Faculty of Commerce, Law and Management

Research Report

Student Name: Khanya Venkile

Student Number: 2629673

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Supervisor: Dr C Hobden

Plagiarism Declaration

I declare that this research project is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree Master of Management in Governance and Management at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other university.

Signature: ___________________________ Date: __________________________

Contents

Abstract

This study explores the roles of audit committees within local government in Gauteng, South Africa, with a particular focus on their oversight of non-financial performance metrics and the promotion of ethical governance. Through a qualitative research approach that encompasses document analysis and semi-structured interviews with key stakeholders, including audit committee members, senior managers of municipalities, and representatives from the Auditor-General of South Africa, the study seeks to understand stakeholder perceptions of audit committee roles and the integration of non-financial metrics into governance practices. Findings reveal that while audit committees are recognised as essential for ensuring financial integrity, their focus tends to be predominantly on financial reporting, often neglecting broader non-financial performance indicators that reflect community impact and service delivery effectiveness. Additionally, inconsistencies in audit charters across municipalities, a lack of standardised guidelines, and significant challenges, such as limited access to information, inadequate training, and political pressures, impede audit committees from fulfilling their oversight responsibilities effectively. The research highlights the necessity for audit committees to redefine their roles, extending their focus to include comprehensive governance practices that integrate non-financial performance metrics and reinforce ethical standards. Ultimately, the study contributes to the ongoing discourse on local government governance by providing practical recommendations to enhance the functionality and relevance of audit committees, thereby improving accountability and transparency within municipal operations.

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1. Introduction and Background of Study

1.1 Introduction

The audit committee is an oversight structure in the governance of an organisation providing a framework for risk management and internal controls within an organisation (The Institute of Internal Auditors, 2020). They play a pivotal role in strengthening governance structures within local governments, particularly in complex and diverse contexts like Gauteng, South Africa's economic hub (De Lange, Von Solms, & Gerber, 2015). As municipalities strive to uphold transparency, accountability, and integrity in managing public resources, the functions of audit committees become increasingly significant (De Lange et al., 2015). This is especially true in an environment where public trust in government institutions is paramount, and where there is rising scrutiny over financial and operational integrity (Schultz & Hendrickse, 2018; Hasnan et al., 2022; Balkaran, 2013). According to the King IV Report on Corporate Governance, the audit committee's role of oversight is crucial to the ensure that the assurance providing structures, especially combined assurance, are functioning efficiently and effectively (Institute of Directors South Africa (IoDSA), 2016). This then gives assurance to the various stakeholders of the organisation such as the board of directors in the private sector and citizens in the public sector and further promotes integrity and accountability within government (Beasley, Carcello, Hermanson, & Neal, 2009).

Local government encompasses a range of services and responsibilities, from basic service delivery (such as water, sanitation, and waste management) to infrastructure development and economic planning. The effective discharge of these responsibilities necessitates robust financial management and oversight mechanisms. Audit committees serve not only to monitor compliance with financial regulations, but also to provide a forum for discussion on the adequacy of internal controls and the effectiveness of municipal governance practices (Quampah, Salia, Fusheini, & Adoboe-Mensah, 2021; Balkaran, 2013). Gauteng's local government structure includes several metropolitan and district municipalities, each facing unique challenges and opportunities. In her 2022/23 report, the Auditor-General of South Africa (AGSA), Tsakane Maluleke, highlighted several challenges that these municipalities currently face, including financial mismanagement, inadequate accountability and compliance, and weak internal controls (AGSA, 2023). These challenges undermine the integrity of financial reporting and risk management and compromise the ability of local governments to effectively serve their communities (Enwereji & Uwizeyimana, 2020). These challenges emphasise the critical need for audit committees to provide independent assessments and comprehensive audits to identify and mitigate risks that threaten the financial health and service delivery capacity of municipalities, while also fostering a culture of transparency and accountability within local governments. This aligns with the broader objectives of South African governance, which seeks to promote democratic principles and ensure that local government entities operate in a manner that serves the interests of their communities (Ellwood & García-Lacalle, 2015).

Existing literature highlights the importance of audit committees in establishing effective internal control systems and verifying the accuracy of financial reporting (Hasnan et al., 2022). This is particularly crucial for local governments, where the credibility of financial information is essential to maintaining public trust and ensuring the equitable allocation of resources (Schultz & Hendrickse, 2018). Additionally, audit committees are instrumental in cultivating a culture of accountability, as they are responsible for monitoring management practices and safeguarding community interests (Hasnan et al., 2022). Munzhedzi (2014) also agrees to this by noting that there is some relationship between financial management and performance because once there is poor financial management it automatically negatively affects performance. The recent scandal on the State Capture also depicts how governance responsibilities and accountability, or lack thereof, can taint the confidence and assurance the public has on the systems of government and governance.

The purpose of this report is to explore the multifaceted roles of audit committees based on the perceptions of different stakeholders in Gauteng's local government. By examining these perspectives, the report aims to provide valuable insights that can inform policy decisions and enhance governance within local governments in Gauteng. Through a synthesis of existing literature, relevant legislative frameworks, and feedback from key stakeholders, this report seeks to underscore the importance of audit committees as guardians of public resources and champions of transparency in local government operations.

Background of study

The first King Report on Corporate Governance which was championed by Professor Mervyn King was released in 1994 and this served as a blueprint for corporate governance within organisations in South Africa (IoDSA, 2002). As the economic climate and business of the country progressed, there was a need to review the King Report to be updated with the current state of the country. There were reviews and the King Report is currently in its fourth report, the King IV Report (IoDSA, 2016). The King IV report is applicable to all organisations, whether it's the private or public sector, and its purpose is to assist organisations to set the tone of good governance by ensuring that there is improvement in performance, a relationship of trust is built amongst stakeholders, and the control environment is adequate and effective (Soobaroyen, Tsamenyi, & Sapra, 2017). The audit committee serves as an oversight structure, fulfilling its governance responsibilities within the organisation. King IV emphasises the necessity of establishing an audit committee within an organisation to offer insights on critical issues highlighted in the annual financial statements. It outlines how the audit committee meets its obligations in addressing these concerns and additionally provides an evaluation through indicators regarding the quality of the audit (IoDSA, 2016). Ghafran & O'Sullivan, (2013) and Magrane & Malthus (2010) cite the Cadbury Committee as one of the initial committees to recommend the audit committee as a structure for improving corporate governance in the world. Al-Baidhani (2014) also notes that the audit committee's role includes improving financial reporting which involves interrogating and accounting for the financial performance of the organisation. The role of audit committees initially was to review financial statements but later evolved to include overseeing the non-financial performance and internal control environment of the organisation, and this included the ethical tone of the organisation (Buallay & Al-Ajmi, 2020; Mqadi, 2020). Ghafran & O'Sullivan (2013) also describe the financial oversight role of audit committees by emphasising the components of quality audits and financial reporting. The effectiveness of the financial management processes has a significant impact on the quality of financial management, financial reporting, and internal financial control arrangements. Regular reports on financial reporting are given to an audit committee, and the committee would be especially interested in the use of accounting principles and procedures (Hepworth & de Koning, 2012). The audit committee reviews the financial statements as part of the procedure to provide transparency and accountability and to make sure they are correct and reflect the actual financial situation of the municipality. As local municipalities are entrusted with the provision of critical services, effective governance mechanisms are essential to ensure efficient resource management and equitable service delivery to diverse communities (Monkam, 2014). The Municipal Finance Management Act (MFMA) mandates the establishment of audit committees in local government to safeguard public resources and enhance financial accountability. Risk management, requirements for both financial and non-financial compliance, and other audit and assurance tasks unrelated to financial reporting are now included in the audit committees' mandates. In its performance information management role, the audit committee is responsible to oversee the compliance with statutory requirements as well as planning for performance management (MFMA, 2003). However, the functions of audit committees are not always clearly defined by new laws and policies, as a result even in cases where the legislation's objective is obvious, it takes time for the regulatory reforms to take effect in their entirety, which means that corporate governance systems' roles and responsibilities will gradually alter (Martinov-Bennie, Soh & Tweedie,2015).

Despite the formal establishment of audit committees, several Gauteng municipalities face substantial challenges that hinder effective governance. The AGSA has consistently highlighted issues such as financial mismanagement, inadequate internal controls, high levels of unauthorised or irregular expenditures, and the prevalence of corruption (Schultz & Hendrickse, 2018; Kwanbo, 2010; Monkam, 2014). These challenges not only affect the financial health of municipalities but also erode public trust and compromise the quality of service delivery (Soobaroyen et al., 2017).

Gauteng is the smallest province in South Africa, yet it has the highest population among the nine provinces. Gauteng, bordered by Free State, North West, Limpopo, and Mpumalanga provinces, functions as the economic hub of South Africa and the sub-continent, contributing over 34.8% to the national GDP. The primary sectors driving this contribution include finance, real estate, manufacturing, and general government services. Gauteng consists of three metropolitan municipalities and two district municipalities, each of which is further subdivided into three local municipalities. This makes a total of 11 municipalities within the province (Main, 2024).

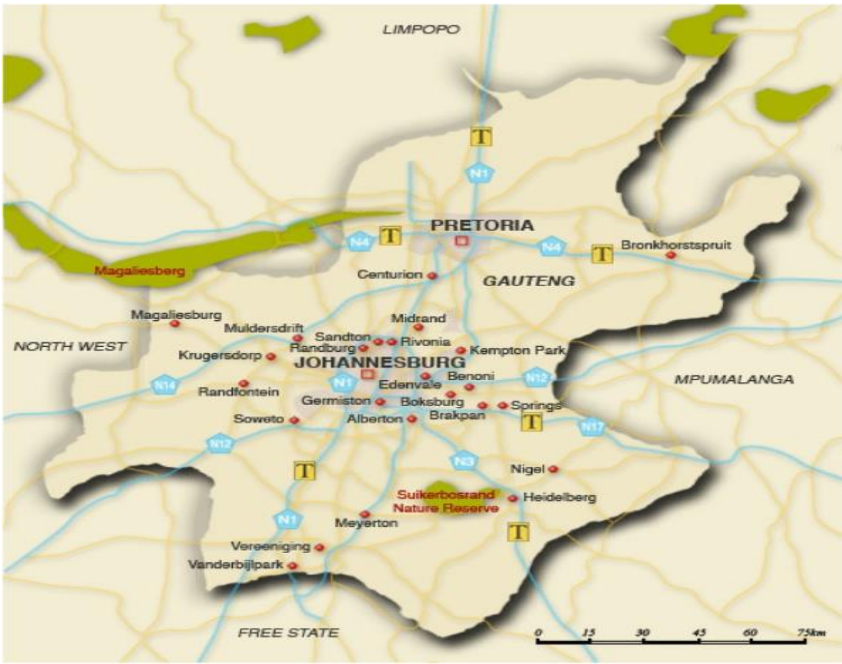

Figure 1.1 Map of Gauteng Province. (Ohemeng & Ekolu, 2020).

National Cooperative Governance prioritises individuals and their issues, facilitates the provision of municipal services at the required quality and standard, encourages good governance, transparency, and accountability, ensures effective financial management and accounting, and strengthens institutional resilience to ensure that all municipalities reliably meet their fundamental responsibilities and functions (Department of Cooperative Governance (DCoG), 2020). Despite having made notable progress in the provision of services, there is still significant room for improvement required to enhance performance in local government. The local government sector continues to exhibit significant instability, inadequate financial management and audit results, inadequate provision of essential services, insufficient infrastructure maintenance, a skills gap, limited funding, and systemic issues related to non-viability and improper allocation and distribution of powers and functions (AGSA, 2023). According to the State of Local Government Report, Gauteng had two municipalities in the 2021 fiscal year that were put under intervention in terms of Section 139 of the Constitution (DCoG, 2021). Furthermore, of the fifteen municipalities that were involved in the VBS Bank scandal, Gauteng province was also implicated which also led to the three metros being downgraded by Moody's credit agency due to the "rising financial pressure" (National Treasury, 2021, p.1). The AGSA reported that 61 municipalities regressed while 46 saw audit results improve, meaning that most municipalities are presently in a much worse situation than they were at the start of the 5th administration (AGSA, 2022). This is emphasised in the National Treasury's(2021) State of Local Government Finances and Financial Management Report, which notes that in 2020–21, 25 municipalities received audit opinions that were disclaimed due to lack of evidence for their financial reports. Furthermore, municipalities still incur high irregular expenditure which amounted to over R20 billion in 2020-21 financial year while losses were incurred in several municipalities due to non-compliance because of VBS Mutual Bank (AGSA, 2022). Two metro areas, specifically the Cities of Tshwane and Johannesburg, have been identified as the principal contributors to unauthorised expenditure. These metropolitan municipalities rank among the leading sources of irregular financial outflows, highlighting the need for targeted oversight and governance reforms within these jurisdictions. Some metros were also downgraded by Moody's credit rating agency due to lack of revenue collection. Comparing with the 2022-23 fiscal year, the trend of unsatisfactory audit results in local government persisted, with merely 34 (13%) of municipalities achieving clean audits. Although 45 municipalities have enhanced their audit outcomes from 2020-21, 36 have deteriorated. An unqualified audit opinion on the financial statements, along with findings on performance reporting and/or compliance with legislation, was the most common type of audit outcome, occurring in 43% of municipalities (AGSA, 2024). The presence of numerous occurrences of irregular expenditure suggests a possible deficiency in the role of audit committees in practice, which this study will examine. As an essential element of corporate governance, the audit committee's oversight function in local government is to monitor the accuracy of integrated reporting, assess the functioning of internal controls, and evaluate the organisation's overall risk management and governance (MFMA, 2003). The King report on Corporate Governance provides a clear description of who is responsible for each specific governance responsibility and how it is applied, yet accountability, role clarity, and reporting lines are consistently ambiguous in the public sector (Dzomira, 2020).

Municipal Councils have significant legislative and executive power. Municipal Councils create and implement laws and policies to provide important services to their communities (Mqadi, 2020). The council must also hold the local administration and local managers accountable for budgetary management and service delivery. Before being presented to the Council, which has final oversight authority, two crucial municipal committees handle oversight functions. The Council, following Section 79 of the Municipal Structures Act, Act 117 of 1998, has established the Municipal Public Accounts Committee (MPAC). Their responsibility involves supervising the executive functionaries of the Council, whereas municipal Audit Committees are structured to function with greater independence, serving a clearly defined external oversight role, and are appointed in accordance with section 166 of the MFMA. The MFMA is the main document outlining the duties of audit committees in South Africa. The MFMA describes an audit committee as "an independent advisory body to the municipal council and management", to provide advice on financial reporting, risk management, performance management and evaluation, as well as governance related matters. Therefore, the role of the audit committee is critical in ensuring that the organisation's performance is efficient and effective across the board. According to Section 166(4) of the MFMA, an audit committee must include a minimum of three members with relevant experience, must not be employed by the municipality, and the committee is required to convene as frequently as necessary to fulfil its responsibilities, with a minimum of four meetings annually. Given the technical knowledge required to handle technical issues and make decisions regarding the validity of the municipality's internal control, risk management, compliance, and governance systems, the audit committee is regarded as the most significant oversight body (Krishnan & Subban, 2022). Erasmus & Matsimela (2021) however note that performing both advisory and oversight functions can pose a self-review threat, potentially undermining the committee's independence and objectivity. Such conflicts of roles may hinder the committee's ability to function effectively, reducing its capacity to serve as a true oversight mechanism.

Mqadi (2020) notes that performing the oversight role means that the governance and accountability of municipalities and municipal enterprises will improve. The AGSA report (2022) on the impact of audit committees on local financial governance in South Africa shows recurring audit issues and negative audit opinions, indicating the current relevance of audit committees in local governance. Monitoring, reporting, and evaluation are fundamental to governance and the promotion of accountability. An institutional environment conducive to monitoring and evaluation is essential. This necessitates the establishment of clear roles and responsibilities, the integration of planning systems with budgeting and reporting, and effective performance management (Krishnan & Subban, 2022). The audit committee serves as a critical structure for ensuring integrity and accountability. However, it must navigate emerging challenges, including political and administrative issues stemming from coalitions, the adverse economic conditions resulting from the COVID-19 pandemic, and the VBS Mutual Bank scandal affecting approximately 15 municipalities, as noted by National Treasury (2021). Consequently, audit committees should recognise that strong financial performance and a clean audit report are insufficient if the municipality's constituents lack access to essential services. This means that while financial performance is key, the non-financial aspect of performance which is mainly delivery of service is just as critical. Ndevu and Muller (2017) noted in their case study that oversight committees lack the expertise to analyse technical material provided by administrative counterparts which results in significant issues when it comes to monitoring and evaluation of performance in local government, thereby affecting service delivery. In its advisory role to the council of the municipality, the audit committee is independently structured to provide oversight and enhance accountability and transparency within the municipality. Section 166 of the Municipal Finance Management Act (MFMA) states that each municipality is required to have an audit committee to serve as an advisory body and ensures accountability from the various structures of the municipality (Municipal Finance Management Act, 2003). As such, the municipal council, functioning as the executive body, depends on the audit committee to enhance accountability and integrity in financial reporting, manage risks, and address both internal and external audit matters (Mqadi, 2020). The reliance placed on this oversight structure emphasises the critical role it plays in the integrity and accountability of reporting at municipal level. As per Carrera, Sohail, and Carmona (2017), an efficient audit committee is essential for enhancing assurance operations and financial reporting of organisations. Also taking into consideration the new normal after the COVID 19 pandemic, there is a need for new roles that include maintaining organisational viability by striking a balance between core and emerging responsibilities, probing complexities through scenario planning and other tools, staying connected through virtual meetings, communicating regularly with stakeholders during uncertain times, and making sure internal control systems remain adequate (Dohrer & Mayes, 2020). Mqadi (2020) also agrees by adding that the existing methods of audit committees are not optimal for municipalities to derive maximum benefit from them, and as such their value to communities is not understood. Equally so, with corporate governance principles used as the basis for guiding audit committees in the public sector, the use of private sector principles in the public sector creates a perception of professionalising public governance (Alqooti, 2020).

Many systemic issues still face the South African public sector, even before the Covid-19 outbreak. There are many obstacles to overcome, including poor annual financial statements, insufficient risk management, unfavourable control environments, weak corporate governance, systemic corruption, and the rise in erratic, pointless, and wasteful spending that is carried out with impunity due to a lack of accountability. All of these are essential components of the proactive oversight mission of the audit committee. A continuing study programme on audit committee effectiveness is required due to the longevity of these situational realities and the associated tumultuous and uncertain times.

Against this background, the study aims to examine how the role of the audit committee is understood in local government as an oversight mechanism in the quest of integrated reporting. The study will explore whether the role of the audit committee in the Gauteng local government is understood by different stakeholders in order to maximise on its objective and mandate as outlined within the MFMA which focuses on the management of financial and non-financial risk, the monitoring of the internal control environment of the municipality, as well as the overall governance which in best practice involves the financial and non-financial performance management of the municipalities This will include investigating the perceptions of audit committee members and senior managers regarding the roles, responsibilities, and challenges of audit committees in Gauteng's local government. By addressing this gap in research, the study will provide valuable insights into the effectiveness of audit committees, inform best practices, and contribute to improving governance frameworks at the local government level. Ultimately, this research aspires to enhance accountability and transparency, ensuring that local governments are better equipped to meet the needs of their communities and uphold the principles of good governance. To ensure representation of the Gauteng region, the research will focus on one of the three metropolitan municipalities (City of Ekurhuleni), and one local municipality in each of the two district municipalities (Midvaal Local Municipality and Mogale City Local Municipality).

1.2 Problem statement

Local government, as part of the public sector, is mandated to be accountable and provide service delivery to the citizens of South Africa. However, municipalities have faced significant public criticism for shortfalls in service delivery, prompting the government to implement measures aimed at improving municipal performance. Audit committees are recognised as crucial entities in ensuring financial integrity and governance, as outlined in the MFMA and the King IV Report on Corporate Governance. While these committees play a fundamental role in overseeing financial performance (Kandandu, Beukes & Benedict, 2015), there is a growing concern regarding insufficient performance monitoring, as highlighted by the AGSA (AGSA, 2022). The AGSA has reported static results and increasing material irregular expenditures, indicating a critical gap in effective governance. Despite audit committees' documented functions in promoting transparency and accountability (Soobaroyen et al., 2017), their specific responsibilities concerning non-financial performance reporting remain underexplored in the literature (Kwanbo, 2010; Mqadi, 2020). This lack of focus inhibits their ability to address essential aspects such as risk management, ethical governance, and organisational improvement (Liston-Hayes & Juillet, 2022). Stakeholders, including audit committee members and senior management, may possess varying perceptions of these committees' roles, leading to ambiguities and misalignments between expected and actual practices.

In Gauteng local government, audit committees face challenges including insufficient access to relevant data, inadequate training, and an evolving governance landscape that complicates their functions (Dintwe, 2016). This is evident where Randall (2022) reported that Emfuleni Local Municipality, one of the local municipalities in the Gauteng province, returned over R50 million in unspent infrastructure grant funding. Previous research has largely concentrated on financial oversight (Haonga, 2020; Thomas & Purcell, 2019; Turley & Zaman, 2004), with limited studies investigating the role of audit committees in non-financial performance assessment. This gap prevents a comprehensive understanding of these committees' contributions to enhancing municipal governance and accountability. In summary, the core research problem is:

> *There is limited understanding of the role of audit committees in overseeing non-financial reporting in Gauteng municipalities, despite its importance for governance and accountability.*

1.3 Research purpose

The purpose of this study is to explore the understanding of the role of audit committees in local government from the perspective of senior municipal managers, audit committee members, and AGSA representatives in terms of their contribution to good governance and improving the accuracy and reliability of integrated reporting, particularly, non-financial information. The aim of this study is to uncover the current practices, challenges, and expectations surrounding the functions of audit committees. The research seeks to achieve several specific objectives, such as investigating stakeholder perceptions of audit committee roles, assessing the integration of non-financial performance metrics, identifying challenges faced by audit committees, analysing stakeholder engagement practices, understanding the influence of governance frameworks, and exploring the role of audit committees in promoting ethical governance and accountability. Existing literature on accounting and governance in Africa suggests that while certain mechanisms like boards and audit reporting have had some consequences, in other cases, accounting or governance practices have had limited influence on decision-making and accountability (Soobaroyen et al., 2017). Similarly, studies have examined factors affecting the implementation of good governance practices in local governments, including the competence of the local government tools and the professionalism of the internal control function, and the implications for accountability performance (Nofianti & Suseno, 2014).

The current research aims to build on these insights by specifically focusing on the role of audit committees in overseeing non-financial performance reporting within the context of Gauteng local government. Additionally, by achieving these objectives, the study aims to fill the existing gap in literature and provide valuable insights that can inform improvements in the operations of audit committees within Gauteng's local government, ultimately fostering better governance and accountability. The findings of this study can inform policymakers, local government officials, and stakeholders about the challenges and best practices related to audit committees. Evidence-based recommendations can lead to the development of policies and guidelines that strengthen the role of audit committees in promoting effective governance.

1.4 Research objectives

The objective of the research is to explore and understand the stakeholder's perceptions of the roles and responsibilities of audit committees in ensuring accountability and transparency in non-financial reporting within local government with particular emphasis on understanding current practices, identifying influencing factors, and assessing their contribution to overall governance and accountability.

1.5 Research question

The main research question guiding this study is:

How do stakeholders perceive the roles and responsibilities of audit committees in ensuring accountability and transparency in non-financial reporting within local government?

The following are sub-questions to the main research question:

1. What is the focus and emphasis of current audit committee practices?
2. What factors influence the governance role of audit committees in Gauteng local government?
3. How does the audit committee contribute to ensuring accountability and transparency within local government?

1.6 Outline of chapters

This research report is separated into six chapters and is outlined to provide a clear and logical framework for the presentation of the research findings. Each chapter is designed to address specific components of the study on the role of audit committees in Gauteng local government, particularly concerning non-financial performance reporting.

The first chapter sets the stage for the research by providing the background of the study, articulating the problem being addressed, stating the research purpose and questions the research seeks to respond to, and concludes by providing an overview of the report's structure, guiding the reader through the forthcoming chapters. Chapter two provides a review of existing literature relevant to audit committees and local government governance. It begins with an overview of local government functions and structures, contextualising the importance of audit committees. The chapter then examines the legislative framework governing these committees in South Africa, alongside the principles of corporate governance and their convergence with public sector management. It discusses the impact of New Public Management (NPM) on the governance role of audit committees, as well as the significance of integrated reporting within local government. Finally, the chapter highlights the evolving responsibilities of audit committees, particularly their shift from financial oversight to encompassing non-financial performance metrics, thereby establishing a basis for further research on accountability and transparency in local governance. A review of relevant theories is also presented in this chapter, identifying gaps in the current literature that the study aims to address. An in-depth examination of the theoretical framework underpinning the study is provided. Key theories such as agency theory and stakeholder theory are examined. This discussion clarifies how these theories relate to the role of audit committees and guide the research methodology and analysis.

An investigation into the methodology and design of the study is presented in chapter three. It details the population and sample selection, the data collection methods (document analysis and interviews), and the data analysis techniques utilised. Ethical considerations and limitations of the methodology will also be addressed to ensure transparency and rigor in the research process. In chapter four an assessment, formatting, and analysis of the findings derived from the data collection is performed. It includes qualitative analysis results, highlighting key themes and patterns that emerge from the data. Chapter five interprets the findings in relation to the literature reviewed in Chapter 2. The implications for theory are discussed, offering a critical assessment of the role of audit committees based on the research findings. The findings are integrated with the theoretical framework to provide context and insight into the understanding of the role of audit committees in local governance. The final chapter, chapter six, summarises the key findings of the study and draws conclusions based on the research. It also provides practical recommendations for improving the understanding of the role, in practice, of audit committees in local government, as well as suggestions for future research in this area.

Furthermore, a comprehensive list of all sources cited throughout the report will be included, ensuring scholarly rigor and acknowledgment of previous work in the field. By following this structured approach, the report aims to present a coherent and comprehensive analysis of the role of audit committees in enhancing governance and accountability within Gauteng local government.

2. Literature Review

2.1 Introduction

This chapter aims to contextualise the research by exploring the historical evolution, defined roles, and emerging responsibilities of audit committees, particularly in relation to their oversight of non-financial performance metrics. Through an extensive review of academic literature, governance documents, and relevant theoretical perspectives, this chapter highlights key themes that inform an understanding of the functions of audit committees within local governance frameworks. In addition to providing a comprehensive context, this literature review also identifies critical gaps in the existing research, particularly regarding the evolving nature of audit committees' roles in assessing non-financial performance metrics. By pinpointing these gaps, the chapter aims to delineate the unique contributions this study makes to the field, thereby establishing a clear and necessary space for further exploration and insight into the effectiveness and impact of audit committees in contemporary governance practices. This approach not only enriches the academic discourse surrounding audit committees but also emphasises their increasingly vital role in ensuring accountability and performance in non-financial areas, which are essential for holistic governance.

The chapter begins with an overview of local government functions and structures, detailing the essential services provided by municipalities and the governance mechanisms that guide their operations. This foundational understanding sets the context for examining the roles of audit committees and underscores their significance within local governance frameworks. Next, the concept of the audit committee is defined, focusing on its established roles in overseeing financial practices and promoting accountability. This section is complemented by a discussion of the corporate governance concept, which highlights the principles and practices that underpin effective governance in both public and private sectors. Organisational accountability and transparency are emphasised as essential components of governance, which directly relates to the responsibilities of audit committees.

Following the above, the chapter explores the convergence of corporate governance and public sector management, illustrating how private sector governance principles are increasingly influencing public administration practices. This convergence is further examined through the lens of New Public Management (NPM), which advocates for applying market-oriented principles and efficiencies in the public sector. The implications of NPM on the roles and expectations of audit committees are vital as stakeholders seek greater responsiveness and accountability from local government entities. Additionally, integrated reporting is discussed as a crucial mechanism for local governments to improve accountability and transparency, showcasing the role of audit committees in verifying the accuracy of both financial and non-financial information. The chapter also covers the roles of audit committees in governance and accountability, providing insights into their specific functions and the impact they have on municipal operations. A comparative discussion on financial vs. non-financial performance reporting highlights the evolving expectations of audit committees in evaluating non-financial performance metrics, such as service delivery effectiveness and community engagement is also included. This shift towards a more holistic oversight model reflects contemporary governance standards and stakeholder demands (De Lange et al., 2015; Mofolo, 2012; Makoti & Odeku, 2021; Tumwebaze, Mukyala, Ssekiziyivu, Tirisa, & Tumwebonire, 2018). Finally, the chapter culminates in the theoretical framework, which offers a structured approach to understanding the dynamics of audit committees within governance. Key theories such as the agency theory and stakeholder theory are explored to provide a theoretical lens through which to analyse the roles and responsibilities of audit committees. By synthesising insights from existing literature and theoretical perspectives, this chapter aims to identify gaps in the current understanding and to frame the research's objectives and questions clearly. Ultimately, this literature review lays the groundwork for the subsequent chapters of this research, which will delve deeper into the empirical investigation of audit committees in Gauteng local government.

2.2 Overview of local government functions and structures

To understand the context in which audit committees operate, it is essential to first examine the functions and structures of local government. Local governments are responsible for delivering essential services such as water, sanitation, waste management, and community development. They facilitate democratic participation and play a pivotal role in implementing policies at the local level (Bovaird & Loeffler, 2007). Comprising various entities, including metropolitan, local, and district municipalities, local government structures are designed to promote effective administration and representation. This foundational knowledge of local government is critical for elucidating the mechanisms through which audit committees can enhance governance practices (Ellé, 2020).

Local government in South Africa plays a pivotal role in the administration and governance of communities, serving as the closest level of government to the citizens (Ndevu & Müller, 2018; Enwereji & Uwizeyimana, 2020; Sithole & Mathonsi, 2015). This research report provides an overview of the key functions and structures of local government in South Africa, with a particular focus on the Gauteng province.

a) Functions of local government

One of the primary functions of local government is the provision of essential services to communities. Local governments are tasked with ensuring that these services are accessible, equitable, and of high quality (Ndevu & Müller, 2018). Local governments also play a vital role in promoting social and economic development within their jurisdictions. They initiate programmes and projects aimed at improving education, healthcare, economic opportunities, and infrastructure development, all with the goal of enhancing the quality of life for residents (Ndevu & Müller, 2018). Furthermore, local authorities are responsible for enforcing various regulations, including land use planning, environmental protection, and business licensing. They also oversee compliance with municipal bylaws and national legislation, ensuring that activities within their areas adhere to legal standards (Ndevu & Müller, 2018; Sithole & Mathonsi, 2015; Enwereji & Uwizeyimana, 2020; Zama, 2013). Local governments also facilitate community involvement in decision-making processes, which is essential for promoting transparency, accountability, and democratic governance. Mechanisms for public participation include ward committees, public meetings, and consultation processes to engage citizens in local governance (Sithole & Mathonsi, 2015). Finally, local governments are responsible for effective financial management, including budgeting and revenue generation (Enwereji & Uwizeyimana, 2020).

b) Structures of local government

Metropolitan municipalities are large urban areas with a single municipal government, responsible for providing services to the entire metropolitan region. District municipalities consist of multiple local municipalities within a geographic area, coordinating service delivery and development planning across the region (Zama, 2013; Sithole & Mathonsi, 2015). Local municipalities are smaller, more localised units responsible for the direct provision of services to their communities (Ndevu & Müller, 2018). Local governments play a crucial role in service delivery, community engagement, and regulatory compliance, making their effective functioning essential for the development and well-being of their communities (Ellwood & Garcia-Lacalle, 2015). The governance structures of local municipalities, including the elected municipal councils, executive committees, and various sub-structures and committees, are designed to facilitate decision-making, budget allocation, and service delivery (Chukwuemeka, Ugwuanyi, Ndubuisi-Okolo, & Onuoha, 2014; Sumual, Saerang, Karamoy, & Tawas, 2021).

Within this framework, audit committees mandated by the MFMA serve a vital role in overseeing financial management and accountability. These committees, which are typically appointed by the municipal council, are responsible for ensuring the integrity of the local government's financial reporting, internal controls, and risk management processes (MFMA, 2003). By providing independent oversight and assurance, audit committees can contribute to enhancing transparency and accountability in local government operations. Their role extends beyond financial management, as they also assist in evaluating the overall effectiveness of the council's governance practices and the implementation of its strategic objectives. Through their deliberations and recommendations, audit committees can help local governments address potential areas of concern and improve their governance practices. Furthermore, the inclusion of public participation structures, such as ward committees, in the local government framework can further strengthen accountability and community engagement. Understanding the functions and structures of local government, as well as the role of audit committees within this context, is essential for assessing the effectiveness of local governance and its impact on community development.

2.3 The concept of audit committees in South African local government

It is vital to have a thorough understanding of the principles that govern audit committees and how they operate to have a complete comprehension of the status of the audit committee as well as the role that it plays as a governance structure within South African local government. Additionally, it is equally important to have a full awareness of the factors and events that have played a part in the development of the modern audit committee. These factors have had an effect on the constantly shifting responsibilities of the audit committee, which in turn have had an effect on the activities that the committee has been able to accomplish.

2.3.1 Definition and purpose of audit committees

Within the context of local government in South Africa, audit committees are typically defined as subcommittees established by the municipal council to oversee the financial reporting process, the system of internal controls, and the organisation's compliance with relevant laws and regulations (Kamara, 2021). Audit committees in local government serve several vital purposes, including the oversight of financial reporting to ensure accuracy and timeliness, the identification and mitigation of various risks facing the municipality, the facilitation of communication between internal and external auditors, and the enhancement of overall accountability by providing independent oversight (Kueppers & Sullivan, 2010; Hasnan et al., 2022). Their establishment and operation are influenced by legal frameworks, best practices, and the specific needs of the municipalities in which they function (Klingelhöfer, Erasmus, & Mayo, 2014; Masegare & Ngoepe, 2018).

While the terms "audit committee" and "effective audit committee" are often used interchangeably, it is crucial to understand the nuanced differences between the two. The definition of an audit committee by Kamara (2021) is highlighted above. The audit committee serves as a liaison between the organisation's governing body, such as the board of directors or municipal council, and the external auditors. In contrast, an effective audit committee is not merely defined by its existence, but by its ability to fulfil its responsibilities in a manner that enhances organisational governance and accountability. An effective audit committee goes beyond the formal requirements, demonstrating proactive involvement, sound judgment, and clear communication to drive meaningful oversight and impact the overall performance of the organisation (Corten, Steijvers, Lybaert, & Coeckelbergs, 2021; Liston-Heyes & Juillet, 2022).

2.3.2 Legal and regulatory framework governing audit committees in Gauteng

The legal and regulatory environment that oversees audit committees in Gauteng's local government plays a crucial role in fostering accountability, transparency, and effective governance in the utilisation of public resources (Masegare & Ngoepe, 2018). The framework comprises various legislative acts, guidelines, and national standards that define the roles, responsibilities, and functions of audit committees while promoting adherence to the principles of good governance.

The MFMA provides the legal foundation for establishing audit committees and outlining their specific roles and responsibilities within the context of public financial management in South Africa (Masegare & Ngoepe, 2018; Kwanbo, 2010). The MFMA mandates that each municipality must establish an audit committee as part of its governance structure, underscoring the importance of independent oversight in promoting transparency and accountability. The MFMA further stipulates that municipal audit committees should consist of independent members with accounting or financial management expertise, ensuring objectivity and integrity in their oversight functions. It also explicitly outlines the responsibilities of audit committees, such as reviewing the effectiveness of internal control systems, monitoring the risk management processes, overseeing the activities of internal and external auditors, and ensuring compliance with applicable laws and regulations (Klingelhöfer et al., 2014; Schultz & Hendrickse, 2018). The reporting requirements set forth in the MFMA further reinforce the accountability and transparency expected of audit committees (Monkam, 2014).

Beyond the MFMA, the legal and regulatory framework governing audit committees in Gauteng is supplemented by various other guidelines and national standards such as the King IV Report on Corporate Governance. These complementary frameworks help to strengthen the implementation of corporate governance principles within municipal settings, ultimately contributing to improved service delivery and the well-being of citizens (Soobaroyen et al., 2017). The revised South African National Treasury's Municipal Finance Management Act: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, for instance, provide additional guidance on the roles and responsibilities of audit committees in managing financial misconduct and instituting disciplinary measures (Harber & Marx, 2019).

2.3.3 Composition and structure of audit committees

An appropriately structured audit committee, comprising individuals with the right skills, expertise, and independence, is essential for ensuring robust oversight of financial management, governance, and the accuracy of reporting (Masegare & Ngoepe, 2018). This section delves into the elements that define the composition and structure of audit committees in the context of local government.

Independence is one of the primary requirements for audit committee members, as they should be independent of the municipal administration and management (IoDSA, 2016). This independence ensures that they can provide unbiased evaluations of financial reporting and internal controls, as they are less likely to be influenced by operational pressures within the local government (Cohen, Krishnamoorthy, & Wright, 2002; De Lange et al., 2015; Kwanbo, 2010). Additionally, audit committee members are generally expected to possess relevant skills and expertise in areas such as financial management, accounting, auditing, risk management, governance practices, and legal compliance. The diverse skill set of the committee members enhances its ability to effectively address complex financial and operational issues by drawing on a range of perspectives and competencies (Cohen et al., 2002; Xie, Davidson, & DaDalt, 2003). This diversity may extend beyond the municipal council, as some audit committees also include external experts or representatives from relevant professional bodies, further enriching the committee's perspective and ensuring a more comprehensive understanding of the local government's financial and operational matters (Klingelhöfer et al., 2014; Monkam, 2014; Masegare & Ngoepe, 2018). Given the unique challenges and complexities inherent in local government finance, governance, and public administration, having audit committee members with expertise in these areas is particularly advantageous for addressing sector-specific issues and ensuring the effectiveness of the committee's oversight role (Liston-Heyes & Juillet, 2022; Balkaran, 2013; Ellwood & García-Lacalle, 2015).

Audit committees hold significant authority within the governance framework, empowered to access relevant information, engage with external auditors, and make recommendations for improvements in financial reporting and internal controls (Ellwood & García-Lacalle, 2015). This authority allows them to play a proactive role in identifying issues before they escalate, thereby contributing to the overall accountability and transparency of the local government's operations (Liston-Heyes & Juillet, 2022; Balkaran, 2013). The chairperson of the audit committee, selected from among the members, serves as a critical leader, guiding the committee's discussions, ensuring adherence to the agenda, and overseeing the entire scope of its work. The chairperson is typically an individual with substantial experience in auditing or financial management, bringing valuable expertise to the committee's proceedings. (Hasnan et al., 2022). The audit committee's reporting structure is designed to maintain its independence while enabling effective communication of its findings, recommendations, and concerns to the governing municipal council. The committee may also report directly to the executive management team, allowing for constructive dialogue on significant issues identified during the oversight process (Susanto, 2020).

To fulfil its responsibilities effectively, the audit committee is required to meet regularly, with the frequency of meetings often specified in the committee's terms of reference. These meeting procedures should foster open dialogue and thorough discussions on key matters, including financial reports, audit findings, and risk-related issues (Susanto, 2020; Hasnan et al., 2022); Kueppers & Sullivan, 2010). The terms of reference document, also known as the audit committee charter, serves as a guiding framework for the audit committee's operations, clearly outlining its mandate, roles, responsibilities, and the scope of its work, ensuring that members understand their duties and expectations (Peterson, 2014). Audit committee charters often exhibit significant diversity across municipalities, as each jurisdiction seeks to craft these documents in a manner that reflects its unique organisational structure, legal and regulatory landscape, operational scale and complexity, risk profile, resource constraints, and cultural norms, factors that can vary considerably even between neighbouring cities or towns. This view is supported by Dimitris and Gavalas (2021) who note that while the MFMA in South Africa provides a general framework for audit committees, the specific implementation of their guidelines can vary substantially, as municipalities adapt their audit charters to align with local regulations, policies, and the specific requirements set by provincial authorities. Larger municipalities with more complex operations may require more detailed and comprehensive audit charters, whereas smaller municipalities may adopt simpler charters due to lower complexity and fewer available resources (Monkam, 2014). Furthermore, the disparate risk profiles faced by different municipalities can lead to customisation of audit charters to address specific financial, operational, and reputational risks pertinent to each jurisdiction. Municipalities with fewer resources may limit the scope of their audit charters compared to those with more robust capacities that can support comprehensive oversight (Masegare & Ngoepe, 2018; Klingelhöfer et al., 2014). The local culture and practices within municipalities can also influence the development of audit charters, as attitudinal factors and established routines may shape the perceived role and priorities of audit committees. This diversity in audit charters across municipalities reflects the need for a flexible and adaptive approach to governance, where local authorities can tailor their oversight mechanisms to their unique circumstances and evolving needs.

2.3.4 Current perspectives on audit committees: focus on financial oversight and the need for non-financial performance metrics

Existing studies on audit committees have largely focused on their traditional responsibilities, particularly concerning financial oversight and compliance. For instance, Cohen et al. (2007) identified the critical functions of audit committees in risk management and financial reporting transparency, emphasising their role in mitigating financial misstatements. They found that audit committees are essential in establishing and maintaining internal controls, which not only enhance the accuracy of financial statements but also bolster stakeholder confidence in the organisation's financial integrity. Their research highlights the importance of audit committee interactions with external auditors and management, underlining the need for effective communication to ensure that potential financial risks are appropriately identified and addressed. Additionally, Beasley et al. (2009) explored how the characteristics of audit committees, such as independence and financial expertise, contribute to the overall effectiveness of financial oversight. Their study revealed that the independence of audit committee members is a critical factor in ensuring unbiased oversight, as it reduces the potential for conflicts of interest that may arise when members have close ties to management. Furthermore, they emphasised that having members with financial expertise significantly enhances the committee's ability to understand complex financial reports and effectively challenge management's assertions. This focus is particularly relevant when considering the context of local government in South Africa, where the functions of audit committees operate within a distinct socio-political and regulatory landscape.

In South Africa, the functioning of audit committees within a unique governmental framework characterised by significant socio-economic challenges and historical context. Various studies reveal that while audit committees are mandated to provide oversight for local governance, their effectiveness is often undermined by a range of factors. For example, Mqadi (2020) examined the role of audit committees in enhancing accountability within local governments and found that many committees struggled with insufficient independence and expertise. This lack of independence is exacerbated in smaller municipalities where personal relationships and political influences can compromise the objectivity of committee members. The result is a failure to adequately challenge financial practices, leading to poor audit outcomes and ongoing issues of mismanagement. The findings from the research by Erasmus and Matsimela (2021) complement Mqadi's research by highlighting that interpersonal role conflict is widespread among municipal audit committee members in South Africa. They suggest that a significant self-review threat exists due to the disconnect between the legislated and perceived roles of these committees, with many members being unaware of the implications of their dual oversight and advisory functions. The study points out that while legislation calls for an "independent advisory committee," the participation of municipal managers in appointing audit committee members undermines their independence. Political influences further compromise their objectivity, leading to a situation where councils treat audit committees primarily as a compliance mechanism rather than as vital oversight bodies (Erasmus & Matsimela, 2021). Moreover, Kwanbo (2010) highlights the challenge of recruiting qualified candidates for audit committee positions, particularly in less-resourced municipalities where the talent pool is limited. This study indicates that the absence of members with relevant financial and auditing knowledge can significantly diminish the performance of audit committees, resulting in inadequate monitoring and oversight of financial statements. Echoing these findings, Magrane and Malthus (2010) noted that audit committees often operate with a lack of cohesive strategies to address identified weaknesses in financial management, further contributing to suboptimal outcomes in local governance. The annual reports produced by the AGSA consistently emphasise the poor financial management and accountability practices prevalent in local municipalities. For example, the AGSA's report for the 2021/2022 financial year identified that only 27% of municipalities achieved clean audit outcomes, underscoring the systemic issues faced by audit committees and the limited impact they have had on preventing financial misstatements and promoting transparency. Academic literature also suggests that the focus on traditional compliance roles of audit committees can overshadow the emerging requirement for them to engage with non-financial performance metrics. As highlighted by Krishnan and Subban (2022), while the mandate for strong financial oversight remains, the evolving nature of local governance in South Africa necessitates that audit committees also address broader accountability aspects, including service delivery effectiveness and stakeholder engagement. However, many studies fail to adequately investigate how audit committees can operationalise these non-financial dimensions, leaving a critical gap in the literature.

Another significant challenge identified in the literature is the administrative capacity of audit committees. Payne and Jensen (2002) stress that the lack of adequate administrative support restricts audit committees' abilities to conduct comprehensive evaluations of financial statements and audit reports effectively. In many municipalities, this undermines their oversight capabilities, leading to superficial assessments that miss critical issues. Erasmus and Matsimela (2021) also highlighted this in their findings noting that advice offered by audit committees often goes unheeded, which can be attributed to diminishing practices that weaken their authority and independence. While existing studies such as those by Cohen et al. (2007) and Beasley et al. (2009) provide essential theoretical foundations regarding the roles of audit committees, the specific context of South African local government reveals a myriad of challenges that limit their effectiveness. Research indicates that issues of independence, expertise, and administrative capacity, compounded by the socio-political landscape, significantly impact the ability of audit committees to achieve their intended oversight roles. Continued exploration of these challenges, alongside an emphasis on their evolving role in managing non-financial performance, is crucial for enhancing the accountability and governance frameworks within South African local municipalities. Thus, the literature not only sheds light on these issues but also underscores the necessity for a more nuanced approach to understanding and improving the functioning of audit committees in local governance.

2.3.5 Challenges facing audit committees in local government

Local government audit committees in South Africa face a myriad of challenges that can significantly impact their effectiveness and ability to fulfil their oversight responsibilities. One of the primary issues is the limited capacity and resources available to these committees, as many local governments operate with constrained budgets leading to inadequate staffing and resources to perform thorough audits, implement necessary improvements, and effectively monitor both financial and non-financial performance metrics (Moji, Nhede, & Masiya, 2022). Another significant challenge is the lack of sufficient expertise among audit committee members (Motubatse, Ngwakwe, & Sebola, 2017). The effectiveness of these committees relies heavily on the financial and governance expertise of their members, and in many cases, local government audit committees may lack individuals with the necessary skills or experience in accounting, auditing, or governance. This can limit their capacity to effectively evaluate complex financial reports and internal controls.

The historical context of corruption and mismanagement in some local governments poses an additional challenge, as audit committees may struggle to effectively promote accountability and transparency in environments where unethical practices have been pervasive (Moji et al., 2022). Political influences can also undermine the independence and objectivity of audit committees, leading to conflicts of interest where committee members may feel compelled to align with prevailing political agendas rather than ensuring unbiased oversight (Xie et al., 2003). Audit committees in local government must also navigate a complex regulatory landscape, which requires them to interpret and apply a multitude of regulations and compliance requirements, including the MFMA and various other governance frameworks.

To address these challenges, a multifaceted approach is necessary. Strengthening the capacity and resources of audit committees through increased funding and staffing can enhance their ability to perform comprehensive audits and implement necessary improvements (Sibanda, Zindi, & Maramura, 2020). Ensuring that the audit committee is composed of members with a robust understanding of financial management, accounting principles, and governance best practices can significantly improve their capacity to critically analyse complex financial information, identify and address intricate accounting issues, and engage effectively with both internal and external auditors (Sirite, Ongori, & Bosire, 2017). Additionally, measures to safeguard the independence and objectivity of audit committees, such as establishing clear policies and procedures to mitigate political influences, can foster an environment of unbiased oversight and promote trust among stakeholders (Nakhmurina, 2020). Combating corruption and mismanagement within local governments requires a concerted effort to implement and enforce robust internal control systems, risk management frameworks, and transparent reporting mechanisms (Raspati & Riyanto, 2021). In this context, audit committees can play a crucial role by identifying and addressing vulnerabilities, promoting accountability, and ensuring the effective implementation of remedial measures to address any identified issues, thereby contributing to the overall integrity and transparency of local government operations. By addressing these challenges and strengthening the capacity, expertise, and independence of audit committees, local governments can enhance their ability to effectively oversee financial management, promote accountability, and ultimately improve the quality of public service delivery (Nkak, 2020; Sibanda et al., 2020).

2.4 Corporate governance concept

The concept of corporate governance is fundamental to understanding the roles and responsibilities of audit committees within local governments and other organisations. Corporate governance encompasses the systems, principles, and processes through which organisations are directed and controlled (Dao & Ngo, 2020). It influences how power and responsibilities are distributed among stakeholders, including shareholders, management, board members, and other interested parties. Corporate governance refers to the overarching framework of rules, practices, and processes through which a company is directed, managed, and held accountable to its shareholders and other stakeholders (Balkaran, 2013).) This entails establishing clear lines of authority, decision-making, and oversight to ensure accountability, fairness, and transparency in the organisation's operations (IoDSA, 2016).

Issues pertaining to corporate governance came into existence during the nineteenth century, when the United States of America and the United Kingdom established their first limited liability companies. These businesses made a formal and legal distinction between the administration of firms and the ownership of those organisations. This led to the directors being granted management authority, while remaining accountable to the company's owners. As a result, shareholders required mechanisms to safeguard their investments from potential abuses of power by directors, leading to the development of the agency concept and the emergence of corporate governance (Rossouw, De Koker, Marx & Van der Watt, 2003). With it being a comprehensive subject with a lengthy and significant history dating as far back as the 1970s (Tricker, 2015; Jacoby, 2018), corporate governance encompasses executive accountability, composition of boards, and the rights of shareholders (Mqadi, 2020). The creation of internal and external accountability frameworks that promote effective managerial performance has been the primary focus of more contemporary corporate governance concerns. The main objective is to uphold and improve shareholder and investor confidence, rather than to fulfil any explicit mandate from the government (Hughes, 2010). The formulation of laws and principles on corporate governance has predominantly been influenced by extensive company failures, financial crises, or similar events (Mallin, 2019). Since the 1990s, corporate failures linked to management fraud, deceptive financial reporting, and auditor ineffectiveness have raised interest in corporate governance, which has expanded from initial conceptual frameworks that coordinated executive leadership with the interests of shareholders to an expanded scope that includes the interests of customers and society (Marx, 2009). Aguilera and Jackson (2010) further highlight the different approaches that were adopted by different countries based on their rules of law. Countries adhering to civil law established corporate governance structures that emphasised stakeholders. The purpose of corporate governance in these countries is to strike a balance between the many interests of major stakeholders. Countries with a common law tradition on the other hand, established corporate governance mechanisms that prioritised shareholders' interests. The shareholders were able to hold the management of an organisation accountable for fulfilling the organisation's objectives, including profitability, because of this. This ensured that companies accomplished the objectives that were established by its owners. Although different, the two corporate governance methods shared certain principles such as the belief that management boards should be chosen by shareholders to establish policies and give management authority. Most countries developed a hybrid corporate governance structure, combining the two extremes (Mqadi, 2020; Hotimah, 2020).

Several key principles underpin corporate governance, which are also reflected in the practices of audit committees.

- Accountability: Clear definitions of who is accountable for decisions and processes are essential for ensuring that individuals and entities are responsible for their actions. Audit committees uphold accountability by monitoring financial reporting processes and compliance with regulations (Dao & Ngo, 2020).
- Transparency: Transparency involves providing clear and accurate information to stakeholders, enabling them to make informed decisions (Anwar & Jasuni, 2022).
- Fairness: Treating all stakeholders equitably, regardless of their position or influence, is a crucial aspect of corporate governance.

Audit committees play a critical role in ensuring that these principles are upheld within the organisation.

2.5 Convergence of corporate governance and public sector management

The principles of corporate governance, which gained prominence in the late 20th century amidst a series of high-profile scandals and crises that highlighted the need for improved oversight and accountability, have since extended their reach beyond the private sector and significantly influenced public governance frameworks, particularly at the local government level (Vangen, Hayes, & Cornforth, 2014; Bedi & Desai, 2014; Lienhard, 2018). Key frameworks, such as the

Cadbury Report in the UK, laid the groundwork for establishing standards and best practices for governance, addressing the relationship between stakeholders, the board of directors, and management (Demise, 2006) As the principles evolved, they were recognised for their applicability to public sector governance, leading to the integration of corporate governance principles into public governance frameworks to promote a culture of ethical behaviour and stakeholder engagement. (Costa, 2017; Demise, 2006; Mohamad, 2004). Key principles, such as accountability and transparency, have been adapted to the public sector, reinforcing the expectation that local governments must report transparently on their activities and decisions and be held accountable to their citizens (Bedi & Desai, 2014). The emphasis on accountability in public governance aligns with the corporate governance principle of clear accountability, where public officials must be responsible for their actions and decisions. Similarly, the importance of transparency in decision-making processes has been adopted from the corporate governance domain, ensuring that citizens have access to information and can effectively monitor the activities of local governments (Aziz, Rhaman, Alam, & Said, 2015). In addition to accountability and transparency, other corporate governance principles, such as stakeholder engagement, have been incorporated into public sector management. Local governments have sought to foster greater collaboration and communication with citizens, businesses, and community organisations, recognising the value of inclusive decision-making and the integration of diverse perspectives.

2.6 The influence of New Public Management (NPM) on audit committees

NPM represents a transformative approach to public sector management, characterized by a set of administrative practices and governance reforms designed to enhance the efficiency and accountability of public organisations (Ticu, 2021). Central to the NPM philosophy is a shift from traditional bureaucratic processes to dynamic, results-oriented management strategies that prioritise performance measurement and customer satisfaction (Haynes, 2011). However, it is important to recognise that the implementation of NPM is not without contention; its principles have sparked debates about the appropriateness and effectiveness of applying private sector techniques to public administration (Dunleavy & Hood, 1994; Diefenbach, 2009). The key principles of NPM include decentralisation, results-oriented management, market-oriented practices, and a strong emphasis on accountability and transparency. Under the NPM framework, the decentralisation of authority and decision-making is promoted to enhance the responsiveness and flexibility of public administration, enabling local municipalities to be more agile in addressing the specific needs of their communities (Otrusinová & Kulleova, 2019). The focus is on achieving measurable outcomes and performance indicators, ensuring that public services are delivered effectively and efficiently. However, critics argue that decentralisation can lead to fragmentation of governance, where local entities may operate independently without adequate coordination or alignment with broader regional or national policy objectives (Diefenbach, 2009). This potential disconnect raises concerns about consistency in service delivery and the equitable distribution of resources. The focus of NPM on achieving measurable outcomes and establishing performance indicators has significant implications for how public services are evaluated and delivered. Although municipalities are increasingly expected to demonstrate effectiveness and efficiency in their operations, the singular focus on quantifiable outcomes can sometimes overshadow qualitative assessments of service delivery (Noviandari & Andesto, 2022). Critics contend that an overemphasis on metrics may lead to "ticking boxes" rather than fostering genuine improvements in community well-being.

NPM also encourages the incorporation of market-based mechanisms, such as public-private partnerships and outsourcing, as a means of fostering competition and driving innovation in service delivery (Pescador & Caelian, 2022). Critically, NPM places a strong emphasis on accountability and transparent reporting practices, ensuring that public organisations remain answerable to various stakeholders, including citizens and government bodies (Pescador & Caelian, 2022) which in context significantly influences the roles and responsibilities of audit committees within municipalities in Gauteng (Aly, 2015). Expanding beyond their traditional financial oversight responsibilities, audit committees in Gauteng municipalities have also been tasked with evaluating the performance and effectiveness of municipal departments and programs in achieving their intended outcomes and delivering value to the community (Otrusinová & Kulleova, 2019). This shift towards a more performance-oriented approach, with a focus on measurable results and the efficient use of public resources, aligns with the core tenets of the NPM framework (Pescador & Caelian, 2022). The implementation of NPM principles within municipalities has presented both challenges and opportunities for the effective functioning of audit committees (Monkam, 2014). The emphasis on results-driven management and accountability has increased the demand for robust performance monitoring and reporting, placing greater responsibilities on audit committees to oversee the achievement of municipal strategic objectives and key performance indicators (Aly, 2015). However, the transition towards a more market-oriented approach in municipal operations has also introduced complexities in terms of ensuring appropriate oversight and control mechanisms. Audit committees must navigate the nuances of public-private partnerships, outsourcing arrangements, and the integration of private sector management practices, while maintaining the core principles of public accountability and transparency (Otrusinová & Kulleova, 2019). Ongoing capacity-building efforts, the development of specialised skills within audit committees, and the fostering of collaborative relationships between municipal leadership and audit committees are crucial to addressing these challenges and leveraging the opportunities presented by the NPM paradigm (Ticu, 2021).

2.7 Integrated reporting in local government

Integrated reporting has emerged as a vital mechanism for local governments to enhance accountability, transparency, and stakeholder engagement. The alignment between integrated reporting and the role of audit committees is particularly significant, as these committees play a fundamental part in verifying the accuracy and reliability of the financial and non-financial information that municipalities present in their reports (Wachira, 2019; Demirel & Erol, 2016). This section explores the role of audit committees and emphasises their contributions to good governance and the improvement of integrated reporting practices.

Integrated reporting is a comprehensive approach to corporate reporting that combines financial and non-financial information to provide stakeholders with a holistic view of an organisation's performance, strategy, governance, and value creation over time (Demirel & Erol, 2016; Burke & Clark, 2016; Bernardi, 2020; Abeysekera, 2013). This reporting framework is designed to enhance transparency and accountability, enabling organisations to communicate how they create value in a sustainable manner (Burke & Clark, 2016; Bernardi, 2020). According to the International Integrated Reporting Council, integrated reporting is defined as a process that results in communication, most visibly a periodic integrated report, about value creation over time (Bernardi, 2020). This definition emphasises the importance of integrated reporting as a tool for conveying an organisation's ability to generate value not only in financial terms but also in the context of its social, environmental, and governance impacts (Demirel & Erol, 2016).

The key principles that underpin integrated reporting are centred around the concept of value creation. Firstly, integrated reporting encourages organisations to articulate how their activities and strategies contribute to both short-term and long-term value for all stakeholders, not just financial providers (Demirel & Erol, 2016). This holistic approach to value creation recognises the interdependencies between various factors, including financial resources, social capital, environmental considerations, and governance structures (Burke & Clark, 2016; Demirel & Erol, 2016). Secondly, integrated reporting advocates for a comprehensive view of performance by integrating financial and non-financial information into a single report. This approach allows organisations to better convey the interconnectedness of their operations and the impact they have on the broader ecosystem in which they operate (Bernardi, 2020). The implementation of integrated reporting can provide numerous benefits for organisations. By adopting this reporting approach, entities can enhance transparency, strengthen stakeholder engagement, and improve decision-making processes (Băndoi et al., 2021). Furthermore, integrated reporting can help organisations identify and manage their sustainability-related risks and opportunities, ultimately leading to more sustainable business practices (Băndoi et al., 2021).

In recent years, integrated reporting practices have been increasingly embraced by various state-owned entities in South Africa, paralleling ongoing discussions regarding governance and accountability in both the public and private sectors (Osemene, Adinnu, Fagbemi, & Olowookere, 2021). Although the regulatory framework does not explicitly require integrated reporting, organisations are acknowledging its advantages in promoting transparency and enhancing stakeholder confidence (Roos, 2012; Shbeilat, 2018). This trend reflects a broader shift in organisational reporting, where entities are moving away from a narrow focus on financial metrics and are instead striving to provide more comprehensive performance assessments that incorporate a wider range of factors, such as sustainability, governance, and social responsibility (Morros, 2016) The growing adoption of integrated reporting in South Africa can be attributed to several factors. First, international best practices and frameworks, such as the guidelines established by the International Integrated Reporting Council, have played a significant role in encouraging entities to consider integrated reporting as a strategic tool (Burke & Clark, 2016; Haji & Anifowose, 2016) Second, the recognition of the potential benefits of integrated reporting, including improved transparency, stakeholder engagement, and resource allocation efficiency, has driven organisations to embrace this approach (Burke & Clark, 2016). However, the extent of adoption and the impacts of integrated reporting may vary across different organisations and sectors. Some entities may face challenges in implementing the integrated reporting framework, such as the availability of high-quality data, aligning organisational culture with the principles of integrated thinking, and effectively communicating the value of integrated reporting to stakeholders (Bernardi, 2020). By adopting integrated reporting, public sector entities can showcase their strategies, long-term sustainability efforts, and the impacts they create, which in turn can foster greater transparency and cultivate stronger trust among stakeholders. Integrated reporting, which combines financial and non-financial information, offers a range of benefits that are directly relevant to the role and responsibilities of audit committees in local government. Integrated reporting offers a holistic view of municipal performance, reinforcing the accountability of local governments to their communities. Integrated reporting also enables improvements in performance management

(Morros, 2016). By evaluating both financial outcomes and the effectiveness of community-oriented programs, audit committees can identify areas for improvement and promote a performance-focused culture within local government operations (Eccles & Serafeim, 2015). Furthermore, integrated reporting helps align municipal activities with strategic governance goals, allowing audit committees to evaluate how well resources are used to achieve intended outcomes. This, in turn, facilitates better decision-making (Gavalas, 2024; Demirel & Erol, 2016; Burke & Clark, 2016; Morros, 2016). The benefits of integrated reporting have been highlighted in various studies. Researchers have emphasised how integrated reporting can promote the wider public interest by improving the relevance of information for decision-making, allowing for greater efficiency in the allocation of financial and other resources, and adding public value (Morros, 2016; Demirel & Erol, 2016)

2.8 The evolving role of audit committees: from financial reporting to performance

Over the past few decades, the role of audit committees has undergone a significant transformation, expanding beyond their initial emphasis on financial statements and accounting standards to encompass a broader mandate of governance and performance oversight. This evolution can be traced back to several key developments (Kueppers & Sullivan, 2010). One key development has been the increased regulatory scrutiny and the establishment of frameworks emphasising accountability and transparency in both public and private sectors (Myers & Ziegenfuss, 2006). In the early stages, audit committees primarily focused on overseeing financial reporting and ensuring compliance with relevant accounting standards, adopting a reactive approach to addressing audit findings and financial reporting issues (Ellwood & García-Lacalle, 2015). According to Klein (2002), this narrowly defined role was primarily reactive, focusing on addressing audit findings and safeguarding against financial misstatements. The emphasis was mainly on the integrity of financial statements, which was deemed essential for maintaining stakeholder trust. However, in the late 20th century, as calls for greater accountability, transparency, and the effective use of public resources gained momentum, the need for a more comprehensive approach to governance emerged, leading to the integration of performance auditing and management into the mandate of audit committees (Hasnan, 2022). This shift was further reinforced by the emergence of international frameworks and standards, particularly in the public sector, which began advocating for performance audits that assess the economy, efficiency, and effectiveness of government programs (KPMG, 2005).

The changing role of audit committees is reflected in the legislative landscape of South Africa. The Public Finance Management Act of 1999 and the MFMA both require audit committees to oversee not only financial reporting but also the effectiveness and efficiency of operations. According to Hasnan, (2022), these legislative requirements formalise the expectation for audit committees to engage in assessments of performance, particularly in the public sector. The King IV Report, although not legislation, also promotes an integrated approach to thinking about performance, further solidifying the expanded responsibilities of audit committees (Quampah et al., 2021). This evolution of the audit committee's role has significant implications for the way organisations are governed and held accountable. As auditors are now expected to contribute to the delivery of public accountability and organisational improvement, their reports have become important indicators of the quality of governance (Liston-Heyes & Juillet, 2022). Overall, the role of audit committees has evolved to encompass performance management significantly and is codified in legislation, particularly within the frameworks governing public sector audits in South Africa. This reflects a broader shift toward comprehensive governance practices that prioritise accountability and transparency in both financial and operational domains (Hasnan, 2022; Quampah et al., 2021).

Despite significant developments in the role of audit committees, a notable gap exists in the literature regarding how this shift towards performance management manifests. While there is ample discussion on the theoretical framework and legislative expectations practice (Yassin & Nelson, 2012; Woodlock, 2006; Naidoo, 2019; Cohen et al., 2002), fewer studies examine the actual experiences and practices of audit committees in adapting to their expanded roles (Brennan & Kirwan, 2015; English & Skærbæk, 2007). The practical challenges that audit committees face in fulfilling their new responsibilities, such as resource constraints, varying levels of expertise among committee members, and the complexities of integrating performance metrics into existing frameworks, remain underexplored (Brennan & Kirwan, 2015; Naidoo, 2019). Existing research has followed a similar trajectory as early studies on boards of directors, which have been criticised for their singular theoretical perspectives and methodologies that fail to capture the complexity of real-world experiences and behaviours (Masli, Sherwood, & Srivastava, 2018). One study found that while audit committees at large listed companies in South Africa are performing their traditional responsibilities of overseeing external audit, internal audit, financial reporting, internal control, and risk management reasonably well, they are to a lesser extent dealing with emerging issues such as sustainability reporting and ethics compliance (Marx, 2009). This suggests that the adaptation to performance management may not be a seamless process, and audit committees may face challenges in effectively integrating these new responsibilities into their existing frameworks. Another study examined the relationship between an effective audit committee and the infusion of a good control environment, with the aim of enhancing the role and functions of audit committees to ultimately improve the overall performance of municipalities in South Africa. The findings highlighted the critical role of audit committees in establishing a strong control environment, which is essential for driving performance accountability (Dlamini, Mutambara, & Assensoh-Kodua, 2017). To fully understand the practical challenges and experiences of audit committees in adapting to their expanded roles, a comprehensive investigation that goes beyond the theoretical and legislative dimensions is necessary. By examining the nuances of how audit committees operate in practice, researchers can identify the key factors that enable or impede their effectiveness in fulfilling their performance management responsibilities, ultimately contributing to the development of more robust frameworks for ensuring accountability and good governance in the public sector.

2.8.1 Role of audit committees in governance and accountability

The primary functions of audit committee are centred around enhancing accountability, transparency, and effective management, both in the public and private sectors. Below are key aspects of their role in governance and accountability.

a) Oversight on financial reporting

At the core of their responsibilities, audit committees are tasked with overseeing financial reporting and ensuring that municipal financial statements are accurate, reliable, and compliant with applicable laws and regulations (Ellwood & García-Lacalle, 2015). This includes reviewing financial disclosures, budgets, and audit reports from both internal and external auditors. By conducting thorough assessments, audit committees help identify discrepancies and areas of financial risk, thereby safeguarding public funds and ensuring sound financial management (Ellwood & García-Lacalle, 2015; Kueppers & Sullivan, 2010; Hasnan et al., 2022).

b) Risk Management

Audit committees are crucial in the identification and management of risks facing local governments. They assess the effectiveness of internal control systems and risk management practices, enabling municipalities to mitigate potential threats to their operations (Tan & Ho, 2016). By fostering a proactive approach to risk assessment, audit committees contribute to organisational resilience and ensure that local governments can respond effectively to challenges.

c) Compliance Monitoring

Local governments must adhere to numerous laws, regulations, and policies. Audit committees play a critical role in monitoring compliance with these legal frameworks, thereby promoting ethical behaviour and responsible decision-making. They evaluate the municipality's adherence to governance policies, code of conduct, and other guiding documents, helping to ensure that public officials act in the best interests of their constituents (Ellwood & García-Lacalle, 2015; (Quampah et al., 2021).

d) Promoting Accountability

Audit committees play a pivotal role in enhancing accountability within local government institutions. They provide independent oversight and assurance that local authorities are managing public funds responsibly and adhering to ethical standards. Audit committees can hold public officials accountable by scrutinizing financial reports, identifying irregularities, and ensuring compliance with relevant laws and regulations (Ellwood & García-Lacalle, 2015; Liston-Heyes & Juillet, 2022).

2.8.2 Financial oversight vs. non-financial performance reporting

Effective governance and accountability within local government requires a multifaceted approach that encompasses both financial oversight and non-financial performance reporting (Eccles & Serafeim, 2015). Organisations are increasingly recognising the need to not only achieve financial success but also make a positive impact on their stakeholders and society at large (Manne-Rossi, Nicolo, & Argento, 2020). Historically, audit committees have primarily focused on ensuring the accuracy and integrity of financial statements, maintaining the integrity of municipal finances, and safeguarding public funds (Kueppers & Sullivan, 2010; Balkaran, 2013). However, in recent years, audit committees are increasingly expected to also monitor and evaluate non-financial performance metrics that reflect the broader impact of municipal activities on the community (Ellwood & García-Lacalle, 2015; Kueppers & Sullivan, 2010). Financial oversight focuses on the integrity of a municipality's financial reporting and compliance, while non-financial performance reporting provides insights into the municipality's broader impact and sustainable value creation (Man & Bogeanu-Popa, 2020; Ciancanelli, 2010; Băndoi et al., 2021).

a) Financial oversight

Financial oversight refers to the processes and activities involved in monitoring and ensuring the integrity of an organisation's financial reporting and compliance with relevant accounting standards and regulations (Association of International Certified Professional Accountants

(AICPA), 2017). This includes reviewing financial statements, understanding financial risks, and ensuring sound financial management practices (Hasnan et al., 2022). The accuracy of financial reports is a primary concern, as audit committees are responsible for ensuring that financial statements provide a true and fair representation of the organisation's financial position, in accordance with applicable accounting standards such as International Financial Reporting Standards or Generally Accepted Accounting Principles (Nguyen, 2022). Audit committees also play a crucial role in ensuring adherence to financial regulations and laws, such as the Municipal Finance Management Act, overseeing budgeting processes and public procurement practices (Hasnan et al., 2022). In addition to these responsibilities, the audit committee typically facilitates communication between management and external auditors, overseeing the audit process and addressing any findings or recommendations provided by the auditors. Finally, the assessment of internal control systems is vital to safeguarding assets and preventing fraud, as the audit committee must ensure that these systems are operating effectively (Corten et al., 2021)

b) Non-financial performance reporting

While financial oversight has traditionally been the primary focus of audit committees, their role has evolved to encompass the monitoring and evaluation of non-financial performance metrics as well. This aspect of the audit committee's responsibilities involves assessing the broader impact of municipal activities on the community, considering measures such as the quality and effectiveness of service delivery, the sustainability of municipal operations, and the social outcomes achieved (Ellwood & García-Lacalle, 2015; Liston-Heyes & Juillet, 2022). Audit committees are responsible for overseeing the development and implementation of non-financial performance indicators that align with the municipality's strategic objectives and priorities often drawn from frameworks like the Service Delivery and Budget implementation Plan (SDBIP), which set measurable targets such as the percentage of households with access to basic services, response times for service requests, community satisfaction levels, infrastructure maintenance, and coverage of marginalised groups. This framework is a legislated requirement according to the MFMA. Audit committees review the reporting of these measures, ensuring transparency and accountability to stakeholders, including residents, businesses, and other interested parties. In recent years, there has been growing recognition of the importance of non-financial information in decision-making processes, as it can provide a more comprehensive understanding of an organisation's overall performance and the risks and opportunities it faces (Damayanti & Prayoga, 2021). Non-financial reporting can cover a wide range of topics that extend beyond the traditional financial metrics, such as the organisation's environmental impact, social responsibility initiatives, corporate governance practices, and the management of human capital. By disclosing this information, organisations demonstrate their commitment to transparency and accountability, which can help to build trust with stakeholders and contribute to the organisation's long-term sustainability (Pucheta-Martínez, Gallego-Álvarez, & Bel-Oms, 2021).

c) The role of audit committees in integrated reporting

The principles of integrated reporting, such as value creation, stakeholder inclusiveness, and sustainability orientation, resonate with the governance responsibilities of audit committees, which aim to ensure that local governments operate transparently and accountably (Masegare & Ngoepe, 2018). Audit committees are integral to the effective implementation of integrated reporting in local government, as their responsibilities include overseeing the accuracy of reported information and evaluating the non-financial metrics that are increasingly important in demonstrating the municipality's performance (Demirel & Erol, 2016; Kamara, 2021; Morros, 2016).

One of the primary responsibilities of audit committees is to oversee the reporting accuracy of integrated reports. They ensure that the information provided to stakeholders accurately reflects the governance and operational effectiveness of the local government (Kwanbo, 2010). By reinforcing the credibility of the reported data, audit committees strengthen the trust that the public and other stakeholders can place in the integrated reporting process. As non-financial indicators like community engagement, environmental sustainability, and social responsibility have gained increasing prominence, audit committees have taken on the crucial task of evaluating the methods used to collect and report this information, ensuring that municipalities are effectively tracking and communicating their progress towards these performance goals and enhancing accountability to diverse stakeholders (Hasnan et al., 2022). Audit committees also facilitate the stakeholder engagement process, fostering dialogue between local governments and their constituents (Kwanbo, 2010). This engagement is vital for understanding community needs and expectations, which in turn informs the content and focus of the integrated report, aligning it with the concerns and priorities of the municipality's stakeholders (Kueppers & Sullivan, 2010). Beyond their oversight of reporting accuracy and non-financial information, audit committees play a crucial role in monitoring compliance with relevant laws, regulations, and reporting standards. By actively assessing the risks associated with both financial and non-financial performance reporting, they help protect the integrity of the overall reporting process and provide assurance to stakeholders regarding the effectiveness of the municipality's governance (Gavalas, 2024).

The lack of a clear mandate for integrated reporting within the public sector, however, presents challenges, as different entities may operate under varying sets of guidelines, leading to inconsistencies in reporting practices that make it difficult for stakeholders to accurately compare performance across different organisations (Kueppers & Sullivan, 2010; El-Kassar, Elgammal, & Bayoud, 2014; Hasnan et al., 2022).The effective integration of financial oversight and non-financial performance reporting is crucial for organisations to achieve comprehensive accountability and ensure their long-term viability (Beretta, Demartini, &Trucco, 2024; Demirel & Erol, 2016). The current reporting trend suggests that the competitiveness of a company today lies in its ability to establish and communicate the link between financial and non-financial business metrics (Beretta et al., 2024). Audit committees, as central players in both the financial and non-financial realms, play a crucial role in navigating these dimensions. By expanding their scope beyond financial oversight, audit committees can provide a more comprehensive assessment of the municipality's overall performance and effectiveness, supporting the pursuit of good governance and improved public accountability.

2.9 Theoretical framework

This study employs a theoretical framework centred on two prominent perspectives: agency theory and stakeholder theory. These theories provide distinct yet complementary lenses through which to examine the dynamics of audit committees in local governance. Agency theory emphasises the relationship between stakeholders, who serve as principals, and local government officials, who act as agents. This perspective sheds light on the critical oversight function of audit committees in mitigating conflicts of interest and ensuring accountability. Meanwhile, stakeholder theory focuses on the diverse interests and expectations of various stakeholders involved in local governance. This section explores these key theories by synthesising them into a cohesive theoretical framework for the purpose of enhancing the understanding of the multifaceted role of audit committees in practice within local government. This framework will not only inform the research methodology and data analysis but also support interpretations of the findings, thereby contributing to the existing body of knowledge on audit committees and public sector governance.

Existing literature has noted gaps in research and practice, particularly in terms of understanding the specific factors that enable or hinder the role of audit committees in the local government context. This theoretical review aims to address this gap by critically examining the interplay between governance structures, stakeholder expectations, and organisational performance, with the goal of informing strategies to enhance the impact of audit committees in promoting good governance in South African local government (Tumwebaze et al., 2018; Masiya, Davids, & Mangai, 2019; Quampah et al., 2021). As public institutions tasked with overseeing financial and non-financial performance, audit committees play a pivotal role in ensuring that local governments operate in the best interest of their communities (Ellwood & García-Lacalle, 2015; Quampah et al., 2021). To understand the complex dynamics of the audit committees' roles, responsibilities, and the challenges they face, it is essential to explore the key concepts and theories that underpin their functioning within the context of local government in South Africa. In this section I also outline how the theoretical frameworks are applied to explore the role of audit committees in Gauteng local government. The application guides the research design and analysis, ensuring that theoretical insights inform the investigation and interpretation of findings.

2.9.1 Agency theory

Agency theory provides a conceptual framework for understanding the dynamics between principals and agents, which is particularly relevant in the context of local government where citizens act as principals and government officials, including audit committee members, serve as their agents (Quampah et al., 2021; Priono, Yuhertiana, Sundari, & Puspitasari, 2019). Audit committees play a crucial role in this relationship by acting as a mechanism to reduce information asymmetry and ensure that agents, such as government officials, act in the best interests of the principals, the citizens (Samelson, Lowensohn, & Johnson, 2006). Prior research has highlighted the importance of audit committee oversight in mitigating agency problems, such as mismanagement and corruption, through their role in monitoring financial reporting and compliance (Samelson et al., 2006; Boshkoska, 2015). This is in line with the stewardship theory, which suggests that agents, when properly incentivised, can be motivated to act in the best interests of their principals rather than pursue self-interest (Agyemang, 2023). By examining the perceptions of audit committee members and senior management, the research explores how effective audit committees mitigate agency problems related to integrated reporting misrepresentation and ensuring accountability.

2.9.2 Stakeholder theory

Stakeholder theory emphasises that organisations must consider the diverse interests and influences of relevant stakeholders in their decision-making processes (Liao, Su, Tang, & Shang, 2024; Quampah et al., 2021). This principle holds relevance for local government audit committees, which must balance the perspectives of citizens, community groups, and regulatory bodies to enhance transparency and ensure that governance practices reflect the broader community's needs (Bakhanova, Garcia, Raffle, & Voinov, 2023). Research suggests that a diversified and independent board, as well as the presence of a board-level environmental committee, can help organisations reconcile their financial and non-financial goals while addressing the potentially conflicting expectations of stakeholders with disparate interests (Liao et al., 2014). Similarly, studies in the non-profit sector have highlighted the importance of aligning the needs and objectives of key stakeholder groups, including government, beneficiaries, private donors, board members, management, volunteers, and non-managerial staff, to enhance perceptions of organisational effectiveness (Wellens & Jegers, 2013). In the context of local government audit committees, this multi-stakeholder approach is critical. By actively engaging with citizens, community organisations, and regulatory bodies, audit committees can identify and address the diverse concerns and priorities of their stakeholders. This helps to ensure that the committee's oversight and decision-making processes reflect the broader public interest, rather than the narrow interests of any single group. Effective stakeholder engagement, however, presents its own challenges. Balancing the need for legitimate and broad representation with the practical limitations of managing large and diverse groups of participants can be difficult. Nonetheless, emerging tools and techniques, such as online discussion forums and participatory modelling, offer promising avenues for facilitating meaningful stakeholder engagement at scale (Bakhanova et al., 2023). Ultimately, by adopting a stakeholder-centric approach, local government audit committees can enhance transparency, accountability, and the overall effectiveness of their governance practices (Wellens & Jegers, 2013; Matikainen, 2022; Liao et al., 2014; Bakhanova et al., 2023). Stakeholder theory guides the analysis of audit committees' roles in engaging with various stakeholders, including citizens, community organisations, and regulatory bodies. The research explores how audit committees balance the diverse interests and expectations of these stakeholders in their oversight responsibilities.

2.10 Conclusion

This literature review has provided a comprehensive exploration of the various aspects influencing the role of audit committees within local government, particularly in the context of Gauteng. The chapter has highlighted key theories related to governance, accountability, and performance reporting, essential for understanding how audit committees operate and the significance of their functions. Existing literature emphasised the essential functions of audit committees in fostering organisational accountability and public trust through independent evaluations and assessments. The growing emphasis on non-financial performance metrics that reflect community impact is also acknowledged, highlighting the evolving responsibilities of these committees.

The literature review integrated two key theoretical perspectives: agency theory, which stresses the alignment of interests between management and stakeholders; and stakeholder theory, which highlights the engagement with diverse community interests, to elucidate the underlying dynamics at play in the role of audit committees within local government. The comprehensive understanding of the roles and challenges faced by audit committees in local government, as established in this chapter, provides a solid foundation for subsequent research aimed at enhancing governance frameworks and accountability within local governments, ultimately benefiting the communities they serve.

3. Research Methodology

3.1 Introduction

This chapter outlines the systematic approach in the study. It serves as a critical component of the research, detailing the methods and procedures used to gather and analyse data, thereby ensuring the integrity and rigour of the study. Considering the research objectives and questions established in earlier sections, this study adopted a qualitative research approach, utilising both document analysis and semi-structured interviews as the primary methods of data collection. This combination allows for a comprehensive exploration of the topic, integrating insights from existing documents with the perspectives of key stakeholders involved in audit committee functions. In his definition of research methodology, Sreekumar (2023) describes it as a procedure that is both scientific and systematic, and it is utilised to gather, analyse, and interpret quantitative or qualitative data in order to answer research questions or demonstrate hypotheses.

The chapter begins with an overview of the research design, detailing the rationale for using both document analysis and semi-structured interviews. It then describes the population and sampling strategy, outlining the criteria for selecting participants from audit committees, municipal management, and the AGSA to ensure a diverse spectrum of perspectives. Next, the chapter focuses on the data collection process, detailing how documents are identified, selected, and analysed. It also outlines the procedures for conducting semi-structured interviews, including the development of the interview guide designed to elicit in-depth responses from participants regarding their perceptions and experiences. Following this, the chapter discusses the data analysis techniques, including thematic analysis for both document content and interview transcripts. This analysis facilitates the identification of key themes and patterns related to the roles and contributions of audit committees. Lastly, the chapter addresses the ethical considerations that underpin the research process, ensuring that the study adheres to principles of transparency, confidentiality, and respect for participants. By providing a detailed account of the research methodology, this chapter aims to establish a solid foundation for the study, ultimately informing the analysis and interpretation of findings in the subsequent sections.

3.2 Research design

The overall research design is qualitative, utilising a case study methodology to explore the perceptions, practices, and challenges faced by audit committees within Gauteng's local government. This design is chosen because it allows for an in-depth examination of complex organisational and stakeholder dynamics, providing rich contextual insights that are essential for understanding how audit committees operate in practice. The case study approach involves selecting multiple municipalities within Gauteng that vary in size, resource availability, and governance challenges to ensure a diverse range of perspectives. This multi-case design facilitates comparative analysis, highlighting common themes as well as contextual differences influencing audit committee functions. The focus is on understanding how these committees perceive their roles, how they implement non-financial performance oversight, and how stakeholder engagement shapes their practices. Data collection involved two main qualitative methods: document analysis and semi-structured interviews. Documents such as audit reports, annual reports, SDBIP, and oversight policies provide a background understanding of formal frameworks, performance indicators, and reporting practices. Complementing this, semi-structured interviews with key stakeholders such as audit committee members, senior municipal managers, and representatives from the AGSA's office provide rich, subjective insights into perceptions, challenges, and operational realities. The combination of multiple data sources within this case study design aims to produce a comprehensive understanding of the functioning of audit committees, grounded in real-world contexts. This approach supports the study's overarching goal of generating actionable insights that can inform policy and improve governance practices in Gauteng's municipalities.

3.3 Research approach

This study employs a qualitative research approach, with a focus on two primary methods: document analysis and semi-structured interviews. These methods are selected to facilitate an in-depth exploration of perceptions, practices, and challenges faced by audit committees within the specific context of Gauteng's local government.

a) Document analysis

Document analysis was employed to examine relevant texts, reports, and official documents related to audit committees and local government performance reporting. This method enabled the identification of established practices, governance frameworks, and the historical context surrounding audit committees without direct interaction with participants. It is an effective way to complement qualitative data gathered through interviews. A comprehensive review of relevant documents was conducted to establish a baseline understanding of the established practices and regulatory frameworks governing audit committees in local municipalities. These documents included audit committee charters and/or policies, governance frameworks, annual reports, SDBIPs, meeting minutes, and audit reports. This method provided objective, contextual data that helped establish the formal roles, performance indicators, and reporting practices of audit committees. It also served as a means of triangulating interview findings, ensuring data validity.

b) Semi-structured interviews

In conjunction with document analysis, semi-structured interviews were conducted with three key groups of participants:

1. Audit Committee Members: To gain insights into their perceptions of roles and responsibilities of audit committees in local governance.
2. Senior Managers in the Municipalities: To understand how audit committees are perceived within the broader organisational structure and the impact of their oversight on operational practices.
3. Representatives from the AGSA: To obtain an external perspective on the understanding of the role of audit committees in ensuring accountability and compliance with auditing standards and regulations.

The semi-structured format of the interviews ensured that key topics were covered while allowing participants to freely express their insights and experiences regarding the effectiveness and challenges faced by audit committees in their oversight roles. The study employed a series of in-depth, semi-structured interviews as one of the primary data collection methods, allowing for a flexible and interactive exploration of the research questions while also providing the opportunity to gather detailed accounts and perspectives from the identified participants. An interview guide aligned with the theoretical framework of agency and stakeholder theories ensured consistency across interviews. The main focus areas of the interviews included perceptions of audit committees' roles and responsibilities, operational challenges faced in oversight of financial and non-financial performance, views on the current reporting processes related to non-financial metrics, and an understanding of how ethical governance and accountability are promoted.

c) Sampling strategy

The research employed a purposive sampling strategy, a non-probability technique that allows the researcher to select participants based on their relevance to the research questions and their direct involvement in or knowledge of audit committee functions within Gauteng's local government. The target population included three key groups: audit committee members, senior municipal managers, and representatives from the AGSA. A sample size of approximately 12-15 participants was sought, ensuring balanced representation from all three groups to facilitate a rich diversity of perspectives while maintaining manageable data collection. The selection of this sample size aligned with empirical evidence suggesting that data saturation, the point where additional data no longer yield new themes or insights, is typically achieved within 12 to 20 interviews in qualitative research (Guest, Bunce, & Johnson, 2006; Tomoaia-Cotisel et.al, 2024). Morse (2015) further emphasised that this range allows for in-depth exploration while maintaining practical feasibility. Consequently, this approach ensured the data collected was sufficiently rich and comprehensive to address the research objectives effectively. The sampling approach involved purposively identifying and selecting participants who are best positioned to provide in-depth and relevant insights into the research topic based on their roles, experiences, and knowledge within the local government context (Masiya et al., 2019; Nofianti & Suseno, 2014). After establishing a thorough collection of elements that met the specific qualities indicated by the sample criteria, a segment of the sample was selected based on accessibility for the research. The participants in the interview were identified according to their current roles in the Gauteng municipalities in relation to audit committees. This was done to confirm their eligibility for participation. After identifying potential participants, they were approached and extended an invitation to participate in the study. After receiving the information sheet, the participants were informed they may opt out and that participation was voluntary. As part of their agreement to the interview, they were apprised of their right to withdraw. The participants were informed that the details shared during the interviews would remain confidential and that disclosing their identities was not mandatory. They finalised the consent forms for their involvement and the documentation of their discussion to validate their agreement. For the purpose of constructing the sample shown in *Table 3.1* for interviews, a number of variables were taken into consideration. These included the subject matter of the study, the essence of the issue (i.e., its intricacy and usability), the reliability of the data, and the overall structure of the study.

Key Participants	No of interviewees
Senior Managers in Municipalities	4
Finance Managers	1
Audit Committee Members	2
Auditors (Internal and External)	5
Total	12

Table 3.1: Interview Sample

d) Data collection and analysis

To accomplish the objectives of this study, information was gathered and analysed from three different local government municipalities located within the province of Gauteng. The municipalities that were randomly sampled from each region are City of Ekurhuleni, Midvaal Local Municipality, and Mogale City Local Municipality. Permission to collect data was obtained from each of the three municipalities sampled. This data was collected in two phases namely, the analysis of documents where annual reports, annual financial statements, quarterly internal audit reports, audit committee charters, and the MFMA were analysed. The second step was to conduct a series of semi-structured interviews with a purposive sample of 12 that included audit committee members, senior municipal managers, and AGSA representatives. The two-part approach, incorporating both document analysis and semi-structured interviews, is driven by the ability of these methods to yield complementary insights. The formal records, reports, and governance frameworks investigated through document analysis offer a structured perspective on the established practices and expectations regarding audit committees, reflecting the organisational context, compliance standards, and historical decisions (Mofolo, 2012). In contrast, the semi-structured interviews allow for the exploration of the personal accounts and subjective perceptions of key stakeholders, such as audit committee members, senior managers, and AGSA representatives, providing a valuable narrative perspective that complements the insights gleaned from the documentary evidence. Together, these methods enable for the development of a rich tapestry of data that encompasses both the theoretical frameworks and the practical realities of the audit committee's role in non-financial performance reporting, leading to a more comprehensive understanding of the phenomenon under study.

e) Data collection

Data collection is a crucial component of any research methodology, as it directly influences the quality and integrity of the findings. In this study, two primary data collection methods are employed: document analysis and semi-structured interviews. Each method has been tailored to gather specific insights about the role of audit committees in Gauteng local government, particularly concerning non-financial performance reporting.

f) Data analysis

The data collected from the document analysis and semi-structured interviews was analysed using thematic analysis. Thematic analysis is a technique for evaluating qualitative data that involves exploring throughout a data set to detect, interpret, and report repeating patterns (Braun and Clarke, 2006). The study employed thematic analysis where I analysed the external audit reports produced by the AGSA, the internal reports produced by the municipalities, as well as the legislated documents that govern the local government sphere and the audit committees therein. Thematic analysis enabled me to summarise, highlight significant features, and evaluate diverse data sets. It provided for flexibility in addressing various research questions, data types, data volumes, theoretical frameworks, and data analysis methods (Kiger & Varpio, 2020).

For the semi-structured interviews data was analysed for the presence, meanings, and relationships of certain words, themes, or concepts (Guthrie, Petty, Yongvanich, & Ricerri, 2004). To frame the participants' points of view, attention was paid to the circumstances and scenarios revealed in the interview data during the analysis. The interview data was analysed to see how the participants understand and perceive, ignore, or even reject the roles of the audit committee. The following steps were employed:

1. Transcription: All interviews were audio-recorded and transcribed verbatim to ensure accuracy.
2. Familiarisation: Reading through the transcripts and documents to familiarise myself with the data and identify preliminary themes.
3. Coding: Codes were generated from the data, focusing on recurrent themes, significant phrases, and key concepts related to the role of audit committees.
4. Theme Development: Codes were organised into broader themes that reflect insights shared by participants, enabling a comprehensive understanding of the role of audit committees.
5. Interpretation and Reporting: The final themes were interpreted in relation to the research questions and theories. I then compiled the findings into a coherent narrative that highlights the implications for theory, practice, and policy related to audit committees and local governance.

The data analysis through the thematic analysis approach helped identify certain concepts that are critical in the documented legislative requirements of the role of the audit committee as well as the actual concepts in practice that were identified from the reported information. These were linked to the data analysed through the interview process of how the participants perceive or understand the role of the audit committee to be and how they practice it. The analysis of documents provided a layered understanding of the perceptions held by audit committee members and other stakeholders about the role of audit committees. By examining official documents, the study uncovered established standards and practices which allowed the research to gauge how well actual practices align with theoretical expectations; articulated objectives and achievements that revealed how audit committees perceive their contributions to governance and accountability; and provided external evaluations of audit committee practices through previous audit reports and recommendations. By triangulating the insights gained from the literature review, and document analysis with qualitative data from semi-structured interviews, the research developed a comprehensive picture of perceptions on the ground regarding the role of audit committees. This approach enhanced the reliability of findings and allowed for a richer, more contextualised understanding of how audit committees operate within Gauteng local government, specifically in the oversight of non-financial performance reporting.

3.4 Ethical considerations

The use of existing documents as a data source presents fewer ethical issues compared to other qualitative approaches (Merriam & Tisdell, 2015). Writers of books and articles published in newspapers and journals typically understand that their work is accessible to a broad audience. This understanding typically alleviates the ethical issues linked to the utilisation of public documents. However, this type of data may reveal the biases inherent in the perspectives of its creators (Morgan, 2022). For interviews, the study adhered to ethical research principles to ensure the protection of participants and the integrity of the research process. The following ethical considerations were considered for the semi-structured interview data collection of the research in compliance with the university's statutes and policies for human research:

- Permission: Before fieldwork commenced, written authorisation was sourced from the Municipal Managers of the different municipalities included in the study, as well as the Deputy Auditor General from AGSA.
- Informed consent: A comprehensive explanation of the concept of voluntary participation was provided to each participant who took part in the study. Furthermore, they were made aware that they had the ability to withdraw from the study whenever they felt it was necessary to do so. The notion of informed consent was also verbally presented to the individuals who were interviewed. Providing participants with an explanation of the research method and the

objectives of the study was a requirement. Written consent was obtained before conducting interviews.

- Confidentiality: Participants were promised that their identities and municipalities of employment or Audit Committee membership would be kept confidential. Qualitative research requires pseudonyms for anonymity. After transcription, the recordings were stored securely, after which they will be discarded.
- Research ethics approval: Ethical clearance was sought from the relevant institutional ethics committee prior to data collection.

3.5 Limitations of the methodology

While this study offers in-depth insights into the perceptions, practices, and challenges of audit committees within Gauteng's local government, it is important to acknowledge certain limitations inherent to the qualitative approach. First, qualitative research does not aim to produce generalisable findings; rather, its focus is on gaining a nuanced understanding of specific contexts and experiences (Creswell & Poth, 2018). Consequently, the results are context-specific and should not be extrapolated to all municipalities or the broader public sector without caution. Second, access limitations, particularly to high-level officials or busy municipal managers, may restrict the diversity of perspectives obtained, impacting the depth and richness of the insights (Yin, 2018). . Third, the use of purposive sampling to select participants based on specific criteria may also have introduced an element of selection bias, potentially skewing the perspectives gathered and not fully represented the broader population involved in local government audit committee activities(Flick, 2018)., Furthermore, the reliance on semi-structured interviews and the qualitative nature of the research inherently introduced a level of subjectivity, as the research findings may have been influenced by the individual biases and interpretations of the participants, as well as my own assumptions and perspectives during the data collection and analysis process. Additionally, the ability of the study to thoroughly examine the roles and operations of audit committees may have been constrained by the availability and reliability of relevant documentary evidence, such as committee meeting minutes and reports (Yin, 2018; Bowen, 2009). The accessibility and completeness of such documents varied, potentially hindering my ability to corroborate and contextualise the insights gathered through the interviews (Bryman, 2016). Acknowledging these limitations is crucial for ensuring the appropriate interpretation and application of the research findings. However, the researcher made concerted efforts to address these challenges, by for example, employing robust data collection and analysis techniques, maintaining a reflexive approach, and leveraging my comprehensive understanding of the local government context in Gauteng.

3.6 Conclusion

This chapter outlined the comprehensive research methodology that was employed to investigate the role of audit committees in Gauteng local government, with a specific focus on their oversight of non-financial performance reporting. A qualitative approach was adopted, incorporating document analysis and semi-structured interviews to gather rich insights from audit committee members, senior municipal managers, and Auditor-General representatives. Document analysis provided foundational context regarding governance structures, while interviews allowed stakeholders to share their perspectives on the effectiveness and challenges faced by audit committees. Ethical considerations were prioritised throughout the research process, ensuring informed consent and confidentiality. Overall, the methodology established a robust framework for aligning data collection and analysis with the study's research objectives. The findings are intended to enhance academic discourse on governance practices and offer practical recommendations for improving audit committee effectiveness in the public sector.

4. Data Presentation and Analysis

4.1 Introduction

This chapter provides a summary and analysis of the findings that were obtained from the empirical investigation as well as the outcomes of the study itself. This chapter incorporates the findings of the document analysis and the findings of the semi-structured interviews with specific reference to the critical components that have been recognised as influencing the role of audit committees in overseeing non-financial performance reporting. The chapter begins by detailing the analysis process for both the documents and the interview transcripts, leveraging thematic analysis to identify key themes and patterns related to the research objectives. The findings from document analysis highlight the established practices, governance frameworks, and contextual factors that shape audit committee functions. In parallel, the insights garnered from semi-structured interviews illuminate the perceptions and experiences of audit committee members, senior municipal managers, and representatives from the AGSA.

Through a synthesis of qualitative data, this chapter explores the interrelationships between financial oversight and non-financial performance reporting, shedding light on how audit committees navigate their responsibilities within the complex landscape of local governance. Furthermore, the findings are contextualised within the frameworks discussed in the literature review, emphasising their implications for enhancing accountability and governance practices in local government. By presenting a detailed analysis and synthesis of the findings, this chapter aims to inform the subsequent discussions and conclusions, ultimately contributing to a deeper understanding of the pivotal role that audit committees play in promoting effective governance within Gauteng local government. This chapter serves as a critical bridge to the insights and implications that will follow in the subsequent chapter, providing vital data that will underpin the conclusions and recommendations of the study.

4.2 Presentation of data

This section presents the findings derived from the qualitative data collected through document analysis and semi-structured interviews conducted with stakeholders involved in the audit committees of local municipalities in Gauteng. The analysis highlights key themes and patterns that emerged from the data, providing a nuanced understanding of the role of audit committees in overseeing non-financial performance reporting. The qualitative data collection consisted of two complementary methods: document analysis and semi-structured interviews. Key documents, including audit committee charters, governance frameworks, annual reports, and meeting minutes, were reviewed to identify established practices and contextual understandings of the operations of audit committees. The frameworks include the Constitution of the Republic of South Africa of 1996, Municipal Structures Act of 1998, MFMA, and King IV Report. Additionally, a total of 12 participants were interviewed, including audit committee members, senior managers from the three municipalities sampled for the study, and representatives from the Auditor-General of South Africa. The interviews aimed to capture the perceptions and experiences of participants regarding the role and challenges of audit committees. The thematic analysis of the qualitative data collected through document analysis and semi-structured interviews yielded several key insights related to the perceptions of stakeholders regarding the roles and responsibilities of audit committees in Gauteng local government. In this section the key themes and patters that emerged from the data analysis will be presented.

4.2.1 Theme 1: Perceptions of audit committee roles

4.2.1.1 Defined roles and responsibilities

Insight from semi-structured interviews

Participants expressed a strong awareness of these defined roles. Interviewees emphasised that clarity in roles is essential for audit committees to function effectively. One participant stated, "*Having a clear mandate in our charter helps us focus our discussions and ensure we are holding management accountable*." Another participant noted "*Our main responsibility is to ensure that we have accurate financial reporting and that we comply with all regulations*." Participants indicated a shift in the role of audit committees from solely focusing on financial oversight to also encompassing non-financial performance measurement. Senior managers provided valuable insights into how audit committees are perceived within the organisational structure. They acknowledged that audit committees play an essential role in overseeing financial practices but also emphasised the importance of their involvement in evaluating organisational effectiveness and community service delivery. A senior manager remarked, "*When we discuss our annual performance, the audit committee's input is crucial; they help ensure we are held accountable for more than just the financials*." Representatives from the AGSA provided an external perspective on the role of audit committees, affirming the importance of their functions in ensuring compliance, transparency, and governance. AGSA representatives indicated that well-defined roles for audit committees are essential for reinforcing accountability in local government operations. One AGSA official stated, "*A strong audit committee is crucial for effective governance; they play a key role in ensuring that municipalities adhere to auditing standards and accountability*." Conversely, other participants highlighted the need for audit committees to embrace a more holistic perspective that encompasses both financial and non-financial dimensions. They emphasised that effective governance requires audit committees to engage actively in oversight of service delivery outcomes and community impact, positioning them as key players in enhancing local government accountability.

Findings from document analysis

Audit Committee Charters: Analysing the audit committee charters revealed formal definitions of audit committee roles as perceived by stakeholders. All the charters of the three municipalities reflect a commitment to incorporating broader governance practices, with two of the three charters explicitly mentioning the expectation to consider non-financial performance metrics such as service delivery and ethical governance in their oversight activities.

MFMA: The roles and responsibilities of audit committees are primarily defined within legislative and governance frameworks, which set the foundational boundaries for their oversight functions.

Section 166 of the MFMA explicitly mandates the establishment of audit committees, detailing their responsibilities for overseeing financial reporting, compliance with legislative requirements, and the effectiveness of internal controls. The MFMA emphasises that audit committees must evaluate both the accuracy of financial statements and the municipality's adherence to relevant laws, thus reinforcing their essential role in fiscal oversight. However, while the MFMA emphasises financial oversight, it provides limited guidance on safeguarding the independence of audit committees, particularly in relation to the self-review threat that arises when committees undertake both oversight and advisory roles (Erasmus & Matsimela, 2021).

Municipal Structures Act: The Act outlines the framework for establishing and governing local municipalities, including the requirement for audit committees as subcommittees of municipal councils. The Act specifies the requirement for audit committees to oversee financial management and compliance with relevant laws. This establishes a formal structure within which audit committees function, making it clear that they are critical to the governance fabric of local municipalities, responsible for enhancing accountability and oversight. Nonetheless, it does not specify mechanisms to prevent role overlap or conflicts, leaving room for operational ambiguities.

King IV Report: This report outlines best practices in governance, encouraging audit committees to define their roles in a manner that encompasses independence, compliance and ethical oversight. The King IV Report emphasises the necessity of robust internal controls and the need for audit committees to ensure that governance structures reflect the organisation's commitment to stakeholder interests. It warns that blurring the lines between advisory and oversight functions can compromise their objectivity, thus undermining stakeholder confidence and governance effectiveness. This underscores the importance of aligning legislative provisions with best practices that explicitly safeguard the committee's independence, reinforcing agency theory principles that highlight the need for clear boundaries to mitigate conflicts of interest and maintain audit quality.

4.2.1.2 Connection to stakeholder accountability

Insight from semi-structured interviews

Participants articulated their understanding of accountability as a cornerstone of their role. They recognised that their primary responsibility extends beyond financial oversight to ensuring that municipality operations align with ethical standards and community expectations. This evolution indicates a shift toward an integrated approach to governance, where financial health is viewed in conjunction with service delivery and community engagement. As one participant stated, "*We are* *not just about numbers anymore; we need to look at how our work impacts the community*." This insight highlights the growing emphasis on broader accountability measures within their oversight function. Another participant noted, "*Our meetings now include discussions on performance information such as service delivery targets and community satisfaction presented through the Performance Audit Committee.*" Interview participants highlighted how the importance of measuring community satisfaction with municipal services enhances accountability and helps audit committees evaluate how well the local government is meeting public needs. Senior managers acknowledged the integral role that audit committees play in promoting accountability within the municipality. Many expressed that audit committees help ensure that management remains answerable to both the governing body and the public. A senior manager remarked, "*The audit committee holds us accountable for our decisions. Their oversight makes sure that we not only meet our financial goals but also uphold our commitments to the community*." This perception underscores the mutual reliance between management and audit committees in fostering accountability. Senior managers also noted that a strong audit committee contributes to an organisational culture that values accountability. They suggested that when audit committees prioritise stakeholder accountability, it reinforces ethical standards and promotes an environment of trust within the municipality. AGSA representatives emphasised the importance of audit committees as critical players in ensuring municipal accountability. They highlighted that external audits evaluate the effectiveness of audit committees in promoting adherence to financial and operational standards. An AGSA representative stated, "*Audit committees must serve not only as overseers but also as advocates for accountability to the public. Their role is essential in maintaining the integrity of local governance.*" This perspective reinforces the notion that audit committees are central to the accountability ecosystem in local government.

Findings from document analysis

The document analysis provided additional context regarding the connection of audit committees to stakeholder accountability. Examination of audit committee charters and governance frameworks showed that while the objectives of promoting accountability were articulated, practical mechanisms for engaging with stakeholders were often lacking. For instance, the audit committee charters included statements about enhancing transparency and accountability but did not specify how the committees would engage with community stakeholders or incorporate their perspectives into their evaluations. This gap indicates a missed opportunity to leverage stakeholder input in the oversight process, which could support stakeholder theory by enhancing legitimacy and trust through participative oversight.

The Constitution: The Constitution (1996) provides the foundational legal framework for all levels of government in South Africa, including local municipalities. An analysis of the Constitution highlighted the delineation of the roles and responsibilities of local government, emphasising the need for democratic governance and accountability to communities. Chapter 7 (Local Government) outlines the responsibilities of municipalities to promote democratic governance and ensure accountability to communities. The Constitution empowers municipalities to establish governance systems that are transparent and accountable to their constituents, thus enhancing the importance of audit committees as oversight entities that help ensure compliance with constitutional requirements regarding public service.

MFMA and Municipal Structures Act: Both the MFMA and Municipal Structures Act reinforce the necessity for audit committees to operate within frameworks that ensure accountability. These frameworks define the mechanisms that audit committees oversee, highlighting their pivotal roles in fostering trust between local governments and their constituents.

Audit Reports: The analysis of the audit reports highlighted patterns relating to recurring issues of inadequate internal controls or failure to implement recommendations illustrating the challenges faced by audit committees in delivering effective oversight., specifically relating to accountability.

Meeting minutes: Minutes emphasised action plans which reinforces positive stakeholder perceptions of audit committee effectiveness. Furthermore, meeting minutes from audit committee sessions often reflected discussions focused primarily on financial matters, with limited mention of stakeholder engagement strategies. This suggests that while audit committees recognise their responsibility to foster accountability, the lack of structured approaches to connect with stakeholders may significantly hinder their effectiveness.

4.2.1.3 Perceptions of importance in governance

Insight from semi-structured interviews

Participants perceive their role in providing a forum for ethical discussions and promoting a culture of accountability as significant to the effective functioning of the municipality. One audit committee member stated, "*We are the guardians of accountability in the municipality. Our role is crucial in making sure that everything is above board and in the interest of the public*." This sentiment reflects a strong sense of purpose among committee members regarding their governance responsibilities. Most senior managers view audit committees as essential partners in governance, supporting compliance and reinforcing ethical accountability. A senior manager remarked, "*The audit committee helps us* *maintain our integrity as a municipality. Their oversight ensures that we are accountable not only to the council but also to the citizens we serve.*" This statement illustrates the value senior management places on the advisory and oversight functions of audit committees. Participants in senior management also noted that audit committees often influence decision-making processes within the municipality by identifying risks and compliance issues that management must address. This collaborative dynamic further underscores the importance of audit committees within the governance framework. AGSA participants emphasised that effective audit committees are essential for ensuring that local municipalities adhere to financial regulations and ethical practices. One participant stated, "*Audit committees are a key part of the accountability framework. When they operate effectively, they enhance the integrity of local government, creating trust among the community and the regulatory bodies.*" This perspective reinforces the view that audit committees are crucial players in the governance landscape. Participants also articulated the expectation that audit committees should not only comply with regulations but also actively promote a culture of accountability and ethical governance. This external perspective highlights how the role of audit committees can influence public perceptions of local government.

Findings from document analysis

Annual Reports and Governance Frameworks: These documents highlighted the strategic importance of audit committees in ensuring ethical governance and compliance with established standards. They affirm stakeholders' perceptions of audit committees as essential players in maintaining oversight. The annual report further emphasises the independence element of the audit committee chairperson and all audit committee members, consistent with agency theory's focus on safeguarding objectivity.

King IV Report: The King IV Report emphasises the importance of audit committees in fostering an ethical governance culture, encouraging them to advocate for accountability and transparency. This guidance aligns with stakeholder perceptions regarding the essential roles of audit committees in governance.

Meeting Minutes: Analysing meeting minutes yielded insights into the discussions that affirm the importance of audit committees as active participants in governance. Minutes reflected audit committee members actively discussing recommendations and their implications for local governance, reinforcing the perception of their critical role.

In summary, theme 1 highlights the perceptions of audit committee roles within Gauteng local government, underscoring both the established expectations and the potential for broader responsibilities tied to community engagement and non-financial performance assessment. There is a clear acknowledgment of their formal roles, supported by legislative frameworks such as the MFMA and King IV, which emphasise financial oversight and ethical standards. These perceptions align with agency theory, which stresses the importance of role clarity and independence as safeguards against conflicts of interest and self-review threats. Participants recognise the committee's traditional focus on financial reporting but also highlight a broader, evolving expectation for oversight of non-financial performance, community engagement, and service delivery outcomes. This shift reflects an awareness of the need for a more comprehensive governance approach, consistent with stakeholder theory, which emphasises responding to diverse stakeholder interests and building community trust. The integration of findings from document analysis and semi-structured interviews provides a comprehensive understanding of how stakeholders perceive audit committees as vital components of governance and accountability. While there is recognition of defined roles and the importance of these committees, the data also reveal challenges that must be addressed to align practices with expectations. The findings reveal challenges related to role ambiguity, particularly when audit committees operate as both overseers and advisors, creating self-review threats that can compromise their impartiality and independence. Document analysis corroborates this, showing that while formal charters and governance frameworks commend their strategic importance, they often lack explicit guidance on role boundaries, especially concerning community engagement and non-financial oversight. This theme establishes a foundational understanding of the perceptions surrounding audit committee roles, emphasising both their recognised importance and the critical need to address role blurring. As stakeholder expectations grow and responsibilities expand, managing the self-threat and ensuring role clarity are essential to strengthening their contribution to comprehensive, ethical governance, an understanding that will inform subsequent evaluations of their actual impact within the local governance framework, ultimately informing discussions in subsequent chapters of the study.

4.2.2 Theme 2: Integration of non-financial performance metrics

The thematic analysis revealed several key insights related to the integration of non-financial performance metrics, organised into the following sub-themes:

4.2.2.1 *Recognition of the importance of non-financial metrics*

<u>Insights from semi-structured interviews</u>

Participants, including audit committee members and senior managers, acknowledged the growing recognition that non-financial performance metrics are crucial for a holistic view of municipal effectiveness. One audit committee member stated, "*Monitoring non-financial metrics is key to* *understanding the full impact of our governance efforts. It helps us report on our contributions to the community more effectively.*" A senior manager noted, "*non-financial indicators are vital for strategic decision-making. They inform us about areas needing improvement, which go beyond financial resources, impacting our long-term sustainability as a municipality.*" While an AGSA representative stated, "*From the AG's perspective, I'd say it is essential for municipalities to incorporate non-financial metrics in their reporting. These metrics provide critical context to the financial data and allow for a more comprehensive assessment of performance and accountability in service delivery.*"

Findings from document analysis

The document analysis further supported these insights by revealing that governance frameworks, audit committee charters, and regulatory instruments increasingly emphasise the significance of incorporating non-financial performance metrics. Examples include language from the SDBIP, which mandates examining departmental information for service delivery outcomes, and the Local Government: Municipal Planning and Performance Regulations, which emphasize reviewing non-financial outcomes alongside financial data to present a balanced view of municipal performance. These provisions reflect an acknowledgment that performance measurement must encompass broader community and stakeholder impacts, resonating with stakeholder theory's emphasis on responsive governance that considers diverse stakeholder interests.

4.2.2.2 Current practices in non-financial performance reporting

Insights from semi-structured interviews

Participants acknowledged the growing importance of incorporating non-financial metrics, such as service delivery effectiveness and community impact, into their reporting frameworks. They cited examples where these metrics were gathered but expressed concerns about the consistency and quality of the data available for analysis. Participants highlighted that, while some municipalities had begun to implement non-financial performance indicators, the integration of these metrics into formal reporting processes remained sporadic. Interviewees pointed out that non-financial reporting often lacked the structured approach found in financial reporting, leading to gaps in accountability and oversight. Participants expressed a desire for more robust practices in non-financial reporting to provide a holistic view of municipal performance. Additionally, some municipal managers mentioned that despite recognising the importance of non-financial metrics, the pressure to meet immediate financial targets sometimes overshadowed the commitment to comprehensive performance evaluations. This resulted in a focus on short-term outcomes rather than long-term sustainability and community benefits. They advocated for clearer guidelines and frameworks to promote meaningful non-financial performance assessments that align with municipal goals. Participants also provided examples of how audit committees have begun to engage with non-financial performance metrics. A senior manager mentioned, "*We've started to present service delivery outcomes at audit committee meetings, highlighting how these metrics align with our financial performance. It's a step forward in our discussions*."

Findings from document analysis

The document analysis provided critical insights into the formal mechanisms and practices related to non-financial performance reporting within Gauteng's municipalities. Key documents reviewed included audit committee charters, annual reports, performance management frameworks, and relevant legislative instruments such as the MFMA, and the King IV Report. Analysis of annual reports revealed that non-financial performance indicators are included in municipal performance evaluations. Examples are the inclusion of detail customer satisfaction rates, quality of service delivery, and community engagement initiatives, demonstrating an organisational mandate to assess broader performance outcomes. The analysis of the audit committee charters (3) revealed that performance management is detailed as one of the key responsibilities of audit committees. The charters are named as follows for the different municipalities: 1) Audit, Performance, Risk, and Integrity Committee Charter; 2) the other Audit and Performance Committee Charter; and Audit Committee Charter. Although the third is just named AC charter, it makes mention of the Performance Committee as a sub-committee of the Audit Committee. These charters outline the responsibilities of audit committees, with specific relation to non-financial performance. The charters further outline the responsibilities of the Performance Committee. Furthermore, the agendas for all the audit committee meetings included Performance Management as a standing item for discussion. This illustrates that the Audit Committee does not only review financial performance, but also reviews and recommends on the non-financial performance at municipalities. However, annual performance reports from some of the municipalities primarily concentrated on financial outcomes, with non-financial metrics receiving limited attention. Where non-financial reporting did occur, it was frequently described in qualitative terms without standardised indicators or measurable outcomes. For instance, some reports included narrative descriptions of community projects but lacked quantitative measures to evaluate their impact or effectiveness. Furthermore, meeting minutes from audit committee sessions often indicated that discussions regarding non-financial performance were minimal and reactive, primarily addressing issues identified in financial audits instead of proactively planning for the integration and reporting of non-financial metrics. Consequently, the analysis pointed to a significant gap in formalised processes for non-financial performance reporting that could bridge the gap between audit findings and meaningful governance improvements.

4.2.2.3 Impact of institutional and regulatory frameworks

Insights from semi-structured interviews

Interviews with audit committee members and municipal officials revealed that institutional and regulatory frameworks significantly influence the integration of non-financial performance metrics into audit committee practices. Participants noted that while frameworks such as the MFMA establish baseline requirements for financial oversight, there is often insufficient guidance on the incorporation of non-financial metrics, such as service quality, community engagement, and overall organisational performance. Some participants expressed frustration that regulatory bodies emphasise financial compliance without adequately addressing the need for a broader performance evaluation framework. This lack of emphasis on non-financial criteria limits their ability to challenge management effectively or ensure that municipalities are not only financially sound but also responsive to community needs. Participants also pointed out that the absence of specific regulatory mandates for non-financial performance metrics resulted in inconsistencies in how different municipalities prioritise and integrate these metrics into their governance frameworks. Furthermore, audit committee members acknowledged that when regulatory frameworks do reference non-financial performance, the language is often vague, leading to varied interpretations. This ambiguity creates challenges in setting clear expectations and benchmarks for evaluating non-financial outcomes, leaving audit committees without a structured approach to oversee these critical areas of governance.

Findings from document analysis

The document analysis highlighted several key patterns regarding the impact of institutional and regulatory frameworks on the integration of non-financial performance metrics. Review of audit committee charters, governance documents, and performance reports revealed a predominant focus on financial metrics, with only occasional references to non-financial performance indicators. For example, one municipal audit committee charter articulated their responsibilities primarily around financial oversight, lacking explicit provisions for considering non-financial outcomes. In examining annual reports and audit findings, instances were noted where municipalities struggled to define and report on non-financial performance metrics. This highlights a gap between policy intent and operational practice, influenced by the clarity (or lack thereof) in the legislative and regulatory frameworks. Annual reports and performance reports further revealed a partial adoption of non-financial indicators. Many municipalities disclosed some qualitative information, such as narratives about community projects or service delivery initiatives, but lacked standardised, measurable indicators or benchmarks. Quantitative data on community satisfaction or service quality was often missing or inconsistent, making it difficult for oversight bodies like audit committees to evaluate performance meaningfully or hold management accountable for non-financial results. The AGSA's reports frequently indicated that while municipalities had made strides in governance practices, significant gaps remained in how non-financial performance was assessed and communicated. Common issues included absence of clear indicators, reliance on subjective narratives, and reactive rather than proactive reporting. These documented gaps reflect an overarching influence of regulatory frameworks that are overly focused on financial compliance, with insufficient emphasis on holistic performance evaluation. The formal documents demonstrate that, despite official mandates, municipal practice lags behind the normative expectations for transparency and accountability in non-financial areas. The legislative frameworks, including the MFMA, Municipal Structures Act, and the King IV Report, provide a strong normative basis for formalising performance oversight, mandating the review of broader governance issues and encouraging the adoption of performance indicators beyond financial data. Yet, the actual documentation reveals a gap between these mandates and their practical implementation. This gap highlights the need for developing well-structured frameworks and guidelines to bolster the formal integration of non-financial metrics into municipal oversight and reporting, thereby closing the gap between policy and practice. Such frameworks would help mitigate self-review threats by establishing clear, measurable criteria for non-financial evaluation and ensure that oversight remains independent and objective.

Overall, the findings related to the impact of institutional and regulatory frameworks on the integration of non-financial performance metrics illuminate significant challenges facing audit committees in local government. While existing regulations lay the groundwork for accountability, the emphasis on financial oversight creates barriers to adequately assessing broader governance aspects. Strengthening regulatory guidance to facilitate the inclusion of non-financial metrics is essential for enhancing the effectiveness of audit committees.

4.2.2.4 Barriers to effective integration

Insights from semi-structured interviews

Many interview participants pointed out specific barriers that affect the effective integration of non-financial performance metrics. A common theme was the necessity for enhanced training and guidance for audit committee members on assessing non-financial indicators. One participant remarked, *"We want to incorporate non-financial metrics, but we need the right tools and training to do it effectively*." While another reflected, "*integrating non-financial metrics requires a cultural shift within the municipality. It's not just about training; we also need leadership support to promote the importance of these metrics in our strategic objectives*."

Findings from document analysis

Some audit reports highlighted ongoing challenges related to the integration of non-financial metrics into routine oversight. The following are some of the examples provided by the reports that underscore the barriers faced by audit committees and local governments in effectively incorporating non-financial performance measures into their governance frameworks:

Lack of Standardised Metrics: The 2022 Audit Report from Mogale City noted that "the absence of standardised metrics for evaluating non-financial performance creates discrepancies in reporting. For instance, while service delivery metrics were listed, there was no uniform criterion for measuring community satisfaction." This variability makes it difficult for audit committees to assess performance consistently and comparably across different departments.

Insufficient Data Collection Mechanisms: In the 2023 Performance Audit Report for Quarter 3 for Mogale City, the report revealed that "data collection processes for non-financial performance indicators are not well established. For example, the municipality struggled to gather reliable feedback on community engagement initiatives, rendering compliance with engagement goals challenging." This lack of reliable data hampers the ability of audit committees to monitor and review non-financial outcomes effectively.

Orientation Toward Financial Reporting: An analysis of the 2022 External Audit Report for Midvaal Local Municipality showed that "the audit committee remains largely focused on financial oversight, with non-financial metrics receiving limited attention. Discussions in the audit committee meetings often prioritise budget compliance and financial statements, sidelining the importance of assessing non-financial performance initiatives." This orientation limits the scope of oversight and hinders the integration of non-financial metrics into routine practices.

Cultural Resistance to Change: The 2023 Audit Report for Mogale City noted that "there exists significant cultural resistance to adopting non-financial performance metrics within municipal departments. Committees reported opposition from management who perceive the focus on non-financial metrics as unnecessary, leading to limited buy-in for comprehensive assessments." This resistance can create a significant barrier to implementing effective governance practices that include non-financial performance measures.

Inadequate Skills and Training for Audit Committee Members: The performance audit findings for City of Ekurhuleni indicated, "Many audit committee members lack the necessary training to evaluate non-financial performance metrics adequately. As stated in the audit report, 'Without specific training on social impact assessments and stakeholder engagement metrics, committee members struggle to provide meaningful oversight of these areas.'" This issue points to a gap in capacity that can undermine the effectiveness of audits focusing on non-financial aspects.

4.2.2.5 Future directions for audit committees

Insights from semi-structured interviews

Participants expressed optimism about the potential for audit committees to further integrate non-financial performance into their oversight roles. An AGSA representative stated, *"There is a clear shift in expectations, and audit committees that embrace these changes will better serve their communities and fulfil their governance roles."* Participants indicated a consensus on the need for audit committees to embrace broader oversight responsibilities. An audit committee member noted, *"If we want to be truly impactful, we need to incorporate metrics that show how we serve the community, not just how we manage the budget."* Senior managers emphasised the importance of audit committees in tracking and evaluating non-financial performance metrics. One senior manager stated, *"Incorporating these metrics into our performance assessments means that the audit committee plays a crucial role in ensuring that we are accountable for our impact on the community."* This acknowledgment illustrates a shift in how audit committees are perceived in relation to performance oversight, highlighting their responsibility in fostering comprehensive accountability. Participants also noted the potential benefits of technology in facilitating real-time reporting and monitoring of non-financial performance. A senior manager stated, *"Using data analytics will help us better understand our non-financial performance. Audit committees can leverage technology to challenge and support management effectively."* Such perceptions reflect a forward-thinking approach to audit committee functions, suggesting that technological advancements can substantially enhance oversight practices. Participants emphasised that audit committees must actively seek input from community stakeholders to promote transparency and inclusiveness. An AGSA representative remarked, "*Audit committees that are willing to engage with the community enhance their effectiveness as accountability champions*." This view aligns with the expectations set by governance frameworks and underscores the critical role that stakeholder engagement plays in shaping audit committee oversight.

Findings from document analysis

The audit reports reflected a trend toward emphasising the importance of integrating non-financial metrics into performance assessments. This provides an institutional push for audit committees to expand their oversight functions. An analysis of municipal annual reports showed an increasing emphasis on non-financial performance indicators related to community service delivery, environmental sustainability, and stakeholder engagement. For example, the 2023 annual report from Midvaal Local Municipality highlighted metrics such as "community satisfaction rates," where surveys indicated that 75% of residents were satisfied with local services. This commitment to community service delivery demonstrates a recognition of the role that non-financial metrics play in understanding overall municipal effectiveness. The 2022 annual governance report for Mogale City detailed initiatives to enhance stakeholder engagement, reporting that public participation in municipal meetings had increased by 40%. It included metrics such as "community forums held" and "feedback received," which are crucial for assessing how well the municipality engages with its residents. This growing emphasis on stakeholder engagement signifies a critical area for audit committees to monitor, relating governance practices directly to community involvement and satisfaction.

The analysis of recent governance documents indicates a growing trend toward using technology and data analytics for performance assessment. Audit committees are encouraged to utilize these tools to monitor non-financial metrics more efficiently. For example, Midvaal Local Municipality implemented a data analytics platform that compiles both financial and non-financial performance data. The 2023 audit report noted that "the use of data analytics tools has enabled the audit committee to identify trends in service delivery metrics effectively, allowing for timely interventions and improvements."

The analysis highlighted a trend where audit committees are increasingly expected to adapt their oversight practices to monitor and evaluate non-financial performance. Participants discussed how this integration would enhance accountability and community responsiveness.

4.2.3 Theme 3: Challenges encountered in practicing audit committee roles

This theme examines the various challenges that audit committees face in fulfilling their roles and responsibilities within Gauteng local government.

4.2.3.1 Resource limitations

Insights from semi-structured interviews

Some participants articulated significant concerns regarding resource constraints. Participants indicated that these limitations constrain their ability to carry out comprehensive oversight, particularly when trying to incorporate non-financial performance into their evaluations. Several participants noted that budgetary constraints directly affect the capacity of audit committees to conduct thorough oversight. For instance, one audit committee member remarked, "*Without adequate funding, we struggle to access the tools necessary for evaluating non-financial performance. Our budgets are typically allocated towards mandatory financial audits, leaving little room for broader assessments.*" A performance manager added further to the resource limitation from a skills limitation point of view, "*While audit committees are tasked with monitoring both financial and non-financial metrics, we lack the dedicated capacity and specialized skills needed for effective evaluation. This hinders our ability to provide meaningful insights.*" Many participants highlighted that inadequate technological resources also constrain oversight capabilities. An audit committee chairperson noted, "*We don't have access to sophisticated data analytics tools that could help us analyse non-financial metrics. Without these tools, our assessments remain largely manual and may miss critical insights."* Additionally, a senior manager mentioned, "*Investing in technology for performance measurement is a challenge. We recognise that technology can bolster our ability to monitor both financial and non-financial outcomes, but our current systems are outdated and inefficient.*" Participants also indicated that the lack of timely access to relevant data significantly impacts the audit committee's oversight responsibilities. One participant remarked, "*We often receive performance reports that are outdated or incomplete, making it difficult to conduct thorough evaluations. Having up-to-date non-financial data is crucial for effective oversight."*

Findings from document analysis

One audit report highlighted the delays in appointing audit committee members which restricted audit committee's ability to review all aspects of the municipality's financial health and performance. The 2022 audit report for City of Ekurhuleni noted, "The audit committee faced significant delays in the appointment of new members due to protracted selection processes. As a result, meetings were not held as regularly, and the committee was unable to review the municipal budget and financial statements comprehensively, leading to potential missed discrepancies in financial health. The 2022 audit findings from Mogale City emphasised, "Due to delays in member appointments, the audit committee was unable to meet its statutory obligations to review the financial statements prior to submission, which raises concerns regarding compliance and could expose the municipality to financial mismanagement risks."

4.2.3.2 Lack of training and expertise

Insights from semi-structured interviews

Interviewees highlighted a perceived gap in training related to non-financial performance metrics. They expressed a strong desire for professional development opportunities to strengthen their capabilities in this area. Senior managers also pointed out that not only audit committee members, but municipal staff involved in reporting should receive adequate training. Some participants suggested that existing training programs should be expanded to include components on non-financial reporting. An audit committee chairperson remarked, "*It's not enough to offer standalone training. We need to integrate non-financial performance discussions into our regular training sessions on financial reporting and governance best practices.*" Senior managers emphasised that the need for training extends beyond audit committee members to include municipal staff involved in producing reports. One manager stated, "*If the staff responsible for gathering and reporting data on non-financial performance lack the necessary training, it undermines the entire process. We need to build capacity at every level to ensure accurate and meaningful reporting.*"

Findings from document analysis

The analysis of frameworks and charters revealed that these documents do not outline training requirements. This lack of emphasis can contribute to the lack of expertise among audit committee members. The audit committee charters do not include clauses about ongoing education or development related to non-financial metrics, which signals an organisational gap. A review of audit committee charters from the three municipalities indicated a consistent omission of explicit clauses related to training or professional development for committee members. For instance, the audit committee charter for Midvaal Local Municipality stated, "The audit committee is responsible for overseeing financial reporting and compliance," but made no mention of ongoing education or training related to non-financial metrics or broader governance practices. This indicates a gap in recognising the need for continuous learning in evolving governance contexts.

4.2.3.3 Clarity and consistency of roles

Insights from semi-structured interviews

Participants expressed frustration about the lack of clarity in their roles. Stakeholders noted that sometimes audit committees are unsure whether their responsibilities extend to non-financial performance metrics, leading to varied interpretations. This ambiguity directly impacts the effectiveness of audit committees and their ability to fulfil the growing expectations surrounding their roles in local government. A senior manager remarked, "*There needs to be clearer guidelines on what audit committees should be overseeing, especially regarding non-financial aspects.*" Stakeholders highlighted, "*There's a clear push from regulators and the community to focus on non-financial metrics, but without specific guidelines in our charters, it's hard to know if we're supposed to address them.*" This statement illustrates the tension between external expectations and internal role clarity.

Findings from document analysis

This analysis revealed that non-financial performance oversight as a responsibility is clearly mandated in the audit committee charters. Furthermore, insights revealed that while foundational frameworks exist to inform the roles of audit committees, clarity and consistency are lacking in several areas. Key areas of ambiguity include variability in audit charters, inconsistent terminology, and differing levels of authority. To enhance the understanding of the role of audit committees, there is a need for standardised guidelines, clearer definitions of roles, and performance metrics that align with best practices in governance, enabling these audit committees to fulfil their purpose more effectively within the context of local governance in Gauteng. The examination of audit committee charters across the three municipalities demonstrated significant variability in how non-financial performance responsibilities are articulated. While some charters explicitly include non-financial metrics such as community impact and service delivery, others only vaguely reference performance oversight without distinguishing between financial and non-financial aspects. For instance, the charter from Midvaal Local Municipality clearly states, "The audit committee will oversee both financial and non-financial performance metrics," whereas the charter from Mogale City only mentions "performance oversight" without elaborating on non-financial dimensions.

4.2.3.4 Effective communication

Insights from semi-structured interviews

Interviews highlighted several communication challenges that hinder the effective execution of audit committee roles. Participants noted that a lack of clear and consistent communication channels between audit committees, municipal councils, and senior management often leads to misunderstandings regarding expectations and responsibilities. Some audit committee members expressed frustration with the frequency and quality of updates provided by municipal officials, indicating that important financial and operational information was not always shared promptly or transparently. This communication breakdown inhibits the committee's ability to assess impacts fully and follow up on audit recommendations effectively. An audit committee member noted, "*Our effectiveness relies on how well we communicate our role and findings to both management and the public. If there's a disconnect, trust erodes*." This highlights the perception that robust communication channels enhance the overall governance process. Furthermore, AGSA representatives emphasised the critical role of open communication in fostering a culture of accountability. They noted instances where audit findings were not adequately discussed in council meetings, resulting in missed opportunities for addressing identified issues.

Findings from document analysis

The document analysis provided supporting evidence regarding communication challenges faced by audit committees. Meeting minutes from audit committee sessions reflected discussions that lacked the necessary context, highlighting gaps in communication with municipal management. For example, records from several meetings indicated that decisions were made without a full understanding of pertinent financial data, suggesting missed opportunities for informed dialogue. Governance documents and audit committee charters underscored the need for effective communication protocols, but analysis revealed inconsistencies in their implementation across various municipalities. The charters emphasised the importance of regular reporting and updates; however, audit reports indicated that these procedures were not consistently followed. For instance, some of the internal audit reports from municipalities revealed that updates on audit recommendations were often delayed or omitted in communications shared with audit committees.

4.2.3.5 Integration of findings and recommendations

Insights from semi-structured interviews

Audit committee members frequently referred to audit reports that identify gaps in their operations or restrict their ability to fulfil recommendations. AGSA representatives echoed these sentiments, emphasising the importance of audit committees acting on recommendations. They noted that persistent inaction can undermine public trust in both the audit committees and local government, Participants expressed a need for more support from the municipal council to address these challenges, emphasising that without significant changes and recognition of these issues, the effectiveness of audit committees will remain compromised.

Findings from document analysis

Documented audit reports frequently highlighted critical gaps in municipal operations, aligning with the interview data. For instance, the 2022 annual reports of all the municipalities specified recurring issues such as inadequate internal controls, inefficiencies in service delivery, and failure to implement prior recommendations. These reports underscored how existing operational gaps limited the capacity of audit committees to address financial and non-financial performance effectively. Audit committee charters typically outline the responsibilities related to following up on audit recommendations. However, document analysis revealed that many municipalities lacked a structured follow-up process for implementing these recommendations. For example, an examination of meeting minutes from audit committee meetings for Mogale City often indicated that recommendations were noted but not systematically tracked for resolution. This absence of follow-through not only hampers operational improvement but also endangers the reputation of the audit committees. Governance frameworks and strategic plans analysed indicated that audit committees require greater support from municipal councils to address identified weaknesses. Some municipalities recognised the need for increased resources and clear communication channels between audit committees and council members. For instance, some minutes of meetings revealed discussions about enhancing the collaborative efforts between audit committees and municipal councils to ensure that recommendations are effectively integrated into governance practices.

4.2.4 Theme 4: Ethical governance and accountability

Theme 4 explores how audit committees within Gauteng local government are perceived to contribute to promoting ethical practices and accountability in governance. This theme emphasises the critical role that audit committees play in fostering a culture of integrity and transparency within local municipalities. The thematic analysis revealed several key insights regarding the perceptions of ethical governance and accountability in relation to audit committees, organised into the following sub-themes:

4.2.4.1 Role in promoting ethical standards

<u>Insights from semi-structured interviews</u>

Participants expressed a strong commitment to ethical governance, with many articulating that the oversight responsibilities of audit committees extend into promoting a culture of integrity within the municipality. Participants pointed out that audit committees serve as a vital check on governance practices by evaluating not just financial integrity but also the ethical implications of municipal operations. Members noted that discussions regarding ethical governance often take place during audit committee meetings, focusing on how decisions made by management align with established ethical frameworks. This emphasis on ethical considerations was seen as essential for maintaining public trust and accountability. However, interviewees also highlighted challenges in promoting ethical standards. Some participants highlighted difficulties in addressing ethical breaches or questionable practices due to a lack of firm policies or clear reporting mechanisms. They noted that, while they recognise their role in fostering an ethical culture, the actual implementation of ethical governance standards often depends on the responsiveness of municipal management and the support of the broader council.

Findings from document analysis

Examination of audit committee charters and governance policies indicated that many municipalities have established ethical guidelines and codes of conduct to guide the behaviour of officials and staff. However, the extent to which these documents explicitly mention the audit committee's responsibility in monitoring ethical compliance varied significantly across the municipalities. The audit committee charters of the three municipalities included provisions that establish the responsibility of audit committees to uphold ethical standards and promote integrity in financial practices. Meeting minutes from audit committee sessions also showed that ethical discussions occurred, and ethical reports are presented in audit committee meetings. While there is a strong recognition of the importance of ethical governance among stakeholders, practical hurdles remain in terms of policy enforcement and proactive oversight. Enhancing the specific responsibilities of audit committees to include robust mechanisms for monitoring ethical compliance is crucial for strengthening accountability within municipalities. This involves not only clarifying the roles of audit committees in ethical governance but also providing them with the necessary resources and training to fulfil these responsibilities effectively.

4.2.4.2 Linking ethical governance to accountability

Insights from semi-structured interviews

Participants widely recognised that ethical practices form the foundation for accountability, asserting that when ethical standards are adhered to, accountability mechanisms are more effectively implemented. Some participants articulated that promoting a culture of ethical governance directly influences the accountability of municipal officials. By ensuring that ethical guidelines are followed, audit committees believe they can foster a greater sense of responsibility among management, leading to more transparent decision-making processes. An AGSA representative remarked, "*Audit committees have a crucial role in ensuring that ethical guidelines are not just policies on paper but are actively implemented and adhered to.*" This emphasises an expectation that audit committees act as custodians of ethical governance, actively monitoring ethical practices and reporting findings to promote accountability. Furthermore, participants indicated a need for enhanced mechanisms to ensure that ethical breaches are swiftly addressed and that accountability consequences are enforced. They emphasised that clear connections between ethical conduct and accountability outcomes, such as disciplinary actions, are essential for reinforcing ethical practices within local governance.

Findings from document analysis

The document analysis complemented the insights from interviews by providing evidence of how ethical governance and accountability are articulated within municipal governance frameworks. Review of governance policies and audit committee charters revealed that while many documents emphasise the significance of ethical behaviour, the direct linkage to accountability measures was often inadequately defined. For example, while some municipal codes of conduct detailed expected ethical behaviours, they frequently lacked explicit provisions for how breaches of ethics would impact accountability, such as consequences for non-compliance or mechanisms for reporting unethical conduct. This gap suggests that, despite an acknowledgment of the importance of ethical governance, the means to enforce accountability may be insufficient or absent. Audit reports addressed issues of ethical governance. Minutes of meetings also highlighted discussions of Ethics Committee reports tabled at audit committee meetings. These reports provided a basis for the understanding of how audit committees approach accountability in practice in the context of ethical behaviour. Some of the audit committee charters that outline the attributes of the audit committee members in relation to their roles and responsibilities do not seem to put emphasis on the ethical standing of the audit committee members. All 3 charters highlight prohibitions of audit committee members conducting business with the municipalities, with only one charter highlighting declaration of any conflicting business interest where applicable. The one charter stresses that any member who has been declared bankrupt or found guilty of fraud or corruption or any offence where dishonesty is an element, in a court of law, during their term of office shall have their membership terminated. This indicates that there is a gap in the audit committee charters in relation to considering ethical conduct as a primary requirement consideration.

4.2.4.3 Challenges to upholding ethical governance

Insights from semi-structured interviews

Participants noted that despite the commitment to ethical governance, challenges persist. Audit committee members expressed concern over the organisational culture that may not always align with ethical expectations. One member stated, "*Sometimes, the pressure to meet operational goals can lead to compromises in ethical standards, which creates dilemmas for us as an audit committee.*" One participant expressed concerns that, while ethical guidelines and codes of conduct were established, many staff members did not fully understand these policies or their implications for daily operations. Additionally, a recurring theme was the influence of political dynamics and interpersonal relationships on ethical governance. Some participants noted that political pressures could lead to conflicts of interest, where personal or political affiliations might compromise the objectivity of decision-making processes. Senior managers echoed these sentiments, indicating that these pressures often made it challenging to uphold ethical standards consistently. Moreover, participants discussed the lack of robust mechanisms for reporting ethical violations, with some stating that existing reporting channels were underutilised due to fears of retaliation or a belief that reporting would not result in meaningful action. This fear stifles transparency and accountability, leading to a culture where unethical behaviour may go unreported and unaddressed.

Findings from document analysis

Audit reports revealed instances where ethical governance was lacking, indicating challenges that audit committees face in enforcing these standards. Review of codes of conduct and governance frameworks also showed that, while municipalities have established guidelines for ethical behaviour, there was often a lack of clarity regarding the enforcement of these policies. For example, governance documents frequently listed ethical standards but provided little in terms of practical implementation strategies or consequences for violations. Annual performance reports revealed that many municipalities had not conducted regular assessments of ethical compliance, further complicating efforts to uphold ethical standards. Audit reports often indicated lapses in adherence to ethical practices but lacked specific recommendations for strengthening ethical governance frameworks. The analysis also highlighted the absence of systematic mechanisms for reporting ethical breaches. Some municipalities lacked clear protocols for whistleblowing or avenues through which employees could report unethical behaviour without fear of repercussion. This lack of structured reporting mechanisms reflected a significant challenge in fostering an environment conducive to ethical behaviour.

4.2.4.4 Importance of training and awareness

Insights from semi-structured interviews

Many participants stressed the importance of ongoing training to ensure that audit committees remain informed about ethical practices and governance standards. A senior manager remarked, "*We need to work together with the audit committee to create awareness and training around ethical governance. It's essential for building a cohesive culture of accountability*." This insight reflects a shared recognition that fostering ethical governance requires collaborative efforts and continuous education to reinforce accountability within local government. One participant expressed concern that a lack of comprehensive training often leads to uncertainty about ethical expectations and the consequences of misconduct, which can leave employees unprepared to navigate ethical dilemmas. Participants also noted that awareness initiatives, such as workshops and seminars, could significantly enhance understanding of ethical principles, helping to create a culture of accountability. Some municipal managers recalled successful past initiatives where training led to increased reporting of ethical breaches, indicating that when employees feel informed and supported, they are more likely to adhere to ethical standards. However, some participants pointed out that training is not consistently prioritised across all municipalities. Several participants indicated that resources allocated for training and awareness programs were often limited, which resulted in irregular or insufficient training opportunities for staff. This inconsistency not only undermines the importance of ethical governance but also leaves municipalities vulnerable to ethical lapses. Additionally, some senior managers highlighted a need for refresher courses to reinforce ethical principles over time, suggesting that ongoing training could keep ethical governance at the forefront of organisational practices.

Insights from document analysis

The King IV report encourages organisations to provide appropriate training and development for audit committee members to ensure that they understand their responsibilities regarding ethical oversight and performance management. This guidance underlines the importance of continuous education to maintain high standards of governance. While the MFMA does not explicitly mandate training, it emphasises the importance of sound financial management and compliance, suggesting that municipalities should ensure that audit committee members are well-trained in financial regulations, ethics, and governance principles. The Municipal Systems Act encourages municipalities to develop skills training programs for officials and council members, including audit committee members, to foster a culture of accountability and good governance. The code of conduct for municipal staff members highlights the importance of understanding ethical responsibilities and compliance with governance policies, thereby advocating for training opportunities that emphasise ethical behaviour and accountability frameworks for audit committee members and municipal officials. Review of training policies and internal governance documents showed that while some municipalities had established training programs aimed at raising ethical awareness, implementation was inconsistent and often lacked depth. For example, the training plans and procedures often focused on compliance aspects without adequately addressing the underlying ethical principles that guide decision-making. Audit committee charters indicated a commitment to promoting ethical governance but frequently lacked specific directives for regular training sessions or clear expectations for participation among staff. There is a shared perception, however, that audit committees play a crucial role in fostering a culture of integrity within municipalities, highlighting the expectation for them to advocate for ethical governance practices. Moreover, meeting minutes from audit committee sessions noted discussions around ethical governance but rarely included follow-up actions to establish training initiatives or assess the effectiveness of existing programs. This suggested a gap between acknowledging the importance of training and implementing concrete actions to support ethical governance.

4.3 Conclusion

In this chapter, a comprehensive analysis of the qualitative data collected throughout the study was presented, focusing on the role of audit committees in Gauteng local government, particularly regarding their oversight of non-financial performance reporting. The findings derived from document analysis and semi-structured interviews have provided valuable insights into stakeholders' perceptions and experiences, which collectively contribute to the understanding of the dynamics surrounding audit committees within the local governance framework. Through thematic analysis of the qualitative data, key themes were identified that reflect the perceptions of audit committee roles among audit committee members, senior managers, and representatives from the AGSA. The synthesis of insights from diverse stakeholders illuminated the defined roles, challenges encountered, and the importance of ethical governance and stakeholder engagement. The use of both document analysis and semi-structured interviews has enriched the findings by providing a multidisciplinary perspective that captures both formal governance practices and personal experiences. The integration of findings with the theoretical framework enhanced the understanding of audit committee roles through the lens of agency theory, stewardship theory, stakeholder theory, institutional theory, and public sector performance frameworks. Each theoretical perspective provided context for analysing how stakeholders perceive the functions of audit committees in promoting accountability and transparency. The research revealed that perceptions of audit committee roles are significantly influenced by these theories, reflecting stakeholder expectations for oversight that aligns with contemporary governance standards.

Overall, the data analysis and findings have provided a nuanced understanding of the roles of audit committees within local government in Gauteng. By exploring stakeholder perceptions and highlighting the challenges faced in fulfilling their oversight responsibilities, this chapter lays the groundwork for further discussions and implications for practice and policy in the subsequent sections of the study. The identified themes and their interconnections underscore the necessity for audit committees to adapt to evolving governance expectations while addressing the challenges that may impede their effectiveness in promoting accountability and serving their communities. This comprehensive analysis not only enriches our understanding of audit committee dynamics but also contributes to the broader discourse on governance in the public sector.

5. Discussion

5.1 Introduction

Chapter 5 presents a critical discussion of the findings derived from the data analysis, connecting them back to the research objectives and theoretical framework established earlier in the study. This chapter aims to interpret the insights gathered from both document analysis and semi-structured interviews, synthesising the key themes that emerged regarding the roles of audit committees within Gauteng local government. The discussions will focus on how stakeholder perceptions regarding the roles and responsibilities of audit committees inform our understanding of their functions in promoting accountability and governance. By exploring the implications of the findings in relation to the identified challenges, the integration of non-financial performance metrics, and the influence of institutional and regulatory frameworks, this chapter will provide a comprehensive examination of the dynamics that shape the operation of audit committees. Furthermore, this chapter will evaluate the significance of ethical governance as perceived by various stakeholders, emphasising the critical intersection between audit committee roles and broader governance objectives. By framing the findings within the context of relevant theories, this discussion seeks to deepen the understanding of how audit committees function as vital components of local governance and how they can adapt to meet evolving expectations.

Ultimately, this chapter will provide important conclusions and recommendations for enhancing the function and impact of audit committees, informing stakeholders on best practices and identifying areas for further research. Through the integration of findings with theory and practice, this discussion aims to contribute to the ongoing discourse on public sector governance and the pivotal role of audit committees in achieving effective local government.

5.2 Interpretation of findings in relation to literature

In this section, the findings from the data analysis will be interpreted, with consideration given to how they resonate with, or challenge previous research and theoretical frameworks discussed earlier in the report, thereby facilitating a deeper understanding of the dynamics surrounding audit committees.

5.2.1 Perceptions of audit committee roles

The findings regarding perceptions of audit committee roles in local government reveal a nuanced landscape characterised by both recognition of their importance and significant misunderstandings regarding their actual functions. When examining the data related to perceptions of audit committee roles through the lens of agency theory, the findings reveal significant gaps between the defined responsibilities of audit committees and the realities experienced in practice. Agency theory suggests that conflicts often arise when the interests of the principal (stakeholders) and the agent (audit committee members) do not align. Participants, particularly audit committee members, articulated a strong belief in the critical role they play in promoting accountability and transparency. They acknowledged their primary responsibility for ensuring financial integrity, emphasising that their oversight helps safeguard public resources and enhance municipal performance. This reflects agency theory, which posits that clear accountability mechanisms are essential for aligning the interests of agents with those of principals (Cohen et al., 2007; Beasley et al., 2009). However, there is a divergence in the perceived breadth of audit committees' responsibilities. While committee members recognised the importance of addressing broader governance issues, such as risk management, ethical standards, and evaluations of non-financial performance metrics, some municipal managers perceived their roles primarily as compliance focused. This narrower interpretation indicates agency problems within local governance, where agents are not fully utilising the power and oversight expected of them by stakeholders. From interviews, it was evident that audit committee members are often reactive, responding to immediate financial issues without addressing underlying systemic challenges in governance. This behaviour aligns with literature that emphasises the traditional focus of audit committees on financial matters (Brewer, 2001; Erasmus

& Matsimela, 2020). The misalignment between defined roles of audit committees and stakeholders' expectations presents significant challenges. Institutional frameworks, such as the MFMA, articulate the importance of audit committees in ensuring comprehensive oversight. However, the operational reality often reflects a limited understanding of these defined responsibilities. The charters emphasise a broad mandate, including oversight of both financial and non-financial metrics, yet the operational realities often reflect a predominant focus on financial compliance. This disconnect suggests that there is a need for audit committees to go beyond their traditional roles, as highlighted by stakeholder theory, which emphasises the necessity of accommodating the diverse interests of all stakeholders for effective governance. The importance of clearly defined roles and responsibilities is vital for audit committees to perform effectively. The findings suggest a pressing need for further clarification regarding the expectations of audit committees, particularly in integrating non-financial performance metrics into their oversight activities. This ties back to the research objective of investigating stakeholder perceptions and suggests that fostering a clear understanding of these roles can enhance the legitimacy and effectiveness of audit committees.

5.2.2 Integration of non-financial performance metrics

The findings related to the integration of non-financial performance metrics within the roles of audit committees reveal a critical area of focus that is both necessary for effective governance and currently under-implemented in local government practices. This discussion draws on the research question regarding how stakeholders perceive the roles and responsibilities of audit committees in ensuring accountability and transparency in non-financial reporting, alongside the objectives of assessing the integration of non-financial performance metrics and identifying the challenges faced by audit committees. Through interviews with audit committee members and stakeholders, it is evident that there is an increased recognition of the importance of non-financial performance metrics. Participants articulated a strong belief that metrics such as community impact, service delivery effectiveness, and stakeholder satisfaction are essential for providing a comprehensive view of municipal performance. This aligns with literature emphasising that effective governance extends beyond financial metrics to encompass broader accountability measures that reflect real community needs (Krishnan & Subban, 2022). From the perspective of stakeholder theory, the recognition of non-financial metrics highlights the necessity for audit committees to respond to the diverse interests of stakeholders, particularly community members who demand transparency regarding governance outcomes. The findings illustrate a gap between stakeholder expectations and the actual practices of audit committees, indicating that while there is theoretical acknowledgment of the importance of non-financial metrics, practical integration remains inconsistent. The challenges surrounding the integration of non-financial performance metrics are multifaceted. The findings reveal that audit committees often encounter barriers related to a lack of formalised frameworks for assessing non-financial outcomes. The audit committee charters focus predominantly on financial oversight, providing little guidance for incorporating non-financial metrics into evaluations. Agency theory elucidates this disconnect, as it highlights the misalignment of interests between municipal management (agents) and audit committees (principals). Management often prioritises immediate financial performance, overshadowing the broader governance responsibilities that audit committees are meant to uphold. When financial outcomes take precedence, audit committees may struggle to advocate for the inclusion of non-financial metrics, thus complicating their ability to foster accountability. Furthermore, organisational culture significantly influences these dynamics. Interviews indicated that despite the recognition of the need for broader performance metrics, operational pressures lead to a focus on short-term financial results rather than long-term sustainability and ethical governance. This reflects agency theory's assertion that without corrective incentives and support, agents may not act in the best interests of the principals, further limiting the effectiveness of audit committees. Successful integration of non-financial metrics not only promotes good governance but also solidifies stakeholder trust in local government operations.

5.2.3 Challenges encountered by audit committees

The findings related to the challenges faced by audit committees in local government reveal a complex interplay of systemic issues that affect their overall effectiveness and capacity to fulfil their oversight roles. Through the perspective of agency theory, the data uncovers significant agency problems where the interests of the principals (stakeholders, including citizens and municipal councils) are not always aligned with the actions and priorities of the agents (audit committees and municipal management). Audit committee members articulated challenges in accessing vital information necessary for conducting thorough reviews and evaluations. This lack of access underscores a fundamental agency problem: when municipal management does not prioritise transparency and communication, it creates a barrier to effective auditing and oversight. Insights from audit committee members indicate that, in practice, they often find themselves relying on incomplete information, which hampers their ability to make informed decisions and recommendations. This disconnect not only weakens financial oversight but also impedes the review of non-financial performance metrics, ultimately affecting the accountability expected by stakeholders. When examining these challenges through the lens of agency theory, the implications become even more significant. Agency theory emphasises the importance of accountability and oversight mechanisms that align the interests of principals (stakeholders) with those of agents (management). In this context, resource limitations and insufficient training present critical governance issues. For instance, many audit committee members expressed a need for ongoing professional development to keep pace with evolving governance expectations and best practices. Yet, interviews indicated that training programs were often inconsistent or underfunded, further illustrating the difficulties audit committees encounter in maintaining robust oversight capabilities. This situation can lead to perceptions that audit committees are not adequately representing stakeholder interests, thereby diminishing public trust in local governance.

Document analysis reinforced these insights by showcasing inadequacies within governance frameworks. Many audit committee charters outline their functions but lack specified protocols for addressing challenges such as the need for additional resources or training (Dintwe, 2016). Moreover, meeting minutes frequently reflected limited discussions on strategic challenges faced by audit committees, indicating that these barriers are not being sufficiently addressed at the governance level (Mofolo, 2012). Additionally, interviews highlighted the influence of political dynamics on the effectiveness of audit committees. Several participants noted that external political pressures can create an environment where audit committees may hesitate to act on findings or recommendations due to fear of retaliation or political repercussions. This challenge signifies a critical agency problem, as external influences may compromise the independence and objectivity of audit committees, affecting their ability to function as effective oversight bodies (Liston-Heyes & Juillet, 2022).

5.2.4 Ethical governance and accountability

The findings related to ethical governance and accountability reflect the critical interplay between established ethical standards and the practical mechanisms for ensuring accountability within local government. Examined through the lens of agency theory, the results reveal significant challenges in aligning the interests of municipal officials (agents) with the expectations of stakeholders and citizens (principals). While audit committees are tasked with promoting ethical governance, the data suggests that agency problems persist, as some audit committees struggle to effectively hold management accountable for ethical breaches. Participants in the interviews expressed a strong commitment to ethical governance, underscoring its importance for maintaining public trust and integrity in public administration. However, many participants noted that the effectiveness of enforcing ethical standards is often undermined by inadequate reporting mechanisms and a lack of follow-through when ethical issues are identified. This disconnect points to the broader implications of agency theory, where the agents may not prioritise ethical conduct when faced with operational pressures or political influences, resulting in diminished accountability. Further reinforcing these points, the findings from document analysis highlighted that while many municipalities have established codes of conduct and ethical guidelines, the enforcement of these guidelines often lacks rigor. Governance documents typically articulate a commitment to ethical behaviour, yet they frequently fail to specify clear processes for addressing ethical violations or for holding officials accountable. The absence of structured accountability measures suggests that ethical governance may be perceived as merely a formality rather than an active component of municipal operations.

From the perspective of stakeholder theory, the findings emphasise the necessity for audit committees to engage with various community stakeholders to properly assess the ethical dimensions of governance. Stakeholders, including civic organisations and community representatives, have a vested interest in ensuring that ethical standards are upheld, and that municipal management is held accountable for its actions. Interviews revealed that effective communication and engagement with stakeholders are essential components of promoting ethical governance, as they enhance transparency and ensure that public concerns are integrated into governance processes. Moreover, participants highlighted the role of training and awareness in fostering a culture of ethical governance and accountability. The findings indicated that ongoing education about ethical standards and their implications for decision-making is crucial for municipal staff at all levels. Without adequate training, employees may not fully understand the ethical expectations placed upon them, resulting in misalignment between individual actions and the overall ethical standards of the municipality. Challenges further emerged regarding the capacity for regular assessments of ethical compliance. The document analysis pointed out that many municipalities do not incorporate systematic evaluations of ethical practices within their governance reviews, leading to an incomplete understanding of the effectiveness of current ethical frameworks. This gap suggests that audit committees must advocate for improved assessment protocols that include regular audits of ethical behaviour, linking these assessments directly to accountability mechanisms (Van der Wal, de Lange, & de Klerk, 2020).

5.3 Implications for theory

The findings from this study regarding the roles of audit committees within Gauteng local government reveal significant implications for the theoretical frameworks within the realm of governance. By analysing stakeholders' perceptions and their evolving expectations of audit committees, we can draw important conclusions that inform the academic discourse on governance as well as professional practices within local government contexts.

The application of agency theory within the context of audit committees underscores the persistent conflicts that can arise between municipal managers (agents) and audit committees (principals). The data reveals that the effectiveness of audit committees is often compromised by the failure of agents to prioritise transparency and ethical behaviour, which are essential for aligning the interests of both parties. The findings suggest the need to refine agency theory in the context of public governance by incorporating elements that account for the unique challenges faced by audit committees. Specifically, a broader understanding of the mechanisms that can enhance accountability, such as improved communication, robust training programs, and incentives for ethical behaviour, may strengthen the relationship between principals and agents. This research highlights the importance of establishing clear lines of accountability and support structures that empower audit committees to navigate agency problems effectively. Additionally, the insights suggest that governance frameworks should consider the influence of external factors, such as political dynamics and community expectations, on the behaviour of agents. This broadened perspective can create a more nuanced view of agency relationships in public governance, where ethics and stakeholder contributions are integrated into the analysis of accountability.

The findings also have significant implications for stakeholder theory, particularly in recognising the complex interplay between various stakeholder interests and the governance roles of audit committees. The research findings indicate that effective oversight requires audit committees to engage with a diverse range of stakeholders, including community members, local organisations, and municipal officials. The importance of stakeholder engagement highlights the need for stakeholder theory to evolve to better reflect the dynamics of public governance. This research suggests that audit committees must not only consider financial and operational performance but also the ethical implications of their oversight activities. Engaging stakeholders enhances transparency and accountability, demonstrating that diverse perspectives are essential for effective governance. Moreover, the findings advocate for an integrated stakeholder approach where audit committees actively incorporate community feedback into their oversight processes. This emphasises that accountability extends beyond mere compliance and includes responsiveness to the needs and expectations of constituents. As such, stakeholder theory can be expanded to emphasise the active role of audit committees as facilitators of stakeholder engagement, further reinforcing their importance in promoting ethical governance and long-term sustainability within local governance.

5.4 Assessment of the role of audit committees based on findings

The findings from this study provide a multifaceted assessment of the role of audit committees in local government, particularly in the context of ensuring accountability, integrating non-financial performance metrics, and upholding ethical governance. This assessment highlights both the strengths and weaknesses in current practices while addressing the research questions concerning stakeholder perceptions and the effectiveness of audit committees.

One of the primary roles of audit committees is to oversee financial reporting and ensure compliance with accounting standards and regulatory requirements. The findings indicate that audit committees have made significant contributions in this area, effectively monitoring financial statements, identifying discrepancies, and addressing audit findings. Participants recognise the importance of this function, which aligns with the existing literature asserting that audit committees are essential for maintaining financial integrity (Erasmus & Matsimela, 2020). However, while their effectiveness in financial oversight is well-documented, the findings also reveal a challenge when it comes to engaging with broader governance issues. Audit committees often focus narrowly on financial matters, limiting their capacity to influence comprehensive governance practices. The findings underscore a critical gap in the integration of non-financial performance metrics into audit committee activities. Participants expressed a clear demand for audit committees to evaluate non-financial outcomes, such as community service effectiveness and stakeholder engagement. However, despite recognition of the significance of these metrics, the practical implementation remains inconsistent. Audit committees often lack structured frameworks or guidance for assessing non-financial performance, which inhibits their effectiveness in promoting broader accountability within local governance. This limitation points to a need for audit committees to redefine their roles to include not only financial oversight but also active participation in evaluating how municipalities impact their communities. The findings also highlight the vital role audit committees play in fostering ethical governance and accountability. Some audit committee members expressed a strong commitment to promoting ethical standards; however, a lack of robust enforcement mechanisms for these standards emerged as a substantial challenge. Some audit committee members indicated that ethical breaches are not adequately addressed, which undermines their ability to uphold ethical governance. This gap echoes the literature that emphasises the need for well-defined accountability measures tied to ethical conduct (Cohen et al., 2002; Liston-Heyes & Juillet, 2022). Enhancing training programs focused on ethical standards and establishing clear reporting mechanisms for ethical violations could significantly improve the effectiveness of audit committees in this context.

5.5 Conclusion

Chapter 5 offered a comprehensive exploration of the qualitative findings derived from the data analysis, revealing important insights into the roles and challenges of audit committees within Gauteng local government. Stakeholders articulated a clear grasp of the fundamental responsibilities of audit committees, primarily associated with financial oversight, yet there is an emerging expectation for these committees to also engage with non-financial performance metrics. This shift reflects a broader recognition of the need for more comprehensive governance that aligns municipal actions with community needs. The study identified significant challenges faced by audit committees, including resource limitations, inadequate training, and ambiguities in role definitions, which underscore the necessity for municipalities to provide clearer support and guidance. Effective communication and stakeholder engagement are highlighted as critical components for audit committees to enhance their oversight functions, promoting transparency and accountability in local governance. Additionally, the findings illustrate how institutional and regulatory frameworks shape stakeholders' understanding of audit committee roles, establishing clear expectations that reinforce the significance of these committees as accountability mechanisms. Stakeholders widely recognise the commitment of audit committees to uphold ethical standards, viewing their role in fostering a culture of ethical governance as essential for maintaining public trust. Overall, this chapter presents a nuanced analysis of the connections between the perceptions of audit committee roles and the challenges they face, emphasising their integral contribution to accountability, transparency, and stakeholder engagement within local governance. These insights pave the way for the final chapter, where conclusions will be drawn, and recommendations will be proposed to improve the understanding and functioning of audit committees in the context of contemporary governance expectations.

6. Conclusion and Recommendations

6.1 Introduction

This chapter serves as the concluding section of this research report, synthesising the key findings and insights derived from the previous chapters. This chapter focuses on drawing overarching conclusions based on the examination of audit committees in Gauteng local government and their oversight of non-financial performance reporting. It integrates the themes identified throughout the analysis, providing a cohesive understanding of stakeholder perceptions regarding audit committee roles. In addition to summarising the findings, this chapter will offer practical recommendations aimed at improving the effectiveness and function of audit committees within local governance. These recommendations will be rooted in the challenges identified in the study, addressing areas such as resource constraints, the need for capacity building, and enhancing stakeholder engagement. Furthermore, this chapter will also outline potential avenues for future research, emphasising the importance of continued exploration of audit committee dynamics, evolving governance standards, and their implications for effective public sector management. By summarising the insights gained from this research and proposing actionable strategies, Chapter 6 aims to contribute to the ongoing discourse on governance and accountability in local government, enhancing the role of audit committees as guardians of public trust and community well-being.

6.2 Summary of key findings

The research on the role of audit committees in Gauteng local government, particularly concerning their oversight of non-financial performance reporting, yielded several significant findings. Through qualitative data analysis, including document analysis and semi-structured interviews, the study uncovered valuable insights into stakeholders' perceptions of audit committee roles, the challenges they face, and their overall impact on governance and accountability.

Stakeholders, including audit committee members, senior managers, and AGSA representatives, recognise the core responsibilities of audit committees in financial oversight but increasingly acknowledge the need to incorporate non-financial performance metrics, such as service delivery quality and community engagement. There is a disconnect between stakeholders' expectations and the actual practices, with many municipal managers viewing audit committees as compliance-oriented rather than proactive governance entities. This narrow interpretation limits the committees' influence on broader governance issues, such as risk management and community engagement. While there is growing acknowledgment of integrating non-financial performance metrics into audit committee practices, implementation remains inconsistent. Audit committees often lack structured frameworks for assessing non-financial aspects, which inhibits their ability to enhance accountability and transparency regarding service delivery and community impact. Audit committees face several challenges, including limited access to relevant information, insufficient training, and political pressures that undermine their effectiveness. Communication barriers between audit committees, municipal management, and external auditors further complicate collaboration, impacting the overall oversight capabilities of the committees. Audit committees are essential for promoting ethical governance, yet challenges in enforcing ethical guidelines hinder their effectiveness. The connection between ethical practices and accountability measures is often inadequately defined, leading to lapses in enforcement. Training focused on ethical governance is crucial for empowering committees to fulfil their roles effectively.

6.3 Practical recommendations for local government audit committees

Based on the findings of this study, the following practical recommendations are proposed to enhance the effectiveness of local government audit committees in promoting accountability, transparency, and ethical governance. These recommendations aim to address the challenges identified and align audit committee roles with contemporary governance expectations.

Broaden focus on non-financial performance metrics: Audit committees should work with municipal management to develop a clear framework for integrating non-financial performance metrics into their oversight processes. This could involve creating standardised performance indicators that align with community goals and governance standards. Establishing a clear framework for non-financial performance oversight will guide audit committees in evaluating and reporting on service delivery and community impact, enabling them to fulfil their governance roles effectively.

Enhance training and capacity building: Local municipalities should develop and implement comprehensive training programs for audit committee members that cover both financial and non-financial performance metrics. These programs should focus on the evaluation of community impact, service delivery effectiveness, and ethical governance practices. Strengthening the knowledge and skills of audit committee members will enable them to fulfil their expanded oversight responsibilities effectively, ensuring that they are well-equipped to assess a broader range of performance indicators.

Regular review and adaptation of audit committee roles: Local governments should regularly assess the roles and responsibilities of audit committees to ensure they adapt to changing governance needs and expectations. Annual reviews can help audit committees align their functions with current best practices and community requirements. Regular evaluations of audit committee roles will promote continuous improvement and allow committees to respond proactively to evolving accountability standards and stakeholder expectations in governance.

Establish clear reporting mechanisms for ethical breaches: Develop robust procedures for reporting ethical violations that protect whistleblowers and encourage an open culture for raising ethical concerns.

Adopt performance evaluation criteria for audit committees: Implement metrics to assess the effectiveness of audit committees in achieving oversight goals, using these evaluations to drive improvements.

Advocate for support from municipal management: Municipalities should prioritise the allocation of necessary resources to audit committees, including budgets for training, access to relevant data, and administrative support. This may involve increasing funding designated for audit committee operations and hiring additional staff to assist in oversight activities. Adequate resources are essential for audit committees to conduct thorough evaluations and assessments. By addressing resource constraints, municipalities can enhance the effectiveness of audit committees in their oversight roles.

Documentation and reporting enhancements: Audit committees should enhance their documentation and reporting practices to ensure that discussions, decisions, and stakeholder feedback are well-documented and communicated effectively to the municipal council and the public. Improved documentation and reporting practices foster transparency and accountability, offering stakeholders a clear view of the audit committee's activities and their contributions to governance.

6.4 Suggestions for future research

Based on the findings and discussions in this study, several avenues for future research are suggested to further explore the roles and effectiveness of audit committees in local government, particularly regarding their integration of non-financial performance metrics and ethical governance:

Comparative studies across regions: Conduct comparative studies of audit committees in different provinces or municipalities within South Africa to analyse how contextual factors (e.g., population size, socioeconomic conditions, and governance challenges) influence the roles and effectiveness of audit committees. Such studies could reveal best practices and offer insights into differing governance dynamics, enabling the development of tailored strategies for improving audit committee functions based on regional needs.

Longitudinal studies on audit committee evolution: Initiate longitudinal studies that track changes in the roles and functions of audit committees over time, particularly in response to regulatory changes, public expectations, and evolving governance practices. Longitudinal research could provide insights into how audit committees adapt to new challenges and responsibilities, helping to identify trends and patterns in governance practices over an extended period.

Impact of technology on audit committee functions: Explore how technological advancements, such as data analytics and automated reporting tools, impact the practices and effectiveness of audit committees in monitoring financial and non-financial performance. Understanding the role of technology in enhancing the oversight functions of audit committees could lead to the identification of innovative methods for improving accountability and efficiency in local governance.

Exploration of ethics and compliance training: Research the impact of targeted training programs on the ethical governance practices of audit committee members and their ability to oversee non-financial performance metrics effectively. By investigating the efficacy of capacity-building initiatives, this research can identify best practices for equipping audit committee members with the skills needed to navigate evolving governance standards and enhance public accountability.

Ethical Governance Frameworks: Explore how ethical governance frameworks can be strengthened within local governments. Research could investigate the enforcement of ethical standards, the effectiveness of reporting mechanisms for ethical breaches, and the role of audit committees in promoting a culture of integrity.

Case studies of successful audit committees: Conduct in-depth case studies of audit committees in municipalities recognised for their effective governance practices to identify and analyse the factors contributing to their success. Case studies can provide detailed insights into best practices and highlight strategies that can be adopted by other municipalities to enhance their audit committee functions.

6.5 Conclusion

This chapter synthesised findings from the study, providing a comprehensive understanding of the functions of audit committees within the local governance landscape of Gauteng. Stakeholder perceptions reveal that while audit committees play integral roles in overseeing financial integrity, facilitating risk management, and promoting accountability, there is a concerning trend of members primarily focusing on financial reporting. This oversight often neglects valuable non-financial insights, indicating a need for committees to broaden their perspectives and align their functions with the comprehensive governance needs of municipalities. In addition to the insights into roles, the study identified several challenges that impede the effectiveness of audit committees, such as resource limitations, insufficient training, and ambiguity regarding responsibilities. These challenges highlight the necessity for municipalities to strengthen support structures and provide clearer guidelines for audit committees.

The recommendations drawn from these insights aim to bolster the roles of audit committees by expanding training initiatives, allocating adequate resources, and fostering a culture of ethical governance. Additionally, the study suggests avenues for future research, such as comparative analyses across regions and the impact of technology on audit committee functions, which can further enrich the understanding of their critical roles in local governance. Overall, this study contributes to the discourse on audit committees by elucidating their perceived roles, challenges, and the regulatory frameworks that shape their operations, ultimately advocating for a more inclusive and effective approach to governance at the local level.

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