of the intervention process around the process of data collection, analysis, and use. There should be a joint effort by all parties to develop a common understanding of the reality of interventions, systematic sharing of data, joint investigations and benchmarking. These requirements can be crafted to ensure that the administrative burden on local municipalities is not increased further. Further legislative reforms should be grounded on that experience.

Three selective measures should be introduced to lay the foundations for an intergovernmental information management system on interventions:

First, there should be a standard way of collecting and recording data on s139 interventions that all parties work from. There are deficiencies in how data is recorded. The simple device of using a common template to collect data will make systematic comparative analysis much easier. Recording even basic time series quantitative data on the various stages of the intervention process will generate valuable information that reformers can use to refine the process.

Second, there needs to be a standardized format for the various stages relating to notification and approval of intervention to ensure that decision-making at all key points is legal and rational, actions are proportion to the problem, there are measurable objectives, and there are clear criteria for exit from interventions. Standardization should be based on a review of existing practice, in particular any blockages and inefficiencies that need to be addressed, and initially could take the form of a COGTA circular codifying the process developed in consultation with other role-players.

Third, there needs to be a standard procedure for reviewing the results of interventions and planning for the post-intervention phase that is triggered automatically once the intervention ceases. This is to ensure both that an intervention does not come to an end without there being adequate preparations for the post-transition phase and that there is a systematic way of learning from experience that benefits future policy-making.