Advancing Local Economy through Good Governance

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Abstract: Objectives: the aim of this study is to explore the role of governance in fostering economic growth and development at local municipalities. Good governance promotes investor confidence, attracts businesses, and facilitate entrepreneurship. The study further seeks to appreciate the dynamics of local economies, their significance to economic growth, and challenges, while proposing strategies for sustainability. **Prior work:** this paper is premised on the existing theory on corporate governance. **Approach:** the current study used a self-administered questionnaire, with structured closed-ended questions on a Likert scale to collect data from the employees of uMngeni local municipality. A sample of 106 respondents was obtained. Data was analyzed using SPSS, version 29.20. **Results:** the findings of this study showed that systems within the municipality have a statistically significant strong positive correlation with service delivery. **Implications**: the current governance model is not sustainable to stimulate economic growth and development. Given the complexity of service delivery deficiencies across local governments, there is a persistent need to exercise good governance in municipalities. The local government should concern itself with the setting up of an appropriate corporate governance system that will lead to municipal efficiency.

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1. Introduction

South Africa is classified as a developing country with high level of unemployment and inequality between rich and poor. Building and sustaining local economies is one of the challenges that South Africa as well as other developing countries are battling with. At local level, South Africa heavily relies on Small Medium Macro Enterprises (SMMEs) as well as government entities and private sector for job creation and sustainability. Regrettably, this model cannot keep up with the current high unemployment rate and negative economic growth if there is no good governance. The 2022/23 Auditor General's report indicates enormous fruitless and wasteful expenditure by local municipalities on account of mismanagement and maladministration. This phenomenon derails local economy and hampers progress and gains already made. It is for this reason that local government entities should practice good governance in order to support local economy and enhance sustainability.

2. Are Local Economies Significant for Economic Growth?

Around the world, local economies are vital to the socio-economic fabric of communities (Rogerson, 2018, p. 21). They are the cornerstone of economic activity, impacting jobs, income distribution, and local quality of life (Káposzta, Ritter & Nagy, 2020, p. 522). Various researchers have looked at how local economies have changed over time, moving from conventional industry and agriculture to new sectors including technology, healthcare, and creative services. Rogerson (2018, p. 75) posits that changes in the industrial structure have an impact on community resilience, income distribution, and employment trends. Local economies play a crucial role in maintaining cultural identities, promoting social cohesion, and propelling community development (Nel, 2018, p. 253). The author asserts that they do, however, confront a variety of complex issues, including urbanization, globalization, and technological development.

Local economies have changed as a result of globalization, which has made cross-border investment, trade, and labour mobility easier (Bennett, 2021, p. 333). In the theory of Puah, Jong, Ayob and Ismail (2018, p. 151), globalization presents host of challenging issues from job displacement, wage stagnation, and susceptibility to outside shocks, but it also presents opportunities for economic integration and specialization. While globalization creates opportunities for trade and investment, it

also exposes local enterprises to increased competition from worldwide markets (Paul & Dvoulety, 2023, p. 281).

Technological developments, especially in the areas of automation and digitization, have a significant impact on regional economies. The effects of technology on labor market dynamics have a direct impact on skills requirements and it emphasizes innovation on entrepreneurship (Abrahams, 2018, p. 131). Communities may develop dynamic and resilient local economies that flourish in the face of changing global environments by adopting creative ways, making the most of local resources, and encouraging collaboration among stakeholders (Kanayo, Ndlovu & Agholor, 2021, p. 105).

3. Dynamics of Local Economies in a Developing Country

Rogerson (2018, p. 75) posits that local government policies should promote participation, public choices and facilitate investments. The 2022/23 Auditor General's report revealed that local governments are unable to foster local economic growth due to wide ranging challenges which are avoidable. Figure 1 below highlights the wide-ranging challenges which hamper growth in local economies. It highlights the magnitude of financial mismanagement by local authorities.
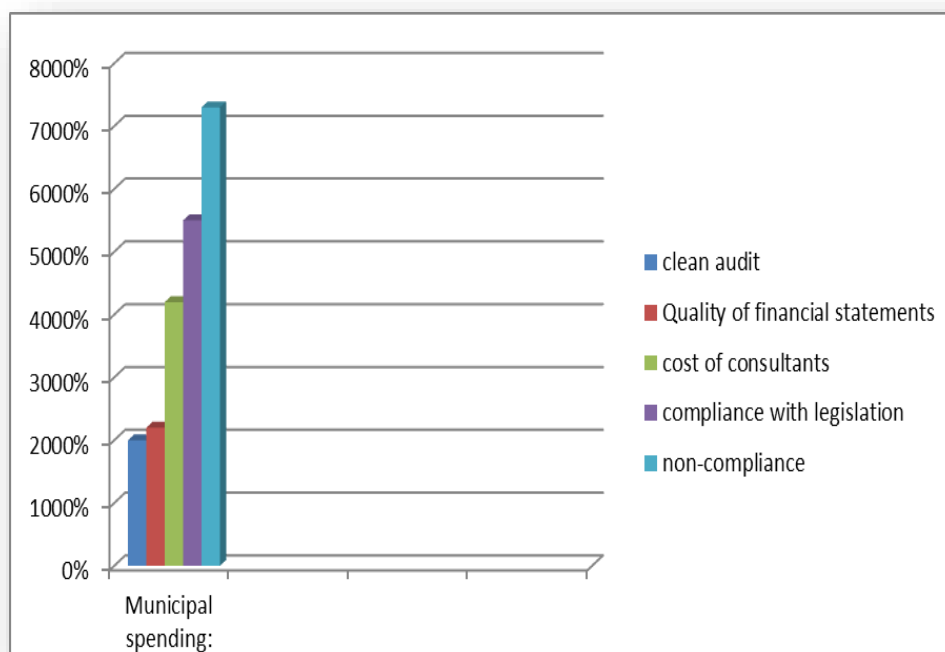
Figure 1. Municipal spending 2022/23 financial year (Auditor General, 2023).

4. Strategies for Sustaining Local Economies

It is impossible to overestimate the importance of a local economy primarily because it is vital to a community's sustainability and general well-being. The Organization for Economic Cooperation and Development (OECD) has suggested various approaches that could aid in sustaining local development. These approaches include programs like workforce development, infrastructure investment, cluster development, place-based branding, and encouragement for entrepreneurship (OECD, 2019:23).

Economic diversification: Diversifying industrial bases, minimizing reliance on certain industries, and encouraging entrepreneurship across a range of businesses are all necessary to create resilient local economies (Coccorese & Shaffer, 2021). Some strategies include investing in high-growth industries with comparative advantages, fostering start-ups, and assisting small enterprises (Mensah, Bawole, Ahenkan & Azunu, 2019, p. 205)

Leverage assets: As observed by Rydin, Natarajan, Lee and Lock, (2018, p. 269), one approach to economic development places a strong emphasis on leveraging unique assets, empowering communities to determine their own development agendas, and adjusting policies and investments to local settings. Other approaches include investments in targeted infrastructure, business incubation programs, and community wealth-building.

According to Rogerson (2018, p. 25), the local economy requires collaborative governance frameworks that enable collaboration across governmental, corporate, non-profit, and community entities that are necessary to address complex economic concerns. Multi-stakeholder partnerships have the potential to improve the efficacy and sustainability of local economic development initiatives by cultivating trust, communication, and cooperative efforts (Káposzta, Ritter & Nagy, 2020, p. 552).

5. The Corporate Governance Model

In the absence of good governance, the approaches to stimulate local economic growth would be an exercise in futility. As such, a governance model has been proposed. Governance alludes to the administrative landscape in which the government functions in collaboration with various stakeholders (Karpoff, 2021, p. 321). Governance denotes the ability to coordinate, implement formulated policies and a plan of action which guides and direct economic and institutional development of the organisation (Shirwa & Onuk, 2020, p. 18). Key governance principles, as noted by Aluchna and Roszkowska-Menkes (2019, p. 349) are, but not limited to: sound financial management, rule of law, accountability, sustainability and capacity, transparency, etc.

6. Sound Financial Management

Priono, Yuhertiana, Sundari and Puspitasari (2019, p. 77), describes financial management as the practice of handling a company's finances in a way that allows it to be successful and compliant with regulations. Figure 2 read with Table 1 below depicts the analysis of the Auditor General report for 2022/23 financial year and the severity of financial mismanagement by government entities. It is evident from the report that non-compliance to company policies and regulations compromised the financial standing of various local government entities.
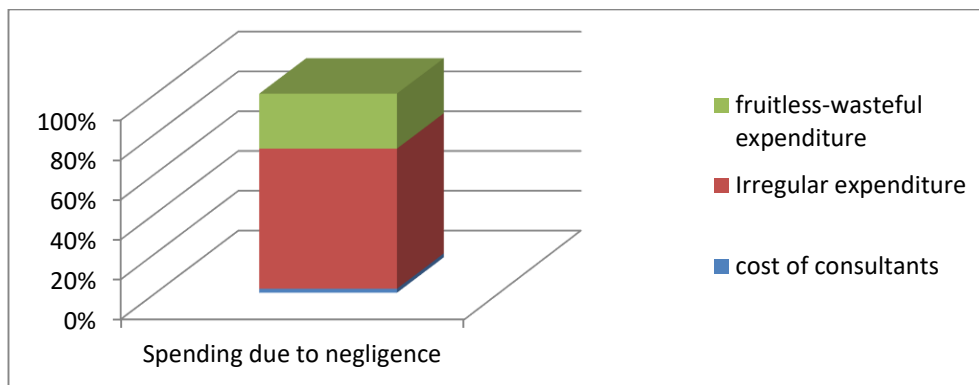
Figure 2. Spending by municipalities 2022/2023 (AG, 2023).

Table 1. Municipal spending 2016/2017 financial year (AG report, 2022).

Municipal spending	
Clean audit	20%
Quality financial statements	22%
Cost of consultants	42% / R757 million
Irregular expenditure	R28 billion
Compliance with legislation	55%
Fruitless and wasteful expenditure	R1.1 billion
Non-compliance	73%

The approach to corporate governance and its implications vary from country to country. For instance, North America and particularly, USA, subscribes to the Sarbanes-Oxley Act which advocates for "comply or else" principle (Al-Kake & Ahmed, 2019, p. 637). The insinuation of the Sarbanes-Oxley Act denotes that there are legal consequences for noncompliance. Within the premise of "comply or else" to governance, there are vast debates questioning the one-size-fits-all approach and whether the Act is not outstretched beyond its limits with regard to running of corporations (Doni, Corvino & Martini, 2022, p. 636). The "comply or else" principle is cumbersome in that it compels the board of directors to focus on compliance issues at the expense of company-wide development and financial growth (Alam, Rahman, Mustafa, Shah & Rahman, 2019, p. 181). Meanwhile, improvements in the economic value of the organisation coupled with risk absorption, are in the hands of the board of directors (Honu, 2018, p. 3).

Whereas, in the South African context, criminality within corporations are punishable under the companies act, Act 71/2008. The principles of corporate governance, advocated by the King Reports (Judge Mervin King), are not enforceable by law. However, non-compliance of same leads to loss of shareholder value and a negative outlook from the investors on the Johannesburg Stock Exchange

(JSE) markets (van Vuuren, 2020, p. 50). Companies which do not subscribe to the King reports are still mandated to comply with the Companies Act/2008 (Jordaan, Klerk & de Villiers, 2018, p. 7). The King report on corporate governance advocates for triple bottom line reporting which strongly suggest or insists that it is not enough for corporations to report on financials only, but also on the environment and sustainability (Káposzta, Ritter & Nagy, 2020, p. 522).

Wang, Zhou & Wang (2020, p. 361) observed that the application of the King Code should be supported by all entities and consider the best-practice recommendations enshrined in the King Reports. The King Code supports the "apply and explain" concept to governance. On the contrary, the "apply and explain" notion does not achieve compliance as companies are not compelled to do so (Mlambo, Zubane & Thusi, 2022, p. 11).

Table 2. Three key governance theories that are currently used as a template to corporate governance.

Key corporate governance theories		
	Notes	**Challenges**
Agency theory	Business owners hire individuals who possess relevant skills and business acumen to manage the affairs of the business on their behalf.	The challenge with the agency relationship is that there is always a persuasive desire by agents to want. Principal-agent problem
Stakeholder theory	the stakeholder theory seeks to collectively pursue the interest of the whole value chain, from employees to partners and owners.	
Resource dependency theory (RDT)	The RDT seeks to provide guidance on how to manage organisations which are systematically affected by circumstances beyond their control -the RDT, relies on the board of directors who provide access to resources needed by the organisation.	

7. Analysis of the Corporate Governance Model

The aim of this research article is to explore how corporate governance models can be adopted by local municipalities to enhance service delivery. From the group discussions and further engagements with the participants, it was established that the principle of accountability and integrity play an integral role in shaping the leadership landscape of local municipalities. It has been thoroughly argued that

there's no consequence management in local municipalities and hence opportunist politicians in leadership positions act irresponsibly without accountability. The justice system does not seem to be working in the local municipal landscape. As pointed out by the Auditor General, some municipal expenditures aren't just irregular, but outright unjustifiable which, renders the process unlawful.

The adoption of a governance model incorporated with the principle of law, has the propensity to direct local governance towards greater performance and service delivery. The performance of any local government can only be judged on the quality of service offered to communities. Various authors, academics and business consultants have voiced their differing views on governance models suitable for the 21st century corporations. On the basis of the scarcity of data on the impact of corporate governance in literature, the private sector governance template is recommended. According to Arniati, Puspita, Amin and Pirzada (2019, p. 188), corporate governance relates to the regulatory framework for the control of organisations.

Solomon (2020, p. 11) allude to the assertion that a company is regarded as a legal entity according to common law. There are, however, diverse concepts of corporate governance. The United States resort to a liberal model which allows directors to explain their stance whereas, the United Kingdom prioritizes shareholders' interest (Okike, 2019, p. 340). Solomon (2020, p. 43) affirms that each model carries distinct advantages despite the differing opinion on the acceptable governance model; governance principles are not uncommon across the board. Seven of the core elements of governance principles were observed: transparency, accountability, integrity, responsibility, competence, fairness and independence (Karpoff, 2021, p. 322).

Corporate governance models are not legally binding, however, they provide a blueprint for leadership and control of many institutions mainly in the corporate sector (Kyere, and Ausloos, 2021:1872). This paper recognises the coordinated model of governance where stakeholders' interests are equally taken into consideration. This model includes stakeholders' efforts to optimise company's monitoring and management system (Naciti, Cesaroni & Pulejo, 2021, p. 2).

8. Challenges Affecting the Implementation of Corporate Governance in Local Municipalities

Challenges facing local economies are in two-fold:

1. **Internal:** internal challenges include difficulty in the implementation of corporate governance in local municipalities. Pierre and Peters (2020, p. 36), allude that party politics play an adverse role in the implementation of good governance.

2. **External:** these are challenges beyond the control of local government such as deindustrialization and economic decline, income inequality and environmental sustainability.

Many districts have experienced deindustrialization due to factors such as technological advancement and structural changes in the global economy (Bramanti & Ratti, 2019, p. 3). As alluded by Litvinenko, (2020, p. 1521), the consequences of deindustrialization include job losses, migration, and social displacement, posing significant challenges for local economies. Rising income inequality between the rich and the poor intensifies social disparities and undermines social cohesion (Káposzta et al., 2020, p. 530). Unfortunate natural events such as climate change, pollution and depletion of natural resource undermine environmental sustainability. It is apparent from the discussion hereupon that the inequality in society undermines local development in areas such as education, health, land distribution, etc.

Organizations do not operate in vacuum, the success and or failure of every endeavor is dependent on human factor (Renn, Klinke & Schweizer, 2018, p. 434). It is for this reason that organizations are largely confronted with numerous obstacles during operations (Pierre & Peters, 2020, p. 31).

The poor level of governance in urban and local communities in South Africa leads to poor quality of services and later culminate into protests. The AG lamented lack of coordination, transparency and accountability and poor implementation of policies and recommendations in municipal structures (AG, 2022/3). These added together negatively influence service delivery in communities. Advancement in governance practices will not only enhance accountability, but will also bring the much needed services closer to rural communities who travel long distances to access basic services (Rogerson, 2018, p. 77).

8.1. Leadership

It is well documented that leadership crisis in many organisations is the major cause of failure due to poor management of resources. Bass (2019, p. 3), asserts that the value of leadership is manifest in the growth and development through the involvement and cooperation all stakeholders. Many African countries are blessed with natural resources from rich oil fields, fertile soil and large diamond deposits. However, the socio-economic state of those countries is beyond comprehension and the citizens live in dire poverty (Luedi, 2022, p. 229). It is evident from the preceding narration that what is lacking across these countries is good governance (van Vuuren, 2020, p. 55). Local government needs to promote efficient and effective governance in order to thrive (Rogerson, 2018, p. 33).

8.2. Human Resources Challenges

The human resource aspect has been identified as one key elements, amongst others, which directly affect the operations of the organization (Nguyen, 2022, p. 138). One of the key elements that inhibit service delivery by local municipalities is the unavailability and shortage of requisite skills to perform (Adam, 2020, p. 70). The institutional capacity, financial management skill, project management skills are some of the challenges obstructing service delivery (Ngcamu, 2019, p. 9). The author note that the availability of high quality personnel, specifically in managerial positions, is limited. It is incumbent upon local government administrators to source skilled and competent workforce in order address the challenge of poor workmanship.

8.3. Financial Management

In terms of the Municipal Finance Management Act, management and distribution of resources for economic growth and sustainability is the core business of local authorities (Lentner, Nagy, Vasa & Hegedűs, 2019, p. 18). Financial mismanagement issues, financial reporting, corruption and non-compliance are some of the prevailing challenges within local municipalities (Aondoakaa & Aondoakaa, 2018, p. 276). Proper financial management by municipalities is key to delivery of services to allocated constituencies (Lentner et al., 2019, p. 18).

9. Research and Methodology

The current study used a closed-ended structured questionnaire to collect data from all the participants that were included in this study (Zikmund et al., 2011). The questionnaire was designed using demographic information and a Likert scale questions. Participants were requested to say their feelings where they agree or disagree with a statement. This strategy was appropriate for our study because it is simple to implement and cost effective. The target population for this study was all employees of uMgungundlovu district municipality including council members and administration. The district is home to seven local municipalities, being: Msunduzi (capital city of the province), Impendle, Umshathi, Mkhambathini, Mpofana, Umngeni and Richmond. The uMngeni (case study), is located on the South-western part of the KwaZulu-Natal province in South Africa. In this study, the total of 106 questionnaires were completed and were used for this study.

10. Statistical Analysis

The collected data were analysed by using the latest version of the Statistical Package for Social Sciences (SPSS), version 29.20. The researchers employed both descriptive and inferential statistics. Descriptive statistics aimed to assess the frequency and percentages of the variables (Brown et al., 2018). Inferential statistics consist of sophisticated analysis that will enables us to make predictions about the population at large. Cronbach's alpha was calculated to measure reliability and consistency of the items within each construct. Correlation analysis was used to explore the relationship between the variables. A p-value less than 0.05 was regarded as statistically significant.

11. Demographic Data

The demographic profile of the participants was presented in Table 3. Out of 106 participants, 41.5% of them were aged 40–49 years, followed by those who were between 30–39 years (30.2%), 50 years and above (18.9%) and 18–29 years (9.4%). More than half (53.8%) of the participants were males, 42.2% were females. The researchers further observed that about 67% of the participants had diplomas, 27.4% had degrees, 4.7% had matric and only 1 (0.9%) had a qualification higher than a degree. With regards to the employment status, the vast majority (89.6%) of the participants were employed and 10.4% were unemployed. Of those who were employed, more than half (51.6%) were not employed by the municipality and only 48.4% were employed by the municipality.

Table 3. Frequency distribution of demographic data (n = 106)

Variables	Categories	frequency	Percentage (%)
Age group (years)	18 - 29	10	9.4
	30 - 39	32	30.2
	40 - 49	44	41.5
	50+	20	18.9
Gender	Male	57	53.8
	Female	49	42.2
Highest qualification	Matric	5	4.7
	Diploma	71	67.0
	Degree	29	27.4
	Higher	1	0.9
Employment status	Employed	95	89.6
	Unemployed	11	10.4

Employed by the municipality	Yes	46	48.4
	No	49	51.6

12. Reliability Statistics

Cronbach's alpha coefficient was calculated to measure reliability for each construct. According to Kuada (2012), reliability entails that the measuring instrument is consistent, stable and dependable over a certain period. A Cronbach's alpha value greater than 0.7 is acceptable and the good figures are those greater than 0.8 (Loewenthal & Lewis, 2020). Table 4 presents the results of the reliability statistics of this study. The findings showed that "knowledge of corporate governance" have Cronbach's alpha value of 0.979; followed by "systems within the municipality" with a score of 0.824 and "service delivery" with a score of 0.955. This shows that all the items in the measured constructs were consistency and are deemed acceptable for further analysis. The overall Cronbach's Coefficient alpha value for this study was 0.881 which is above the acceptable threshold of 0.70.

Table 4. Reliability statistics (n = 106)

Factor	Proposed Construct	Items	Cronbach's alpha
1	Knowledge of corporate governance	8	0.979
2	Systems within the municipality	10	0.824
3	Service delivery	11	0.955
Overall		**29**	**0.881**

13. Questionnaire Results

The data were further analysed to determine the pattern of the responses of the statements. For the "Knowledge of corporate governance," symmetric distribution of responses was observed to all items (items no. 1–8 in Table 5). Their responses indicate that, within the municipality there is no mutual agreement regarding the knowledge of corporate governance. The items 9-18 were used to assess systems within the municipality. The higher number of respondents (45.3%) agreed to the statement that "Knowledge of King report on corporate governance," while 33.9% agreed on the statements that "Efficiency of the HR system" and "Efficiency of the procurement system." The results also highlight that 33.9% of the respondents disagreed on the statement that say "Procurement policies are followed"; 36.9% disagreed that "PFMA/ MFMA is always adhered to"; and 38.7% disagreed that "The organisation always follows correct HR procedures."

With regards to service delivery, the majority (38.7%) of respondents agreed with the statement "Communities have access to schools and clinics in their area" (item no. 23) and the majority of the respondents disagree with all other items under "Service delivery" construct.

Table 5. Knowledge of corporate governance, Systems within the municipality and Service delivery (n = 106)

Sections	No.	Items	Disagree, n (%)	Neutral, n (%)	Agree, n (%)
Knowledge of corporate governance	1	The municipality displays discipline and good behaviour	34 (32.1)	27 (25.5)	45 (42.4)
	2	The municipality is transparent in all its dealings	34 (32.1)	34 (32.1)	38 (35.8)
	3	The municipality shows independence: no political interference	42 (39.6)	26 (24.5)	38 (35.8)
	4	The municipality shows accountability	41 (38.6)	27 (25.5)	38 (35.8)
	5	The municipality shows responsibility	37 (35.0)	29 (27.3)	40 (37.7)
	6	The municipality shows fairness in all its dealings	39 (36.8)	30 (28.3)	37 (35.0)
	7	The municipality shows social responsibility in all its dealings	37 (35.0)	29 (27.3)	40 (37.7)
	8	The municipality shows ethical values in all its dealings	36 (33.9)	25 (23.6)	45 (42.4)
Systems within the municipality	9	Knowledge of King report on corporate governance	37 (34.9)	21 (19.8)	48 (45.3)
	10	Efficiency of the HR system	34 (32.1)	36 (33.9)	36 (33.9)
	11	Efficiency of the procurement system	33 (31.1)	37 (34.9)	36 (33.9)
	12	Appointments are based on qualification, knowledge and experience	37 (34.9)	38 (35.8)	31 (29.3)
	13	HR processes are always followed in the organisation	37 (34.9)	39 (36.8)	30 (28.3)
	14	Procurement policies are followed	36 (33.9)	39 (36.8)	31 (29.3)
	15	PFMA/ MFMA is always adhered to	39 (36.9)	37 (34.9)	30 (28.3)
	16	The organisation always follows correct HR procedures	41 (38.7)	36 (33.9)	29 (27.3)

	17	Nepotism exist in the organisation	33 (31.1)	38 (35.8)	33 (31.1)
	18	Appointees undergo screening process such competency test	40 (37.7)	43 (10.6)	23 (217)
Service delivery	19	Mechanism to engage with the community is working effectively	46 (43.4)	31 (29.2)	29 (27.3)
	20	The organisation is proactive in dealing with service delivery	58 (54.4)	20 (18.9)	28 (26.4)
	21	There is intelligence on the ground to gather information	56 (52.9)	24 (22.6)	26 (24.5)
	22	Communities have access to basic services	44 (41.5)	24 (22.6)	38 (35.8)
	23	Communities have access to schools and clinics in their area	39 (36.7)	26 (24.5)	41 (38.7)
	24	Ward councillors are visible in their constituencies	52 (49.0)	26 (24.5)	28 (26.4)
	25	Ward councillors and MMC are competent in their portfolio	53 (50.0)	28 (26.3)	25 (23.5)
	26	Councillors, MMC's and Managers have relevant qualification	58 (54.7)	26 (24.5)	22 (20.8)
	27	Communities receive feedback timeously	61 (57.5)	26 (24.5)	19 (17.9)
	28	Service delivery in the area where you live	51 (48.1)	29 (27.4)	26 (24.5)
	29	Engagement with community	57 (53.8)	23 (21.7)	26 (24.5)

14. Hypothesis Testing

The inferential statistics were used to test research hypotheses to assess the correlation between the measured sections.

H1: Knowledge of corporate governance is related to systems within the municipality

Results from the correlations test in Table 6 highlight that there is a moderate positive insignificant ($r_s = 0.511$, p-value = 0.104) relationship between knowledge of corporate governance and systems within the municipality. The hypothesis is therefore unaccepted.

Table 6. The relationship between knowledge of corporate governance and systems within the municipality (n = 106)

Confidence Intervals of Spearman's rho				
			95% Confidence Intervals [a,b]	
	Spearman's rho (r_s)	p-value	Lower	Upper
Knowledge of corporate governance ↔ Systems within the municipality	0.511	0.104	-0.717	0.987

a. Estimation is based on Fisher's r-to-z transformation.
b. Estimation of standard error is based on the formula proposed by Fieller, Hartley, and Pearson.

H2: *Knowledge of corporate governance is related to service delivery*

The result shows that knowledge of corporate governance have an insignificant relationship with service delivery ($r_s = 0.652$, p-value = 0.285). Thus, the hypothesis is rejected.

Table 7. The relationship between knowledge of corporate governance and service delivery (n = 106)

Confidence Intervals of Spearman's rho				
	Spearman's rho (r_s)	p-value	95% Confidence Intervals [a,b]	
			Lower	Upper
Knowledge of corporate governance ↔ Service delivery	0.652	0.285	-0.625	0.972

a. Estimation is based on Fisher's r-to-z transformation.
b. Estimation of standard error is based on the formula proposed by Fieller, Hartley, and Pearson.

H3: *There is a relationship between systems within the municipality and service delivery*

The results in Table 8 show that systems within the municipality has a statistically significant strong positive correlation with service delivery ($r_s = 0.841$, p-value = 0.039). As a result, the hypothesis is accepted.

Table 8. The relationship between systems within the municipality and service delivery (n = 106)

Confidence Intervals of Spearman's rho				
			95% Confidence Intervals [a,b]	
	Spearman's rho (r_s)	p-value	Lower	Upper
Systems within the municipality ↔ Service delivery	0.841	0.039*	0.305	0.962

a. Estimation is based on Fisher's r-to-z transformation.

b. Estimation of standard error is based on the formula proposed by Fieller, Hartley, and Pearson.

15. Discussion

Local governments have an obligation in terms of Section 156 of the Constitution of the Republic of South Africa, to deliver basic services and to be the government closest to the people (RSA, 1996). Principal findings on this paper suggest that critical elements of corporate governance such as accountability and ethical conduct, enshrined in the companies Act as well as the King Reports, were compromised. The study also reveal that allegiance to party-political stance contribute immensely to municipal failure.

Another element of concern is the lack of consequence management in local government which exposes unwillingness from government to prosecute and bring those responsible to account. In order to improve service delivery, the study strongly recommends that the local RDP (Reconstruction and Development) budget be controlled by the provincial department of public works; municipalities should do away with political endorsement or political appointments which ultimately jeopardize quality of service and hamper local economy.

Poor governance and lack of accountability on the use of financial resources resulted in qualified audits reports and disgraceful outlook. Given the devastation caused by poor and lack of service delivery, there is a compelling need to apply corporate governance practices in local governments. Corporate governance attributes such as accountability, ethical conduct and integrity are much needed in order to enhance growth in local municipalities (Honu, 2018, p. 3).

The report indicates that R28 billion was wasted on irregular expenditure. This budget would have been used to uplift the lives the people. The inability of the municipalities to deliver services not only causes immense suffering to the residents, but it can also have a negative impact on socio-economic development within the local government (Mensah, 2019, p. 205).

As evidenced from the King III Report, it was revealed that South Africa had experienced a wider non-conformity to the main rules of good governance. From table 2 above it is clear that large amounts of public funds in state-owned-entities are embezzled due to financial mismanagement, corruption and poor governance (Lentner et al, 2019, p. 22). The Auditor General pointed out that most qualified audit reports in local municipalities were due to governance problems (AG, 2022/23).

Good corporate, as asserted by Solomon (2020, p. 13), is about ethical leadership and accountability. There is a wide-ranging consensus among policy makers and analysts that good governance improves organizational performance and thereby

increasing value to the quality of life of ordinary inhabitants (Kyere & Ausloos, 2021, p. 1875). It is concerning to note that vast number of municipalities are inexplicably associated with the worst form of financial malpractice which consequently result in non-performance (Bhagat & Bolton, 2019, p. 142).

16. Conclusion and Recommendations

Municipal performance cannot be assessed using financial ratio analysis the same way profit-making organizations are assessed. The key role of local government is to foster economic growth by creating a conducive environment for local people to thrive. As mentioned earlier, the performance and the effectiveness of any local municipality can only be critiqued on the quality of service they deliver. Given the complexity of service delivery deficiencies across local governments, there is a persistent need to exercise good governance in municipalities. The local government should concern itself with the setting up of an appropriate corporate governance system that will lead to municipal efficiency. Corporate governance models are not legally binding, however, they provide a blueprint for leadership and control of many institutions mainly in the corporate sector. In order to promote good governance, all stakeholders should cooperate with each other through coordinated efforts. The following recommendations have been made:

a) The office of the Auditor General should conduct human resources audit;

b) The office (AG) must be empowered to make binding recommendations for implementation;

c) Where cases of financial irregularity have been identified, law enforcements should play their role in holding whoever is responsible to account.

The study is not conclusive, further research is needed to advance good governance for local economic growth.

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