AUDITOR-GENERAL SOUTH AFRICA

115 YEARS 1911 - 2026

CONSOLIDATED GENERAL REPORT ON LOCAL GOVERNMENT AUDIT OUTCOMES

2024-25

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ANNEXURES

Annexures containing information on the following are available on our website (www.agsa.co.za):

- **Annexure 1:** Auditees' audit outcomes; areas qualified; and findings on performance reports, compliance, specific risk areas and unauthorised, irregular as well as fruitless and wasteful expenditure
- **Annexure 2:** Auditees' financial health indicators, supply chain management findings and root causes
- **Annexure 3:** Auditees' audit opinions over the past five years
- **Annexure 4:** Assessment of auditees' key controls at the time of the audit
- **Annexure 5:** Consultant costs

Our vision

To be recognised by all our stakeholders as a relevant supreme audit institution (SAI) that enhances public sector accountability

Our mission

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence

Contents

Foreword from the auditor-general

The 6th administration did not achieve the desired turnaround in local government

This general report for the 2024-25 period constitutes the final report ahead of the forthcoming local government elections. Although it does not represent the final year of the current administration, it marks a significant point for reflection and accountability. Over the past four years, mayors and councils of the 6th administration have made limited progress to strengthen governance and improve service delivery, as residents and businesses continue to experience unreliable service delivery, environmental hazards and deteriorating infrastructure.

However, there are some positive shoots. Notably, there has been a substantial reduction in the number of municipalities with repeat disclaimed audit opinions and a marked improvement in the timely submission of financial statements. This is testament to the enhanced support and oversight provided by national and provincial government.

Throughout the term, I have engaged with leaders at both national and provincial levels of government, including premiers, ministers, members of executive councils, Parliament and provincial legislatures, to advocate for intervention and support at municipalities experiencing persistent challenges.

Regrettably, the 2024-25 audit outcomes reveal concerning regressions at metropolitan municipalities. Oversight by councils and mayors at these municipalities remains ineffective; controls continue to deteriorate; and non-compliance with legislation is frequently trivialised as merely procedural, despite a heightened risk of fraud in procurement and significant financial loss arising from inadequate contract management. Fiscal discipline remains weak, with funds being mismanaged and wasted through deficient procurement practices and poor project planning, execution and implementation. There are also widespread contraventions of environmental laws and the continued failure to deliver, maintain and sustain adequate infrastructure.

The situation is more severe at municipalities that do not have the resources and capacity available to the metropolitan municipalities. The absence of adequate institutional capability, compounded by persistent governance failures, increases the vulnerability of communities to the adverse effects of poor municipal management.

As the current administration approaches the end of its term, it is imperative that all stakeholders critically reflect on both the progress achieved and the persistent shortcomings that remain. They can use the insights in this report to inform and drive meaningful improvements in the new term.

The poor responsiveness and disregard for accountability at municipal level have had tangible consequences. During the past year, I issued the first-ever certificate of debt, compelling a municipal manager to reimburse the municipality for a financial loss suffered because of his failure to act and remedy the situation. This unprecedented measure underscores the seriousness of the prevailing accountability deficit and affirms that sustained inaction and non-responsiveness will not be tolerated.

The expanded mandate given to my office was never intended to substitute the legislated responsibilities of municipal managers, mayors, councils or national and provincial governments and legislatures to address irregularities that result in the loss and misuse of public resources and cause harm to government institutions and the public. There is insufficient commitment to action recoveries and enforce consequences, which perpetuates a culture characterised by a lack of responsiveness and accountability. Unless these deficiencies are effectively addressed and remedied, meaningful and sustainable progress will remain unattainable.

My call to action is directed to the new mayors, speakers and council members who will be elected shortly to assume responsibility for representing their communities. Local government requires fundamental and far-reaching reform, driven by capable, collaborative and ethical leaders that are committed to building municipalities characterised by sustained institutional performance, accountable leadership and officials, transparent systems and processes as well as strong institutional integrity.

I further call upon the national and provincial spheres of government to collaborate with the local government sphere to strengthen institutional capability and build on the progress made over the term of the 6th administration. The legislative framework clearly defines the respective responsibilities of mayors, councils and executive authorities. However, what remains insufficient is the consistent, diligent and effective execution of these responsibilities.

As an office, we will continue to share our insights widely, advance tailored recommendations and advocate for leadership at all levels of government to play their part in shifting the culture in local government.

I extend my appreciation to the audit teams within my office and to the audit firms for their diligent efforts in supporting the fulfilment of our constitutional mandate and for their continued contribution to strengthening cooperation with government leadership. I also want to thank the leadership of all municipalities, municipal entities and provinces for their cooperation throughout the audit process.

I encourage the administrative and political leadership across all three spheres of government to utilise the information and insights presented in this report to enable the much-needed improvement at municipal level and in the lives of our country's citizens. I further call on civil society, business and citizens to actively engage in ensuring the effective functioning of local government. It is my hope that this report will serve to encourage all South Africans to be active participants in the broader accountability ecosystem.

As the Auditor-General of South Africa, we will continue to execute our mandate without fear, favour or prejudice – as we have done for 115 years.

24/Oct 2026

Tsakani Maluleke
Auditor-General

Executive summary

This general report presents insights from the 2024-25 audits of municipalities and municipal entities, together with information, statistics and observations on the state of local government during the fourth year of the 6th local government administration.

In our previous general report, we reiterated concerns regarding the little progress that has been made to improve the state of local government since the conclusion of the 5th administration's term. We further reported that, despite commitments aimed at improving governance, financial management and service delivery, the implementation of corrective action has been too slow and has yielded limited impact on the lived realities of South Africans.

Our call to action was directed to mayors and councils, as well as the ministers, members of executive councils (MECs) and committees in Parliament and provincial legislatures that are responsible for local government, to diligently perform their legislated governance and oversight responsibilities. We further encouraged municipal leadership to foster a culture of performance, transparency and institutional integrity, while remaining accountable to the communities they serve. We also emphasised the limited time remaining in their term of office to establish a lasting legacy of improved governance and enhanced service delivery.

Based on the overall audit outcomes for 2024-25 and the insights from our audit work at metropolitan municipalities (commonly referred to as metros) and the management of finances, infrastructure, procurement, contracts and consequences, we can only conclude that limited progress has been achieved and that the state of local government remains concerning.

Persistent poor audit outcomes with concerning regressions

In 2024-25, 145 municipalities (57%) obtained the same audit outcome as in 2020-21, the final year of the 5th administration. Regressions in audit outcomes should be a rare occurrence, particularly in the absence of significant changes to legislation or reporting requirements. Nevertheless, 38 municipalities (15%) representing 24% of the total local government expenditure budget have **regressed** since 2020-21, including municipalities that previously achieved clean audits and three metros.

Only 39 municipalities (15%) achieved **clean audits** in 2024-25. They collectively administered R52,60 billion, which constitutes approximately 8% of the total local government expenditure budget.

The 72 municipalities (28%) that have **improved** since 2020-21 were responsible for 13% of the total local government expenditure budget – 11 of the improvements were to a clean audit and 38 to an unqualified audit opinion with findings (from qualified, adverse or disclaimed opinions). Notably, 23 of the municipalities improved from a disclaimed audit opinion.

A **disclaimed audit opinion** is the worst audit outcome that a municipality can receive, as it means that we could not obtain adequate evidence for most of the information reported in its financial statements. The lack of transparency regarding the utilisation of public funds and the delivery of municipal services substantially weakens accountability, which often leads to residents being deprived of basic services and harmed by the municipalities' actions or inaction.

Municipalities, as well as the national government and provincial governments, paid attention to our message over the years to collaborate with the aim of eradicating disclaimed audit opinions. The number of municipalities receiving disclaimed audit opinions decreased from 35 in 2019-20 to eight in 2024-25. KwaZulu-Natal, Limpopo and Mpumalanga successfully eradicated disclaimed audit opinions entirely, while the number of such opinions in North West has decreased from nine to one since 2020-21.

However, seven municipalities have continued to receive disclaimed opinions for periods ranging from three to 10 years. Three of the seven 'repeat disclaimers' are in the Free State and two are in the Eastern Cape. These audit outcomes are primarily attributable to inadequate institutional capability and governance deficiencies within the accountability ecosystem.

The most prevalent outcome in 2024-25 was an **unqualified audit opinion with findings.** Most of the 117 municipalities in this category received an unqualified opinion only after correcting misstatements that were identified during the audit process. These municipalities demonstrated persistent material non-compliance, significant deficiencies in financial and performance reporting, and inadequate accountability and consequences. Collectively, these municipalities accounted for 45% of irregular expenditure, 37% of unauthorised expenditure, 30% of fruitless and wasteful expenditure and 31% of material irregularities (MIs) in local government.

Despite the risks associated with their continuing underperformance, most of these municipalities have demonstrated limited commitment to attaining a clean audit outcome. A total of 43 municipalities (37%) remained in this audit outcome category for between two and four consecutive years, while 24 municipalities (21%) have done so for periods ranging from five to nine years, and 20 municipalities (17%) for at least a decade. In part, this is due to accounting officers and political leaders misconstruing an unqualified audit opinion with findings as a good audit outcome and not as a stepping stone towards a clean audit.

Unreliable financial information and poor financial management practices contribute to financial distress and pressure on the fiscus

Municipalities improved on the timely submission of financial statements by the legislated date from 92% in 2021-22 to 98% in 2024-25 – the highest on-time submission rate achieved by local government to date. Contributing to this improvement was the MI process as well as pressure and support from national and provincial government.

In 2024-25, five municipalities in the Free State, Northern Cape and North West did not submit their financial statements for auditing by the legislated date due to capacity and system challenges, which were not appropriately and timeously dealt with by the accounting officer, mayor and council.

By 30 April 2026, the cut-off date for inclusion in this report, the audits of two municipalities in the Free State, namely Nala and Maluti-A-Phofung, had not been completed due to the late submission and the non-submission of financial statements, respectively. The audit of Nala was completed by 31 May 2026.

The credibility of municipal financial reporting remains compromised. In 2024-25, 99 municipalities (39%) received modified opinions (qualified, adverse or disclaimed opinions). A total of 195 municipalities (76%) submitted financial statements for auditing that contained material misstatements. Without the corrections that we permitted during the audit, only 24% would have received unqualified opinions – compared to the 61% that ultimately did.

Material misstatements were common in the amounts disclosed in the financial statements for revenue and receivables (162 municipalities (64%)) and in fixed and movable assets (129 municipalities (51%)). Although some municipalities corrected these misstatements during our audit process, the financial statements of those that failed to do so received modified opinions due to materially misstated revenue and receivable amounts at 80 municipalities (49%) and fixed and movable asset amounts at 54 municipalities (42%). Misstatements in these areas remain a critical concern – misstated revenue and receivables weaken municipalities' ability to fund services, while misstated assets impair resource planning and increase the risk of asset loss or misuse.

This discrepancy between the financial statements submitted for auditing and the information ultimately reported in the financial statements is not a technical matter, but rather reflects the absence of the daily and monthly controls necessary for credible financial reporting. It also raises questions about the quality of in-year reporting used for monitoring and decision-making throughout the financial year.

In 2024-25, the financial position of 62 municipalities (24%) was so severe that 54 municipalities disclosed a going concern uncertainty in their financial statements, while eight received modified audit opinions due to the lack of such disclosure. Thirty-three municipalities (53%) have remained in this position for four years or longer.

Our overall financial health assessment classified only 35% of municipalities as having good financial health, while 40% were assessed as concerning and 25% as unfavourable. The Free State, Mpumalanga and North West had the most municipalities in financial distress.

At year-end, more than half of municipalities (123, or 51%) did not have enough current assets to cover what they owed, while 174 municipalities (72%) did not have sufficient cash to pay their creditors.

Budget credibility continued to deteriorate. In 2024-25, 116 municipalities (45%) adopted unfunded budgets – up from 113 (44%) in the previous year. These municipalities committed to R288,17 billion in expenditure that they had no means to fund. A total of 77 of these municipalities (66%) had adopted unfunded budgets for four consecutive years. Collectively, 177 municipalities (69%) incurred unauthorised expenditure of R36,05 billion in 2024-25, bringing the cumulative total since 2021-22 to R118,13 billion.

Weak revenue management and spending practices continued to place pressure on municipal finances. Municipalities took an average of 129 days to collect amounts owed and wrote off R62,12 billion in debt that could not be recovered. Infrastructure neglect and poor management resulted in water distribution losses of R14,73 billion and electricity losses of R21,63 billion.

This resulted in 98 municipalities (41%) spending more than what they generated in revenue, leading to a total deficit of R17,41 billion in 2024-25. Poor payment practices persisted and 136 municipalities (53%) failed to pay suppliers on time, resulting in interest and penalties. This caused 83% of the R6,36 billion in fruitless and wasteful expenditure incurred in 2024-25. Since 2021-22, the cumulative fruitless and wasteful expenditure balance has grown to R24,12 billion.

Municipalities across all provinces continued to rely heavily on financial reporting consultants, with 225 municipalities spending R1,61 billion in 2024-25. This is much higher than a decade ago, when 179 municipalities spent R0,59 billion.

Despite this increased reliance and cost, 61% of municipalities using consultants submitted financial statements with material misstatements in the areas for which consultants were appointed. Reliance on consultants was most pronounced in the areas of financial statement preparation, asset management and tax-related matters. Consultants were appointed due to a lack of skills (53%), a combination of skills shortages and vacancies (41%) or vacancies (6%). Consultant appointments were often recurring and increasingly concentrated among a limited number of service providers across multiple service areas and over successive years.

Accountability and decision-making weakened by poor quality of performance reports

In 2024-25, all municipalities prepared and submitted performance reports for auditing, which is a meaningful milestone. However, the quality of the performance reports continued to be poor.

A performance report should include information that is useful for both the council and the public to determine whether the municipality has delivered on its core mandated functions (such as delivering basic services) and is on track to deliver on its integrated development plan. The reported achievements must also be reliable. We reported material findings on the usefulness and reliability of the information included in the performance reports of 123 municipalities (48%).

The quality of the performance reports and supporting information submitted for auditing is a good indicator of the credibility of municipality's in-year performance reporting used for monitoring and decision-making. In 2024-25, we reported material findings on 185 (73%) of the performance reports submitted for auditing. If we had not allowed municipalities to correct the misstatements, the performance reports of only 27% would have been useful and reliable for oversight purposes, compared to the 52% that eventually were.

Non-compliance with legislation on strategic planning and performance management remained high, with material findings at 103 municipalities (40%). The most common non-compliance was with the requirement for municipalities to establish and maintain effective performance management systems and related controls – these were not in place at a third of municipalities. This lack of proper processes and systems, combined with vacancies, a lack of skills, the limited impact of internal audit units and audit committees as well as ineffective oversight by mayors and councils, are some of the main causes of continued weaknesses in the overall performance planning, management and reporting environment.

Disregard for legislation and a lack of consequences

Non-compliance with key legislation remains the most pervasive failure in local government. The pattern of non-compliance observed in the previous administration continued. In 2024-25, 215 municipalities (84%) received material findings on compliance – 199 (78%) of which have received material findings for all four years of the current administration. All municipalities in the Free State and North West and more than 70% of municipalities in every other province, except the Western Cape, had material findings on compliance.

High levels of non-compliance were evident across most areas that we audit and were particularly pronounced in areas such as the quality of financial statements; the prevention of unauthorised, irregular, and fruitless and wasteful expenditure; procurement and contract management; expenditure management; and consequence management. The financial and non-financial costs of non-compliance remained significant, contributing to losses, weakened accountability and a lack of transparency, which had a negative effect on financial viability, performance and service delivery.

Irregular expenditure caused by deviations from procurement and payment legislation and processes should remain a critical concern for all stakeholders in the accountability ecosystem. It serves as a tangible indicator of the failure to uphold the principles of good governance.

Since 2021-22, municipalities and their municipal entities have incurred irregular expenditure of R145,21 billion; R40,14 billion was incurred in 2024-25 alone. Non-compliance with procurement and contract management legislation was the reason for 87% of this total.

We audited 10 830 awards valued at R65,12 billion in 2024-25. A total of 216 municipalities (85%) did not comply with procurement and contract management legislation in making these awards and we identified material non-compliance at 60%. The breaches of the five pillars of procurement (procurement must be fair, equitable, transparent, competitive and cost-effective) directly translated into R32,03 billion of irregular expenditure in 2024-25: R27,85 billion because of unfair, non-transparent and uncompetitive procurement and R4,18 billion due to non-equitable procurement.

Prohibited awards to suppliers owned or managed by employees totalled over R154,62 million at 10 municipalities. Awards of R717,35 million were made to suppliers connected to close family members and business associates. However, the prevalence of these awards has decreased over the administration.

We identified fraud risk indicators and allegations of fraud at 96 municipalities. We notified the accounting officers of 27 MIs related to fraud in procurement and contract management processes – one was on suspected fraud and 26 on non-compliance with legislation with fraud indicators.

Consequence management remained inadequate, with this most evident in the slow responses to investigating allegations of financial and procurement misconduct and fraud indicators; and not investigating and/or not properly dealing with unauthorised, irregular, and fruitless and wasteful expenditure balances.

This has resulted in recurring non-compliance and delays in financial loss recoveries, disciplinary processes and referrals to law-enforcement agencies. These delays stall the entire accountability cycle and may result in financial losses becoming irrecoverable. Councils also continued to write off rather than investigate and recover unauthorised, irregular, and fruitless and wasteful expenditure – disposing of accountability obligations as accounting entries rather than enforcing them as governance requirements.

Municipal infrastructure is neglected, projects are delayed and funds are mismanaged

In 2024-25, not all municipalities spent the grant funding that they received in compliance with the Division of Revenue Act (Dora), resulting in material non-compliance at 25 municipalities (11%). At 21 municipalities (9%), the non-compliance related to the utilisation of municipal infrastructure, regional bulk infrastructure and water services infrastructure grants. These grants were spent on operational costs or not in accordance with the business plan and/or spending information and evidence were not provided for audit purposes.

The infrastructure grants were allocated to 14 (67%) of these 21 municipalities despite them materially not complying with Dora in 2023-24. In 2023-24, three (14%) of these municipalities had a disclaimed audit opinion and two (10%) again received this audit outcome in 2024-25. The risk of grant mismanagement and financial loss increases when direct conditional grants are allocated to municipalities with a poor control environment and a history of non-compliance and infrastructure project failures.

We audited 129 infrastructure projects with a combined estimated cost of R14,16 billion at 59 municipalities and three municipal entities.

We reported findings on 101 projects (78%) and the average project delay was 25 months. Housing projects were most severely affected (85% with findings; average delays of 39 months). The pattern is consistent: projects planned for communities are not delivered on time or on budget and prior-year deficiencies are not resolved.

Our fraud specialists audited 21 infrastructure projects with a combined estimated cost of R2,91 billion. They found non-compliance with procurement and contract management legislation in awards totalling R2,17 billion across 17 projects.

A lack of infrastructure maintenance and delays in upgrading or renewal of infrastructure carry direct environmental consequences. Of the 35 wastewater treatment works inspected, 22 wastewater facilities (63%) discharged wastewater that did not comply with required effluent standards. Raw sewage was entering rivers and coastal systems, causing ecological damage and directly harming the communities that depend on these natural water sources. Of the 31 landfill sites inspected, 30 (97%) were not managed in accordance with licensing conditions.

Metros' audit outcomes and performance continue to decline, affecting the daily lives of millions of people

According to the 2022 census, approximately 24,9 million people live in metropolitan areas, representing around 40% of the total population. In 2024-25, metros and their municipal entities were responsible for service delivery to 8,9 million households (46% of all households in the country). The metros managed R335,97 billion (54%) of the total local government expenditure budget.

Well-functioning metros are essential to South Africa's inclusive urban growth, social stability and sustainable development. They are expected to demonstrate exemplary service delivery performance owing to their broader revenue bases and better capacity.

Audit outcomes serve as an indicator of whether a metro has established sound financial and performance management practices and has a culture rooted in accountability, transparency and institutional integrity – all of which are essential for effective and sustainable service delivery. The audit outcomes of metros continued to regress in 2024-25, reflecting that these fundamentals are not in place. A summary of the outcomes is as follows:

- None of the metros achieved a clean audit.
- The metros with qualified audit opinions increased over the administration's term from two to five. The financial statements of only City of Cape Town and eThekwini and the consolidated financial statements of only City of Johannesburg (which includes the municipal entities' financial statements) received unqualified audit opinions. The separate financial statements of City of Johannesburg regressed to a qualified audit opinion.

  The qualified audit opinions on financial statements were due to weaknesses in in-year and year-end reporting, poor record-keeping, weak internal review and reconciliation processes as well as over-reliance on the audit process to identify material misstatements.

- We reported material findings on performance reporting at all metros, except City of Cape Town and City of Ekurhuleni.

  Performance reporting weaknesses were mainly caused by inadequate systems, processes and controls to plan, collate, record, measure and report on performance. We found processes to be manual and prone to error. Some metros had ineffective in-year monitoring with unreliable information, while internal audit units and audit committees did not provide the required assurance on performance information.

- We reported material findings on compliance with key legislation at all metros. Persistent non-compliance by metros and their municipal entities over the four years of the administration caused irregular expenditure of R73,87 billion (R23,14 billion in 2024-25), 77% of which was due to non-compliance in the procurement and contract management processes. The weaknesses identified in these processes created an environment susceptible to fraud and manipulation and increased the risk of financial loss.

  The high levels of non-compliance were due to a lack of institutionalised controls to ensure that leadership and officials behave ethically, comply with legislation, act in the best interest of the metro and prevent any conflicts of interest.

The audit process includes a formal dispute resolution mechanism to address matters of disagreement between our office as external auditor and the auditees that we audit. At the end of the 2024-25 audit cycle, Buffalo City, City of Cape Town, City of Ekurhuleni and City of Johannesburg lodged formal disputes on our audit findings. The finalisation of the audits of City of Cape Town, City of Ekurhuleni and City of Johannesburg was delayed due to the time it took to resolve the disputes.

We do not audit the performance of metros but, through our work on their financial statements, performance reports and infrastructure and environmental management, we identified that both their financial and service delivery-related performance is at risk.

Based on the financial assessment that we perform as part of our audits, only City of Cape Town and eThekwini had good financial health indicators. The other metros had multiple indicators of financial distress, with City of Ekurhuleni and Mangaung being the worst off. City of Ekurhuleni disclosed going concern uncertainties in 2024-25. Mangaung has now made such a disclosure for nine consecutive years, indicating that, based on the metro's own assessment, its existing financial plans are unlikely to improve its financial position in the near future.

Poor budgeting processes resulted in the 2024-25 budgets of City of Ekurhuleni, City of Johannesburg and City of Tshwane to be unfunded. City of Tshwane has been adopting unfunded budgets for the past four years. As a result of budgets not being properly monitored, metros have incurred R21,72 billion in unauthorised expenditure since 2021-22.

Since 2021-22, metros have also accumulated R4,65 billion in fruitless and wasteful expenditure – 49% of which arose from interest and penalties due to late payments. The average creditor-payment period across metros was 121 days.

Metros lose a significant amount of revenue through water and electricity losses, putting further strain on their financial position. In 2024-25, the estimated water losses for the eight metros totalled R9,89 billon (39% loss average) and electricity losses were estimated at R17,28 billion (20% loss average). Money is also lost due to incorrect and incomplete billing and low collection rates. In 2024-25, R39,33 billion of the consumer debt was written off or impaired (likely to be written off), largely due to non-paying customers (which included government institutions). The average debt-collection period for metros was 144 days.

All the metros showed indications of underinvestment in asset maintenance and renewal, which contributed to metro residents experiencing deteriorating municipal infrastructure.

Severe infrastructure neglect resulted in environmental pollution and negatively affected public health and safety. We reported material non-compliance with environmental management legislation at four metros (50%). These are not regulatory technicalities – they represent communities exposed to contaminated water, uncontrolled landfill sites and untreated sewage.

Systemic weaknesses continued to constrain effective and sustainable housing delivery. We audited 12 housing projects with a combined cost of R1,73 billion across metros and raised findings on 10 projects (R1,66 billion). Our work found that projects were not consistently prioritised in line with approved plans or community needs, while weak project planning and management led to delays, cost pressures, poor build quality or completed housing without essential services. Interim housing provided to beneficiaries also did not consistently meet required health and safety standards.

Instability in councils and in the positions of mayors, accounting officers and chief financial officers continued to impact the operations of the metros. By year-end, the average metro vacancy rate reached 23% and the senior management vacancy rate 25%. The high vacancy rate in the technical departments tasked with electricity, water, wastewater and solid waste services at some metros had a negative impact on performance reporting, target achievement and service delivery.

Our audits again revealed significant deficiencies in the information technology (IT) environment of metros, along with cybersecurity vulnerabilities. These areas are not prioritised and IT is not viewed as a strategic enabler.

Internal audit units and audit committees were in place and operational across all metros. They performed all their legislated responsibilities to review financial and performance information, compliance and risk management, except at City of Tshwane and Mangaung.

However, the contributions by internal audit units and audit committees did not consistently translate into stronger financial management or better audit outcomes. This was mainly due to weak methodologies, inadequate internal audit coverage, compromised independence, ineffective follow-up on findings, management's poor implementation of recommendations and high vacancy rates in internal audit units. In all metros other than City of Cape Town, internal audit and audit committee processes did not provide sufficient assurance over critical risk areas.

The lack of accountability at most metros is clear from the slow response to dealing with unauthorised, irregular, and fruitless and wasteful expenditure, as well as the ineffective accountability structures and processes that we observed. It is also rare for metro leadership (including mayors) to account to provincial legislatures, but Parliament has increased its oversight of metros.

We reiterate our call from previous general reports to the ministers for finance and for cooperative governance to direct sustained, structural solutions for metros. The extent of underperformance, continued governance failures and accumulation of billions of rand in irregular expenditure necessitate systemic involvement by all roleplayers in the accountability ecosystem to improve the quality of life for millions of residents.

Delays in resolving material irregularities and a lack of monitoring and oversight

The nature of the 516 MIs that we have identified since the Public Audit Act was amended in April 2019 mirrors the concerns on which we have been reporting throughout the term of the administration.

Money is being lost through non-compliance with legislation and suspected fraud. We identified 305 MIs in this area with an estimated financial loss totalling R10,23 billion.

We also identified 96 MIs that were causing substantial harm to the local government accountability processes and financial health. We identified a further 110 MIs that were causing substantial harm to the public due to action or inaction by municipalities, most of which related to the pollution of water sources (69) and the mismanagement of landfill sites (29).

The MI process is not yet having the desired impact in local government, due largely to instability in accounting officer positions; a slow response by accounting officers to our notifications, recommendations and remedial actions; prolonged investigations or delays in concluding criminal proceedings; and delays in disciplining officials. While some auditees have strengthened internal controls to prevent irregularities from recurring, many fail to address the root causes, thereby remaining exposed to future MIs.

In our previous general reports and through engagements over the term of this administration, we have encouraged leadership at all levels (including political leadership) to embrace the process as a tool to strengthen financial and performance management so that irregularities (such as non-compliance, fraud, theft and breaches of fiduciary duties) and their resulting impact can be prevented or dealt with appropriately.

However, our recommendations on increased oversight and monitoring have not been implemented widely. Where we escalate the non-responsiveness to mayors and provincial government leaders, it is rare for them to act or for their actions to have a significant impact.

As a result, the number of MIs where we invoked our expanded powers (or are in the decision-making process) increased to 158 (31%). During the past year, the first-ever certificate of debt was issued, compelling an accounting officer to reimburse the municipality for financial loss suffered because of his failure to act and remedy the situation. We also commenced with the certificate-of-debt process for three other MIs.

Despite these challenges, the MI process continues to yield results. Since 2019, 261 MIs (51%) have been resolved. The impact of actions taken by accounting officers (on their own account or in response to recommendations or remedial actions) or by the public bodies to which we referred MIs includes the following:

- The prevention or recovery of financial losses (an estimated R1,69 billion has been recovered, is in the process of being recovered or has been prevented).
- Improvements in the management of wastewater treatment works and landfill sites.
- The submission of overdue financial statements and performance reports for auditing.
- Improved accounting records, which resulted in the reduction of municipalities with repeat disclaimed audit opinions.
- The institution of consequences for officials (disciplinary processes) and suppliers (cancelling of contracts) as well as fraud or criminal investigations.

Our referrals to the Department of Water and Sanitation and the Department of Forestry, Fisheries and the Environment for non-compliance with environmental legislation have resulted in criminal cases being opened and referrals being made to the National Prosecuting Authority for prosecution. Referrals to the Special Investigating Unit and the Directorate for Priority Crime Investigation have led to preservation orders, the recovery of losses, losses in the process of recovery, arrests made and matters being referred for prosecution.

Call to action

Throughout the term of this administration, we have directed our messages to the local government accountability ecosystem. We called on all roleplayers to diligently perform their legislated duties, embrace accountability and transparency, implement consequences for transgressions and poor performance, and work in a coordinated and collaborative manner to improve service delivery and fiscal discipline. There have been some encouraging signs of responsiveness to our messages but the impact remained limited.

The root causes of continued poor audit outcomes and municipal failures can be traced to persistent accountability ecosystem failures at multiple levels. Our audits again confirmed that accounting officers, senior managers, mayors and councils are not doing what legislation requires of them or they are not effective in performing these duties.

At municipal administration level, a lack of institutional capability and integrity remains the primary driver of poor financial and performance reporting, non-compliance with legislation and weak municipal financial health.

The following are the main areas that need attention:

- Continued skills and capacity gaps, resulting in reliance on consultants and other service providers at a high cost for which value for money is not always received.
- Controls that are not implemented or not operating effectively, resulting in errors, non-compliance, fraud, losses and misconduct not being prevented or detected timeously. Although internal audit units and audit committees have been established to support accounting officers and senior management with implementing and monitoring controls, the reports and recommendations of these structures are often ignored, diminishing their effectiveness.
- IT systems in local government are either not effective or are not used effectively to automate and protect the integrity of key processes such as billing revenue, managing assets, processing payments and accounting for transactions. Not enough skills, funding, connectivity or data standards are made available for municipal digital transformation, which remains inconsistent and vendor led. As a result, operational efficiency is weakened, there is an increased risk of errors, fraud and compromised data integrity across critical municipal functions, and municipalities cannot fully leverage digital opportunities for better services.
- Controls to promote ethical behaviour and compliance with legislation are not in place or institutionalised and a culture of no accountability and no consequences persists.

As part of our audits, we made recommendations to accounting officers and their senior management and we notified them of MIs; however, their slow response, compounded by instability in the accounting officer position, delayed corrective action.

The legislative framework sufficiently deals with the governance responsibilities of mayors and councils, but implementation is inconsistent. Where it is implemented, it is often without impact. Governance failures continued in all key areas of decision-making by mayors and councils, including the following:

- Budgets and service delivery and budget implementation plans (SDBIPs) were often treated as compliance requirements rather than tools for effective planning and performance oversight.
- Due to a combination of unreliable information and a lack of diligence and impactful decision-making by mayors and councils, in-year monitoring had little impact on preventing and dealing with financial and service delivery problems.
- Despite the rich information in the annual reports of municipalities pointing to underperformance, unreliable information, financial distress and losses, non-compliance and MIs, the accountability processes of councils had little impact on municipal performance, as evidenced by the lack of improvement in audit outcomes and financial health.
- The municipal public accounts committees have a specific role to play in the accountability process and in enabling consequences where appropriate. In our assessment, only a third of these committees are dealing with such matters appropriately.
- Absent or ineffective disciplinary boards and inadequate investigation of unauthorised, irregular, and fruitless and wasteful expenditure limited opportunities to recover financial losses and reinforced the tone that accountability and consequences are not important.

If municipalities are failing in their reporting responsibilities, are not performing well or are not addressing our findings, legislation enables the national government, provincial governments and legislatures to ensure that the required corrective action is taken – and to intervene where necessary.

However, we found that MECs for local government in some provinces did not comply in this area, while provincial legislatures did not always provide sufficient oversight.

The backlog in the tabling of consolidated local government reports by the cooperative governance minister to Parliament that we reported on in our previous general report was addressed, with outstanding reports for 2021-22 to 2023-24 completed and tabled in December 2025.

We call on mayors, councils, national and provincial executive authorities and legislatures to diligently perform their legislated governance and oversight responsibilities through impactful decision-making and enforcing accountability.

Again, we recommend prioritising the following:

- **Build capable institutions through coordinated intergovernmental support:** Support from all spheres of government – through coordinated and collaborative efforts in partnership with municipal leadership – is needed to promote strong governance within municipalities.
- **Professionalise and capacitate local government:** Accounting officers, councils and provincial leadership must ensure compliant appointments and targeted skills development to professionalise municipal administrations, retain scarce skills and position local government as a sustainable career of choice for skilled professionals.
- **Instil a culture of ethics and accountability:** A shared commitment to responsiveness, consequence management, accountability and ethical conduct is essential to ensure timely action and that individuals are held accountable for their actions, or inaction. Active support for and responsiveness to the MI process are essential to demonstrate commitment to accountability, protect public resources and strengthen institutional integrity.

Post-election changes in political leadership often contribute to further regressions in municipal audit outcomes. The calibre and capability of the elected leaders will determine the success of the 7th administration. In this regard, we recommend the following:

- Political parties should prioritise the **capability and integrity of the candidates** put forward as council members and mayors.
- The **induction process** of the new council members by the South African Local Government Association, Department of Cooperative Governance and National Treasury should be of a high quality. Special attention should be paid to the capacitation of members of the mayoral committees for finance, particularly at metros.
- **Stability in the administration** should be maintained where it has performed relatively well and disruptions arising from changes in accounting officers and senior management should be minimised.

These recommendations are directed mostly to the mayors; the executives in national and provincial government; and the members and committees of councils, Parliament and the provincial legislatures to diligently perform their legislated governance and oversight responsibilities. But we also call on civil society, business and citizens to continue to play their part in the local government accountability ecosystem.

Our commitment is to work and support local government through our audits; use the insights from these audits to illuminate understanding of the challenges at municipal, municipal entity and provincial government level; and advocate for action. We will continue to use our expanded powers to step in where the accountability ecosystem fails.

01 Introduction

This report provides a reflection on the audit outcomes of local government and presents observations and insights derived from the audits for the financial year ended 30 June 2025 (i.e. 2024-25) – the fourth year of the 6th administration in local government – as well as from the administrative term to date.

Local government constitutes the sphere of government that is closest to South African citizens, because it is responsible for the delivery of basic services that have a direct impact on their lives. It is designed to function through an inclusive, democratic and accountable system underpinned by transparency and strong institutional integrity, with the interests of residents and business being represented by the people that they elect and the communities and community organisations that are directly involved through structured public participation processes.

In order to achieve these objectives, ensure effective service delivery and enhance the quality of life of residents in towns and cities across South Africa, the institutional culture within local government must be characterised by performance, accountability, transparency and institutional integrity. The country's Constitution envisages such a culture as the basic values and principles that should govern public administration.

Characteristics of an effective local government culture

An effective culture is built on strong institutional capability, which includes the following:

- **Technical knowledge and skills:** relevant expertise necessary for effective functioning.
- **Resources:** access to essential and adequate financial, human and material resources.
- **Governance and management:** a vital and strong governance structure and effective management practices for ensuring efficient operations.
- **Systems, processes and controls:** existence of clear and efficient systems and processes and a strong control environment to effectively implement policies and programmes.
- **Coordination and collaboration:** enhanced and effective coordination and collaboration within a municipality, between different stakeholders and across all three spheres of government for achieving shared goals.

1.1 The local government system

Section 40 of the Constitution enshrines local government as a distinct sphere of government, independent of national and provincial government. However, the section also emphasises the need for cooperative governance, stating that the three spheres of government are 'distinctive, interdependent and interrelated', meaning that they must work together to achieve service delivery.

During 2024-25, local government managed an estimated expenditure budget of R622,56 billion. The national government and provincial governments also provide funding to local government through equitable share allocations and grant funding. In 2024-25, municipalities received an equitable share allocation of R99,92 billion and grants of R59,46 billion. The utilisation of the grants is monitored by the national or provincial departments that provided the grant.

Municipalities are required to contribute to the attainment of national aspirations, as articulated in the National Development Plan, by participating in and delivering on government-wide and province-specific programmes. A key priority of the 2024-29 Medium-Term Development Plan is to build a capable, ethical and developmental state, with one of the envisaged outcomes being 'improved service delivery in the local government sphere', which requires multiple interventions at all levels of government.

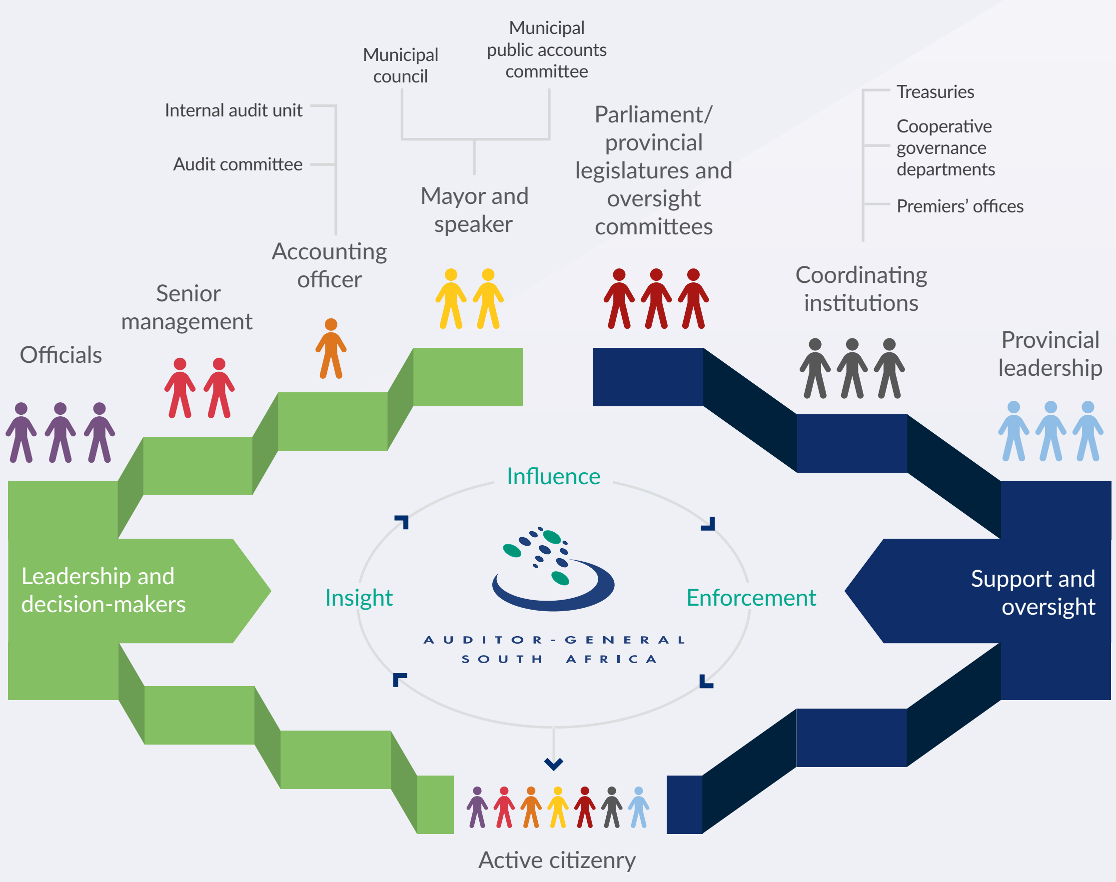
Each municipality is accountable to its residents directly through its municipal council. Municipalities are also accountable to the broader citizenry through the legislated reports on local government that are tabled in provincial legislatures and Parliament.

The legislative framework governing municipalities and municipal entities sets out clear processes and delineates the responsibilities of all roleplayers in both local government (including municipal administration, mayors and councils) as well as in the provincial and national spheres of government. It also defines who should act if a municipality is failing. The most relevant legislation that we reflect on in this report is the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA). This legislation, together with its accompanying and detailed regulations, allows for institutional capability to enable the envisioned culture of performance, accountability, transparency and institutional integrity.

However, this culture is not what is experienced in local government, largely as a result of the limited effectiveness of roleplayers in executing their statutory obligations.

In previous general reports, we emphasised the important role of the members of the accountability ecosystem within local government and, accordingly, directed our calls to action to these stakeholders.

Accountability ecosystem for local government



The effectiveness of local government is contingent upon the coordinated functioning of the entire accountability ecosystem, wherein all the actors operate collaboratively and with due recognition of the interdependence and complementarity of their respective roles. Where any part of the ecosystem fails to fulfil its unique legislated role effectively, the overall functionality of the system is compromised. In instances of poor audit outcomes, this further implies systemic failure across the accountability ecosystem, including at executive and oversight levels.

In this report and in the call to action, we focus on the legislated responsibilities of those in the accountability ecosystem responsible for the planning, budgeting, monitoring and reporting process.

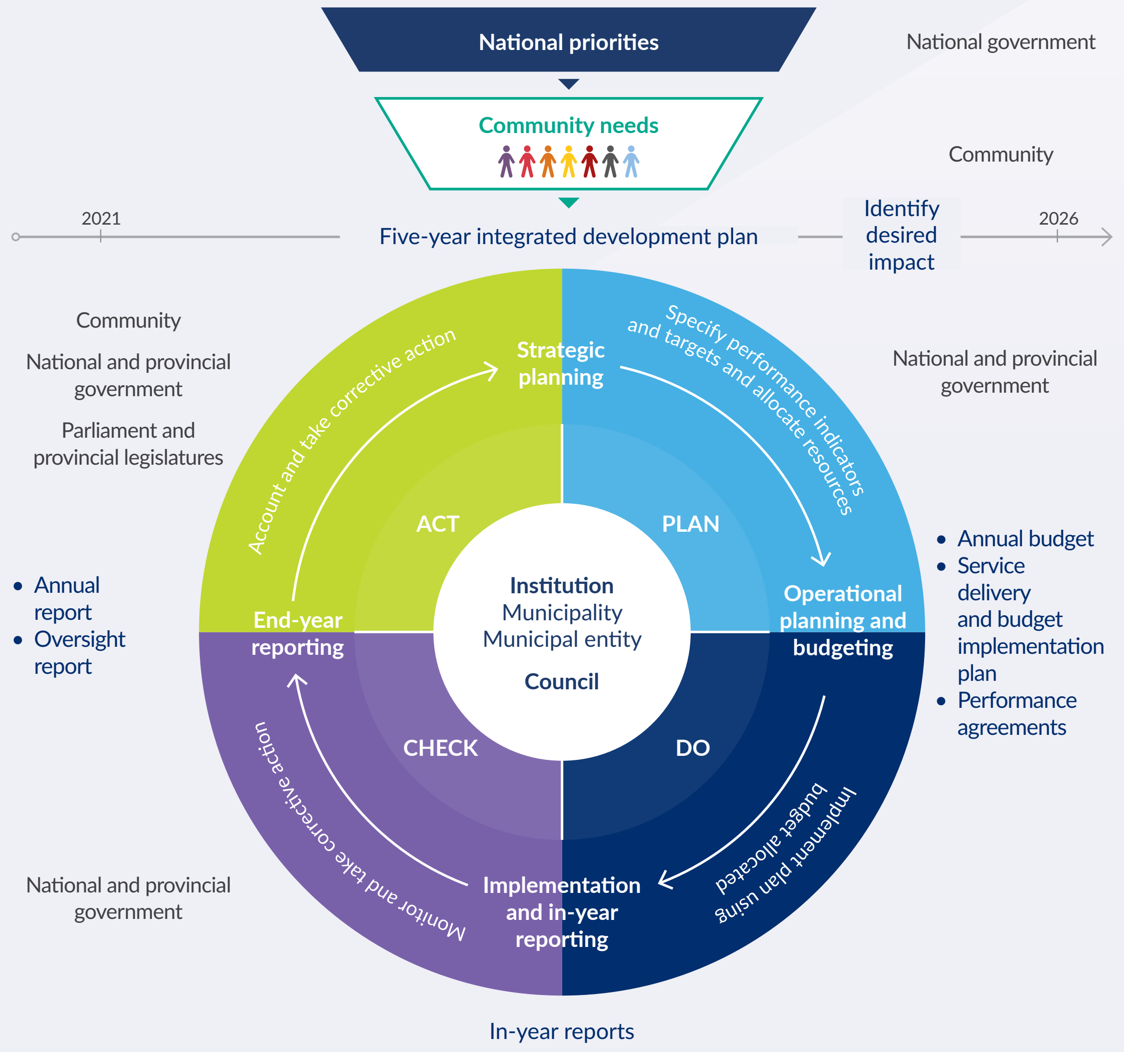
1.2 Planning, budgeting, monitoring and reporting process

The overall planning, budgeting, monitoring and reporting process in local government has been specifically designed to support a basic 'plan-do-check-act' system. It enables municipal councils to exercise direct oversight of municipalities and also allows for participation, support and monitoring by the national government and provincial governments, Parliament and provincial legislatures as well as communities throughout the process.

The effectiveness of the process is heavily dependent on timely, relevant and reliable financial and performance reports. To ensure that the reports used for oversight and monitoring purposes include relevant and reliable information, some of the roleplayers in the accountability ecosystem also have an assurance role. During the financial year, this responsibility is discharged by senior management, accounting officers, internal audit units, audit committees and mayors. As an independent assurance provider, we are mandated to provide assurance on the financial statements, performance reports and key compliance matters.

The remainder of this subsection elaborates on the planning, budgeting, monitoring and reporting process as well as the respective responsibilities of the different roleplayers involved.

Planning, budgeting, monitoring and reporting process



The **integrated development plan** (IDP) is the strategic plan for the administrative term. It is drafted by the mayor, assisted by the accounting officer, taking into account the needs of communities (as determined through public participation processes) and national priorities. The council officially adopts the plan as the blueprint for service delivery over its administrative term, in line with sections 28 to 30 of the MSA.

The IDPs for the 6th administration were adopted by councils in 2021-22. The **annual planning, budgeting and performance agreement process** operationalises these plans and sets each municipality up for success. The national government and provincial governments also have a distinct role to play in this process to ensure that municipal budgets are sound and finalised in time.

Legislated process and responsibilities

Annual planning, budgeting and performance agreements
The **mayor** (assisted by the accounting officer) coordinates the budget preparation process, which includes consulting districts and treasuries. *Sections 21, 53 and 68 of the MFMA*
The **National Treasury** may review budgets of metros and intermediate cities; and provincial treasuries review budgets of other municipalities (as delegated). *Section 5(2) of the MFMA*
The **council** approves the budget and revenue-raising measures (e.g. tariffs) after considering the views of communities, treasuries or others in national and provincial government. *Section 23(1) of the MFMA*
The **member of the executive council (MEC) for local government** intervenes if the budget or revenue-raising measures are not approved in time, which can include dissolving the council and appointing an administrator. *Sections 26 and 136(3) of the MFMA; section 139(4) of the Constitution*
The **accounting officer** drafts the service delivery and budget implementation plan (SDBIP). *Section 69(3)(a) of the MFMA*
The **mayor** approves the SDBIP after the council has approved the budget. *Section 53(1)(c)(ii) of the MFMA*
The **accounting officer** drafts the performance agreements for the accounting officer and senior managers. *Section 69(3)(b) of the MFMA*
The **mayor** ensures that the agreements are linked to measurable performance objectives approved with the budget and the SDBIP. *Section 53(1)(c)(iii)(bb) of the MFMA*
The **mayor** enters into a performance agreement with the accounting officer, and the accounting officer with senior management. *Section 57(2)(b) and (c) of the MSA*
The **mayor** ensures that the SDBIP is made public no later than 14 days after it is approved. *Section 53(3)(a) of the MFMA*

The accounting officer, supported by senior management, is responsible for **implementing the approved budget and the SDBIP** (section 69 of the MFMA) and implements the IDP and monitors progress against the plan at an overall level (section 53(1) of the MSA). They also have overall responsibility for the administration, which includes managing the financial administration, revenue, expenditure, assets, transfer of funds, supply chain management, and the enforcement and monitoring of contracts (sections 62–67, 115 and 116 of the MFMA). Further responsibilities include managing the provision of services, implementing municipal bylaws as well as national and provincial legislation, facilitating public participation and assessing community satisfaction with services (section 55(1) of the MSA).

The administration's performance is **monitored through a process of in-year reporting,** but the effectiveness of this process depends on timely, relevant and reliable reports being submitted and action being taken to correct deviations or address challenges.

Legislated process and responsibilities

In-year monitoring and corrective action

The **mayor** monitors and may oversee – without interfering – how the accounting officer and chief financial officer exercise their responsibilities and ensures that municipal functions are performed within the limits of the approved budget.

Section 52 of the MFMA

The **accounting officer** prepares:

- monthly budget statements

Section 71(1) of the MFMA

- a mid-year budget and performance assessment.

Section 72(1) of the MFMA

The **audit committee** advises the accounting officer, the mayor and the council on the adequacy, reliability and accuracy of financial reporting and information.

Section 166(2)(a)(iv) of the MFMA

The **internal audit unit** assesses the extent to which performance measurements are reliable in measuring the municipality's performance on indicators and submits quarterly reports on these assessments to the accounting officer and audit committee.

Municipal planning and performance management regulation 14(1)(b)(iii) and (c) (ii)

The **audit committee** reviews the internal audit unit's quarterly reports on performance measurements and, at least twice a year, submits a report to the municipal council.

Municipal planning and performance management regulation 14(4)(a)(i and iii)

The **mayor** uses the monthly budget statements to check how the budget is being implemented and to identify any financial problems. The mayor also submits a mid-year report to the council.

Section 54(1)(b), (d) and (f) of the MFMA

The **mayor** uses the mid-year performance report to consider if it is necessary to make any revisions to the SDBIP. Any revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council, following approval of an adjustments budget.

Section 54(1)(c) of the MFMA

The **mayor** must ensure that any revisions to the SDBIP are made public promptly.

Section 54(3) of the MFMA

In-year monitoring and corrective action (continued)

The **accounting officer** must make the adjustments budget public within 10 days after the council has approved it.

Municipal budget and reporting regulation 26(1)

The **mayor** submits to the council:

- quarterly reports on how the budget is being implemented and on the municipality's financial affairs (within 30 days of the end of each quarter)

  Section 52(d) of the MFMA

- a mid-year performance report (by 31 January each year).

  Section 54(1)(f) of the MFMA

The **provincial treasury** prepares a consolidated quarterly budget statement for municipalities in the province and makes it public. The **MEC for finance** submits the statement to the provincial legislature.

Section 71(7) of the MFMA

The **accounting officer** may prepare an adjustments budget and revisions to the SDBIP for consideration and tabling by the mayor and approval by the **council.**

Sections 28(1), 69(2) and 54(1) of the MFMA

In case of serious financial problems, the **mayor** takes the required actions proposed by the accounting officer and alerts the council and the MEC for local government.

Section 54(2) of the MFMA

The **MEC for local government** assesses the seriousness of the financial problems and determines if they require provincial intervention.

Section 136 of the MFMA

If intervention is required, the **MEC** takes appropriate steps for a mandatory or discretionary provincial intervention.

Chapter 13, part 2 of the MFMA

At the end of the financial year, the **performance against the budget and the SDBIP should be assessed and corrective action taken to improve performance.** The year-end process also lends itself to assessing individual performance and ensuring accountability for transgressions and non-performance. The oversight processes enable the municipality to account to the public and those that had provided funds to the municipality. Again, assurance providers play a key role in ensuring that this process is effective.

Legislated process and responsibilities

Accounting for performance and corrective action
The **accounting officer** prepares an annual report (which includes the financial statements, performance report and audit report). *Sections 121–127 of the MFMA; section 46 of the MSA*
The **internal audit unit** audits the results of performance measurements (i.e. the performance report). *Section 45(a) of the MSA*
The **audit committee** reviews the financial statements to provide the council with an authoritative and credible view of the municipality's financial position, efficiency and effectiveness as well as its overall level of compliance with the relevant applicable legislation. *Section 166(2)(b) of the MFMA*
The **mayor** tables the report to the council. *Section 127(2) of the MFMA*
The **accounting officer** responds to questions on the annual report in the council. *Section 129(2) of the MFMA*
The **council** considers the annual report and adopts an oversight report, which is made public. *Section 129(1) and (3) of the MFMA*
The **accounting officer** submits the annual report and oversight report to the provincial legislature. *Section 132(2) of the MFMA*
The **MEC for local government** monitors the submission of these reports to the provincial legislature. *Section 132(3) of the MFMA*
The **provincial legislature** may deal with annual and oversight reports submitted by municipalities. *Section 132(4) of the MFMA*
The **MEC for local government** compiles and submits to the provincial legislature and the National Council of Provinces a consolidated report of municipal performance in the province, which identifies those municipalities that underperformed and proposes the remedial action to be taken. *Section 47 of the MSA*
The **mayor** ensures that the municipality addresses any issues raised in its audit report. *Section 131(1) of the MFMA*
The **MEC for local government** assesses the financial statements of all the municipalities in the province, along with the audit reports and any municipal responses to them, and determines if the municipalities have adequately addressed the issues raised in the reports. A report is then submitted to the provincial legislature on any areas in which municipalities have not adequately addressed those issues. *Section 131(2) of the MFMA*
The **minister responsible for local government** annually compiles and submits to Parliament a consolidated report on local government performance, which includes a report on the actions taken by MECs for local government to address issues raised in audit reports on the financial statements. *Section 48 of the MSA; section 134 of the MFMA*

Legislation is not prescriptive on the responsibilities of the **provincial legislatures** and **Parliament** (including the **National Council of Provinces**). However, by tabling the various reports on local government to these structures, an obligation is created for them to ensure that the issues detailed in these reports are dealt with appropriately to improve municipal performance.

1.3 Content of the report

This report is structured to provide our findings and insights across key areas of local government performance. We also include the names of the main cities and towns served by specific municipalities to better illustrate the impact of findings on residents.

The report summarises our key messages in the following areas:

1. The **state of local government,** dealing with:
   - Local government outcomes – inclusive of service delivery risks due to weaknesses in financial, performance, procurement, contract and consequence management; as well as insights on unqualified audit opinions with findings, disclaimed audit opinions and district municipalities
   - Infrastructure management – a risk to service delivery
   - State of metropolitan municipalities
   - Material irregularities (MIs) (the detail on how we have used our expanded mandate is included as appendix A to the report)
2. A **call to action** for all roleplayers in the accountability ecosystem to address the root causes of municipal failures
3. The state of local government in each of the **nine provinces**
4. An **audit fact sheet** that provides information on the audits that we performed and an explanation of the numbers used in this report as well as a reference guide to the **abbreviations** used throughout this report

In support of greater transparency that will enable accountability, our website (www.agsa.co.za) includes detailed annexures that provide the key results for each metro, municipality and municipal entity. The website also provides an interactive map for users to click through to see:

- **Detailed audit outcomes and information per municipality**
- **Key information on audit outcomes per district**
- **An overview of audit outcomes per province**

02 Local government outcomes

Accountability is enabled through credible financial statements and performance reports that provide a transparent account of an auditee's performance, finances and compliance with legislation (for example, through the disclosure of irregular expenditure).

Legislation has been enacted to promote responsible and effective financial and performance management, safeguard public funds and resources and uphold the fiduciary duties of leadership and officials to act ethically and in the best interest of the state. Legislation also seeks to ensure accountability through appropriate consequences for misconduct, transgressions and poor performance.

This section focuses on local government audit outcomes and the risks to service delivery, based on our audits of the financial statements, performance reports and compliance with key legislation. The service delivery risks cover weaknesses in financial and performance management as well as procurement and contract management and the lack of consequence management. In addition, the section provides insights on the auditees that received an unqualified audit opinion with findings, those that received disclaimed audit opinions as well as the outcomes of district municipalities.

The cut-off date for inclusion of audit outcomes in this report was 30 April 2026. The cut-off date for the material irregularity (MI) information included is 31 December 2025, with a status of 31 January 2026.

2.1 Overall audit outcomes

Persistent poor audit outcomes with concerning regressions

Local government audit outcomes were in a bad state at the conclusion of the term of the 5th administration. During the 6th administration's term, the number of disclaimed audit opinions was significantly reduced, the number of auditees in the unqualified opinion with findings space increased, but the metro outcomes regressed.

Audit outcomes of municipalities

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit	
2020-21 Last year of previous administration	41	100	83	4	29	0	257
2023-24	41	99	95	7	15	0	257
2024-25	39	117	86	5	8	2	257
	15%	46%	33%	2%	3%	1%	
2024-25 Percentage of municipalities' expenditure budget of R622,56 billion	8%	50%	40%	< 1%	1%	1%	

	Improvement	Unchanged	Regression
Movement from previous year and related budget	39 ▲ (R37,01bn)	201 ▶ (R439,04bn)	15 ▼ (R143,17bn)
Movement from 2020-21 and related budget	72 ▲ (R82,35bn)	145 ▶ (R387,36bn)	38 ▼ (R149,51bn)

▲ Improvement ▶ Unchanged ▼ Regression

A total of 57% of municipalities maintained the same audit outcome status as in 2020-21 (the last year of the 5th administration), while 15% regressed, including certain municipalities with clean audits and metros.

The regressed municipalities accounted for 24% of the total local government budget. Regressions should be a rare occurrence, particularly given the lack of significant changes in legislation and accounting and performance reporting requirements during this administration.

The number of municipalities with clean audits decreased over the administration and from the previous year, as detailed later in this section.

The 28% of municipalities that improved since 2020-21 were responsible for 13% of the local government budget. In total, 11 of the improvements were to a clean audit and 38 to an unqualified audit opinion with findings (from qualified, adverse or disclaimed opinions). Notably, 23 of the municipalities improved from a disclaimed audit opinion.

The reduction in the number of municipalities receiving disclaimed audit opinions with findings is a positive development that warrants recognition. Subsection 2.5 provides further insight into the improvements in 2024-25 as well as the importance of fully eradicating this audit outcome.

The movements in the qualified and adverse audit opinions are dealt with in subsection 2.2.

The most prevalent audit outcome in 2024-25 was an unqualified audit opinion with findings. Although this outcome is frequently perceived as favourable, the municipalities in this category continue to exhibit high levels of non-compliance, together with significant weaknesses in financial and performance management. Subsection 2.6 presents additional information and illustrative examples to demonstrate why this audit outcome should not be regarded as desirable.

Audit outcomes by auditee category

Municipalities in South Africa differ significantly in function, size, population and the financial resources they manage. The eight metros are responsible for 46% of the households in the country and the 39 intermediate cities for 27%. The remaining households (27%) are served by 166 local municipalities.

District municipalities coordinate and support intermediate cities and local municipalities within a defined geographical area and can perform certain functions on their behalf. Municipal entities are separate entities that fall under the control of a municipality and provide municipal services on behalf of their parent municipality.

The audit outcomes vary across these different categories of auditees. However, a common characteristic across these municipalities is the persistently low proportion of clean audits, coupled with stagnation among a significant number of auditees, especially in the unqualified with findings category.

Audit outcomes per auditee category

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit	Total	Movement from 2020-21: Improvement	Unchanged	Regression
Metropolitan municipalities										
2020-21	1	5	2	0	0	0	8	0	5	3
2024-25	0	3	5	0	0	0				
Intermediate cities										
2020-21	5	16	15	1	2	0	39	10	24	4
2024-25	4	21	13	0	0	1				
District municipalities										
2020-21	15	14	10	2	3	0	44	11	26	7
2024-25	12	19	13	0	0	0				
Local municipalities										
2020-21	20	65	56	1	24	0	166	51	90	24
2024-25	23	74	55	5	8	1				
Municipal entities										
2020-21	1	13	1	0	1	0	16	2	13	0
2024-25	2	13	0	0	0	1				

▲ Improvement ▶ Unchanged ▼ Regression

The regression in audit outcomes among the metros is particularly concerning, given that metros accounted for R335,97 billion (54%) of the 2024-25 estimated local government expenditure budget. Consequently, deficiencies in financial and performance management within these municipalities have the potential to negatively affect approximately 8,9 million households (46%). A detailed analysis of the state of metros is provided in section 4.

The most notable improvement among intermediate cities is the improvements out of adverse and disclaimed audit opinions. However, the majority of the cities stagnated over the administration and the number of clean audits decreased.

Despite some improvements, district municipalities are not demonstrating exemplary audit outcomes. In subsection 2.7, we share the observations from the audits of these municipalities.

The most significant movement in the outcomes of local municipalities is the reduction in municipalities with disclaimed audit opinions. The majority of municipalities with poor audit outcomes continue to be local municipalities.

Fourteen of the municipal entities we report on are under the control of metros. Although improvements have been noted over the administration, the majority remains in an unqualified audit opinion with findings space for extended periods.

Audit outcomes per province

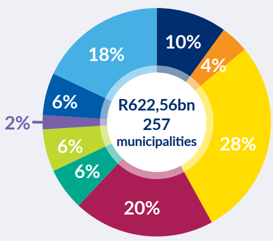
Any improvements in municipal audit outcomes in provinces should be celebrated, but if these gains are counteracted by regressions – especially by metros and other municipalities with substantial budgets – the effect across the province is likely to be minimal.

Poor municipal audit outcomes in a province can directly impact residents through inadequate service delivery, increased rates and taxes due to financial mismanagement and a lack of accountability by municipal and elected leaders. To better contextualise citizens' experiences of local government within each province, the audit outcomes should be assessed in relation to the proportion of households served and the share of the local government budget managed by municipalities.

In the figures that follow, we show the number of municipalities in each province, the proportion of the budget they manage and the households for which they are responsible, followed by the audit outcomes.

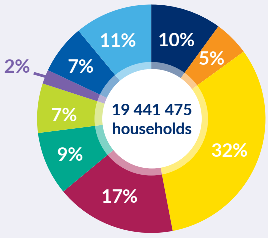
Municipalities, households and budgets per province (2024-25)

Budget and number of municipalities



- Eastern Cape: R64,25bn, 39 municipalities
- KwaZulu-Natal: R125,09bn, 54 municipalities
- Northern Cape: R13,03bn, 31 municipalities
- Free State: R27,66bn, 23 municipalities
- Limpopo: R35,62bn, 27 municipalities
- North West: R34,90bn, 22 municipalities
- Gauteng: R172,16bn, 11 municipalities
- Mpumalanga: R35,84bn, 20 municipalities
- Western Cape: R114,00bn, 30 municipalities

Number of households



- Eastern Cape: 1 872 095
- KwaZulu-Natal: 3 236 175
- Northern Cape: 397 187
- Free State: 1 041 273
- Limpopo: 1 805 954
- North West: 1 456 970
- Gauteng: 5 951 770
- Mpumalanga: 1 454 676
- Western Cape: 2 225 374

Audit outcomes of municipalities per province

Eastern Cape

2020-21	4	16	14	1	4	0
2023-24	6	14	16	1	2	0
2024-25	8	12	17	0	2	0

Movement from previous year	7 ▲ (R2,43bn)	29 ► (R59,01bn)	3 ▼ (R2,81bn)
Movement from 2020-21	17 ▲ (R17,23bn)	12 ► (R40,41bn)	10 ▼ (R6,61bn)

Mpumalanga

2020-21	4	7	5	1	3	0
2023-24	2	8	10	0	0	0
2024-25	1	12	7	0	0	0

Movement from previous year	4 ▲ (R7,19bn)	14 ► (R26,63bn)	2 ▼ (R2,02bn)
Movement from 2020-21	7 ▲ (R14,30bn)	9 ► (R15,88bn)	4 ▼ (R5,66bn)

Free State

2020-21	0	6	13	0	4	0
2023-24	0	6	13	0	4	0
2024-25	0	7	11	0	3	2

Movement from previous year	1 ▲ (R1,29bn)	20 ► (R23,04bn)	0 ▼
Movement from 2020-21	3 ▲ (R3,513bn)	16 ► (R13,41bn)	2 ▼ (R7,40bn)

Northern Cape

2020-21	5	5	17	0	4	0
2023-24	2	6	20	0	3	0
2024-25	1	11	18	0	1	0

Movement from previous year	7 ▲ (R2,36bn)	22 ► (R10,46bn)	2 ▼ (R0,20bn)
Movement from 2020-21	8 ▲ (R3,11bn)	17 ► (R9,06bn)	6 ▼ (R0,86bn)

Gauteng

2020-21	2	7	1	1	0	0
2023-24	2	6	3	0	0	0
2024-25	2	5	4	0	0	0

Movement from previous year	0 ▲	10 ► (R113,60bn)	1 ▼ (R58,56bn)
Movement from 2020-21	3 ▲ (R6,61bn)	5 ► (R47,48bn)	3 ▼ (R118,07bn)

North West

2020-21	0	3	9	1	9	0
2023-24	0	3	13	3	3	0
2024-25	0	6	12	3	1	0

Movement from previous year	6 ▲ (R5,46bn)	16 ► (R29,45bn)	0 ▼
Movement from 2020-21	12 ▲ (R13,47bn)	7 ► (R15,19bn)	3 ▼ (R6,25bn)

KwaZulu-Natal

2020-21	3	35	13	0	3	0
2023-24	7	36	8	2	1	0
2024-25	4	42	7	1	0	0

Movement from previous year	6 ▲ (R12,59bn)	44 ► (R111,05bn)	4 ▼ (R1,45bn)
Movement from 2020-21	14 ▲ (R7,82bn)	37 ► (R116,60bn)	3 ▼ (R0,68bn)

Western Cape

2020-21	22	5	3	0	0	0
2023-24	20	6	2	1	1	0
2024-25	21	4	3	1	1	0

Movement from previous year	3 ▲ (R2,17bn)	24 ► (R33,71bn)	3 ▼ (R78,12bn)
Movement from 2020-21	2 ▲ (R1,59bn)	22 ► (R109,53bn)	6 ▼ (R2,88bn)

Limpopo

2020-21	1	16	8	0	2	0
2023-24	2	14	10	0	1	0
2024-25	2	18	7	0	0	0

Movement from previous year	5 ▲ (R3,53bn)	22 ► (R32,09bn)	0 ▼
Movement from 2020-21	6 ▲ (R14,7bn)	20 ► (R19,80bn)	1 ▼ (R1,11bn)

Clean audit | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit

▲ Improvement | ► Unchanged | ▼ Regression

Most of South Africa's population resides in the Western Cape, Gauteng and KwaZulu-Natal. The municipalities within these provinces are responsible for managing over half of the local government budget, reflecting their significant role in service delivery and financial management in the country.

The Western Cape continues to lead with the most clean audits, but regressions in audit outcomes point to governance and control weaknesses. The regressions in Gauteng, which included two metros, are particularly noteworthy due to the large number of residents impacted or likely to be impacted by the weakened financial management, accountability and adherence to the rule of law in the province. The audit outcomes in KwaZulu-Natal improved, but progress is slow and clean audits remain rare.

The improvements in audit outcomes observed in the Eastern Cape, Free State, Limpopo, Mpumalanga, Northern Cape and North West indicate that progress is being made. However, this progress remains slow and improvements are often not sustained. The incremental nature of these improvements is unlikely to translate into tangible benefits for the communities that are dependent on well-functioning municipalities that deliver services.

Section 7 provides further insights into the provincial audit outcomes and outlines our call to action to premiers, members of executive councils for finance and for local government as well as the legislatures for diligent oversight and decisive action to be taken on non-performing municipalities.

Municipalities with clean audits

When a municipality receives a clean audit outcome, it means that its financial statements and performance report give a transparent and credible account of its finances and its performance against set targets. In other words, these accountability reports present a reliable picture of that municipality's performance – whether good or bad.

This enables the mayor, council and those in the national and provincial governments that need to oversee the municipality's performance and provide support for it to succeed to determine how the municipality is doing, make informed decisions and take action where necessary. It also positions a municipality to transparently and accurately communicate to community organisations and residents about whether and when their needs will be met.

A clean audit also means that the municipality complied with the important legislation that applies to it and, where transgressions did occur, they were rare or not material.

We have seen that municipalities with institutionalised controls and systems to plan, measure, monitor and account for their finances and performance, and to stay within the rules, often also have a solid foundation for service delivery to their communities.

The number of municipalities that received clean audits has decreased from last year – and since 2020-21. The 39 municipalities that achieved clean audits in 2024-25 managed only R52,60 billion (8%) of the R622,56 billion expenditure budget in local government.

Movement in number of municipalities with clean audits from 2020-21 to 2024-25

Improved to clean audit status	11	Retained clean audit status	28
Lost clean audit status	13		

A municipality will often find it difficult to sustain a clean audit if it does not have the institutional capability to maintain and consistently apply its good practices and when there is instability in key positions.

A municipality's story: Regression from a clean audit

Umvoti has its administrative seat in Greytown in KwaZulu-Natal. The municipality provides electricity and waste management services to 40 851 households.

After more than 10 consecutive years of obtaining an unqualified audit opinion with findings, the municipality obtained a clean audit in 2023-24. However, in 2024-25, it regressed to an unqualified audit opinion with findings on performance reporting and compliance with key legislation. The regression was partly due to inadequate oversight by the accounting officer, following her return from a seven month suspension that ended in May 2024.

The municipality submitted financial statements for auditing that contained material misstatements, which were subsequently corrected. The poor quality of financial reporting was mainly due to instability in the chief financial officer position, with the acting incumbent not paying sufficient attention to critical financial reporting matters. This may have been influenced by the knowledge that a permanent chief financial officer was in the process of being appointed. Key controls such as detailed reviews of financial information to underlying records were not performed. Poor record-keeping practices hindered the timely retrieval of information and delayed responses to audit requests.

The municipality did not adhere to procurement legislation in the appointment of security and legal services, including unjustified deviations and splitting of quotations. This non-compliance resulted in a material finding. In the previous year, the accounting officer oversaw the implementation of the supply chain management policy, but such oversight and leadership were lacking in 2024-25.

The lack of accounting officer oversight further affected the quality of performance reporting. During the year, some of the performance targets were amended but oversight and review processes at accounting officer level were not adequately performed at year end, in terms of policies and procedures. As the changes to targets were not properly reviewed and the credibility of the reported indicators and targets was not verified, the reported performance information was not useful or reliable.

A municipality's story: Regression from a clean audit (continued)

Further contributing to the regression was a breakdown in the governance environment and a failure to enforce accountability and maintain proper internal control disciplines. Although internal audits were performed, senior management did not implement recommendations in a timely manner. The audit committee played an important role in exercising oversight, but two members of the committee (including the chairperson) resigned during the year. This disrupted the functioning of the committee, as the remaining member could not submit reports to the council and meet legislative requirements. The audit committee was subsequently dissolved in August 2025.

Municipalities can improve their ability to produce credible and reliable reports through greater discipline, accountability and stability in key positions.

A municipality's story: Improvement to a clean audit

Great Kei has its seat in Qumrha (formerly Komga) in the Eastern Cape and comprises a number of well-known tourist towns such as Morgan Bay, Kei Mouth and Chintsa. The municipality provides waste management services to 8 774 households.

In 2024-25, the municipality improved from an unqualified audit opinion with findings to a clean audit, after four years. The improvement was driven by a collective commitment by the accounting officer, senior management, officials and oversight structures to uphold accountability, supported by clear and enforced consequences for non performance.

In the previous year, the municipality submitted financial statements with material misstatements, as amounts did not agree with supporting evidence. Management responded by strengthening review processes and ensuring that supporting documentation was properly prepared and aligned to the financial statements. Management addressed findings on the performance report, including poorly defined indicators and inconsistencies between planning and reporting, by acting on audit recommendations. The provincial treasury provided support to strengthen evidence-collation processes.

The audit committee diligently performed its oversight role through quarterly reviews of financial, performance and compliance matters and followed up on audit issues timeously. This coordinated approach strengthened organisational discipline and contributed to improved and sustainable governance.

Of the 28 municipalities that received a clean audit in both 2020-21 and 2024-25, 23 have sustained their clean audit status every year since at least 2020-21.

This success was underpinned by practices such as institutionalising and monitoring key controls (including preventative controls) as well as implementing and monitoring action plans to address deficiencies. These municipalities were generally characterised by stability in key positions such as the accounting officer and chief financial officer. Senior management, the accounting officer, the mayor and the council – supported by the internal audit unit and audit committee – were committed to fulfilling their monitoring, governance and oversight roles.

Appendix C includes an honour roll of municipalities that have sustained their clean audit status for five or more consecutive years.

A municipality's story: Sustained a clean audit

Mnquma in the Eastern Cape provides waste management services to 63 700 households in and around Gcuwa, Ngqamakhwe and Centane. The area is primarily rural, with a rich cultural history.

The municipality has sustained its clean audit status for four consecutive years, reflecting the impact of a strong tone at the top and disciplined oversight. Senior management is actively involved in supporting the audit process. Audit findings are discussed in detail at accounting officer level, supported by regular engagements with the auditors to monitor progress and ensure that all required information is provided.

The chief financial officer and finance team ensure the timeous submission of audit information and management clearly articulates and supports information when audit queries are raised. Audit recommendations are taken seriously and implemented, with consequence management applied where there is non performance, contributing to a disciplined control environment.

The municipality achieved 96% of its planned performance targets, with reported performance aligned to expenditure. Service delivery outcomes are evident at community level, including the installation of security cameras in the central business district to enhance community safety. Revenue-enhancement initiatives include the use of functioning speed cameras, supported by sustained efforts to collect outstanding fines through reminders and incentive based payment options. The municipality has also engaged with a neighbouring municipality to share best practices and strengthen administrative capacity. Additionally, it collaborates with the Eastern Cape Parks and Tourism Agency to explore opportunities to stimulate economic growth and socioeconomic impact through tourism.

Internal audit reviews are performed quarterly, supported by active oversight from the audit committee and the mayor. The audit committee sets a clear tone of non-tolerance for late reporting and management non-responsiveness, reinforcing accountability. Oversight is further strengthened through mayoral site visits to projects. Councillors participate in various committees, such as infrastructure, finance and corporate services, that report to the full council, including the mayor. During these sittings, they engage in robust discussions, interrogate committee performance and hold municipal officials accountable for poor performance and transgressions.

The municipality is an example of what can be achieved by even rural municipalities when political and administrative leadership is engaged, responsive and supported by a strong internal audit unit and audit committee.

Outstanding audits

When we tabled last year's general report, there were 10 audits outstanding – eight because the municipalities had submitted their financial statements late or not at all, and two due to delays encountered during the audit process.

We have since finalised the audits of all 10 municipalities and their 2023-24 audit outcomes are as follows:

- Four received a disclaimed opinion: !Kheis (Groblershoop) in the Northern Cape as well as Maluti-A-Phofung (Phuthaditjhaba), Masilonyana (Theunissen) and Mohokare (Zastron) in the Free State.
- One received an adverse opinion: Kagisano-Molopo (Ganyesa) in North West.
- Five received a qualified opinion: Kopanong (Trompsburg), Mafube (Frankfort) and Matjhabeng (Welkom) in the Free State; Msunduzi (Pietermaritzburg) in KwaZulu-Natal; and Thaba Chweu (Lydenburg) in Mpumalanga.

By 30 April 2026, the 2024-25 audits for two municipalities in the Free State, namely Nala (due to late submission of financial statements) and Maluti-A-Phofung (due to non-submission of financial statements), had not yet been completed.

By 31 May 2026, the audit of Nala had been finalised and it received a qualified audit opinion with findings.

2.2 Financial performance and reporting

Unreliable financial information and poor financial management practices contribute to financial distress and pressure on the fiscus

Credible financial statements are crucial in enabling accountability and transparency.

A municipality's financial statements demonstrate how the funds were spent, where its revenue comes from, what assets it has and the state of those assets, how much it owes its creditors, how much it is owed by its debtors, and whether the money owed to it is expected to be received. The financial statements also provide crucial information on how the municipality adhered to its budget; the unauthorised, irregular, and fruitless and wasteful expenditure it incurred as well as its overall financial position – in other words, whether its operations are financially sustainable.

The financial statements are used by the council and its committees to hold the accounting officers accountable and make financial and related service delivery decisions. In the case of some municipalities, particularly metros, the financial statements are also used by creditors, banks and rating agencies to determine the level of risk for lending money to the municipality. In addition, members of the public can use the financial statements to see how well the municipality is using the taxes they pay to provide services.

The Public Audit Act (PAA) requires us to annually audit and report on whether the municipalities' financial statements fairly present their financial position at year-end and the results of their operations for that year. Our audit opinion on the financial statements provides reasonable assurance on whether the financial statements are free from material misstatements that could affect the decisions that users make based on these statements.

Financial reporting is not confined to the financial statements prepared annually. As detailed in subsection 1.2, reporting takes place throughout the financial year to enable monitoring and decision-making by the chief financial officer, accounting officer, mayor and council.

Municipal financial performance is dependent on good decision-making during the budget process, financial prudence and discipline, robust systems and controls and the corrective actions taken by mayors, supported by the National Treasury and relevant provincial treasury, to address financial challenges.

In this section, we reflect on the following:

- Timeous submissions of financial statements for auditing and our audit opinions on the financial statements
- The quality of financial reporting
- The financial health of municipalities
- Municipal budgets and spending within the budget
- The financial management improvement strategies in local government

The section includes the audit results and high-level information on the metros, but section 4 includes more detail and illustrative examples on metros specifically.

Financial statements – timeous submission and audit opinions

The Municipal Finance Management Act (MFMA) requires annual financial statements to be submitted for auditing by 31 August and consolidated financial statements by 30 September.

The number of municipalities that submitted their financial statements for auditing by the legislated date improved from 92% in 2021-22 to 95% in 2023-24 and then to 98% in 2024-25. This is the highest on-time submission achieved by local government to date. The MI process contributed to this improvement (as detailed in section 5) as well as the support provided by the provincial government.

In 2024-25, five municipalities did not submit their financial statements for auditing by the legislated date. The main reasons for the non-compliance by municipalities in the Free State, Northern Cape and North West are capacity and system challenges, which have not been appropriately and timeously dealt with by the accounting officer, mayor and council.

Late or non-submission of financial statements (2024-25)

Municipality	Reasons and status
Nala (Bothaville, Free State)	The delay was due to the late appointment of consultants to prepare the financial statements, as the chief financial officer and accounting officer were suspended in 2024-25. We issued an MI notification in October 2025 for the late submission. The financial statements were received on 11 November 2025 and the audit was finalised on 31 May 2026.
Phokwane (Hartswater, Northern Cape)	The delay was due to the chief financial officer being on extended leave and the appointed consultants failing to deliver credible financial statements within the legislated timeline. The financial statements were received on 5 September 2025 and the audit was finalised on 30 November 2025.
!Kheis (Groblershoop, Northern Cape)	The delay was due to resignations by key staff due to the non payment of salaries. The financial statements were received on 6 October 2025 and the audit was finalised on 6 March 2026.
Naledi (Vryburg, North West)	The delay was due to technical issues experienced with the financial system, which was not resolved due to vacancies in the information technology (IT) unit during the year. The financial statements were received on 3 September 2025 and the audit was finalised on 3 December 2025.
Maluti-A-Phofung (Phuthaditjhaba, Free State)	The reasons for the repeated late submissions of consolidated financial statements by this intermediate city and its history of disclaimed opinions are included in subsection 2.5. We issued an MI notification for the non-submission in March 2026. The consolidated financial statements remained outstanding as at 30 April 2026.

Impact

Late submissions of financial statements delay the completion of our audit. If we cannot complete our audit on time, it will delay the tabling of the annual report in the council, which will then be unable to hold the accounting officer to account and make informed decisions. It also delays the finalisation and publishing of the council's oversight report.

It further affects reporting and oversight actions by the minister and members of the executive councils (MECs) for local government, the provincial legislatures and Parliament.

With the timeous submission of financial statements largely having been addressed across all provinces, the focus should now shift to improving the quality of the financial statements.

In 2024-25, we expressed **unqualified audit opinions** on the financial statements of 156 municipalities (61%) and modified (i.e. qualified, adverse or disclaimed) audit opinions at 99 municipalities (39%). Municipalities with modified audit opinions collectively managed 41% of the municipal expenditure budget.

A **qualified audit opinion** means that there were areas in the financial statements that we found to be materially misstated. In our audit reports, we point out which areas of the financial statements are not credible. A total of 86 municipalities (33%) received a qualified audit opinion.

An **adverse audit opinion** means that the financial statements included so many material misstatements that we disagree with virtually all the amounts and disclosures in them. Effectively, the information in financial statements with an adverse audit opinion is not useful, as it is not credible. In our audit reports, we inform oversight structures and other users of the financial statements that the information cannot be trusted.

Five local municipalities received an adverse audit opinion:

- Laingsburg (main town of Laingsburg and surrounding areas, including Matjiesfontein, Western Cape): repeat adverse audit opinion for the past four years
- Kagisano-Molopo (Ganyesa) and Maquassi Hills (Wolmaransstad) – both in North West: repeat adverse audit opinions for the past two years
- Impendle (main town of Impendle and surrounding areas, including Gomane) (KwaZulu-Natal): regressed to an adverse audit opinion in 2024-25
- Lekwa-Teemane (Bloemhof, North West): improved from a disclaimed to an adverse audit opinion in 2024-25

These municipalities managed an expenditure budget of R1,41 billion, half of which was funded by the national government through an equitable share allocation of R484,62 million and other grant funding of R218,45 million. There was little transparency or accountability in how these municipalities used their funds.

In 2023-24, we requested the Western Cape and North West premiers and MECs for finance and local government to take action at the municipalities with repeated adverse audit opinions. They responded by taking the following actions:

- Laingsburg: the provincial treasury assigned two advisers to help the municipality with monthly financial and performance reports. The South African Local Government Association appointed a consultant to assist with financial statement preparation. The provincial treasury and cooperative governance department also monitored the implementation of audit action plans.
- Kagisano-Molopo: the provincial cooperative governance department provided an official to act as the accounting officer in March 2025.
- Maquassi Hills: the provincial treasury monitored and supported the implementation of the audit action plan and financial recovery plan. The provincial cooperative governance department implemented capability-building initiatives, which included a skills audit.

These actions have not yet had the required impact on the audit outcomes due to the systemic weaknesses in accounting processes and controls caused by deep-rooted institutional capability gaps and governance failure by the mayors and councils.

In subsection 2.5, we provide information and insights on municipalities with **disclaimed audit opinions.**

Impact

Financial statements with modified audit opinions do not provide a credible view of the financial performance of the municipality and its financial position at year-end. The council and its committees cannot then use parts of the financial statements (in the case of a qualified audit opinion) or anything in the financial statements (in the case of adverse and disclaimed opinions) to hold the accounting officers accountable and make financial and related service delivery decisions. There is also inadequate transparency on the use of the taxes paid by residents and businesses or the funding received from the national government.

If legislated disclosures, such as unauthorised, irregular, and fruitless and wasteful expenditure, are materially misstated, there is no transparency on transgressions in the use of public funds, and this hampers the performance of the legislated accountability processes.

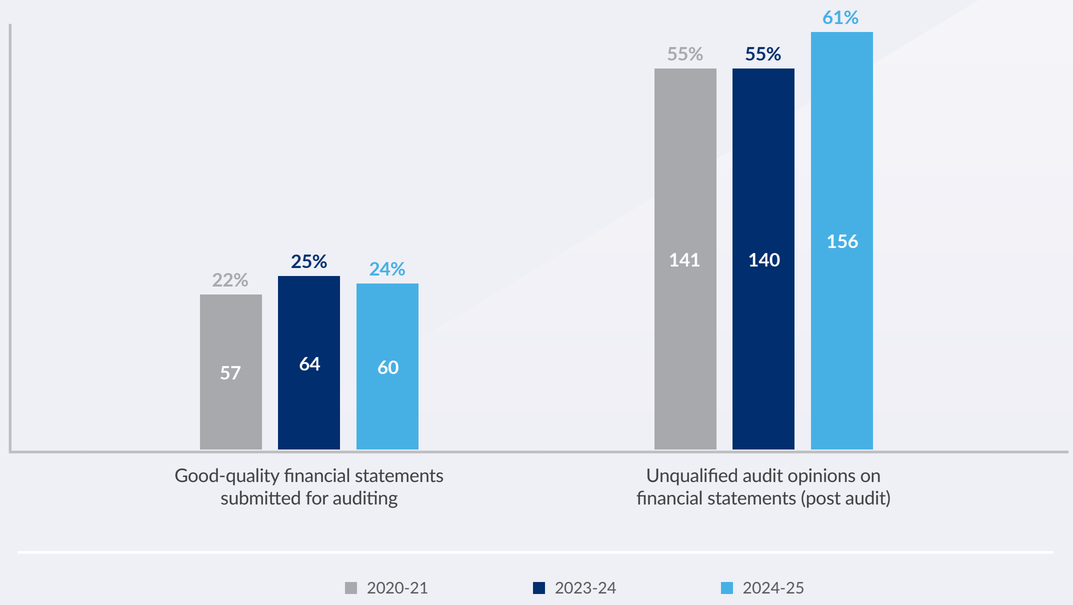
Quality of financial reporting

Financial statements are submitted to us for auditing three months after the financial year-end – generally after various levels of reviews have been performed, including by the chief financial officer, the internal audit unit, the audit committee and the accounting officer. However, we continue to identify material misstatements in these financial statements; in other words, errors, omissions and/or a lack of supporting evidence for the amounts and disclosures included.

In 2024-25, 195 municipalities (76%) submitted such materially misstated financial statements for auditing. If we had not allowed municipalities the opportunity to correct the misstatements, only 24% would have received unmodified audit opinions, compared to the 61% that eventually did.

Since 2020-21, the number of municipalities with unqualified audit opinions has increased, but there has been little improvement in the quality of the financial statements submitted for auditing. This means that the quality of financial reporting did not improve, only the ability of municipalities to correct the material misstatements that we identify during the audit.

Financial statements: audit results from 2020-21 of municipalities



For years and across multiple administrations, we have urged municipalities to prepare and submit good-quality financial statements by effectively dealing with the lack of proper accounting records, control disciplines, accounting skills and proper reviews. However, municipalities continued to rely on the audit process to identify material misstatements to correct – often driven by the misguided perception of mayors, councils and accounting officers that an unqualified audit opinion is a good enough audit outcome (which is not the case, as we explain in subsection 2.6). Over the administration, the overreliance on the audit process was most evident at the municipalities shown in the figure that follows. These municipalities have submitted poor-quality financial statements for auditing every year for the past four years and subsequently corrected all the material misstatements we identified, thereby ultimately receiving an unqualified audit opinion. Good-quality financial statements were only prevalent in the Western Cape.

Thirty-nine municipalities that have relied on the audit process to achieve unqualified audit opinions for the past four years

5 Eastern Cape

- Mbhashe LM
- Dr AB Xuma LM
- Ngqushwa LM
- Elundini LM
- King Sabata Dalindyebo LM

4 Free State

- Thabo Mofutsanyana DM
- Xhariep DM
- Phumelela LM
- Tswelopele LM

2 Gauteng

- City of Johannesburg MM
- Rand West City LM

12 KwaZulu-Natal

- Ilembe DM
- Umgungundlovu DM
- uMfolozi LM
- Newcastle LM
- uPhongolo LM
- uMzimkhulu LM
- Mkhambathini LM
- uMhlabuyalingana LM
- Johannes Phumani Phungula LM
- Mandeni LM
- Dannhauser LM
- Nkandla LM

9 Limpopo

- Maruleng LM
- Molemole LM
- Greater Letaba LM
- Greater Tzaneen LM
- Lephalale LM
- Makhado LM
- Makhuduthamaga LM
- Greater Giyani LM
- Polokwane LM

5 Mpumalanga

- Nkomazi LM
- Bushbuckridge LM
- City of Mbombela LM
- Thembisile Hani LM
- Dr Pixley ka Isaka Seme LM

1 Northern Cape

- Gamagara LM

1 North West

- Dr Kenneth Kaunda DM

DM: District Municipality LM: Local Municipality MM: Metropolitan Municipality

Municipalities with material misstatements in financial statements submitted for auditing per province

Province	Good-quality financial statements submitted for auditing		Unqualified audit opinions on financial statements (post audit)	
	Number	Movement from 2020-21	Number	Movement from 2020-21
Eastern Cape	10 (26%)	▲	20 (51%)	▶
Free State	1 (5%)	▲	7 (33%)	▲
Gauteng	3 (27%)	▶	7 (64%)	▼
KwaZulu-Natal	15 (28%)	▲	46 (85%)	▲
Limpopo	3 (11%)	▲	20 (74%)	▲
Mpumalanga	1 (5%)	▼	13 (65%)	▲
Northern Cape	4 (13%)	▼	12 (39%)	▲
North West	0 (0%)	▶	6 (27%)	▲
Western Cape	23 (77%)	▼	25 (83%)	▼
TOTAL	**60 (24%)**	▲	**156 (61%)**	▲

▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Regression

Impact

Poor-quality financial statements submitted for auditing result in increased audit work to identify, assess and communicate material misstatements. If the municipality makes corrections, we have to perform additional procedures to check whether they are correct and supported by appropriate audit evidence. The additional work results in increased audit fees and often delays or puts significant pressure on our audit teams to complete the audits on time.

If we identified material misstatements in the financial statements, it means that the related information in the financial reports used for in-year monitoring and decision-making would also be materially misstated.

The effectiveness of financial management and the legislated municipal planning, budgeting, monitoring and reporting processes (as detailed in subsection 1.2) is dependent on sound financial information and reliable financial reporting.

To demonstrate the impact of poor financial reporting on the financial performance of a municipality and, ultimately, service delivery, we share insights on the amounts and disclosures in two important areas that are often materially misstated in the financial statements submitted for auditing: fixed and movable assets as well as revenue and receivables.

Fixed and movable assets

Fixed and movable assets are the tangible items owned by a municipality, such as property (land and buildings), vehicles and various equipment, as well as the infrastructure to deliver services, such as water and sanitation infrastructure, roads, electricity networks and waste management facilities. In the financial statements, it is called 'property, plant and equipment (PPE)'.

It also includes assets that are under construction or development and not yet available for use – typically, this is the municipal infrastructure that is being developed, as detailed in section 3. In the financial statements, it is called 'capital work in progress (CWIP)'.

The value of fixed and movable assets was materially misstated in the financial statements submitted for auditing by 129 municipalities (51%). Of these, 75 municipalities (58%) corrected their misstatements but the value of assets in the published financial statements of the remaining 54 (42%) was materially misstated.

Description and causes of misstatements (129 municipalities)

Description	Main causes
• The fixed and movable asset amounts were incorrect at 120 municipalities. The most common errors were that the value of the asset was incorrectly determined and calculated (valuation), all assets were not included (completeness), and/or assets were included under the incorrect type of asset (classification). • At 48 municipalities, evidence could not be provided to support the amounts included, i.e. we could not audit it.	Municipalities did not keep proper asset registers in which all the municipal assets are recorded with updated and correct information regarding its cost and the state of the asset (which is required to calculate its value). Asset verifications and checks were not done regularly and correctly, and the policies adopted by the municipality for determining the value of the asset were not applied consistently and correctly. A common cause of misstatement was that CWIP was not properly accounted for. Costs not allowed by the accounting standards, losses (e.g. fruitless and wasteful expenditure) and overpayments were included, thereby inflating the value of the asset. In some instances, construction or development work that had been completed was not reallocated from CWIP to PPE, resulting in an understatement of the value of PPE.

Impact

Materially misstated fixed and movable assets mean that the asset register and any reports or information on assets used fo decision-making are also likely to be unreliable. The risk of asset loss, misuse and deterioration also increases if assets are not properly accounted for and verified on a regular basis. Overstated CWIP and understated completed assets also mask the true condition and readiness of infrastructure for service delivery, delay the commencement of depreciation for assets already in use and can contribute to inefficient maintenance planning, ultimately increasing downtime and breakdowns and compromising service delivery to communities.

Revenue and receivables

Revenue is money earned from property rates and providing municipal services or received through equitable share allocations and grants. Receivables are the money due from residents, businesses and other customers or institutions that has not yet been received in cash, such as outstanding debts.

The revenue earned in 2024-25 and/or the value of the outstanding debtors at year-end were materially misstated in the financial statements submitted for auditing by 162 municipalities (64%). Of these, 82 municipalities (51%) corrected the misstatements but the value of revenue and/or outstanding debtors in the published financial statements of the remaining 80 (49%) was materially misstated.

Description and causes of misstatements (162 municipalities)

Description	Main causes
• The revenue of 121 municipalities was materially misstated, as were the receivables of 129 municipalities. • The amounts were incorrect at 150 municipalities. For revenue, the common errors were that the amounts did not include all revenue that the municipality billed or should have billed (completeness) or that it included revenue incorrectly billed (occurrence). For receivables, it was mainly that it included debts that are unlikely to be recovered or that were incorrectly calculated (valuation). • At 79 municipalities, evidence could not be provided to support the amounts included, i.e. we could not audit it.	Municipalities performed incomplete or incorrect billing, recognised revenue without sufficient evidence that transactions had occurred, misclassified revenue, and overstated and poorly disclosed receivables due to weak debt management and ineffective information systems and impairment processes. We notified accounting officers of 42 MIs related to revenue and receivables due to unbilled revenue, debt not recovered, revenue not recorded or deposited and a failure to charge interest on arrears, resulting from weak management, accounting and information systems and ineffective monthly monitoring of revenue.

Impact

Misstated revenue and receivables mean that a municipality cannot accurately assess its own revenue, manage cash inflows and budget effectively. Services may be unbilled and debtors not identified, while receivables may be overstated because irrecoverable debt is not adequately impaired, ultimately reducing a municipality's capacity to fund service delivery, sustain cash flow and maintain financial stability.

The following example shows the impact of materially misstated financial information on fixed and movable assets and revenue.

Impact of materially misstated financial information: Mopani District Municipality (Limpopo)

The municipality's administrative seat is in Giyani, and it oversees Ba-Phalaborwa, Greater Giyani, Greater Letaba, Greater Tzaneen and Maruleng local municipalities. The municipality operates as a water services provider. The area is known as a premier ecotourism destination and for producing citrus and subtropical fruit.

In 2024-25, the municipality was responsible for fixed and movable assets exceeding R10 billion in value, approximately R7,2 billion of which was infrastructure assets, mainly the water and wastewater infrastructure that is critical to the delivery of basic services.

In 2024-25, the municipality submitted financial statements for auditing with material misstatements that were not corrected, resulting in a qualified audit opinion. The financial statements contained material misstatements across several key areas, including fixed and movable assets, revenue and receivables.

The material misstatement of fixed and movable assets was mainly due to deficient asset management practices. Infrastructure assets that were not fully functional, vandalised or operating beyond their design capacity were not correctly valued or written down in accordance with the accounting standard. These weaknesses have persisted for three consecutive financial years, indicating ineffective asset management controls and inadequate oversight. Due to the misstated information, the municipality's in-year and year-end financial information remained unreliable, limiting management's ability to make informed decisions on maintenance planning, infrastructure renewal and capital investment, and weakening the credibility of the information provided to the council.

Weak controls over infrastructure asset management have also resulted in infrastructure assets not being appropriately valued, safeguarded or maintained, contributing to ongoing deterioration in the condition of water and wastewater infrastructure.

Repairs and maintenance expenditure remained critically low at approximately 1% of the total asset value, significantly below the National Treasury benchmark of 8%, resulting in continued deterioration of infrastructure assets. Infrastructure neglect was observed at wastewater treatment works, pump stations and sewer reticulation networks, particularly in Phalaborwa, Lulekani and Namakgale. Inadequate maintenance of the water pipeline network, a substantial portion of which is more than 35 years old, resulted in frequent pipe bursts and excessive water losses. Widespread sewer spillages have polluted rivers, residential areas and tourist facilities,

Impact of materially misstated financial information: Mopani District Municipality (Limpopo) (continued)

including parts of the Kruger National Park, posing serious environmental and public health risks.

The material misstatement on revenue was due to inadequate internal controls for the accounting and reporting of revenue transactions and because residents were not billed for services and service charges, particularly for water and waste collection. The municipality also incurred distribution losses of approximately R135,84 million (2023-24: R126,43 million).

The combined effect of high distribution losses and unbilled revenue placed pressure on the municipality's ability to sustainably deliver basic services to citizens.

Causes of financial reporting findings

Local government does not have the institutional capability to consistently produce transparent and credible financial statements and reports.

While the main causes listed in this subsection are not new, they have not been receiving the required attention.

Finance units – vacancies and lack of skills

Municipalities should have finance units that are capacitated, competent and led by experienced chief financial officers who can provide stability and direction for financial reporting.

At the 2024-25 year-end, the finance units of municipalities that submitted financial statements with material misstatements for auditing had an average vacancy rate of 20%, and the chief financial officer position was vacant at 38 (19%). The position was vacant at 28% of the municipalities that received modified audit opinions.

Only five (8%) of the municipalities that submitted good-quality financial statements had vacancies in their chief financial officer position, and the overall vacancy rate of finance units was 14%. Among the 72 municipalities with chief financial officers that received modified audit opinions, 66 of the chief financial officers had met the minimum competency levels required for these roles.

Vacancies in finance units and a lack of skills lead to increased reliance on financial reporting consultants, often without obtaining the desired benefits.

In 2024-25, 225 municipalities (2020-21: 230) used financial reporting consultants at a cost of R1,61 billion (2020-21: R1,44 billion). At 119 of these municipalities (53%), consultants were used to provide skills that their finance units did not have (2020-21: 61%). At 93 municipalities (41%), consultants were hired to bridge a skills and vacancy gap (2020-21: 33%), while 13 municipalities (6%) used consultants purely to compensate for vacancies (2020-21: 6%).

We found that these municipalities appoint consultants year after year without ensuring that these skills are transferred to municipal staff. In 2024-25, 153 municipalities (68%) reappointed the consultants used in the previous year; in 2020-21, this was the case at 122 municipalities (53%).

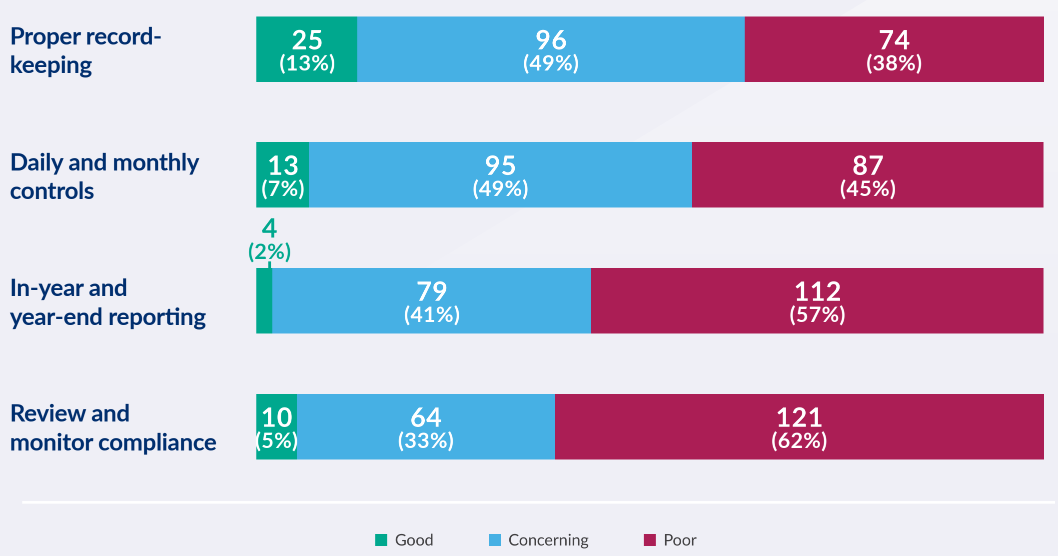
We have been reporting on the use of financial reporting consultants to address skills and vacancy gaps over multiple administrations. What was intended to be a short-term solution continues indefinitely.

We provide more information on the use of consultants later in this subsection under 'No or limited benefit received for money spent'.

Internal control deficiencies

Basic financial management processes and controls in municipalities – including accounting practices, record-keeping, independent reviews and reporting – are not working effectively.

Status of key financial management controls of municipalities with material misstatements in submitted financial statements (2024-25)



Action plans – inadequate and not implemented

Over the years, we have advocated for the use of audit action plans to prevent a repeat of the misstatements we identify during our audits. However, municipalities often do not ensure that these action plans address the root causes of the misstatements and focus on strengthening the control environment.

Overall, we found that 188 (96%) of the municipalities with material misstatements in their submitted financial statements did not have adequate action plans or had not fully implemented their action plans.

Deficiencies in information technology controls

IT controls are an integral part of a municipality's control environment because, if implemented correctly, they ensure the integrity, accuracy, reliability and security of financial systems. Over the years, we have identified significant control weaknesses in local government's IT environment, which compromise the accuracy of financial records, interrupt service delivery and make municipalities vulnerable to intentional and unintentional manual override and manipulation.

In 2024-25, our assessment of IT controls related to financial reporting found that only 113 municipalities (44%) had effective governance processes, and only 86 (34%) had good information system controls. Of the municipalities with material misstatements in their submitted financial statements, only 35% had effective governance processes and only 53 (28%) had sound information system controls. Overall, significant capacity deficiencies within the IT divisions of municipalities, characterised by high vacancy rates in critical positions such as vacancies in chief information officer and head of IT roles, have led to increased reliance on external consultants, delayed IT project implementation and heightened vulnerability to cybersecurity risks.

Limited impact of internal audit units and audit committees

Internal audit units and audit committees have legislated responsibilities in terms of sections 165 and 166 of the MFMA. Internal audit units must prepare risk-based audit plans and report to the accounting officer, while audit committees must report on the execution of the plans and their findings. These plans include reviews of accounting practices and internal controls. Audit committees must review the financial statements to provide the council with a credible view of the municipality's financial performance.

Accounting officers who elevate and support audit committees and internal audit units as key governance controls and ensure that their recommendations are implemented by senior management derive significant value in the form of strengthened financial management and credible financial information and statements.

Of the 195 municipalities with material misstatements in their submitted financial statements, 12 (6%) did not have an audit committee or an internal audit unit, or both.

We assessed the internal audit units at 120 municipalities (72%) and the audit committees at 115 municipalities (69%) not be effective as a governance control in the area of financial management. At 22 municipalities (12%), the internal audit unit or audit committee or both did not evaluate the reliability of financial information. We also found that internal audit units at 23 municipalities (13%) were not effective in tracking the implementation of their recommendations, as they did not have a tracking plan or did not provide evidence that they had one.

Some internal audit units and audit committees at municipalities with modified audit opinions were not operating effectively due to the following:

- Internal audit units at 10 municipalities (11%), including 31% of the disclaimed municipalities, did not advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and on matters relating to internal controls.
- Audit committees at eight municipalities (9%) did not advise the council, mayor and accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by legislation.
- Audit committees at eight municipalities (9%) did not review the financial statements to provide the council with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness, and its compliance with the legislation.

Municipal financial health

As detailed in subsection 1.2, the MFMA requires accounting officers to prepare monthly budget statements and a mid-year budget and performance assessment. If these financial reports show that the municipality is experiencing serious financial problems, the accounting officer and mayor are required to alert the council and take appropriate action to address the problems – typically by establishing and implementing a financial recovery plan, revenue enhancement strategy or similar plan.

The accounting standards also require municipalities to perform an assessment of their financial position to identify financial problems that can impact their ability to continue operations and deliver services (i.e. to continue operating as a going concern). It further requires an assessment of whether the plans that are in place will effectively and timeously address the identified financial problems.

If such an outcome is unlikely, this material uncertainty (which we call a 'going concern uncertainty' in this report) must be disclosed in the municipality's financial statements to ensure transparency on its financial state to those that provide financing and funding to the municipality (e.g. banks, creditors and donors) as well as to the council, public and the national and relevant provincial government.

As part of our audits, we determine whether a going concern uncertainty should be disclosed by reviewing the municipality's assessment and plans and by performing a financial health assessment. The assessment involves calculating and considering financial indicators using information from the financial statements. The indicators are those typically used to assess financial performance and sustainability, and include the indicators used by the National Treasury to determine whether a municipality is in financial distress.

We do not perform the financial health assessment if the financial statements received a disclaimed or an adverse audit opinion, as the financial information is not reliable enough for financial analysis.

In 2024-25, the financial position of almost a quarter of municipalities (62 municipalities – 24% of completed audits) was so dire that 54 disclosed a going concern uncertainty in their financial statements, while eight received modified audit opinions on their financial statements due to a lack of disclosure thereof.

Of the 62 municipalities, 33 (53%) had this going concern uncertainty for four years or more. This means that although these municipalities continued to operate, their financial position has prevented them from being fully operational for many years.

Sixty-two municipalities with going concern uncertainty and consecutive years in this position

13 Eastern Cape

Amahlati LM	8 years
Amatole DM	9 years
Blue Crane Route LM	2 years
Dr AB Xuma LM	1 year
Dr Beyers Naudé LM	1 year
Elundini LM	1 year
Inxuba Yethemba LM	1 year
King Sabata Dalindyebo LM	9 years
Kou Kamma LM	11 years
Makana LM	9 years
Ntabankulu LM	1 year
Sundays River Valley LM	2 years
Walter Sisulu LM	4 years

11 Free State

Dihlabeng LM	1 year
Kopanong LM	16 years
Letsemeng LM	10 years
Mafube LM	16 years
Mangaung MM	9 years
Masilonyana LM	2 years
Matjhabeng LM	16 years
Mohokare LM	12 years
Moqhaka LM	10 years
Ngwathe LM	1 year
Nketoana LM	1 year

4 Gauteng

City of Ekurhuleni Metro	1 year
Emfuleni LM	1 year
Rand West LM	9 years
West Rand DM	8 years

4 KwaZulu-Natal

Mpofana LM	13 years
Okhahlamba LM	1 year
Ugu DM	8 years
uThukela DM	9 years

2 Limpopo

Thabazimbi LM	13 years
Vhembe DM	1 year

8 Mpumalanga

City of Mbombela LM	1 year
Emalahleni LM	9 years
Govan Mbeki LM	6 years
Lekwa LM	10 years
Msukaligwa LM	3 years
Nkomazi LM	1 year
Thaba Chweu LM	2 years
Victor Khanye LM	2 years

4 Northern Cape

Kamiesberg LM	1 year
!Kheis LM	9 years
Renosterberg LM	1 year
Tsantsabane LM	3 years

13 North West

City of Matlosana LM	14 years
Ditsobotla LM	6 years
Dr Ruth Segomotsi Mompati DM	2 years
JB Marks LM	2 years
Kagisano-Molopo LM	2 years
Kgetlengrivier LM	7 years
Lekwa Teemane LM	14 years
Madibeng LM	2 years
Mamusa LM	8 years
Maquassi Hills LM	11 years
Naledi LM	7 years
Rustenburg LM	3 years
Tswaing LM	11 years

3 Western Cape

Beaufort West LM	9 years
Kannaland LM	7 years
Theewaterskloof LM	2 years

DM: District Municipality   LM: Local Municipality   MM: Metropolitan Municipality

The financial health assessment we perform concludes whether the financial health of a municipality is good, concerning or unfavourable.

An unfavourable conclusion is reached if we could not perform the assessment due to a disclaimed or adverse audit opinion or if going concern uncertainties were identified. A concerning conclusion is made if there are adverse results for the current and/or solvency ratios, which indicate whether municipalities will be able to pay their debts (which we explain later in this subsection), or if there is a high proportion of adverse results on other key indicators. If we do not reach an unfavourable or concerning health conclusion, we consider the financial health of a municipality to be good.

Based on our 2024-25 assessment, the financial health of only 35% of municipalities is good. This means that the majority of municipalities face a significant exposure to financial distress and may struggle to sustain operations, meet financial obligations, maintain service delivery and effectively manage public resources.

Financial health assessment results - overall and per province (2024-25)

Overall/province	Good	Concerning	Unfavourable
Overall	**89 (35%)**	**102 (40%)**	**64 (25%)**
Eastern Cape	17 (44%)	9 (23%)	13 (33%)
Free State	2 (10%)	8 (38%)	11 (52%)
Gauteng	1 (9%)	6 (55%)	4 (36%)
KwaZulu-Natal	23 (43%)	26 (48%)	5 (9%)
Limpopo	12 (44%)	13 (49%)	2 (7%)
Mpumalanga	4 (20%)	8 (40%)	8 (40%)
Northern Cape	5 (16%)	22 (71%)	4 (13%)
North West	4 (18%)	5 (23%)	13 (59%)
Western Cape	21 (70%)	5 (17%)	4 (13%)

The information in the financial statements and the financial health assessment and audit work we perform on key financial areas provide insight into the financial position of municipalities, their management of assets and revenue and the quality of their spending.

In the subsections that follow, the overall amounts provided should be viewed as estimates. This is because we excluded the financial information of the 13 municipalities with adverse or disclaimed opinions and due to some materially misstated amounts in the financial statements of the 86 municipalities with qualified audit opinions.

Financial position – assets, liabilities and cash

The financial statements include a 'statement of financial position'. It shows what a municipality owns and what it owes (liabilities) at year-end.

By 2024-25 year-end...

1. The **liabilities** of municipalities totalled R417,26 billion – including R289,32 billion in short-term debts (typically money owed to creditors for goods and services purchased, including Eskom and the water boards) and R79,07 billion in borrowings such as interest-bearing loans.

   Eskom accounts were in arrears at 96 municipalities (58% of electricity providers) – an overall debt of R70,07 billion. The arrear debt of **water boards** totalled R25,85 billion, owed by 68 municipalities (45% of water providers).
2. The value of municipal **assets** was R1 109,43 billion – R 861,56 billion in fixed and movable assets (explained earlier) and R247,87 billion in current assets (typically the debt owed to the municipality as well as cash (the money in the bank and actual cash)).
3. Overall, **assets exceeded liabilities**, resulting in a positive solvency ratio of 2,66:1. However, 17 municipalities (7%) had an adverse solvency ratio, with liabilities exceeding assets.
4. Overall, **current assets insufficient to cover current liabilities** as reflected in an adverse current ratio of 0,86:1.

This means that local government as a whole does not have sufficient money (even if all debts are collected) to pay what they owe creditors. More than half of municipalities (123 municipalities, or 51%) had such an adverse current ratio.

5. Overall, **cash and short term investments** (which can easily be converted to cash) available in local government were less than the current liabilities (an adverse liquidity ratio of 0.19:1)

This means that there is not enough cash available in local government to pay all its creditors. A total of 174 municipalities (72%) had such an adverse liquidity ratio.

6. **Unspent conditional grants** at year-end totalled R5,22 billion. Unspent conditional grants should be returned to the National Treasury, except if the roll-over of the funds to following years is approved. At 35 municipalities (14%), there was not enough cash in the bank to pay back the unspent conditional grants to the National Treasury.
7. On average, municipalities had enough cash at year-end to cover 1,5 months of **fixed monthly operating costs,** which is in line with recommendations by the National Treasury. In total, 28 municipalities (12%) – mostly in the Free State and Mpumalanga – did not have sufficient cash to cover even one month of these costs. These municipalities typically operate from month to month, paying what is possible and prioritising the payment of salaries.

Asset maintenance and renewal

Maintenance, renewal and rehabilitation of fixed and movable assets are essential to sustaining municipal infrastructure, ensuring reliable service delivery and supporting long term financial sustainability. Preventative repairs and maintenance slow down the deterioration of assets, reduce unplanned service interruptions and limit the need for costly emergency repairs. Investing in the renewal and rehabilitation of existing assets enables municipalities to replace worn-out components and adequately provide for depreciation through reinvestment.

The National Treasury sets budget norms for maintenance and renewal and monitors the investment made in assets in accordance with best practices. We apply these norms in our assessments too.

The 2024-25 financial statements show...

1. Municipalities continued to spend less than the norm of 8% of the value of fixed and movable assets on **repairs and maintenance.** On average, municipalities spent only 3%. A total of 238 municipalities (93%) spent less than 8%.
2. Overall, the **capital expenditure** by municipalities was 12% of total expenditure, which is within the norm of 10%. A total of 90 municipalities (35%) spent less than 10% on capital expenditure and 17 (7%) spent less than 1%.
3. Overall, municipal expenditure on **renewing and rehabilitating** existing assets was 48% of capital expenditure, which is within the norm of 40%. The remainder of the capital expenditure was for acquiring new assets. However, over half of municipalities (136 municipalities (53%)) spent less than 40%.

   Even though the portion of capital expenditure was within the norm, the **spending overall for renewals and rehabilitation was insufficient** as it covered only 86% of the annual depreciation and asset impairment. It means assets are losing value and function due to wear and tear faster than they are being renewed, rehabilitated or replaced.

Under-investment in asset maintenance and renewals contributed to the ageing and unreliable water and electricity distribution networks, which in turn increase technical losses and reduce municipal revenue.

Revenue management

In 2024-25, the total municipal revenue for the year was R565,05 billion. The sources of revenue were made up of the rates and taxes paid by property owners and consumers of municipal services (generated revenue) of R405,27 billion, the funding received from the national government through an equitable share allocation to fund poorer (indigent) households of R99,73 billion and other grants of R60,06 billion.

The problem with revenue management in local government is threefold:

1. Revenue is lost through water and electricity distribution losses.
2. Consumers are not billed or receive free basic services to which they are not entitled.
3. Debt is not collected.

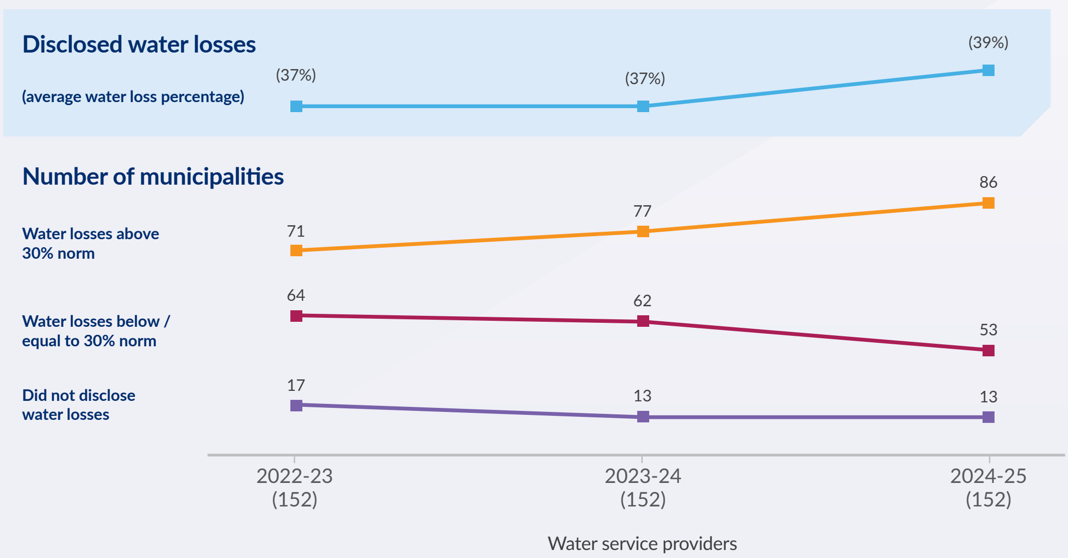
Every year, municipalities that are water and electricity service providers lose revenue because of **water and electricity losses.**

Water and electricity losses comprise technical and non-technical losses. Technical losses occur across the water and electricity distribution network and include losses caused by damaged water pipes and equipment as well as by transmission distances, which cause energy losses due to heat. These losses are worsened by ageing and poorly maintained infrastructure. Non-technical losses occur due to theft, incorrect billing or non-billing of consumers.

In this report, we provide only the value of the total loss, as complete and reliable information on the technical and non-technical losses is not included in all financial statements, as it is not a requirement of the accounting standards.

Water and electricity losses continued to be high in 2024-25 due to infrastructure neglect (as detailed in section 3) and poor revenue management.

Water losses at water service providers



In 2024-25, municipalities disclosed water losses of R14,73 billion and electricity losses of R21,63 billion. However, the losses are likely to be higher, as 17 municipalities did not disclose water and/or electricity losses and the losses disclosed by 29 municipalities were materially misstated (incomplete, incorrect or not supported by evidence).

In all provinces, except North West and the Western Cape, at least half of the water service providers that disclosed losses had water losses above the 30% norm. In all provinces, except the Western Cape, most electricity service providers had electricity losses above the 10% norm.

Water and electricity losses per province (2024-25)
(high percentages are highlighted)

Province	Water service providers			Electricity service providers		
	Water loss amount	Water losses above 30%	Water losses not disclosed	Electricity loss amount	Electricity losses above 10%	Electricity losses not disclosed
Eastern Cape	R1,03bn	10 (71%)	-	R2,86bn	17 (81%)	-
Free State	R1,28bn	9 (53%)	1 (6%)	R0,74bn	11 (65%)	3 (18%)
Gauteng	R4,43bn	6 (67%)	1 (11%)	R8,06bn	7 (78%)	1 (11%)
KwaZulu-Natal	R4,65bn	11 (73%)	-	R3,71bn	21 (84%)	-
Limpopo	R1,29bn	7 (70%)	-	R0,51bn	12 (80%)	1 (7%)
Mpumalanga	R0,79bn	13 (76%)	-	R2,27bn	13 (93%)	-
Northern Cape	R0,24bn	15 (58%)	1 (4%)	R0,55bn	23 (88%)	1 (4%)
North West	R0,76bn	6 (35%)	9 (50%)	R1,66bn	9 (69%)	3 (23%)
Western Cape	R0,25bn	9 (35%)	1 (4%)	R1,27bn	9 (36%)	1 (4%)
Total	**R14,73bn**	**86 (57%)**	**13 (9%)**	**R21,63bn**	**122 (74%)**	**10 (6%)**

Since November 2025, we have notified the accounting officers at Elundini (Nqanqarhu) and Enoch Mgijima (Komani) in the Eastern Cape and Sol Plaatje (Kimberley) in the Northern Cape of four MIs dealing with revenue lost due to water and/or electricity distribution losses.

Water distribution losses: Sol Plaatje (Northern Cape)

The municipality provides basic services to 79 576 households in Kimberley and Ritchie, the surrounding farming districts and townships such as Galeshewe. Kimberley is the capital of the province, making government services the biggest driver of the economy in the area.

In 2024-25, the municipality disclosed 25,99 million kilolitres (67%) in water distribution losses, resulting in revenue of R93,81 million being lost.

We notified the accounting officer of an MI in November 2025. The accounting officer did not take appropriate action and we are deciding on further action to be taken.

As in previous years, our audits identified **consumers that were not billed.** In 2024-25, the revenue disclosed in the financial statements of 76 municipalities (30%) was materially misstated because they did not bill all the revenue due to them, they did not have adequate audit evidence for the amounts shown as billed, or the amounts were recorded incorrectly.

In 2024-25, our audit work continued to focus on the **free basic services delivered to indigent households** at the 231 municipalities that provided basic services.

Some municipalities provided free services to households that did not meet or no longer met the indigent criteria as set by the municipality. We identified the following:

- Registered indigents who were deceased at 112 municipalities (48%).
- Registered indigents and/or their spouse(s) who were employed by the state or had an interest in business with the government at 106 municipalities (46%).

We also identified municipalities that did not effectively use the equitable share allocation that they received from the National Treasury to fund free basic services for indigent households.

The National Treasury determines the basic services component of the equitable share allocation by estimating the number of poor households in the area based on information from the Statistics South Africa census. However, municipal budgets are based on only the number of registered indigent households and not all poor households, which results in significant differences in the amounts received to fund free basic services and what is used for this purpose.

In 2024-25, the National Treasury allocated R74,85 billion to fund free basic services for 10 905 000 households. However, municipalities budgeted only R40,43 billion (54%) to fund free basic services to 7 468 589 (68%) indigent households. Ultimately, R27,96 billion (37%) reached 3 503 490 households (32%). For example:

- Emfuleni (Vereeniging, Gauteng) received an equitable share allocation of R1,1 billion intended to support 161 722 indigent households, but budgeted only R0,51 billion, while only R0,58 billion (53%) reached 82 345 households (51%).
- Mangaung Metro (Free State) received an equitable share allocation of R1,1 billion intended to support 163 684 indigent households, while only R0,50 billion (45%) reached 67 022 households (41%).

In total, 24 municipalities (10%) did not have properly functioning processes to ensure that community members were aware of and able to apply for indigent status. In addition, the indigent registers of 25 municipalities (11%) were not updated every year. The weaknesses that we identified in these processes make it more difficult for vulnerable households to access the free basic services that they are entitled to receive.

Some consumers (including government institutions) **do not pay municipalities what they owe them** for services – a longstanding trend that has worsened with the continuing economic downturn. Thus, although a municipality's reported revenue may appear financially sound in the accounting records, the corresponding cash inflows are not necessarily realised in the municipality's bank accounts. On average, municipalities estimated that they would be able to recover only 24% (R97,18 billion) of their 2024-25 own revenue, with R308,08 billion at risk of not being recovered.

In 2024-25, municipalities took an average of 129 days (2023-24: 73 days) to collect the amounts they were owed and they wrote off R62,12 billion (2023-24: R53,37 billion) in debt that was not paid to them. The collection period of consumer debtors at 132 municipalities (55%) was longer than 90 days. At 98 municipalities (41%), more than 80% of their total debt was considered irrecoverable, with the highest prevalence in the Free State, Limpopo and North West.

To provide a more accurate reflection, we calculated the average debtors' collection days by excluding municipalities with unreliable amounts, including municipalities with material misstatements in their debtor balances and those with collection periods exceeding 500 days.

Since 2019, we have identified 42 MIs at 27 municipalities and two municipal entities that related to revenue not billed, receipts not deposited or debt not recovered.

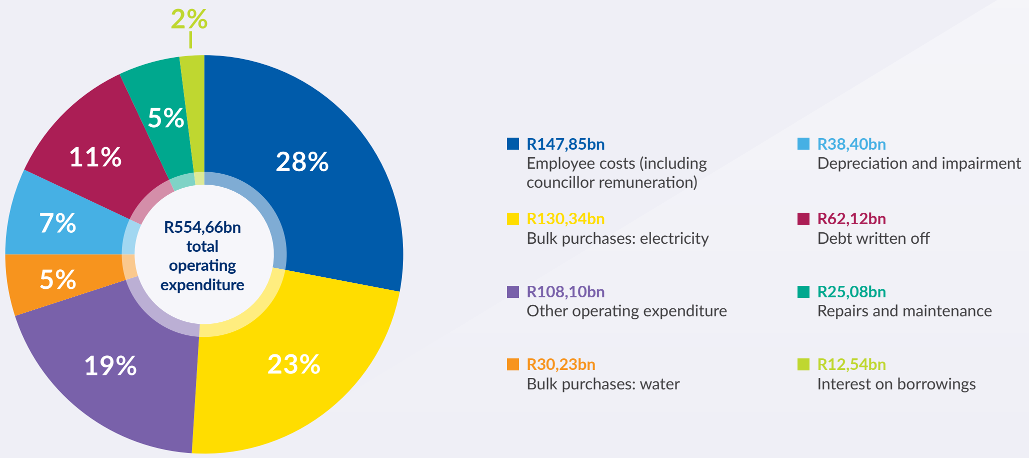
Revenue not billed: eThekwini Metro (KwaZulu-Natal)

The metro did not maintain, repair or replace non-functional water meters, resulting in some customers not being billed for consumed water worth an estimated R659,73 million. We notified the accounting officer of an MI in July 2025 and further appropriate action was being taken to resolve the MI.

Poor quality of spending

The figure that follows provides a breakdown of municipal spending patterns in 2024-25.

Breakdown of overall operating expenditure (2024-25)



Municipalities prioritised paying salaries and remunerating councillors. This expense is equivalent to 75% of the equitable share allocation that municipalities receive from the national government, and municipalities' estimated recoverable own revenue (portion of billed revenue that municipalities realistically expected to collect, after taking into account collection rates and impairments). They then used what was left to pay municipal suppliers, including Eskom and the water boards, to supply essential basic services. Eskom and the water boards are in a particularly difficult situation, as they are required to continue delivering services even when they are not paid.

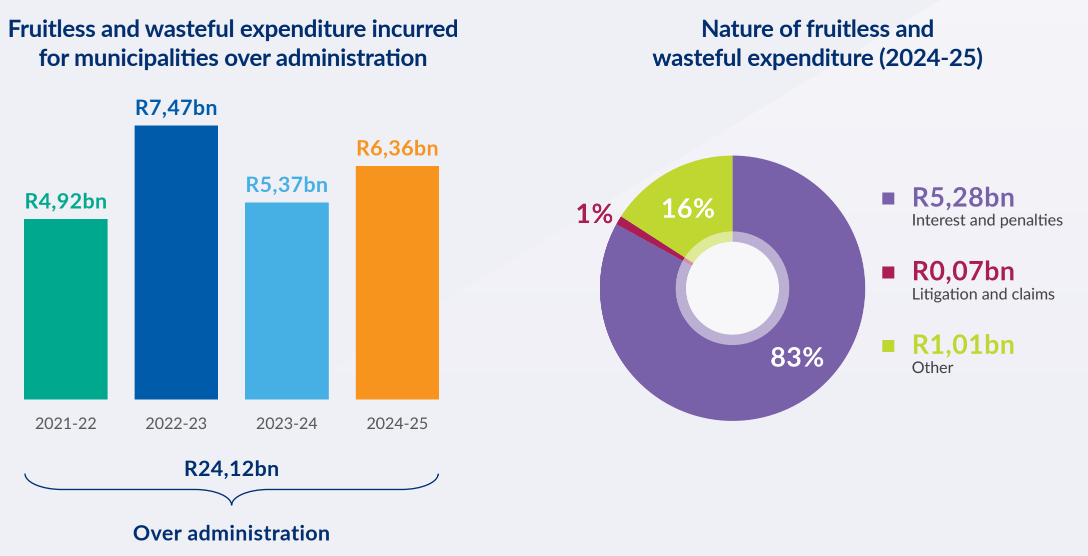
The statement of financial performance reflects the extent to which municipalities generated surpluses or incurred deficits. The total **deficit** in 2024-25 was R17,41 billion, with 98 municipalities (41%) spending more than what they generated in revenue. This is a significant increase from the deficits of R12,52 billion reported by 91 municipalities (38%) in 2023-24 and R6,86 billion reported by 60 (25%) in 2020-21.

In 2024-25, 70 municipalities (29%) recorded deficits that exceeded 5% of total revenue, while 68 (28%) reported deficits for two or more consecutive years. Free State, Gauteng and Mpumalanga had the highest prevalence of municipalities with deficits.

Since 2021-22, we have consistently highlighted the **lack of careful spending** and the eroding of the limited funds available. Funds, including grant funding, are spent but service delivery does not improve. In simple terms, the quality of spending remains a problem. Local government is losing billions of rand each year because of poor decisions, neglect or inefficiencies.

Since 2021-22, municipalities have incurred a total of R24,12 billion in **fruitless and wasteful expenditure.**

Fruitless and wasteful expenditure and the nature thereof



In 2024-25, this amount could be even higher as the value of fruitless and wasteful expenditure disclosed by 17 municipalities (7%) in their financial statements was materially understated.

In 2024-25, municipalities in all provinces continued to incur fruitless and wasteful expenditure. All the municipalities in the Free State and North West and 97% of municipalities in the Northern Cape incurred fruitless and wasteful expenditure. Municipalities in the Free State spent 5% of the total budget in a fruitless and wasteful manner.

Uncompetitive and uneconomical procurement practices are one of the main reasons for value for money not achieved (as detailed in subsection 2.4). Other reasons include **poor payment practices, no or limited benefit received** for money spent, including the ineffective use of consultants and losses due to suspected **fraud.**

Poor payment practices

Municipalities must actively manage the contracts awarded to suppliers to ensure that they deliver at the right time, price and quality before any payments are made. Municipalities must also pay their bills on time to avoid interest and penalties and must not make payments to employees or other beneficiaries that are not valid. Such requirements are not only standard financial management practices, but are included in the MFMA, which makes accounting officers responsible for ensuring that the required processes and controls are implemented.

Although municipalities are required by law to pay their creditors within 30 days of receiving an invoice or statement, widespread non-compliance with this requirement continued. In 2024-25, 136 municipalities (53%) did not **pay their creditors on time.**

Since 2021-22, municipalities have incurred interest and penalties totalling R19,95 billion due to late payment. By the 2024-25 year-end, municipalities owed interest of R3,40 billion to Eskom and R1,21 billion to water boards. Gauteng, Mpumalanga and North West were responsible for 65% of the total interest owed to Eskom and water boards. Since 2019, we have notified accounting officers of 32 municipalities and one municipal entity of 40 MIs dealing with late payments to Eskom and water boards.

Late payments also extended to payments of contributions and third-party deductions. A total of 48 municipalities (20%) had third party deductions that were overdue for more than one month. This included pension fund, medical aid, pay-as-you-earn and Unemployment Insurance Fund contributions. This was most prevalent in the Free State, Mpumalanga and North West.

A total of 129 municipalities (54%) had creditors outstanding for more than 90 days, with the highest prevalence in the Free State, Gauteng, Mpumalanga and Northern Cape. On average, it took municipalities 113 days to pay their creditors. The longest average payment periods were in the Free State (174 days), Gauteng (165 days), Mpumalanga (146 days) and Northern Cape (144 days).

To provide a more accurate reflection, we calculated the average creditor payment days by excluding municipalities with materially misstated creditor balances and those with payment periods exceeding 500 days.

Impact

When municipalities pay their suppliers late or do not pay them at all, this seriously affects the cash flows of businesses that supply goods and services to local government. Some of these suppliers stop providing services to municipalities, which results in projects not being completed and services not being delivered. People could also lose their jobs when businesses are forced to close because of late or non-payment.

Payments were not always made in accordance with **contract requirements** or were made for **goods and services that were not received or that were of poor quality.** Payments were also made to **employees who were not eligible** to receive the salaries or wages.

We have issued notifications to the accounting officers of 74 municipalities and two municipal entities for 151 MIs relating to poor payment practices – 74 for late payments and the remainder for payments for goods or services that were not received (63), of poor quality (six), not in line with the contract (five), or to ineligible beneficiaries (three), which resulted in (or are likely to result in) financial losses.

Payments for goods and services not received or to ineligible beneficiaries

- In November 2018, **Kumkani Mhlontlo** (Qumbu) in the Eastern Cape awarded a R27,91 million contract to a service provider for the construction of Tsolo Sports Field. During our site visit in October 2024, we found that R6,48 million was paid for materials and services not received. We notified the accounting officer of an MI in October 2025. The accounting officer is taking appropriate action to resolve the MI.

- **!Kheis** (Groblershoop) in the Northern Cape changed suppliers' banking details without verifying the validity of the change requests, resulting in R2,19 million payments to unauthorised suppliers between 2022-23 and 2024-25. We notified the accounting officer of an MI in May 2025. The accounting officer did not take appropriate action and we included recommendations in the audit report that should be implemented by May 2026.

No or limited benefit received for money spent

Given the constrained fiscal resources available, municipalities are required to ensure optimal value for money in all expenditure decisions. However, instances persist in which they procured goods or services that they either did not use or partially used, or do not yield commensurate value relative to the expenditure incurred, which resulted in (or are likely to result in) financial losses.

We have notified accounting officers at 32 municipalities and one municipal entity of 44 MIs relating to such losses. We include an example of an MI relating to this at the City of Ekurhuleni Metro's Clayville social housing project in section 4.

Over the last decade and over several administrations, municipalities' **reliance and spending on consultants** has increased without always receiving the corresponding benefit.

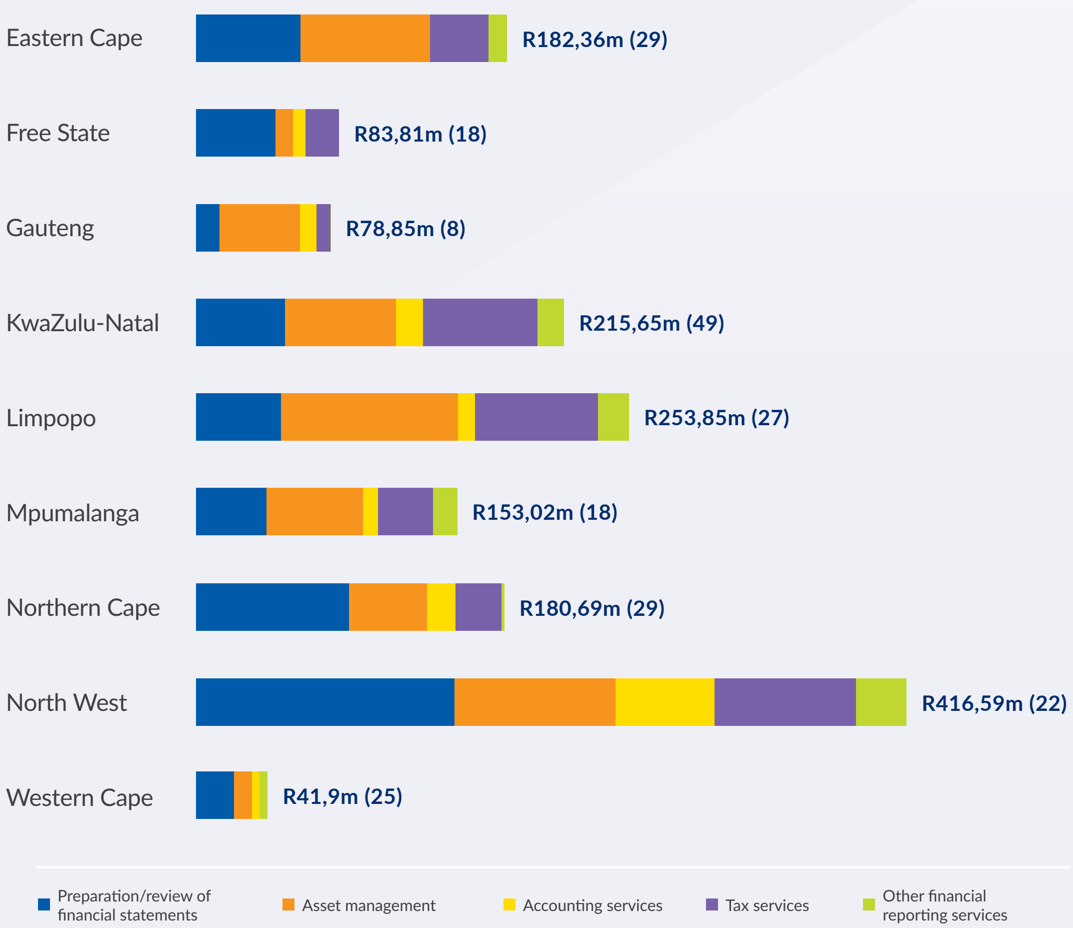
In 2024-25, 225 municipalities (88%) used financial reporting consultants at a cost of R1,61 billion (including R0,02 billion paid by other institutions), compared to 179 municipalities that spent R0,59 billion a decade ago (2014-15).

Financial consultant use (over administration)

Area	2020-21	2023-24	2024-25
Consultant cost	R1,44bn at 230 municipalities	R1,52bn at 225 municipalities	R1,61bn at 225 municipalities
Nature of consulting service			
Preparation/review of financial statements	R0,40bn (28%)	R0,49bn (32%)	R0,53bn (33%)
Asset management	R0,49bn (34%)	R0,51bn (34%)	R0,51bn (32%)
Tax services such as value-added tax (VAT) returns	R0,37bn (26%)	R0,31bn (20%)	R0,34bn (21%)
Accounting services	R0,07bn (5%)	R0,12bn (8%)	R0,13bn (8%)
Other services	R0,11bn (7%)	R0,09bn (6%)	R0,10bn (6%)
Material misstatements			
Material misstatements in area of consultant work	142 (62%)	135 (60%)	137 (61%)

In 2024-25, municipalities in all provinces made use of consultants.

Consultant cost and nature by province (2024-25)
(number of municipalities using consultants shown in brackets)



In 2024-25, the five municipalities with the highest spending on consultants were all from North West and spent a combined R211 million, in addition to the R238 million they spent on the salaries of officials in their finance units. Despite the large sums invested in consultants, all five of these municipalities had material misstatements in the areas in which consultants were appointed and three of them received a qualified opinion on their financial statements. The 22 municipalities in the province collectively spent R417 million on consultants – more than a quarter (26%) of the total consultant spend.

Top contributors to consultant cost (2024-25)

Municipality	Area in which consultants were used	Audit opinion	Reason for consultant appointment	Consultant cost	Finance unit salary cost
Madibeng (Brits, North West)	Preparation or review of financial statements, asset management and tax services	Qualified	Vacancies	R58,12m	R40m
Ramotshere Moiloa (Zeerust, North West)	Preparation or review of financial statements, asset management, tax services and accounting services	Qualified	Lack of skills	R47,64m	R35,51m
Moretele (Makapanstad, North West)	Preparation or review of financial statements, asset management and tax services	Unqualified with findings	Lack of skills and vacancies	R38,44 m	R35,18m
JB Marks (Potchefstroom, North West)	Preparation or review of financial statements, asset management and accounting services	Unqualified with findings	Lack of skills	R34,09m	R30,49m
City of Matlosana (Klerksdorp, North West)	Preparation or review of financial statements, asset management, tax services and other financial reporting services	Qualified	Lack of skills	R32,99m	R97,10m

We performed an assessment to determine how often consultants were appointed and whether appointments were concentrated among specific consultants. Where the consultant was appointed for more than one service at the same municipality, we calculated these as separate instances. We also grouped consultants where the data provided by municipalities reflected slight variations to consultant names (for example, the inclusion of the abbreviation Pty (Ltd)) or other similar variations). Based on our assessment, we provided our best estimate of the concentration of consultant appointments.

We found that consultant appointments reflected the recurring use of the same suppliers across multiple service areas over successive years. For example, one consultant (Mubesko Afrika and related entities) was appointed over the past five years for the preparation or review of financial statements (106 instances), asset management (85 instances), accounting services (29 instances) and other financial reporting services (21 instances) with appointments across three provinces.

Over the past five years, the appointment of consultants for tax services has been highly concentrated among a limited number of service providers. Maximum Profit Recovery and related entities accounted for approximately 248 instances (48%) of all tax service appointments and operated in municipalities in all nine provinces. PK Financial and related companies accounted for 80 instances (15%) in six provinces.

We include examples of consultants that were used on a recurring basis next.

Overreliance on the use of consultants: Emthanjeni (Northern Cape)

The municipality encompasses the towns of Britstown, Hanover and De Aar, and serves as the administrative seat. It provides basic services to 13 019 households. Farming and transport are the biggest economic sectors in the area.

Over the last five years, the municipality continued to appoint Mubesko and CCG Systems as consultants for the preparation of financial statements and paid an estimated R20,24 million to them, 55% of which was spent in 2024-25.

We notified the accounting officer of an MI in September 2023 relating to R2,86 million in payments for financial reporting services to consultants that could have been performed by municipal officials. Appropriate action was not taken to resolve the MI and we included recommendations in the audit report that were not implemented by the due date. We took remedial action, which was also not implemented, and we requested action from the council and provincial leadership to address the accounting officer's failure to implement the remedial action. A progress report on actions taken is due from the premier in November 2026.

Ineffective use of consultants: Amathole District Municipality (Eastern Cape)

The municipality is headquartered in KuGompo City (formerly East London) and oversees six local municipalities. The municipality operates as a water services provider. The main economic drivers in the area are agriculture, forestry, tourism and manufacturing.

The municipality used Maximum Profit Recovery as a consultant for VAT services over the last eight years (since 2017-18). Despite the continued use of specialised professional services in this area, the VAT payable amount in the financial statements of the municipality was materially misstated in both 2021-22 and 2022-23.

In December 2022, we notified the accounting officer of an MI relating to a consultant contracted on the basis of a 11% commission on VAT refunds to the municipality, which was not linked to the time and costs of providing such services to the municipality. As appropriate action was not taken to resolve the MI, we took remedial action, which had to be implemented by April 2026. We are currently assessing the implementation of the actions taken.

The municipality has paid R75,32 million to Maximum Profit Recovery for consulting services since 2020-21, R21,41 million (28%) of which was paid in the 2024-25 financial year.

As one of the main reasons for appointing consultants was to assist with asset management, we include further details on the nature of the work done and the municipalities spending the most on these services.

Consultant cost on asset management – top five contributors

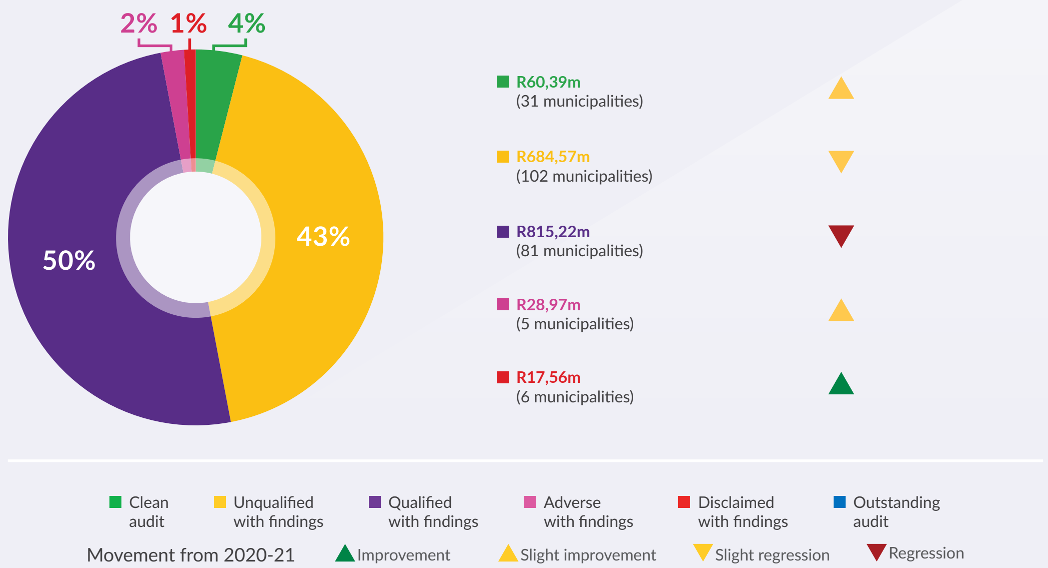
Municipality	No. of years consultants were used	Reasons for using consultants in 2024-25	Material misstatement in area of consultant's work	Amount
Joe Morolong (Churchill, Northern Cape)	Last three years Same consultants appointed during this period	To compile and resolve issues in the asset register Due to internal capacity constraints, the wide geographic spread of infrastructure assets and valuation challenges	Two years (2022-23 and 2023-24): Yes	2024-25: R19,98 million 2023-24: R21,36 million 2022-23: R3,94 million
Madibeng (Brits, North West)	Last four years Same consultants appointed during this period	To compile and maintain a Generally Recognised Accounting Practice 17 compliant asset register, incorporating impairment assessments and asset unbundling Due to skills shortages and key vacancies in the finance unit, including the chief financial officer and asset manager positions	No	2024-25: R18,36 million 2023-24: R16,47 million 2022-23: R13,58 million 2021-22: R13,47 million
Mogalakwena (Mokopane, Limpopo)	Last two years Different consultant used each year	For infrastructure asset verification and valuations Due to specialised, multidisciplinary valuation requirements and persistent vacancies and capacity constraints within asset management unit	Both years: Yes	2024-25: R15,82 million 2023-24: R4,02 million
City of Ekurhuleni Metro (Gauteng)	Last four years Same consultants appointed during this period	For verification, valuation and impairment assessments Due to capacity constraints in asset management unit	No	2024-25: R15,46 million 2023-24: R13,63 million 2022-23: R11,78 million 2021-22: R8,52 million
Polokwane (main town of Polokwane and surrounding areas, including Seshego) (Limpopo)	Last four years Same consultants appointed during this period	For asset valuation work Due to limited internal capacity and skills	All four years: Yes	2024-25: R14,19 million 2023-24: R23,93 million 2022-23: R17,08 million 2021-22: R17,39 million

Three of the top five contributors to the overall cost, namely Joe Morolong, Madibeng and Mogalakwena, used consultants even when their selected policy for recording fixed assets was the less complex historical cost method, which would be expected to be performed by their own staff. The City of Ekurhuleni Metro and Polokwane adopted the more complex revaluation cost method, which requires assets to be revalued regularly to reflect their current value.

Despite widespread and considerable municipal spending on consultants, there has been little improvement in financial statement quality and consultant effectiveness over the past decade. Of the municipalities using consultants, 137 (61%) still submitted financial statements for auditing with material misstatements, compared to 118 (66%) in 2014-15.

In 2024-25, even after we allowed corrections to be made, 92 municipalities (41%) that used consultants received modified audit opinions.

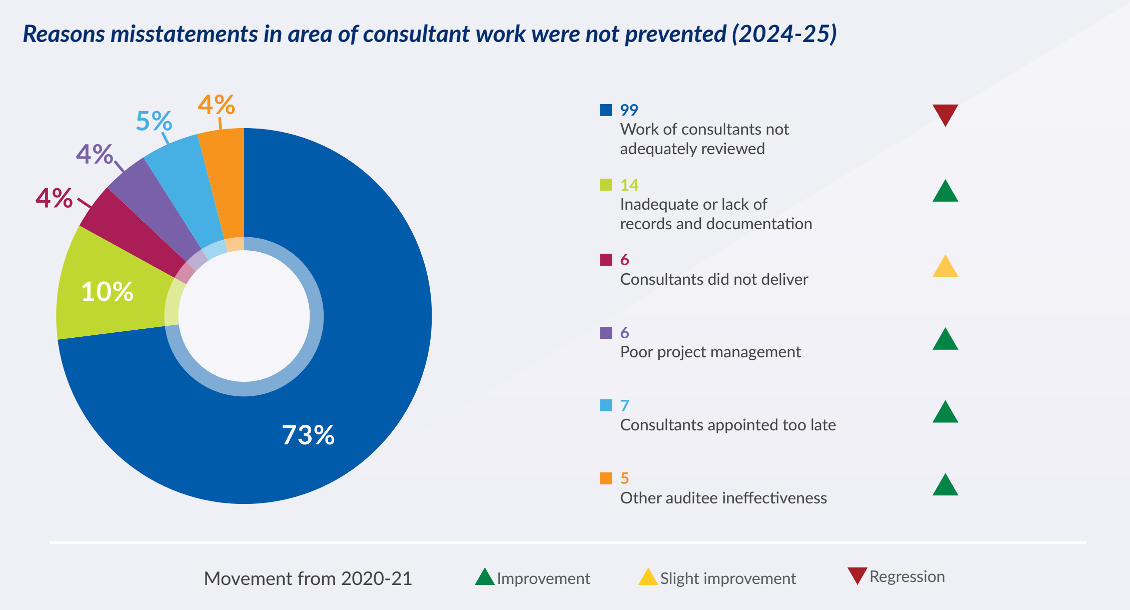
Consultant cost by audit outcome (2024-25)



Of the 92 municipalities that used consultants and still received modified audit opinions in 2024-25 , more than half (53%) were in three provinces, namely the Northern Cape – 19 (21%), North West – 16 (17%) and the Eastern Cape – 14 (15%).

In 2024-25 , municipalities – and not the consultants – were responsible for 96% of cases (2020-21: 94%) where the full benefit of consultant appointments was not realised, mainly due to consultants being appointed too late, inadequate review of consultants' work, financial records and supporting documentation not being made available to the consultants, or poor contract management.

In 2024-25 , the main reasons for misstatements in the area of consultants' work were the inadequate review of consultants' work.



Most of the 99 municipalities in which consultants' work was not adequately reviewed were located in North West (19, or 19%), Limpopo (17, or 17%) and the Northern Cape (16, or 16%).

The same governance gaps continued over the administration – especially weak skills transfer, inadequate needs assessments and project planning, and inconsistent consultancy reduction planning/ implementation – showing that the use of consultants is still not being managed strategically.

Common findings on consultants since

Finding	Number of municipalities 2021-22	Number of municipalities 2023-24	Number of municipalities 2024-25
No consultancy reduction plan in place	36	51	44
Conditions or clauses relating to transfer of skills not included in contract	29	20	24
No evidence that skills transfer or training programmes took place	63	50	51
Consultants appointed without conducting a needs assessment / gap analysis and detailed project plan	65	45	43
Measures to monitor transfer of skills were not implemented	48	27	32

A lack of evidence of skills transfer or training programmes was prevalent at 16 municipalities (31%) in the Northern Cape and 11 municipalities (22%) in the Free State. The absence of consultancy reduction plans was most evident at 11 municipalities (25%) in the Northern Cape, followed by nine municipalities (20%) in the Free State.

We have been reporting on the ineffective or inefficient use of consultants for financial reporting for many years. To encourage municipalities to use consultants responsibly, we have notified accounting officers at 31 municipalities of 33 MIs relating to the use of consultants.

Losses due to suspected fraud

One of the key responsibilities of accounting officers and senior managers is to implement and maintain effective and efficient systems of internal control to support accountability and prevent fraud.

Subsection 2.4 outlines the fraud risks relating to procurement that we identified during our audits. We also did focused work on fraud risk and controls at metros and municipalities with disclaimed audit opinions. At some of these municipalities, the lack of basic controls, including those relating to good record-keeping, payment approvals and IT systems, created an environment in which it was easy to commit fraud.

Suspected fraud that results in financial loss is an MI. The desired impact of notifying accounting officers of MIs for suspected fraud is to ensure that they, with the support of the councils and disciplinary boards, deal with fraud swiftly and effectively as well as put controls in place to prevent it from happening again. Since 2019, we have notified accounting officers of 64 MIs resulting in financial loss – three were on suspected fraud and 61 on non-compliance with legislation, with fraud indicators at 45 municipalities and a municipal entity, for which the accounting officers were required to initiate fraud or criminal investigations.

Fraud indicators identified: Thabazimbi (Limpopo)

Situated in the Waterberg district of the province, the municipality is a major mining and environmental hub. It provides basic services to 42 268 households in towns, rural settlements and agricultural areas.

The municipality appointed a third-party service provider with effect from 25 July 2023 (date contract was signed) for an online vending system and related vending services. The R27,32 million revenue collected by the third-party service provider was not paid to the municipality. We notified the accounting officer of an MI in April 2025. The accounting officer did not take appropriate action, and also did not implement the recommendations we issued for implementation by March 2026. As we identified fraud indicators, we referred the MI to the Hawks for investigation in May 2026.

Unfunded budgets and unauthorised expenditure

Municipalities must budget effectively, plan carefully how they will use their limited funds to operate and deliver services, and properly manage their operations and deliver on their planned service delivery targets within the approved budget.

As detailed in subsection 1.2, the mayor (assisted by the accounting officer) coordinates the budget preparation, which includes consulting the provincial treasury or the National Treasury (in the case of metros and some intermediate cities). One of the key tests that the treasuries conduct during this assessment is determining whether the budget is funded – in other words, whether the available funds and revenue that will be generated or received via grants and equitable share allocations will be enough to cover the projected spending.

The treasuries specifically consider whether the revenue projections (the money the municipality expects to receive) are reasonable and whether it is likely that the municipality would be able to collect this revenue.

If a budget is unfunded, the treasury advises the accounting officer and mayor to correct it before it is tabled and adopted by the council. Those who ignore this advice and adopt an unfunded budget are requested to correct this position during the adjustments budget period in February of the following year.

Despite the advice received from the treasuries, 116 of 257 municipalities (45%) adopted **unfunded adjustments budgets** in 2024-25, up from 113 municipalities (44%) in the previous year and 105 (41%) in 2020-21. Of these, 77 municipalities (66%) had adopted unfunded adjustments budgets in each of the four years of the administration, with no signs of improvement.

An unfunded budget is an indicator that a municipality is struggling to balance its expenses with its expected revenue, often overestimating the amount of property rates and service charges it will collect from residents. Fixed costs (e.g. salaries), non-implementation of cost-containment measures (e.g. reducing consultant use) and a reluctance to scale down on or reprioritise projects promised to communities further contribute to unfunded budgets.

Unfunded budget due to unrealistic projections: Chris Hani District Municipality (Eastern Cape)

Seated in Komani, the municipality is located in the centre of the province and serves as a vital economic and geographic link connecting all surrounding regions. The municipality operates as a water services provider. The district is made up of six local municipalities.

The municipality's budgets for the last three years were unfunded. In 2024-25, the municipality budgeted for a surplus of R889,83 million, but the budget was declared by the provincial treasury as unfunded due to unrealistic revenue projections to support planned expenditure. As warned by the provincial treasury, the revenue was insufficient to cover the expenditure during the year, resulting in a deficit of R116,95 million by year-end.

In addition, the underbudgeting for key items, including debt impairments and write-offs, resulted in unauthorised expenditure of R764,24 million.

Unauthorised expenditure is expenditure that is not in line with the approved budget (e.g. overspending or spending of money budgeted for a specific purpose on something else) or not in accordance with the conditions of a grant. Municipalities are required to disclose unauthorised expenditure in their financial statements to provide transparency on the transgression and for the required accountability processes to take place.

Municipal budgets make provision for items that do not involve actual cash inflow or outflow. These are termed 'non-cash items' and include accounting entries that reduce the value at which assets, such as infrastructure or consumer debt, are reflected in the financial statements (impairments), and that provide for other types of potential financial losses. This is not actual expenditure, but rather an accounting estimate that enables municipalities to assess the true value of their assets; for example, whether debt is recoverable (in other words, whether debtors will pay) or determine the level of deterioration of an infrastructure asset to plan for its replacement.

Underbudgeting for non-cash items such as the impairment of consumer debt may lead to cash-flow shortages, while underbudgeting for asset impairments may lead to the use of deteriorating assets that have reached the end of their useful life, without having enough reserves built up to fund their replacement, which will affect the availability and quality of services provided to communities.

Since 2021-22, municipalities have disclosed a total of R118,13 billion in unauthorised expenditure, R63,43 billion (54%) of which was on non-cash budget items.

Details of unauthorised expenditure

Description	2021-22	2022-23	2023-24	2024-25
Number of municipalities	177 (69%)	175 (68%)	175 (68%)	177 (69%)
Unauthorised expenditure amount	R25,41bn	R24,40bn	R32,27bn	R36,05bn
Nature of unauthorised expenditure				
Spending not in line with budget	R25,15bn	R24,17bn	R32,04bn	R35,92bn
Spending not in accordance with grant conditions	R0,26bn	R0,23bn	R0,23bn	R0,13bn
Unauthorised expenditure: cash vs non-cash breakdown				
Cash	R12,38bn (49%)	R14,64bn (60%)	R13,50bn (42%)	R14,18bn (39%)
Non-cash	R13,03bn (51%)	R9,76bn (40%)	R18,77bn (58%)	R21,87bn (61%)

Of the 116 municipalities that adopted unfunded budgets in 2024-25, 99 (85%) incurred unauthorised expenditure, while 72 (63%) incurred deficits in 2024-25.

Of the 141 municipalities with funded budgets, 78 (55%) incurred unauthorised expenditure.

In 2024-25, we reported material findings on compliance due to a failure to prevent unauthorised expenditure at 147 municipalities. Examples include:

- Emfuleni (Vereeniging) in Gauteng overspent in multiple areas budgeted for, amounting to R3,04 billion, mainly due to insufficient provision for debt impairment and interest charged on bulk electricity purchases.
- City of Johannesburg Metro in Gauteng overspent on multiple areas budgeted for, amounting to R2,38 billion, mainly due to higher than planned employee costs as well as finance costs from short term borrowing, debt impairments and other non cash items that were not adequately provided for in the original budget.
- eMalahleni (main town of eMalahleni and surrounding areas, including Kriel) in Mpumalanga overspent on multiple areas budgeted for, amounting to R1,80 billion, mainly due to non-cash items such as impairments and depreciation that were not adequately budgeted for.

In 2024-25, the prevalence of municipalities with unfunded budgets was highest in Gauteng (82%), followed by North West (77%) and the Northern Cape (71%). Three provinces accounted for more than 75% of the total unfunded expenditure budget: Gauteng (57%), North West (11%) and Mpumalanga (8%).

More than 85% of municipalities in the Free State and North West incurred unauthorised expenditure, while at least 15% of the total budget was unauthorised expenditure in the Free State, Mpumalanga and Northern Cape.

Unfunded budgets and unauthorised expenditure per province
(most concerning trends highlighted)

Province	Unfunded budgets		2024-25 unauthorised expenditure		Total unauthorised expenditure over four years
	Number of municipalities	Expenditure budget unfunded	Number of municipalities	Total amount	
Eastern Cape	10 (26%)	R9,53bn	22 (56%)	R5,48bn	R12,61bn
Free State	15 (65%)	R16,45bn	21 (91%)	R4,33bn	R18,93bn
Gauteng	9 (82%)	R164,88bn	6 (55%)	R8,46bn	R26,46bn
KwaZulu-Natal	14 (26%)	R19,93bn	40 (74%)	R4,52bn	R13,88bn
Limpopo	11 (41%)	R14,63bn	17 (63%)	R2,84bn	R10,37bn
Mpumalanga	12 (60%)	R22,21bn	14 (70%)	R5,22bn	R16,46bn
Northern Cape	22 (71%)	R6,37bn	24 (77%)	R1,91bn	R5,47bn
North West	17 (77%)	R31,01bn	19 (86%)	R3,11bn	R11,87bn
Western Cape	6 (20%)	R3,16bn	14 (47%)	R0,18bn	R2,08bn
Total	**116 (45%)**	**R288,17bn**	**177 (69%)**	**R36,05bn**	**R118,13bn**

Financial management improvement strategies

Both the national government and provincial governments have supported municipalities to address their poor financial state through, among other things, financial recovery plans and the National Treasury's Eskom debt-relief programme.

When properly implemented, **financial recovery plans** can assist municipalities in improving their financial performance. In 2024-25 , 54 municipalities had adopted such plans, 31 of which were mandatory, 20 voluntary and three discretionary.

A mandatory financial recovery plan is required to be implemented when a municipality is subject to an MFMA section 139 intervention imposed through the national or provincial government due to a serious financial crisis. The mandatory plan is a legally binding recovery strategy developed by the municipal financial recovery services unit within the National Treasury and requires a municipality to report monthly on the progress of implementation of the plan to the relevant MEC for finance.

Discretionary financial recovery plans arise through provincial intervention to address emerging or moderate financial distress before a mandatory intervention becomes necessary. A voluntary plan is initiated and implemented proactively by municipalities to improve their financial performance.

Most municipalities are struggling to effectively implement their financial recovery plans due to weak governance, poor financial discipline, persistent revenue and cash-flow constraints, and limited institutional capacity, resulting in slow and incomplete execution of plans, with minimal positive impact.

The **Eskom debt-relief programme,** managed by the National Treasury, aims to empower municipalities to build financial resilience and improve their capacity to generate sustainable revenue, fostering a culture of paying for services rendered.

The programme allows municipalities to apply for debt relief over rolling 12-month cycles. To qualify, municipalities that had overdue Eskom debt at 31 March 2023 must submit a written application, supported by a council resolution, to the National Treasury. The National Treasury then evaluates applications individually.

Approved municipalities must adhere to specific conditions for 24 months to qualify for an annual write-off of one-third of their Eskom debt over three years, and are exempt from repaying the amounts in arrears, interest or penalties at 31 March 2023. The conditions include the municipality paying Eskom within 30 days of receiving invoices for current billing, having a funded budget and cost-reflective tariffs, issuing consumers with monthly consolidated municipal bills, maintaining minimum average collections of property rates and service charges, and ensuring that billing is complete (meaning that the billing system must agree with the approved valuation roll).

To date, 69 municipalities with Eskom debt have joined the debt-relief programme, but 50 (72%) of them are not complying with the programme requirements. These municipalities may be removed from the programme, at which point they will need to repay their Eskom arrears, interest and penalties and will be subject to stricter re-application requirements. Eskom may also take legal action against them, including freezing municipal bank accounts.

The National Treasury approved debt of R3,25 billion owed by 19 municipalities to be written off by Eskom due to substantial compliance with the conditions of the debt-relief programme. Ten of these municipalities piloted smart meters, which assisted them in improving their expenditure and revenue management.

Improved financial management through compliance with Eskom debt-relief programme: Bela-Bela (Limpopo)

Famous for its natural hot springs, the municipality provides basic services to 25 512 households.

The municipality received a R10,34 million Eskom debt write-off. The municipality achieved this by ensuring that current amounts owed to Eskom were paid on time by developing a tool that identified amounts due within five days and monitoring the tool daily to prioritise bulk electricity payments. The municipality also rolled out smart meters in 2024-25, which improved billing accuracy, reduced electricity losses by 3%, helped to increase electricity revenue by 14% and decreased the average collection time by 86 days compared to the previous year. Prepaid features and remote disconnection have also enhanced enforcement and cash-flow management.

Causes of financial health challenges

Overall, the continued poor state of municipal finances is due to the following financial management lapses:

- Unreliable financial information was used for in-year reporting – as evidenced by the high prevalence of material misstatements in the financial statements submitted for auditing.
- Weak oversight and accountability by councils, mayors and senior management resulted in recurring unfunded budgets, unauthorised expenditure and operating deficits not being prevented or corrected.
- Inadequate financial planning and budgeting, including unrealistic revenue projections and insufficient provision for non cash items, continued to undermine budget credibility and contribute to cash-flow pressure.
- Weak revenue management controls, including high water and electricity losses, incomplete and inaccurate billing, ineffective indigent management and poor debt-collection practices, resulted in revenue losses and low cash collections.
- Poor payment practices, including deficiencies in contract management and payment controls, resulted in payments for goods and services not received, value not received from payments made and late payments to suppliers.

2.3 Performance reporting

Accountability and decision-making weakened by poor quality of performance reports

As detailed in subsection 1.2, local government has well-designed processes with legislated responsibilities for planning, budgeting, monitoring and reporting on the delivery of municipal functions and integrated development plans. Municipalities are required to plan what they must deliver every year to achieve the administration's integrated development plans. In their performance reports, they account for whether they have managed to achieve their targets for the year.

The PAA requires us to annually audit the performance reports of municipalities to provide users of the reports with some assurance that the information in the report is a true reflection of the municipality's performance against its planned objectives. This mandate, given to us by Parliament, is testament to the importance of performance reporting – placing it on the same level as the financial statements.

We do not audit, evaluate or conclude on a municipality's performance – this remains the role of the council, the minister and members of the executive councils responsible for local government, the provincial legislatures and Parliament (oversight). Our responsibility is to provide assurance to these roleplayers and the public that the information they use to evaluate performance is useful and reliable.

The annual audit that we conduct is also not a performance audit that has the objective of reporting on the economy, efficiency and effectiveness of the municipality's processes. Rather, every year, we audit selected planned objectives and specific performance indicators that are aligned to the service delivery mandates of municipalities. We evaluate the information in the performance reports against criteria developed from the Municipal Performance Management and Reporting Framework, which is based on legislation, frameworks and guidelines that apply to municipalities. A performance report that is prepared using these criteria provides useful and reliable information on and insights into the municipality's planning and delivery on its mandate and objectives.

In our audit reports, we report those findings that are material enough to be brought to the attention of users of the performance report. We also assess municipalities' compliance with legislation on strategic planning and performance management processes.

Performance reports – timeous submission and audit results

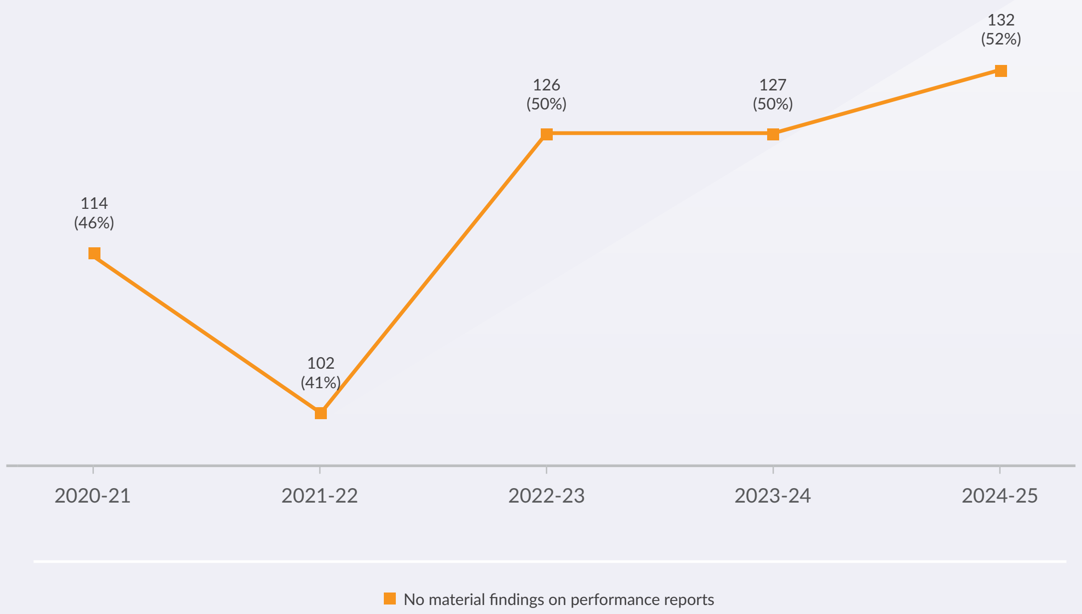
In 2024-25, all municipalities prepared performance reports, marking a significant milestone for local government as this accomplishment was achieved for the first time.

In the 2023-24 general report, we reported that the only remaining municipality that had not prepared performance reports (for 15 years) was Renosterberg (Petrusville) in the Northern Cape. In response to an MI notification we issued in April 2024, the municipality prepared and submitted a performance report for auditing for the first time. However, it contained basic factual errors, including targets linked to incorrect years and to functions not within its mandate, and it did not provide any reliable evidence for the reported achievements. The MI remains unresolved as the accounting officer did not establish an effective performance management system that will enable useful and reliable performance reporting.

Performance reports should be submitted for auditing, together with the financial statements. The late submission of financial statements by Nala (Bothaville) and Maluti-A-Phofung (Phuthaditjhaba) in the Free State also affected our ability to finalise the audit of their performance reports.

In 2024-25, we reported material findings on the performance reports of 123 municipalities (48%) – an improvement from 2020-21 (last administration) and 2021-22 (first year of current administration).

Performance reports: audit results for municipalities



Typically, at the start of an administration, we report more material findings as municipalities struggle to align their performance plans with the new integrated development plan and their reporting processes to new indicators and targets. This improves through the administrative term, mostly in response to our audit findings. This trend is also evident in this administration.

The audit opinions and conclusions and the extent of material findings provide a view of the pervasiveness of findings and the nature of the majority of the findings: whether the supporting evidence contradicted the disclosure made (disagreement) or we were not provided with evidence (limitation).

Audit opinions, conclusions or findings on performance reports – overall and per province (2024-25)

	Unqualified/ no findings	Qualified/ material findings	Adverse/ pervasive disagreement	Disclaimed/ pervasive limitation	Total	Movement from 2020-21 and related budget
Overall	132 52%	87 34%	17 7%	19 7%	225	87 ▲ (R155,29bn) 128 ▶ (R403,04bn) 40 ▼ (R59,76bn)
Eastern Cape	25 64%	8 21%	4 10%	2 5%	39	14 ▲ (R10,69bn) 17 ▶ (R27,37bn) 8 ▼ (R26,18bn)
Free State	5 24%	9 42%	2 10%	5 24%	21	7 ▲ (R15,28bn) 12 ▶ (R8,20bn) 2 ▼ (R0,85bn)
Gauteng	4 36%	7 64%	0 0%	0 0%	11	5 ▲ (R57,23bn) 5 ▶ (R112,28bn) 1 ▼ (R2,65bn)
KwaZulu-Natal	32 59%	22 41%	0 0%	0 0%	54	13 ▲ (R17,21bn) 31 ▶ (R99,68bn) 10 ▼ (R8,20bn)
Limpopo	17 63%	9 33%	1 4%	0 0%	27	12 ▲ (R15,80bn) 11 ▶ (R17,02bn) 4 ▼ (R2,81bn)
Mpumalanga	9 45%	10 50%	0 0%	1 5%	20	6 ▲ (R10,06bn) 10 ▶ (R15,94bn) 4 ▼ (R8,72bn)
Northern Cape	11 35%	7 23%	7 23%	6 19%	31	16 ▲ (R8,30bn) 11 ▶ (R3,52bn) 4 ▼ (R1,21bn)
North West	4 18%	12 55%	2 9%	4 18%	22	12 ▲ (R19,08bn) 7 ▶ (R9,42bn) 3 ▼ (R6,40bn)
Western Cape	25 84%	3 10%	1 3%	1 3%	30	2 ▲ (R1,64bn) 24 ▶ (R109,60bn) 4 ▼ (R2,76bn)

▲ Improvement ▶ Unchanged ▼ Regression

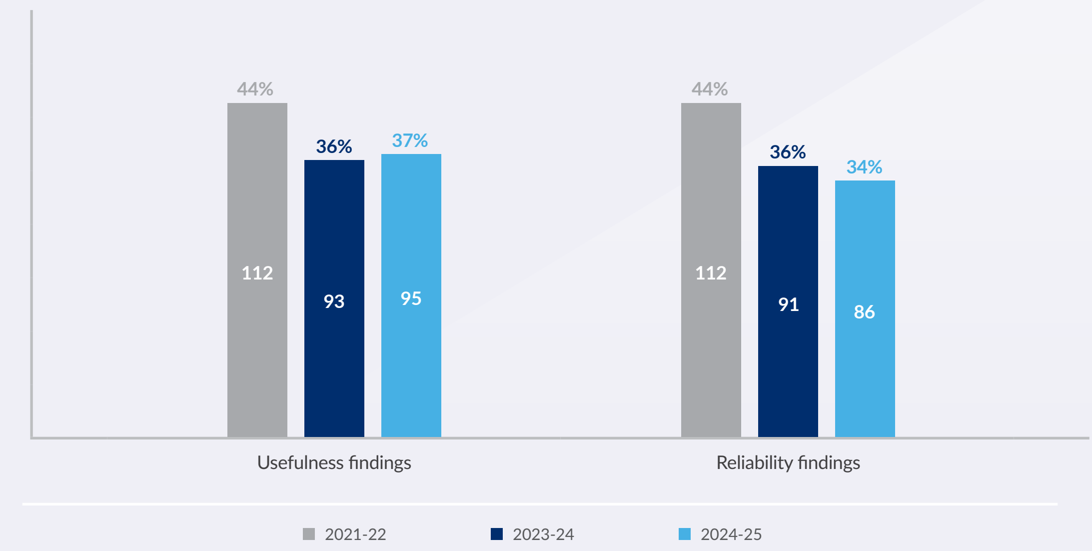
The performance reports of the 36 municipalities that received ‘adverse/pervasive disagreement’ or ‘disclaimed/pervasive limitation’ were so bad that they were not suitable for oversight purposes. These were mostly evident in the Free State, North West and the Northern Cape. The reported information was either materially incorrect, or we could not find evidence for what was reported. These municipalities were responsible for delivering services to 2 181 782 households (11%).

Nature of material findings on performance reports

A performance report should include information that is useful to determine if the municipality delivered on its core mandated functions (such as delivering basic services) and is on track to deliver on the integrated development plan. The reported achievements must also be reliable.

In this subsection, we share the extent and nature of the material findings we reported on the performance reports and their impact.

Usefulness and reliability findings trends for municipalities



If information in the performance report is not useful for assessing the performance of an auditee, it is due to weaknesses in the performance planning process, as this is when the performance indicators and targets for management, monitoring and reporting purposes are defined.

Next, we provide information on the material findings on the usefulness of the reported performance information as well as the impact of these findings.

Planned indicator and/or targets are not measurable

A measurability finding means that the performance plans included:

- performance indicators that were not well defined (i.e. there was no clear definition of what the indicator measures)
- targets that were not specific, measurable and/or time bound.

It can also mean that verifiable processes and methods were not in place to measure achievements.

Impact

A performance indicator that is not well defined and targets that are not specific, measurable or time bound are not useful for measuring and reporting on municipal performance. This makes it difficult for the council and public to determine the progress made by the municipality to achieve a planned objective.

If there are no verifiable processes and methods to measure achievements, it generally results in the reported achievements being unreliable, as it will not be possible to determine the accuracy of what is reported.

Example of indicator not well defined

Bushbuckridge (Bushbuckridge town and surrounding areas) in Mpumalanga included in its performance plan an indicator "% servicing of site in Dwarsloop", with a target of "0% servicing of site". It is not clear what servicing of the site entails, and a 0% planned target effectively means no actions are planned.

Example of indicator without verifiable processes and methods in place

Rand West City (Randfontein) in Gauteng included an indicator on the number of households with access to water in its performance plan, with a planned target of 127 060. A 100% achievement against the target was reported. During the planning process, the municipality did not clearly define how the indicator would be measured and how the number of households with access would be verified. As a result, we could not determine if the 100% achievement was correct.

Reported performance information not consistent with plan

A consistency finding means that:

- the performance indicators and/or targets reported in the performance report differed from those committed to in the performance plan
- changes were made without obtaining the required approval
- the reported achievement differed from the achievement defined by the performance indicator and target.

Impact

Unapproved changes to the planned indicators and targets mean the reported information in the performance report is not aligned to the commitments made during planning and cannot be used by council and the public to assess if what was promised has been achieved.

Example of indicator and target not consistent

Maquassi Hills (Wolmaransstad) in North West reported in the performance report on an indicator "Number of refurbished raw sewage in Lebaleng pumpstation", with a target of two refurbished raw sewages. However, the indicator in the plan was "Number of condition assessment of Lebaleng sewerage network and outfall sewers in Lebaleng", with a target of one condition assessment. These changes were made without obtaining approval from the council.

Performance information not correctly presented in performance report

A presentation finding means that the performance reports had one or more of the following flaws:

- It did not include a comparison of the actual performance for the year against the prior-year performance.
- It did not include measures taken or planned to improve performance where a target was underachieved.
- It included measures taken to improve performance, but the information was not reliable, based on the audit evidence obtained.
- Overall, achievements were not presented in a way that is easy to understand or compare to the performance plan.

Impact

Without a comparison to prior-year performance, the reported information is not useful to the council and public for evaluating progress over time and identifying areas for improvement.

If measures taken or planned to improve performance are not included or are not reliable, the council cannot assess the effectiveness of strategies to improve future performance.

If performance is not presented properly, it is difficult for the council and public to determine whether progress is being made towards achieving the planned objectives.

Example of an underachieved indicator not correctly presented

Karoo Hoogland (Williston) in the Northern Cape reported an achievement of 0% against a target of 95% on the indicator: "Water samples comply with SANS 241 microbiological indicators on a quarterly basis". The performance report did not disclose the measures taken to address the underachievement, limiting the ability to assess actions taken by the accounting officer and the effectiveness of strategies to improve future performance.

Planned indicators and/or targets not relevant

A relevance finding means that the performance plans included:

- performance indicators that measure an achievement that is not related to the municipality's mandate or to what the planned objective is intended to achieve
- targets that are unrelated to what the performance indicators are measuring.

Impact

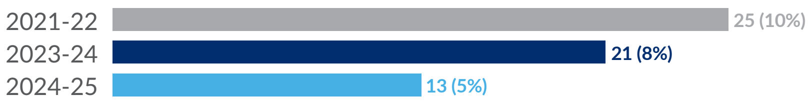
Irrelevant performance indicators and targets are not useful for measuring and monitoring municipal performance.

When indicators are not relevant, it becomes difficult to accurately measure the efficiency and effectiveness of municipal services, and it can lead to the misallocation of resources.

Example of an indicator that is not relevant

Bojanala Platinum District Municipality (seated in Rustenburg) in North West included an indicator: "Number of reports on drilling and equipping of boreholes", with a target of four reports. This indicator measures the production of reports representing an administrative output, rather than planning for and reporting on the number of boreholes to be drilled or equipped.

Missing indicators



This means that municipalities' performance documents excluded indicators that measure their performance on the functions that they are mandated to perform, including some relating to basic services, in accordance with legislation or through duties assigned to them by national or provincial government, without appropriate and verifiable reasons.

Impact

When performance indicators that measure key service delivery achievements are excluded from performance plans, it means the achievement was not planned or budgeted for, which is likely to result in it not being delivered.

As delivery is not reported, there is no transparency on whether a function was performed and what was achieved, which weakens not only municipal accountability processes, but also the ability of national and provincial government to monitor and make decisions about government-wide deliverables based on complete and reliable (audited) information.

Example of missing indicator

Sekhukhune District Municipality (seated in Burgersfort) in Limpopo is a water service provider but did not include indicators in its performance plan relating to water quality and loss management. Consequently, it also did not report on whether these mandated functions were performed and the standards achieved.

When a municipality's reported performance achievements are **not reliable,** it means that either we had proof that the achievement as reported was not correct or we could not find evidence to support it.

Impact

When reported achievements are not reliable, the resultant lack of transparency means that the performance report is of little use to the council – it cannot assess the municipality's performance for the year or its progress towards achieving its integrated development plan. The council can also not make decisions in response to underachievement.

If the achievements reported are overstated, it also means that the council and public are misled into thinking that the accounting officer and the administration are performing well, which undermines accountability and weakens performance management mechanisms.

An example of a reported achievement that was not reliable is Naledi (Vryburg) in North West that reported an achievement of 135 illegal dumping areas cleared against a target of 120. However, the evidence provided showed that only 75 were cleared.

Municipal performance – compliance and quality of reporting

As detailed in subsection 1.2, the performance of a municipality against its planned objectives and targets is monitored through a process of in-year reporting. This includes the mid-year performance assessment of the municipalities' service delivery performance.

This process was established in law through the Municipal Systems Act (MSA) to promote accountability and enable effective oversight by the council, by ensuring that progress towards achieving planned targets is tracked, emerging issues are identified early, and indicators and related budgets can be adjusted when necessary to support the achievement of desired outcomes and service delivery. We audit compliance with these legislative requirements for strategic planning and performance management and report material findings on compliance in the audit reports.

Material non-compliance by municipalities in this area remains high – we reported material findings at 103 municipalities (40%) in 2024-25. It is an improvement from the 127 (50%) in the first year of administration. However, in the first year, the material findings we reported included non-compliance on the establishment of integrated development plans – as the plans were in place in subsequent years, the compliance findings reduced.

The most common material findings related to the performance management system and controls and performance monitoring and oversight processes were as follows:

- Performance management systems and related controls were not maintained or were inadequate at 84 municipalities (33%): 17 municipalities in North West, 15 in Limpopo, 14 in the Eastern Cape, 12 each in the Free State and the Northern Cape, eight in Mpumalanga, four in KwaZulu-Natal and one each in Gauteng and the Western Cape.
- No performance management system was established and/or adopted at six municipalities (2%): Letsemeng and Masilonyana (Free State), Bojanala Platinum District Municipality and Kgetlengrivier (North West), and Renosterberg and Phokwane (Northern Cape).
- The mid-year performance assessment was not performed at six municipalities (2%): Lejweleputswa and Kopanong (Free State), uMkhanyakude District Municipality (KwaZulu-Natal), Ditsobotla and Kgetlengrivier (North West), and Khâi-Ma (Northern Cape).
- Revisions to the service delivery and budget implementation plan (SDBIP) were not approved by the council at seven municipalities (3%): uMkhanyakude District Municipality (KwaZulu-Natal), Bojanala Platinum District Municipality and Kagisano-Molopo (North West), and Kareeberg, Siyathemba, Kai !Garib and Tsantsabane (Northern Cape).

As the non-compliance with legislative requirements on performance management can cause significant harm to a municipality's accountability process, we used the MI process to ensure attention is paid to performance planning, management and reporting.

Since 2023, we have issued MIs to the accounting officers of 11 municipalities with no or ineffective performance management systems and controls. While some improvements have been made in response to the MIs (as detailed in section 5), overall progress is slow – only two MIs have been resolved and another two are in the process of being resolved. The accounting officers of seven municipalities did not take appropriate action to resolve their MIs and, by 31 January 2026, we had moved to the recommendation or remedial action phase or were in the process of making decisions on further actions to take on these MIs.

Significant deficiencies in the performance management system: Siyancuma (Northern Cape)

The municipality is located in Douglas and is one of eight municipalities in the Pixley ka Seme district. It provides basic services to 10 204 households.

Between 2019 and 2023, the municipality failed to reliably report on its performance information, as it did not have an effective performance management system to measure, monitor and report on its performance. It also did not maintain proper records. From 2018-19 to 2022-23, performance reports were not prepared and submitted for auditing.

Although a performance report was submitted in 2023-24, the accuracy of the reported achievements could not be confirmed, as there were no processes to measure, monitor and report on its performance. Supporting evidence was not provided for audit purposes and the report did not include a comparison between the performance for the year under review and that of the previous year.

In November 2024, we notified the accounting officer of an MI relating to significant deficiencies in the performance management system. The accounting officer appointed a performance management official with the responsibility of designing and implementing a performance management system and ensuring that evidence is compiled to support reported performance achievements. The 2024-25 performance report submitted for auditing continued to be of poor quality as the planned improvements were in the process of being implemented. The planned actions by the accounting officer to address the MI are in process.

The effectiveness of performance monitoring and management depends on timeous, relevant and reliable reports used for in-year monitoring and acted upon to correct deviations or address challenges.

To ensure that this monitoring is meaningful, the data, information and reports used for in-year monitoring must be based on well-defined and measurable indicators and targets, as outlined in the approved SDBIP. This ensures that reported performance is credible and comparable over time and accurately reflects progress towards achieving planned objectives.

The quality of the performance reports and supporting information submitted for auditing is a good indicator of the credibility of municipality's in-year performance reports used for monitoring and decision-making. In 2024-25, we reported material findings on 185 (73%) of the performance reports submitted for auditing. If we had not allowed municipalities to correct the misstatements, the performance reports of only 27% would have been useful and reliable for oversight purposes, compared to the 52% that eventually were.

The high prevalence of poor-quality performance reports submitted for auditing exposes weaknesses in the planning processes. It also calls into question the strength of in-year monitoring and decision-making, as it is often based on unreliable performance information.

Poor-quality performance reporting: Inkosi Langalibalele (KwaZulu-Natal)

The municipality comprises 51 727 households across towns, farms and informal settlements in the Midlands region. Its main towns are Estcourt and Weenen. The municipality provides electricity and waste management services to its residents.

The 2024-25 performance report submitted for auditing included reported achievements that were not supported by adequate evidence for three performance indicators. These indicators related to the municipality's service delivery mandate, namely the percentage of households earning less than R4 220 per month with access to free basic services, the number of streetlights maintained and the percentage of construction of blacktop roads in Wembezi.

Although the municipality made corrections to the performance report based on our findings, it was still unable to provide adequate evidence to support the reported achievements for the three indicators. As a result, we reported a material finding on the reliability of the reported performance information and the municipality received a qualified outcome on its performance report.

The unreliable performance information was due to inadequate systems and processes to record, monitor and support the achievement of planned targets. This included poor record-keeping, incomplete or inconsistent supporting documentation, unreliable calculations and the absence of effective internal controls to review, monitor and evaluate reported performance information.

The unreliable information also impacted in-year reporting, as the information included in quarterly reports and used for the mid-year performance assessment was incorrect. For example, the unreliable information on the construction of blacktop roads in Wembezi meant that the true status of the infrastructure project was not known, making it difficult to monitor progress and address any service delivery backlogs.

Poor-quality performance reporting: Khâi-Ma (Northern Cape)

The municipality provides basic services to 4 545 households along the Orange River in towns such as Pofadder and Aggeneys. The area's main economic activities are agriculture and mining.

In 2024-25, we audited the reported performance information for the service delivery and infrastructure development objective of the municipality. The omission of key indicators and poorly designed indicators and targets during the planning processes limited the municipality's ability to plan, monitor and report on progress towards achieving its core mandated functions.

The performance indicators relating to road infrastructure, including maintenance and repairs, were not prioritised for delivery and the municipality excluded these from its performance plan during 2023-24 and 2024-25. This contributed to a lack of road maintenance, resulting in dilapidated road infrastructure that negatively affected the community. We also reported material findings on compliance relating to the integrated development plan not reflecting these key performance indicators and targets.

Several reported achievements were not reliable. For example, the reported achievement for the indicator on the number of residential properties that are billed for electricity or have pre-paid meters had a target of 1 343 properties, with a reported achievement of 1 326, whereas the actual

Poor-quality performance reporting: Khâi-Ma (Northern Cape) (continued)

achievement was 1 083 properties. This created a misleading impression that the municipality's electricity coverage and revenue collection controls were in line with planned expectations.

The unreliability of the number of properties also impacted the municipality's ability to accurately assess the extent of unbilled electricity consumption, electricity losses and exposure to revenue shortfalls. This impaired planning for electricity infrastructure maintenance, meter rollouts and demand management, and increased the risk of poor cost recovery.

The lack of review of in-year performance reports by the council and the lack of appropriately skilled staff contributed to the weaknesses in performance reporting. The municipality did not have an approved position for the head of strategic planning and only one official supported the accounting officer with the preparation and reporting of performance information.

Poor-quality performance reporting and/or material non-compliance with legislative requirements on strategic planning and performance management were prevalent in all **provinces.**

Quality of performance reporting per province (2024-25)

Province	Good-quality performance reports submitted for auditing		No material findings on performance reports (post audit)		Material findings on compliance with strategic planning and performance management
	Number	Movement	Number	Movement	
Eastern Cape	16 (41%)	▲ Improvement	25 (64%)	▲ Improvement	14 (36%)
Free State	2 (10%)	▲ Improvement	5 (24%)	▼ Slight regression	16 (76%)
Gauteng	2 (18%)	▶ Unchanged	4 (36%)	▲ Improvement	1 (9%)
KwaZulu-Natal	11 (20%)	▼ Regression	32 (59%)	▲ Slight improvement	9 (17%)
Limpopo	6 (22%)	▲ Improvement	17 (63%)	▲ Improvement	15 (56%)
Mpumalanga	4 (20%)	▼ Regression	9 (45%)	▶ Unchanged	9 (45%)
Northern Cape	8 (26%)	▲ Improvement	11 (35%)	▼ Slight regression	17 (55%)
North West	1 (5%)	▶ Unchanged	4 (18%)	▲ Slight improvement	20 (91%)
Western Cape	20 (67%)	▼ Regression	25 (83%)	▼ Slight regression	2 (7%)

Movement from 2020-21: ▲ Improvement; ▲ Slight improvement; ▶ Unchanged; ▼ Slight regression; ▼ Regression

In 2024-25, performance reporting weaknesses and non-compliance were most prevalent at municipalities in the Free State, North West and Limpopo.

Overall impact

The pervasiveness of the material findings on the performance reports and on non-compliance with legislation also demonstrate that the legislated system of performance planning, budgeting, monitoring and reporting is not implemented as designed.

Performance reporting that is not credible and strategic planning and performance management processes that are not compliant with legislation hinder in-year reporting and undermine effective monitoring, achievement of objectives and oversight. Poorly defined indicators, unreliable achievements and inadequate supporting evidence limit the councils' ability to assess progress, address underperformance and take corrective action. This weakens accountability, distorts decision-making and erodes public trust in municipalities' ability to deliver services in line with their mandates.

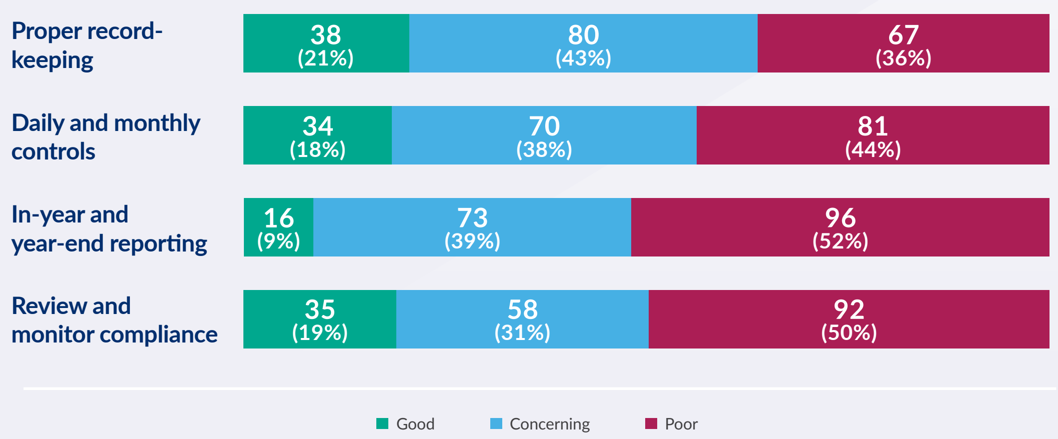
Causes of performance report findings

The institutional capability required to consistently produce transparent and credible performance reports is not in place in local government. The main causes of poor performance planning and reporting are not new but have not been receiving the required attention.

Internal control deficiencies

Municipalities do not have adequate systems, processes and controls to collate, record, measure and report on their performance. Processes are manual and prone to error.

Status of key performance management controls



The basic discipline of recording performance information based on proper evidence, reviews and reconciliations of recorded information and in-year tracking is not in place at most municipalities.

Lack of skills and vacancies

Officials, senior management and accounting officers do not properly apply performance management and reporting requirements because they do not properly understand or appreciate them, pointing to a lack of appropriate skills and capacity.

Vacancies in core service delivery units impacted municipalities' ability to plan, monitor and report performance in areas critical to service delivery. A number of municipalities had critical vacancy levels of 30% or higher.

- Energy and electricity units at 122 municipalities that are electricity service providers had vacancies in 90 municipalities (74%), with 45 municipalities (37%) experiencing critical vacancy levels, including Kamiesberg (Garies) in the Northern Cape with a fully vacant unit.
- Solid waste management units at 157 municipalities that are solid waste service providers had vacancies in 109 municipalities (69%), of which 42 municipalities (27%) experienced critical vacancies, including three municipalities with 100% vacancy rates.
- Water units at 116 municipalities that are water service providers had vacancies in 87 municipalities (75%), with 42 municipalities (36%) experiencing critical vacancy levels.
- Wastewater and sanitation units at 119 municipalities that are wastewater service providers had vacancies in 84 municipalities (71%), with 43 municipalities (36%) reporting critical vacancy rates.

Limited impact of internal audit units and performance audit committees

In subsection 2.2 under 'Causes of financial statement findings', we demonstrate the value derived when accounting officers elevate and support audit committees and internal audit units as key governance controls. The same is true for performance reporting.

Internal audit units and performance audit committees have legislated responsibilities, in terms of regulations 14(1) and (3) and 14 (4) of the Municipal Planning and Performance Management Regulations.

At municipalities that submitted performance reports with material misstatements, 97% had established internal audit units and 96% had established performance audit committees; however, they did not operate effectively. Internal audit units and audit committees of 24 municipalities (14%) did not evaluate the reliability of performance information and 66% of internal audit units and 65% of audit committees were not effective as governance controls in the area of performance information.

At municipalities with modified performance reports, we found that the required assurance over performance reporting was not provided due to these assurance structures not complying with legislation in the following areas:

- Performance audit committees did not submit internal audit reports to council on the review of the performance management system at least twice a year at 22 municipalities (19%).
- Performance audit committees did not review quarterly reports of internal auditors on audits of performance measurements at 14 municipalities (12%).
- Internal audit units did not advise accounting officers and/or report to the performance audit committee on the implementation of the internal audit plan on performance management at 12 municipalities (10%).
- Internal audit units did not submit quarterly reports on the audits they conducted to accounting officers and performance audit committees at 11 municipalities (9%). The results of performance measurements were not audited by internal audit units at 11 municipalities (9%).

This confirms that the primary constraint is not the absence of governance structures, but weak execution of governance responsibilities.

Standardised indicators not adopted

Indicators and targets for core municipal functions (e.g. electricity, housing, roads, water and sanitation) are determined by municipalities that often lack the capability to do this effectively, impacting the usefulness of the reported performance information. Due to differences in indicators, municipal performance is also not directly comparable across different municipalities and the ability of national government to monitor critical delivery areas such as water provision is reduced.

The National Treasury and the Department of Cooperative Governance developed standardised indicators, which aimed to streamline planning and reporting, while improving the completeness, measurability and relevance of indicators and targets. This reform was piloted with metros over a number of years and fully implemented from 2018-19, resulting in improvements in the consistency and usefulness of their reported performance information.

The inclusion of standardised indicators in SDBIPs is not compulsory for local and district municipalities. As part of a phased implementation approach, the standardised indicators with planned targets are currently included as annexures to the SDBIPs. The municipalities report achievement on the standardised indicators and targets quarterly and annually to the Department of Cooperative Governance and the National Treasury, which then also assess the completeness, quality and reliability of the information and provide feedback to the municipalities. This phased approach allows municipalities to prepare their systems and processes for future reporting on the standardised indicators.

The Department of Cooperative Governance is working on amendments to the Municipal Planning and Performance Management Regulations, which will make implementation of the standardised indicators by all municipalities a legal requirement. It is expected to be finalised and promulgated in 2027. Until the standardised indicators are fully implemented, the usefulness of performance information is unlikely to improve.

Lack of accountability and consequences

The incentive for reporting on different indicators and targets than committed to when planning, setting low targets and not reporting on important performance is often to avoid accountability. Performance reporting is manipulated to create the perception that the municipality is performing well, and that services are being delivered.

Accounting officers and officials also face limited consequences when they provide unreliable information in their performance reports or underachieve on their targets.

Ineffective council oversight by mayors and councils

Mayors and council members do not thoroughly review performance plans to ensure that they cover all the key functions of the municipality, that they are aligned to the integrated development plan, and that the performance indicators and targets are relevant and measurable to achieve the desired results.

Mayors tabled the mid-year performance reports intended for in-year performance monitoring in the councils of 249 municipalities (98%). However, unreliable information and a lack of diligent monitoring hampered effective decision-making by mayors and councils.

2.4 Compliance and consequences

Disregard for legislation and a lack of consequences

Each year, we audit and report on **compliance by municipalities with key legislation** on financial and performance management and related matters.

We were given this mandate through the PAA, as compliance with legislation is critical for public sector governance. Compliance fosters transparency, accountability and respect for the rule of law, which are essential for building and maintaining public trust. It also facilitates the achievement of government goals by governing the allocation and use of public funds to the benefit of the public. It further promotes integrity, equitable treatment and collaboration.

We report all instances of non-compliance to the accounting officer and include in our audit reports any findings that are material enough to warrant the attention of the council, the provincial legislature and the public. A finding is considered material if there were multiple instances of non-compliance, or when an instance had a significant impact.

Of the three areas that we audit annually (which determine the overall audit outcome), non-compliance with legislation continues to be the area in which most municipalities fail.

Since 2021-22, we have highlighted that a key root cause of continued non-compliance, poor performance and other transgressions is the absence of a **culture of accountability and consequences.**

A culture of accountability requires officials to be answerable for their performance and to take responsibility for their actions and decisions. An essential element that reinforces such a culture is consequence management, where officials who transgress, fail to act or perform poorly, are held accountable and face appropriate consequences for their actions.

When officials are held accountable and face consequences for their actions, municipalities are able to recover the losses caused by misconduct and deter others from disregarding legislation or fostering a culture in which salaries are earned without responsibilities being fulfilled.

Widespread non-compliance with legislation

The high levels of non-compliance that we reported at the end of the 5th administration have persisted throughout the current administration. Most municipalities (84%) continued to materially not comply with key legislation, remaining in the same position as they were in 2020-21, with 199 municipalities (78%) having received material findings on compliance in all four years of the current administration.

Compliance with key legislation: audit results trend for municipalities

Most municipalities failed to address the previous year's material findings on compliance, allowing them to recur. While some recorded fewer findings, others had more.

Movement in compliance with legislation (from 2020-21)

Improved	12	Regressed	14
Unchanged	40	Unchanged – increase in findings	97
Unchanged – decrease in findings	92		

Persistent high levels of material non-compliance were prevalent across all provinces, except the Western Cape. To illustrate the extent of this non-compliance, we present the average number of material findings on compliance per municipality in the figure that follows.

Compliance – audit results of municipalities with material findings on compliance per province (2024-25)

The Free State and North West continued to be the provinces where all municipalities had material findings on compliance. These provinces also recorded the highest average number of findings.

We group the material findings we report into compliance areas to provide an overall view of non-compliance in key areas of financial and performance management. In the figure that follows, the number of municipalities that are required to comply with legislative requirements in each specific area is used to determine the percentage of non-compliance.

Material non-compliance areas (2024-25)

The most common finding was non-compliance with the legislative requirement to prepare financial statements in accordance with the applicable accounting framework. It was the only material finding on compliance at eight municipalities (3%).

Our audit of expenditure management includes whether expenditure is appropriate, promptly paid and adequately recorded. The number of municipalities with material findings on compliance on expenditure management was much lower in 2020-21 because legislative requirements for payments to be made within 30 days were relaxed during the Covid-19 period.

Subsection 2.2 provides detail on the submission and quality of financial statements and the late payment of suppliers.

The compliance area on the utilisation of conditional grants deals with compliance with the requirements of the Division of Revenue Act (Dora).

Grant funding is allocated through a parliamentary process to municipalities to fund infrastructure projects and capacity building, but the allocations have specific conditions regarding how the money should be used. The grant conditions are defined in Dora as well as schedules and frameworks thereto. These typically include that the money should be used only for the project, programme or function it was intended to fund. Also included are the requirements for the monitoring and reporting on progress to the transferring officer. This includes the municipality evaluating whether the targets set out in its business plan for implementing the grant have been achieved. The transferring officer is the designated accounting officer of the department responsible for transferring and monitoring the grant.

In 2024-25, we reported the following material findings on compliance at the 50 municipalities that received conditional grants:

- 25 (11%) did not spend the allocated funds in accordance with the conditions of the grant.
- 40 (17%) did not evaluate and report to the transferring officer on the performance of the projects, programmes or functions that the grant funded.
- 16 (7%) had both material findings.

In section 3, we provide more detail on the utilisation of infrastructure grants, including instances of material non-compliance with the requirements of infrastructure grant conditions.

We included detail on compliance with strategic planning and performance management in subsection 2.3. The non-compliance with legislative requirements on procurement and contract management and on consequence management is reported on further in the remainder of this subsection. The material findings on compliance in the other areas are included across this report to illustrate weaknesses in financial management, environmental management, and governance and oversight.

High level of non-compliance with key legislation: Kopanong (Free State)

The municipality in the Xhariep district consists of nine towns, with Trompsburg as its administrative seat. The municipality provides water and electricity to 18 836 households and is responsible for a budget of R1,09 billion.

In 2024-25 , we reported 42 material findings on compliance in all 13 compliance areas applicable to the municipality. We have reported material non-compliance every year of the administration. The non-compliance resulted in irregular expenditure of R24 million being incurred over the administration, while a balance of R332,25 million has not been dealt with.

The compliance findings reveal a lack of consequences and accountability, as unauthorised, irregular, and fruitless and wasteful expenditure was not adequately investigated and the mayor failed to table the 2023-24 annual report before council.

The financial statements of the municipality were submitted late for auditing in 2020-21, 2021-22 and 2023-24, in contravention of the MFMA. Since 2020-21, we have issued three MIs related to these late submissions. The financial statements subsequently submitted included material misstatements that were not corrected, resulting in modified audit opinions.

The 2024-25 compliance findings also paint a picture of significant deficiencies in the management of revenue, grants, assets, expenditure and the municipal budget. The financial management weaknesses and poor-quality financial reporting resulted in the municipality disclosing a going concern uncertainty, an unfunded adjustments budget as well as fruitless and wasteful expenditure of R110,33 million in interest and penalties due to creditors not paid on time.

The reported non-compliance with procurement and contract management legislation highlighted several weaknesses: procurement carried out without the required price quotations; incorrect allocation of preference points in awarding contracts; insufficient evidence that the preference point system was consistently applied; contracts not awarded to the highest-scoring bidders; and inadequate monitoring of service providers' performance to ensure effective contract management. These significant weaknesses expose procurement processes to potential abuse and weaken the quality of spending.

A culture of non-compliance with little to no accountability and consequences was also evident in the disregard for legislation with an impact on the environment and the financial wellbeing of municipal employees.

We notified the accounting officer of an MI in October 2022 on the collapse of the Gariep Dam wastewater treatment works due to non-compliance with environmental legislation, which resulted in the discharge of raw or untreated sewage into the environment and contaminated water resources. The accounting officer failed to take appropriate action to resolve the MI. We referred the matter to the Department of Water and Sanitation for investigation in February 2024 and the investigations are currently in progress.

In July 2025, we issued an MI notification to the accounting officer on the non-compliance with the Pension Funds Act, as the municipality failed to pay employee contributions deducted from salaries to the pension funds as required. The accounting officer did not take appropriate action to address the MI and we are deciding on further action to be taken.

The impact of the municipality's continued disregard for legislation is clear in the areas of governance, financial management, service delivery and environmental sustainability.

High levels of irregular expenditure

Irregular expenditure arises when there is non-compliance with prescribed legal frameworks; for example, when the procurement processes are non-compliant with legislation governing such procurement in accordance with the principles of section 217 of the Constitution.

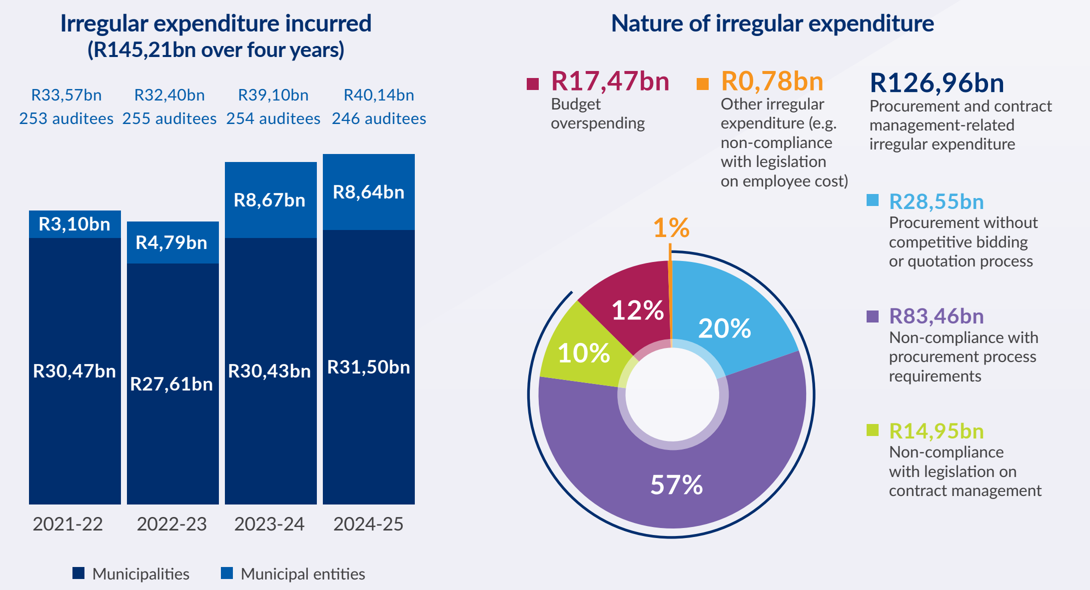
Irregular expenditure reflects more than procedural non-compliance. It reflects weaknesses in governance, oversight and accountability, as public funds are not utilised lawfully. These weaknesses expose municipalities and their entities to an increased risk of abuse and waste.

Irregular expenditure should serve as an early warning mechanism to empower mayors and councils to address non-compliance with legislation and strengthen institutional integrity and accountability. Legislation provides an opportunity for the timely investigation of the root causes of non-compliance and enables the implementation of appropriate consequence management, including measures to prevent the recurrence of similar cases.

Based on the amounts disclosed in the financial statements, irregular expenditure totalling R145,21 billion has been incurred since 2021-22: R120,02 billion by municipalities (83%) and R25,19 billon by municipal entities (17%). The total could be higher, as 40% of auditees were either qualified on the completeness of irregular expenditure disclosed in their financial statements or disclosed that they were still investigating these amounts to determine whether they had been irregularly spent. The provinces with the highest prevalence of auditees with incomplete irregular expenditure disclosures were North West (95%), Gauteng (75%) and Mpumalanga (65%).

At least 85% of auditees have incurred irregular expenditure since 2021-22, with 225 auditees incurring irregular expenditure in every year of the administration's term.

Amount and nature of irregular expenditure for all auditees



Metros and their municipal entities were responsible for R73,87 billion (51%) of the total irregular expenditure over the administration. Section 4 provides more detail on irregular expenditure at metros.

Comparing irregular expenditure across provinces will inevitably show that provinces with larger expenditure budgets have higher irregular spending. A fairer comparison is to determine the percentage of the annual expenditure budget that was spent irregularly. In our calculation, we excluded employee costs and the bulk purchases of water and electricity from the budgets, as these expenses do not require procurement processes. We also excluded the irregular expenditure related to employee costs for comparison purposes. The table that follows shows our best estimate of the portion of the budget allocated for the procurement of goods and services that had been spent irregularly.

Percentage of 2024-25 budget irregularly spent per province for all auditees (over administration)

Province	Annual irregular expenditure incurred (excluding employee costs)	Budget (excluding employee and bulk purchase costs)	Percentage of budget irregularly spent and movement (excludes prior-year irregular expenditure identified in current year)		Total irregular expenditure over administration
Eastern Cape	R5,46bn	R35,46bn	14%	Slight improvement	R26,92bn
Free State	R1,34bn	R16,49bn	7%	Improvement	R7,56bn
Gauteng	R14,44bn	R96,39bn	14%	Improvement	R45,92bn
KwaZulu-Natal	R7,87bn	R63,11bn	10%	Slight regression	R25,91bn
Limpopo	R1,60bn	R21,24bn	6%	Slight improvement	R7,40bn
Mpumalanga	R1,75bn	R16,86bn	4%	Slight improvement	R8,44bn
Northern Cape	R0,65bn	R6,16bn	8%	Slight regression	R3,26bn
North West	R4,96bn	R19,80bn	16%	Slight improvement	R15,12bn
Western Cape	R1,78bn	R61,01bn	2%	Slight improvement	R4,68bn
Total	**R39,85bn**	**R336,52bn**	**10%**	Slight improvement	**R145,21bn**

Movement from previous year: ▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Slight regression

The provinces with the highest percentage of budgets spent irregularly, based on the amounts disclosed in the financial statements, were North West, the Eastern Cape and Gauteng.

Procurement and contract management breaches and abuse

Non-compliance with procurement and contract management legislation caused 87% of the irregular expenditure over the administration. We have reported material findings on compliance at 100 municipalities (39%) every year since 2021-22.

Section 217 of the Constitution sets out the foundational principles for public procurement. It requires that when an organ of state contracts for goods or services, it does so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective. These principles are commonly referred to as the 'five pillars of procurement'.

The MFMA, the MSA, the Preferential Procurement Policy Framework Act and the Construction Industry Development Board (CIDB) Act, together with their accompanying regulations, directives and instruction notes, give effect to the five procurement pillars. They define what processes municipalities should follow to adhere to the constitutional principles, the level of flexibility available and the documentation requirements. They also require municipalities to pay careful attention to managing contracts with suppliers and have strong payment-control mechanisms in place to ensure that all payments are made only after verifying that a supplier has delivered on time, at the agreed price and according to the specified quality standards.

Public procurement is a critical process to enable service delivery and, when done correctly in accordance with the five pillars, it can be leveraged as a strategic tool to stimulate economic growth and promote transformation. We focus our audits on the procurement and contract management processes, recognising that this is the area of greatest risk for fraud, financial loss and irregular practices.

In 2024-25, we audited 10 830 awards (contracts awarded or quotations accepted) as part of the audit of procurement and contract management. The awards comprised 4 967 contracts awarded through competitive bids and 5 863 quotations, with a combined value of R65,12 billion.

We reported that 216 municipalities (85%) did not comply with procurement and contract management legislation – at 60% of municipalities, the non-compliance was material.

At provincial level, the highest prevalence of municipalities with material findings on procurement was in the Free State, Northern Cape and North West.

Compliance with legislation on procurement and contract management – audit results of municipalities per province (2024-25)
(high percentages are highlighted)

Province	No findings		Non-material findings	Material findings	
	Number	Movement from 2020-21	Number	Number	Movement from 2020-21
Eastern Cape	8 (21%)	Unchanged	9 (23%)	22 (56%)	Improvement
Free State	1 (4%)	Improvement	2 (10%)	18 (86%)	Improvement
Gauteng	2 (18%)	Unchanged	3 (27%)	6 (55%)	Improvement
KwaZulu-Natal	7 (13%)	Slight improvement	12 (22%)	35 (65%)	Regression
Limpopo	10 (37%)	Improvement	4 (15%)	13 (48%)	Improvement
Mpumalanga	3 (15%)	Improvement	11 (55%)	6 (30%)	Improvement
Northern Cape	0 (0%)	Unchanged	5 (16%)	26 (84%)	Regression
North West	3 (14%)	Improvement	2 (9%)	17 (77%)	Improvement
Western Cape	5 (17%)	Regression	17 (57%)	8 (27%)	Slight regression

Improvement   Slight improvement   Unchanged   Slight regression   Regression

We highlight five key areas of risk in local government procurement and contract management practices, as identified through our audits:

- Breaches of the five pillars of procurement
- Conflicts of interest
- Increased opportunities for fraud
- Limitations in the audit of procurement
- Inadequate management of suppliers and contracts

Breaches of the five pillars of procurement

We reported findings on non-compliance with the legislative requirements that give effect to the five pillars of procurement at 194 municipalities (76%), with these findings being material at 127 municipalities (50%).

Common procurement findings (2024-25)

Procurement finding	Number of findings		Significance of findings and their impact
	All findings	Material findings	
Quotations and competitive bidding process not applied	131 (51%)	85 (33%)	When quotations and competitive bidding processes are not applied, municipalities are unable to compare offers and select the most suitable option based on pricing, quality and expertise. This undermines competitiveness (by limiting supplier participation), fairness (by not giving all suppliers an equal opportunity), transparency (by obscuring the process) and cost-effectiveness (by potentially not securing the best value for money).
Preference point system not applied or incorrectly applied	87 (34%)	59 (23%)	Incorrect application undermines fairness and transparency of the preference point system, which was designed to promote equity (especially for historically disadvantaged suppliers).
Evaluation process not fairly applied	86 (34%)	46 (18%)	An unfair evaluation process directly violates fairness and transparency and can also affect equity if certain suppliers are disadvantaged without just cause.
Procurement from suppliers without a South African Revenue Service tax clearance	66 (26%)	43 (17%)	A valid tax clearance is a mechanism to validate suppliers and minimise the risk of loss. Procuring from non-compliant suppliers undermines transparency and fairness and may result in uneconomical procurement or the appointment of suppliers who do not respect the rule of law and do not deliver.
No declaration of interest submitted by suppliers	51 (20%)	33 (13%)	Declarations of interest are essential for transparency and fairness to prevent unethical behaviour and favouritism, which could compromise institutional integrity. When declarations are disclosed, conflicts can be managed or avoided where not permitted, so that all suppliers are treated equitably.
Bids not advertised as prescribed / per procurement policy	33 (13%)	22 (9%)	Bids that are not properly advertised undermine transparency (not all potential suppliers are aware), competitiveness (reduced supplier participation) and fairness (unequal access to information).

Since 2021-22, findings on the **quotation and competitive bidding process not applied** have persisted at more than half of municipalities, while **unfair evaluation processes** were reported in at least 25% of municipalities.

We also assessed the nature of irregular expenditure incurred in 2024-25 and found that R32,03 billion of such expenditure was due to breaches of the five pillars of procurement:

- R27,85 billion because procurement was not fair, transparent, competitive and cost-effective.
- R4,18 billion because procurement was not equitable (e.g. where auditees did not apply the preference point system correctly).

Conflict of interest

Overall, the number of prohibited awards and instances of non-compliance with legislation to prevent conflict of interest has decreased since 2020-21 due to municipalities improving their internal controls in this area.

The Municipal Supply Chain Management Regulations prohibit municipalities from awarding contracts to and accepting quotations from employees, councillors or other state officials (or entities owned or managed by them). They also prohibit councillors from being involved in a municipality's procurement processes. This is intended to prevent conflicts of interest.

The regulations require prospective suppliers to declare whether they are in the service of the state or, if the supplier is not a natural person, if any of its directors, members, principal shareholders or stakeholders are in the service of the state. Not disclosing this information constitutes a fraudulent act that should be investigated and dealt with in line with the measures outlined in the regulations and the municipality's supply chain management policy. This could include cancelling the contract with the provider.

The municipal supply chain management code of ethics also requires employees and councillors to declare their interest in suppliers. This is usually done through the annual declarations required by the codes of conduct for councillors and for municipal staff members in terms of the MSA.

In 2024-25, at 10 municipalities (4%), 13 **prohibited awards** worth a combined R154,62 million were made to **suppliers owned or managed by employees.** This includes an award of R153,4 million made by City of Tshwane Metro, of which the detail is provided in section 4. Municipalities should have identified the potential conflicts by checking information on the directors and owners of the suppliers against the municipality's own payroll, which is the process that we followed and have recommended before. Since 2021-22, the number of these awards has decreased by 82%.

We reported the following findings on these prohibited awards:

Findings reported on prohibited awards to employees – excluding metros

Findings	Number of awards and municipality	Value of awards
Employees failed to declare an interest (either as part of annual declaration or procurement process)	Six awards • Newcastle (KwaZulu-Natal) – one instance • Endumeni (KwaZulu-Natal) – one instance • Kai !Garib (Northern Cape) – one instance • Ingquza Hill (Eastern Cape) – three instances	R0,22m
Suppliers made false declarations	Two awards – Endumeni (one award) and Inkosi Langalibalele (one award) (both in KwaZulu-Natal)	R0,61m
Suppliers did not submit declarations	One award – Impendle (KwaZulu-Natal)	R0,05m

In 2024-25, we found that 129 awards with a combined value of R61,85 million were made to **suppliers owned or managed by other state officials** at 48 municipalities (19%), a decrease from 463 awards in 2020-21. In 2024-25, we reported the following findings relating to these awards:

- Suppliers made 94 false declarations at 36 municipalities, involving awards of R57,18 million.
- Ten municipalities made 24 awards worth R4,62 million despite suppliers not submitting the required declarations of interest.
- Four municipalities made six awards worth R0,39 million despite suppliers declaring that their directors or shareholders were in the service of the state.

Although there is no legislation that prohibits municipalities from making awards to **suppliers in which close family members or business associates of employees or councillors have an interest,** such awards might create conflicts of interest for these employees or councillors. The possibility of undue influence cannot be discounted, especially if the person could have influenced the procurement processes for these awards, potentially creating opportunities for irregularities. To ensure transparency, legislation requires municipalities to disclose any such awards worth more than R2 000 in their financial statements.

In 2024-25, 168 awards, amounting to R717,35 million, were made to suppliers with ties to close family members or business associates of employees at 42 municipalities (16%), a decrease from 310 awards in 2020-21. Four metros were responsible for R401,77 million (56%) of these awards – the detail of which is provided in section 4. We reported the following findings on these awards:

- Employees failed to declare their interest in 46 awards (27%) valued at R136,78 million.
- Suppliers made false declarations for 47 awards (28%) valued at R92,65 million.
- Nine awards (5%) valued at R31,60 million were not disclosed in the financial statements.
- Suppliers did not submit declarations for four awards (2%) valued at R237,10 million.
- Employees participated in the procurement process for four awards (2%) valued at R6,4 million.

Increased opportunities for fraud

Weaknesses in procurement and contract management processes create opportunities for fraud. As part of our audits, we assessed whether fraud risk indicators were present and, if they were, we reported them to the relevant accounting officers for investigation.

In 2024-25, we identified fraud risk indicators and/or found that allegations of fraud were made through established structures such as internal audit units and fraud hotlines at 96 municipalities.

We reported the following instances of **indicators of possible fraud or improper conduct in procurement and contract management processes** to accounting officers for investigation:

- False declarations of interest: 149 suppliers declared that no state officials had an interest in the supplier, but our audits identified such interests. If the suppliers had submitted the correct declarations, municipalities could have considered any potential conflicts of interest before making the awards. False declarations amount to misrepresentation and should have led to the suppliers being disqualified.
- Failure to declare interest: 53 employees failed to declare interests in suppliers doing business with the state.
- Other areas: there were 116 allegations related to other procurement and contract management areas.

The pervasiveness of suspected fraud and/or misconduct is also evident from the investigations by various public bodies that commenced at 91 municipalities in 2024-25.

We use the MI process to ensure that accounting officers deal with suspected fraud in the procurement and contract management processes swiftly and effectively and that controls are put in place to prevent similar instances from happening again. We notified the accounting officers of 27 MIs related to fraud in procurement and contract management processes – one was on suspected fraud and 26 were on non-compliance with legislation with fraud indicators, for which the accounting officers were required to initiate fraud or criminal investigations.

We referred 11 of these matters to the Directorate for Priority Crime Investigation (the Hawks) and the Special Investigating Unit for investigation. Five investigations have been completed and criminal cases opened with the South African Police Service, resulting in arrests. Disciplinary action against three other officials is underway.

Limitation on audit of procurement

We could not audit 81 awards valued at an estimated R368,23 million at 16 municipalities due to missing or incomplete information. The number of awards not provided for auditing decreased from 158 in 2020-21 due to improved controls, the appointment of heads of procurement and improved responsiveness.

The awards that we could not audit in 2024-25 represent 1% of the awards selected for testing and 1% of the value of awards. The amount does not include the value of awards at Tsantsabane (Northern Cape) as detailed in the table below.

We also reported limitations in the previous year at nine (56%) of the 16 municipalities, and every year of the current administration at JB Marks (North West), Phokwane (Northern Cape) and Thabazimbi (Limpopo).

The limitations were material at six municipalities and we reported this in the audit report. There was no evidence that these municipalities had followed a fair and competitive process for these awards.

Municipalities with material limitations

Municipality	Province	Value of limitation	Reason for limitation or additional insights	Number of consecutive years with limitations (including non-material) over administration	Procurement and contract management-related irregular expenditure over administration
JB Marks	North West	R191,08m	Twenty-seven awards relating to supply and delivery of mini substations; investigation of unauthorised, irregular, and fruitless and wasteful expenditure; and security services were not provided due to inadequate storage controls.	4	R1 289,14m
Impendle	KwaZulu-Natal	R58,25m	Eleven awards for infrastructure; consulting services; as well as investigation of unauthorised, irregular, and fruitless and wasteful expenditure were not provided due to poor record-keeping.	1	R48,90m
eDumbe	KwaZulu-Natal	R23,53m	Seven awards for infrastructure construction projects relating to roads, community infrastructure and electricity, amounting to R23,53 million, could not be provided due to poor records management.	2	R161,22m
Makana	Eastern Cape	R23,49m	Ten awards relating mainly to consulting engineering services and the installation of prepaid and domestic smart meters were not provided due to poor document management. As detailed in subsection 2.5, the municipality has received a disclaimed audit opinion for the past seven years.	2	R105,62m
Phokwane	Northern Cape	R1,69m	Two awards relating to electricity projects (R1,31 million) and the hiring of machinery (R0,38 million) were not provided for auditing due to improper record-keeping.	4	R87,62m
Tsantsabane	Northern Cape	Undeterminable – due to poor record-keeping, the contract register was incomplete as it did not reflect contract values or service provider details.		1	R47,91m

The continued non submission of documents increases the risk of irregular practices, including the potential concealment of non-compliance and/or possible fraud. These matters require further investigation to determine the underlying causes and enable the implementation of appropriate consequence management.

Inadequate management of suppliers and contracts

We reported findings on inadequate contract management at 125 municipalities (49%), an increase from the 44% reported in 2020-21. The provinces with the highest prevalence of these findings are the Northern Cape (84%) and Free State (81%).

As in the previous year, the most prevalent findings continued to be a lack of or inadequate contract performance measures and monitoring, reported at 94 municipalities (37%), and amendments or extensions of contracts without approval by a delegated official at 35 municipalities (14%).

As part of testing the controls within the contract management processes, we assessed whether contracts included set expiry limits (in other words, they were not open-ended) and whether they were not extended on a month-to-month basis to circumvent the competitive bidding process. These types of contracts are commonly referred to as 'evergreen contracts' and 'month-to-month extensions'. We identified 39 instances of evergreen contracts at seven municipalities where the contracts did not include start and/or end dates. At two other municipalities, namely Letsemeng (Free State) and Dikgatlong (Northern Cape), we were not provided with sufficient evidence relating to the contract terms.

Evergreen contracts

- At **Dr Beyers Naudé** (Eastern Cape), 25 contracts did not include start and end dates. The contracts related mainly to water infrastructure (R48,44 million), road infrastructure (R17,29 million), repairs and maintenance services (R1,89 million) as well as rate based contracts for the provision of fuel and oil, security services, electricity distribution and leasing services.

- At **Mantsopa** (Free State), three contracts did not include end dates. These related mainly to the design and construction monitoring of bulk water infrastructure (R5,65 million), provision of sewer and reticulation infrastructure (R15,41 million) and the construction of reservoirs and pipelines (R11,48 million).

We identified 13 instances at seven municipalities where contracts were extended or renewed on a month-to-month basis.

Month-to-month contract extensions

- At **Namakwa District Municipality** (Northern Cape), we identified four instances of month-to-month extensions of contracts worth R0,83 million. The contracts related mainly to IT services, alarm and security services and geospatial information solutions.

- At **Amajuba District Municipality** (KwaZulu-Natal), we identified an instance of a month-to-month extension of a contract worth R0,48 million. The contract related to water meter reading services.

Pervasive lack of consequences

Little has changed since the previous year and we continue to observe the same weaknesses in consequence management. As detailed earlier, the lack of consequences is also evident in how municipalities deal with non-performing suppliers and contractors.

When accounting officers become aware of non-compliance; allegations of fraud or financial misconduct; or instances of unauthorised, irregular, and fruitless and wasteful expenditure, they are required by legislation and auditee policies to follow specific steps.

In 2024-25, over half (51%) of the municipalities had material findings on compliance with the legislation on consequence management that prescribes these steps (2020-21: 57%). Material findings were most prevalent in North West (100%), the Free State (90%) and the Northern Cape (74%).

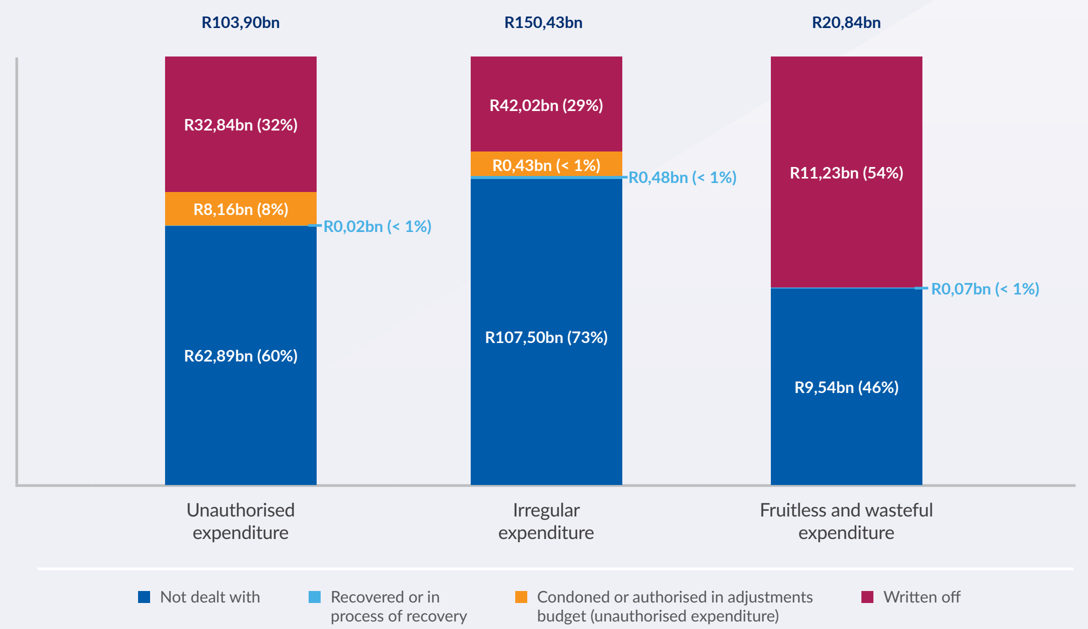
Consequences for unauthorised, irregular, and fruitless and wasteful expenditure

As in previous years, the most common material compliance finding was that councils did not investigate and/or properly deal with incidents of unauthorised, irregular, and fruitless and wasteful expenditure. This means that they did not take sufficient steps to recover, write off, approve or condone such expenditure in accordance with the legislated process and responsibilities.

In 2024-25, 116 municipalities (45%) did not investigate the previous year's irregular expenditure, while 106 (42%) failed to do so for fruitless and wasteful expenditure, and 95 (37%) for unauthorised expenditure.

The lack of action taken to enable consequence management is evident in the limited movement in the unauthorised, irregular, and fruitless and wasteful expenditure balances carried over from the previous year. The percentage of financial losses recovered or in the process of recovery is trivial in comparison to the billions written off.

How councils or boards of directors dealt with prior-year unauthorised, irregular, and fruitless and wasteful expenditure balance



Using irregular expenditure as an illustration, councils or municipal entity boards have dealt with a cumulative R117,93 billion of the irregular expenditure balance since 2021 22; however, almost all – R116,28 billion (99%) – was through write offs. Only R1,21 billion has been or is in the process of being recovered, and R0,43 billion has been condoned over the same period.

There has been an increase in findings on councils prematurely certifying unauthorised, irregular, and fruitless and wasteful expenditure as irrecoverable and bypassing the required investigation process. This indicates that some councils treat the resolution of these types of expenditure as an accounting exercise by approving write-offs through accounting entries without first ensuring that the required investigations have been conducted and concluded and that accountability has been established.

This practice weakens councils' oversight role in the consequence management process. Delays in investigations and management's failure to act timeously expose the municipality to prescription risk, effectively shifting the financial consequences of irregular expenditure from responsible officials to the municipality. In section 4, we illustrate a case at Buffalo City Metro where a debt was written off solely due to prescription.

In 2024-25, 19 municipalities (7%) that wrote off a combined R3,06 billion did not comply with the legislated requirement to only write off irregular expenditure if the council, after investigating, certifies that the money is not recoverable. The biggest contributor to this amount was Dr JS Moroka (Mpumalanga), which wrote off R1,32 billion.

We reported the following findings relating to write-offs:

- **Council approval was not obtained for the write-off** at three local municipalities: Jozini (KwaZulu-Natal), Renosterberg (Northern Cape) and Maquassi Hills (North West).
- **The write-off was not based on the results of investigations** at the following 17 municipalities:
    - KwaDukuza, uMfolozi, Ndwedwe, Newcastle and uMkhanyakude District Municipality (KwaZulu-Natal)
    - Kareeberg, Renosterberg, Siyancuma and Ubuntu (Northern Cape)
    - Collins Chabane, Modimolle-Mookgophong and Mopani District Municipality (Limpopo)
    - Metsimaholo and Mohokare (Free State)
    - Dr AB Xuma (Eastern Cape), Merafong City (Gauteng) and Dr JS Moroka (Mpumalanga)

The pace at which municipalities in various provinces respond to the irregular expenditure incurred reflects poor levels of consequence management and commitment to recovering losses.

Closing balance of irregular expenditure and how municipalities dealt with prior-year irregular expenditure per province

Province	Closing balance 2024-25	Dealing with irregular expenditure of prior years					
		Closing balance 2023-24	Irregular expenditure dealt with	Condoned	Recovered or in process of recovery	Written off	Irregular expenditure not dealt with
Eastern Cape	R39,62bn	R37,45bn	R2,97bn (8%)	-	< R0,01bn	R2,97bn	R34,48bn (92%)
Free State	R13,80bn	R14,25bn	R1,90bn (13%)	-	< R0,01bn	R1,90bn	R12,35bn (87%)
Gauteng	R32,96bn	R38,62bn	R20,09bn (52%)	R0,05bn	R0,48bn	R19,57bn	R18,53bn (48%)
KwaZulu-Natal	R9,95bn	R8,84bn	R6,77bn (77%)	R0,01bn	-	R6,76bn	R2,07bn (23%)
Limpopo	R4,10bn	R4,67bn	R2,16bn (46%)	-	< R0,01bn	R2,16bn	R2,51bn (54%)
Mpumalanga	R4,15bn	R5,70bn	R3,26bn (57%)	-	-	R3,26bn	R2,44bn (43%)
Northern Cape	R3,31bn	R3,67bn	R0,86bn (23%)	-	< R0,01bn	R0,86bn	R2,81bn (77%)
North West	R36,92bn	R34,64bn	R2,37bn (7%)	R0,35bn	-	R2,02bn	R32,27bn (93%)
Western Cape	R1,78bn	R2,58bn	R2,55bn (99%)	R0,03bn	< R0,01bn	R2,53bn	R0,03bn (1%)
Total	**R146,60bn**	**R150,43bn**	**R42,94bn (29%)**	**R0,43bn**	**R0,48bn**	**R42,02bn**	**R107,50bn (73%)**

Responsiveness to allegations and findings

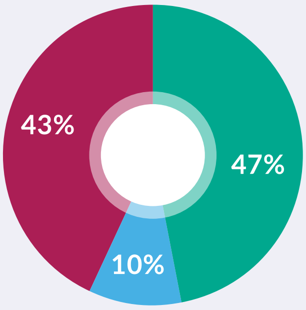
In 2024-25, we identified 47 municipalities where allegations of fraud and/or misconduct had been made through mechanisms such as fraud hotlines. By year-end, 14 of these municipalities (30%) had not investigated any of the recorded allegations, thereby delaying any consequences if the allegations are found to be valid. The allegations that were not investigated were predominantly within the metros and district municipalities.

When we identify indicators of possible fraud during our audits, we report them to the accounting officers, and we expect them to institute a forensic investigation into the matter. If the investigation concludes that there is a suspicion of fraud, the matter must be reported to the South African Police Service and disciplinary action must be taken against implicated officials. Accounting officers must also establish or improve internal controls to prevent such occurrences in future.

In 2023-24, we reported findings to accounting officers on indicators of fraud or improper conduct in the procurement and contract management processes at 87 municipalities for follow-up.

Status of investigations into 2023-24 findings reported on indicators of fraud and misconduct

Overall status



- **41** Auditees investigated all findings reported
- **9** Auditees investigated some findings reported
- **37** Auditees investigated none of the findings reported

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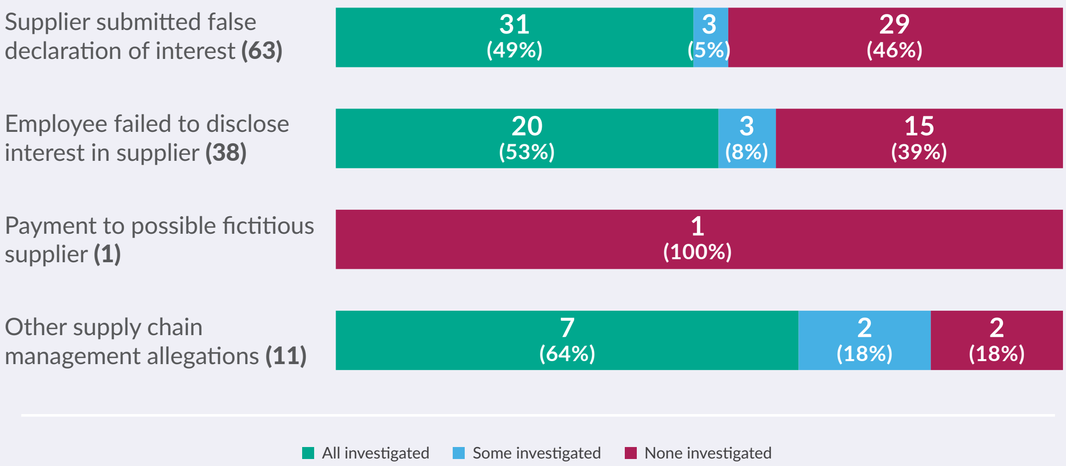
- **37 (74%)** resolved all findings
- **10 (20%)** resolved some findings
- **3 (6%)** did not resolve any findings

Status of investigations per type of finding reported



The slow response by some accounting officers to our findings – despite their severity and possible impact – allows these practices to continue without consequence.

Impact of compliance findings

The financial and non-financial **cost of non-compliance is high.** Non-compliance with legislation negatively affects the accountability, transparency, performance and service delivery of an auditee. Non-compliance can also result in costly investigations, and subject officials to the discomfort and anxieties associated with these processes, which are often delayed.

Apart from resulting in irregular expenditure, non-compliance with procurement and contact management legislation also gives rise to the following:

- Uncompetitive procurement practices prevent fair competition and increase the susceptibility of the process to fraud and corruption, the likelihood of appointing suppliers and contractors who may not deliver as expected, project delays and legal disputes. This is also the one of the key causes of infrastructure project failures, as detailed in section 3.
- Uneconomical procurement practices result or are likely to result in financial losses. If auditees follow proper procurement processes and adequately test market prices, they can potentially obtain goods and services at lower prices.
- Unfair procurement processes expose auditees to litigation due to breaches in the process and financial losses due to legal fees and settlements.
- Non-equitable procurement has a negative impact on suppliers and government's socioeconomic objectives of empowering previously disadvantaged individuals and small businesses, directly affecting the country's economic growth.
- Not providing evidence for auditing that a fair and competitive procurement process was followed results in weakened transparency and accountability.
- Inadequate contract management often contributes to cost overruns, delayed projects and compromised quality, which directly affects service delivery to communities, as detailed in section 3.

The impact of poor consequence management includes:

- recurring non-compliance, fraud and misconduct as well as continued prevalence of unauthorised, irregular, and fruitless and wasteful expenditure
- delays in financial loss recovery, disciplinary processes or referrals to law-enforcement agencies due to a lack of timeous investigations, which stall the entire accountability cycle and may result in financial losses becoming irrecoverable
- delays in the identification of root causes and responsible officials, which is essential for implementing corrective action and for preventing recurrences and continuing non-compliance.

Causes of compliance and consequence management findings

Culture of no accountability and limited consequences

A culture of no accountability and limited consequences continues to drive non-compliance. Where the accounting officer, senior management, mayor and council do not consistently enforce ethical conduct, compliance and consequences, officials are not held accountable for transgressions and poor performance. This weakness is prevalent across most municipalities, as evidenced by consequence management findings, non-responsiveness to MIs and a growing tendency of regarding irregular expenditure as a procedural matter instead of considering its causes, significance and impact.

Dismissing irregular expenditure without a proper investigation to identify its cause and impact is a missed opportunity to strengthen controls that can prevent a recurrence of the non-compliance.

At 62 municipalities (24%), policies and procedures to monitor, measure and evaluate staff performance were not in place, resulting in a lack of accountability for transgressions and non-performance. In addition, employees at 90 municipalities (35%) did not sign performance agreements. At 38 municipalities (15%), the performance agreements of employees in acting positions were not amended to include the required key performance areas and/or indicators.

Limited impact of internal audit units and audit committees

Of the 215 municipalities with compliance findings, seven (3%) did not have an audit committee and six (3%) did not have an internal audit unit. The internal audit units and audit committee of 25 municipalities (12%) did not evaluate compliance with legislation. The internal audit units of 125 municipalities (70%) and audit committees at 126 municipalities (68%) were not effective as a governance control in the area of compliance with legislation.

The internal audit units at 19 municipalities (9%) did not advise the accounting officer and report to the audit committee on the implementation of the internal audit plan on matters relating to compliance with the MFMA, Dora and other legislation.

Ineffective accountability mechanisms

Ineffective accountability mechanisms continue to hinder the implementation of consequence management in municipalities. Our assessment of reporting and investigation processes for transgressions and potential fraud revealed inadequacies at 40 municipalities (16%).

Disciplinary boards are legislatively required to investigate allegations of financial misconduct and monitor disciplinary proceedings. Despite this requirement, 16 municipalities did not have disciplinary boards, with four of these being from the Free State and four from the Northern Cape.

Council committees (usually the municipal public accounts committees (MPACs)) have a key role to play in investigating instances of unauthorised, irregular, and fruitless and wasteful expenditure and in recommending how councils should deal with such expenditure or any other matters referred to them or that they investigate. We assessed the effectiveness of these committees at 60 municipalities (all metros, intermediate cities and municipalities with disclaimed opinions in 2023-24). These committees did not effectively execute their roles or mandates at 28 municipalities (47%).

Internal control deficiencies

Of the 215 municipalities (84%) with material findings on compliance in 2024-25, 166 (77%) did not have basic controls in place to review and monitor compliance, compared to 154 (72%) in 2020-21.

2.5 Disclaimed audit opinions

Significant reduction in municipalities with disclaimed audit opinions, but repeat offenders remain

We pay specific attention to the municipalities with disclaimed audit opinions as this is the worst possible audit outcome to have.

When a municipality receives a disclaimed audit opinion, it means that it could not provide sufficient evidence for most of the information in its financial statements. Therefore, we could not express an opinion on whether its financial statements were credible or determine how the funds it had received for the year were used. These municipalities are also typically unable to provide supporting documentation for the achievements reported in their performance reports. They also do not comply with key legislation.

The lack of transparency in how these municipalities use public funds and deliver services significantly weakens accountability, which often leads to their communities being deprived of service delivery and being harmed by their actions or inaction.

The urgent need to take action at municipalities with a history of disclaimed audit opinions was highlighted in our 2019-20 general report and reinforced through engagements with leaders in the national government and provincial governments. We reported that we could not verify how municipalities were using the funds they received from the national government, through their equitable share allocation and grants, and spotlighted the impact that their poor administration has had on their residents.

To drive change, we began exercising our enforcement mandate by issuing MI notifications to the accounting officers, as the absence of proper records that led to the disclaimed audit opinions and undermined financial sustainability caused harm to these public sector institutions. The call to eradicate disclaimed audit opinions continued into the 6th administration of local government and was responded to with success by the national and provincial governments.

In 2024-25, the landscape looks very different from 2019-20.

Reduction in disclaimed audit opinions

	2019-20	2020-21	2024-25
Number of disclaimers	35	29	8
Expenditure budget and percentage of total local government expenditure	R27,91bn (6%)	R21,06bn (5%)	R3,90bn (0,6%)
Number of households	1 458 951	982 250	173 711

Since 2020-21, the number of municipalities with disclaimed audit opinions has decreased by 23 (those that have improved their opinion) and increased by three (because of Kamiesberg, Kannaland and Mohokare regressing to this opinion). The audit of Maluti-A-Phofung (Free State) remains outstanding.

Status and movement of thirty-two municipalities with disclaimed audit opinions (from 2020-21)

4 Eastern Cape

- Makana LM (7 years)
- Sundays River Valley LM (7 years)
- Chris Hani DM (2021-22)
- Walter Sisulu LM (2021-22)

5 Free State

- Nketoana LM (7 years)
- Kopanong LM (2021-22)
- Masilonyana LM (10 years)
- Mohokare LM (3 years)
- Maluti-A-Phofung LM

3 KwaZulu-Natal

- Nquthu LM (2021-22)
- uMkhanyakude DM (2022-23)
- Inkosi Langalibalele LM (2021-22)

2 Limpopo

- Bela-Bela LM (2021-22)
- Mopani DM (2022-23)

3 Mpumalanga

- Dipaleseng LM (2021-22)
- Dr JS Moroka LM (2021-22)
- Lekwa LM (2022-23)

5 Northern Cape

- Kamiesberg LM
- Joe Morolong LM (2023-24)
- Renosterberg LM (2022-23)
- Kgatelopele LM (2022-23)
- !Kheis LM (2024-25)

9 North West

- Ditsobotla LM (9 years)
- Ratlou LM (2024-25)
- Greater Taung LM (2021-22)
- Kgetlengrivier LM (2022-23)
- Madibeng LM (2022-23)
- Mamusa LM (2023-24)
- Maquassi Hills LM (2023-24)
- Naledi LM (2022-23)
- Ramotshere Moiloa LM (2021-22)

1 Western Cape

- Kannaland LM (4 years)

7 Repeat disclaimed audit opinions
Includes regression in
2021-22 – Kannaland LM (WC)
2022-23 – Mohokare LM (FS)

1 Regressed to disclaimed audit opinion in 2024-25

1 Outstanding in 2024-25

23 Improved from disclaimed audit opinion in 2020-21

Improved in
2021-22 – 10
2022-23 – 8
2023-24 – 3
2024-25 – 2

DM: District Municipality LM: Local Municipality MM: Metropolitan Municipality

KwaZulu-Natal, Limpopo and Mpumalanga have successfully eradicated disclaimed audit opinions. Were it not for the regression of Kamiesberg, the Northern Cape would have also achieved this milestone. In North West, the number of disclaimed opinions dropped significantly – from nine in 2020-21, the highest in the country, to just one. We include more information on these efforts by the provincial governments in section 7.

The improvements by the 23 municipalities stemmed from the decisive actions taken by key roleplayers in the accountability ecosystem to address institutional weaknesses. These weaknesses included poor internal controls and record-keeping, inadequate skills and capacity, and lapses in discipline with little consequence. These improvements can be replicated at the seven municipalities that continue to receive disclaimed audit opinions.

A municipality's story: Improved from a disclaimed to a qualified audit opinion

Ratlou in North West is a rural municipality comprising mainly villages and commercial farms – its main town is Setlagole. The municipality provides waste management services to 30 749 households.

The municipality had received a disclaimed audit opinion for six consecutive years from 2018-19. The improvement to a qualified audit opinion was the result of a recovery journey that prioritised stability and institutional capability.

The initial turning point in 2023-24 included stabilisation in the accounting officer position from October 2023, coupled with support by the provincial cooperative governance department in recommending candidates after ensuring compliance with legislation. Stability at accounting officer level also resulted in the retention of senior managers. Further support included a review of the debt-collection policy and the draft budget, payroll verifications to ensure the payment of third parties and capacitating the MPAC to initiate investigations. These actions enabled consistent oversight and sustained implementation of corrective action.

In March 2024, we issued an MI relating to poor record-keeping, which sharpened the accounting officer's focus, supported by the mayor and staff in the finance unit, on addressing the root causes of the disclaimer rather than treating audit findings as technical setbacks. The municipality strengthened record-keeping, improved reconciliations, digitised supporting documentation and introduced regular internal reviews, supported by the internal audit unit.

Importantly, in 2024-25 , the municipality prepared its financial statements in house, significantly reducing reliance on consultants and demonstrating growing institutional capability.

This disciplined, step by step approach that was supported by the MEC for local government, council, mayor, accounting officer and senior managers reporting to the accounting officer enabled a decisive break from entrenched disclaimed outcomes and provided a credible foundation for further improvement.

Kamiesberg is the only municipality that regressed to a disclaimed opinion in 2024-25.

A municipality's story: Regression from a qualified to a disclaimed audit opinion

Kamiesberg in the Northern Cape provides basic services to 3 440 households across several small towns, including Garies and Hondeklipbaai. Its main economic sectors are agriculture and tourism, especially during the flower season in Namaqualand.

The regression was due to the implementation of a new financial system that was poorly managed, leading to inaccurate and incomplete data being transferred from the old system. The municipality was unable to produce key information, such as bank reconciliations, and its financial statements contained multiple errors due to the incorrect and incomplete data extracted from the new system.

Consultants were used to migrate financial data and map the trial balance but inadequate direction and oversight led to an unsuccessful migration to the new system. Inadequate controls and training of staff for the implementation process further contributed to the failures. In November 2025, we issued an MI to the accounting officer as reconciliations of bank accounts, receivables as well as fixed and movable assets were not performed to support the balances reflected in the financial statements.

Deep-rooted governance and institutional weaknesses left the municipality vulnerable to a regression in its audit outcome. Poor internal controls, inadequate technical capability and a culture of poor responsiveness to audit findings reflect the failure of the mayor, council and accounting officer to establish a leadership tone that promotes performance, accountability, transparency and integrity.

The municipality is currently working with the provincial treasury and an external service provider to investigate and rectify the migration process and lack of reconciliations.

Over the term of the administration, Maluti-A-Phofung repeatedly submitted its financial statements late for auditing, which meant that we could not share insights on the municipality in our general reports. Although the 2024-25 consolidated financial statements are still outstanding, the audits of prior years have now been completed and we can report on the municipality in more detail below.

A municipality's story: Repeated late submissions of financial statements and history of disclaimed audit opinions

Maluti-A-Phofung is an intermediate city situated in the eastern part of the Free State, with Phuthaditjhaba as its administrative centre and Harrismith as its commercial hub. The municipality provides electricity and waste management services to 119 249 households. Water and sanitation services are provided through its municipal entity, Maluti-A-Phofung Water.

Since 2015-16, the consolidated financial statements have been submitted late for auditing every year. After we issued MIs for the non-submission of financial statements, the accounting officer submitted the consolidated financial statements for 2021-22 in December 2024 and those of 2022-23 and 2023-24 in January 2025. We competed the audits by December 2025.

A municipality's story: Repeated late submissions of financial statements and history of disclaimed audit opinions (continued)

The financial statements submitted were of poor quality as supporting evidence could not be provided for material amounts and disclosures. We expressed disclaimed audit opinions for all three years, extending the number of consecutive years with this opinion to eight. We also reported material findings on the performance report and compliance with legislation for all the years.

The late submission of the consolidated financial statements for the past nine years (since 2015-16) delayed the tabling of the annual reports and completion of the council oversight reports. The annual reports for 2016-17 to 2023-24 have not been tabled.

In June 2021, we issued an MI due to the harm caused by the lack of accounting records, weak financial discipline and unreliable financial reporting. In May 2024, another MI was issued due to the municipality's failure to report on its performance reliably as a result of inadequate systems and records to support the reported achievements. Appropriate action was not taken to address these MIs and the recommendations we then issued were also not implemented. We took remedial action for both MIs. The remedial action relating to the performance information MI was due for implementation by April 2026, while the remedial action to address the lack of accounting records remains unimplemented, despite the matter being escalated to the mayor, speaker of the council, premier and speaker of the provincial legislature.

The council appointed the current accounting officer in November 2024 after the position had been vacant since July 2022. The chief financial officer, appointed in April 2020, was suspended by the council from October 2021 due to gross insubordination and not acting in the best interest of the municipality. The chief financial officer was reinstated in April 2022 after an internal investigation found the suspension to have been irrational and without grounds. In March 2025, the chief financial officer's contract ended and was not renewed. The provincial cooperative governance department seconded a chief financial officer to the municipality in August 2025, after the council had requested this in May 2025. By April 2026, a permanent chief financial officer had not been appointed but recruitment processes to fill the post were underway.

In 2023-24, the finance unit had a 55% vacancy rate, resulting in a weak records-management environment. While the internal audit unit conducted work as planned, its effectiveness was undermined by the council's failure to monitor senior management's implementation of recommendations.

The continued non-responsiveness of the accounting officer, mayor and council to the MIs and to address the poor institutional capability reflects serious governance failures by these municipal leaders. Our audit recommendations are also disregarded and the mayor does not ensure that the municipality addresses the issues raised in our audit reports, as required by section 131(1) of the MFMA.

Municipalities with repeatedly disclaimed audit opinions

Seven local municipalities have repeatedly received disclaimed audit opinions. These municipalities are spread across four provinces: Masilonyana, Nketoana and Mohokare in the Free State; Makana and Sundays River Valley in the Eastern Cape; Ditsobotla in North West; and Kannaland in the Western Cape.

The remaining disclaimers should be eradicated as they reflect a breakdown in financial transparency and accountability, which elevates the risk (and incidents) of fraud, improper use of grant funding and financial mismanagement. Transparency and accountability are lacking in the reporting on municipal performance and compliance with legislation, resulting in weakened institutional integrity. These failures have direct consequences for residents and business, including poor service delivery outcomes and environmental pollution.

In the remainder of this subsection, we introduce the seven municipalities and share our observations on how the current state of the municipality impacts the lives of its residents and businesses in these municipal areas.

We focus on the following:

- A view of the 2024-25 **funding** of the municipality but it is severely limited due to the financial information being unreliable. Where we include financial information that was materially misstated and/or was not supported by audit evidence, we included an * to indicate that it is not 100% correct and can at best be viewed as an estimation.
- A summary of our **key audit findings** from the 2024-25 audits to give a sense of the poor quality of financial and performance reporting, the poor financial state of the municipalities and the mismanagement of funds, the pervasiveness of non-compliance with legislation (demonstrating high levels of disregard for the rule of law) with a specific focus on procurement and contract management as well as any fraud risks identified.

  We also summarise our findings on infrastructure delivery and environmental management to demonstrate how poor financial disciplines also permeate into service delivery and reporting. Lastly, we provide a summary of the extent and nature of MIs.
- Information on the two main **root causes** for the repeatedly disclaimed audit opinions – the lack of institutional capability and governance failures by the accountability ecosystem.

As mentioned earlier, these municipalities can learn valuable lessons from the actions taken by those who have successfully moved out of this category, as outlined below:

- The implementation of proper action plans to address audit findings and MIs.
- Appointments and stability in key positions of chief financial officer and accounting officer.
- Increased involvement by and effectiveness of audit committees and internal audit units.
- A focus on establishing and consistently implementing good preventative and detective controls.
- Strengthened council and mayoral oversight.
- Monitoring and support by provincial governments.

Mayors and councils play a central role in addressing the weaknesses that keep their municipalities from improving. They are responsible for providing effective oversight, ensuring that accounting officers implement audit action plans and enforce consequence management where there is persistent non-compliance or a failure to address recurring audit findings.

Despite the support provided by national and provincial departments, lasting progress ultimately depends on mayors and councils fulfilling their responsibilities and demonstrating strengthened political leadership. Their commitment to restoring accountability and transparency in the use of public funds, as well as improving service delivery outcomes, is essential for sustainable change.

Free State – Masilonyana (10 years disclaimed)

The municipality is situated in the Lejweleputswa district. It is an impoverished semi-urban area with a high unemployment rate. It provides basic services to 23 750 households in towns such as Theunissen and Winburg.

Infrastructure remains inadequate to provide the community with reliable access to basic water and sanitation services. As a result, groundwater from boreholes, supplemented by water tankers, serves as the primary source of supply. Poor infrastructure and weak planning continue to negatively affect the community. We notified the accounting officer of an MI regarding the mismanagement of a wastewater treatment works, which led to the pollution of water.

Pollution of water resources

The municipality mismanaged the Winburg wastewater treatment works, resulting in the discharge of raw sewage into the environment and the pollution of the Laaispruit River. We notified the accounting officer of an MI in April 2022. The municipality did not take appropriate action. In February 2024, we referred the matter to the Department of Water and Sanitation and the investigation is underway.

Funding

Cash in – R289,45 million*

86% from national government – R198,76 million equitable share + R11,07 million MIG + R20,24 million WSIG + R20,17 million other grants

Cash out – R273,72 million*

R158,44 million (58%) spent on salaries and councillor remuneration

Summary of key audit findings

Financial and performance reporting

- Key unconfirmed and/or incorrect amounts in financial statements: assets (fixed and movable); revenue; receivables; payables; cash; unauthorised and irregular expenditure.
- Performance report not useful and reliable: material audit findings.
- Annual reports and related council oversight reports not prepared since 2022-23.

Financial health

- Disclosed a going concern uncertainty for the past two years.
- Incurred unauthorised expenditure of R48,67 million*.
- Incurred fruitless and wasteful expenditure of R15,66 million (closing balance: R46,77 million).
- Revenue management: no effective internal control over revenue and debtors; inadequate systems for managing and accounting for revenue, debts and receipts; revenue due to municipality not calculated monthly.

- Indigent management:
  - Received R111,43 million equitable share allocation for 16 374 indigent households but budgeted less than this amount, while only R31,77 million (29%) reached 4 031 households (25%).
  - Free basic services provided while criteria were not met.
  - Indigent registers not updated annually, inadequate processes to create public awareness to register as indigents and insufficient internal controls over indigent management.
- Eskom debt:
  - R247,07 million* in arrears.
  - The municipality is participating in Eskom's debt-relief programme but did not comply with all the conditions required, and adequate strategies or plans were not in place to prevent the recurrence of a significant Eskom debt account.

Compliance, irregular expenditure and fraud risk

- Material non-compliance with legislation: 45 findings.
- Material procurement and contract management findings:
  - Quotation process not applied; preference point system not applied; evaluation process not fairly applied; quotations not obtained from Central Supplier Database (CSD)-registered or accredited suppliers.
  - Evidence was not provided to confirm that: contract performance was monitored; suppliers were tax compliant; suppliers declared interests; awards were made to bidders recommended by the evaluation committee.
- Incurred irregular expenditure of R47,44 million* (closing balance: R159,84 million*).
- Fraud risk indicators reported to accounting officer.

Grant, infrastructure and environmental management

- Utilisation of grants: performance of programmes funded by the municipal infrastructure, water services infrastructure and regional bulk infrastructure grants were not evaluated within two months after year-end.
- Infrastructure delivery audit finding on the construction of outfall sewer and rectification of sewer network in Winburg project – delays of six months with cost overruns. Non-compliance with procurement and contract management requirements in the Masilo refurbishment of wastewater treatment works and sewer pump station project, with inadequate contract management and unverifiable supporting documentation for work done.
- Environmental management:
  - Landfill site and wastewater treatment works operated without a licence.
  - Inadequate infrastructure to manage waste; poor monitoring and burning of waste; inadequate measures carried out to curb illegal dumping and monitor waste; no water quality testing done to determine impact on existing water sources.
  - Quality of wastewater discharged did not comply with required standards; wastewater infrastructure not safeguarded or maintained.

Material irregularities

- Eight MIs: one on harm to public and seven on harm to municipality.

Root cause – lack of institutional capability

The accounting officer was appointed in October 2023 after the post had been vacant for over three years, while the chief financial officer position was filled in January 2024 after being vacant for more than six years.

Appointments were made in some posts with no job descriptions.

The high rate of vacancies in the finance unit (39% at year-end) contributed towards the unit's lack of skills.

There were internal control deficiencies, including poor record-keeping and financial management disciplines.

There were information system deficiencies, including inadequate verification of banking details, user access management and security controls around supplier master data. The financial system was also not optimally utilised.

Root cause – accountability ecosystem failures

Accounting officer

- Appointed a staff member previously dismissed for financial misconduct within 10 years of dismissal.
- Did not have appropriate systems and procedures to monitor, measure and evaluate performance of staff.
- Did not link the performance agreements of senior managers to the measurable performance objectives that were approved with the budget and the service delivery and budget implementation plan (SDBIP).
- Did not provide evidence to confirm if all staff signed performance agreements.
- Implemented only 20% of prior-year audit recommendations and none of the overall recommendation on improving the control environment.
- Did not fully implement the audit action plan.

The **audit committee** was not effective as the internal audit unit did not perform its duties, which included preparing internal audit reports.

The **internal audit** did not prepare a risk-based audit plan. It also did not submit a quarterly report on the audit of performance measurements to the audit committee and accounting officer. It was also not effective due to a 20% vacancy rate within the unit.

Mayor and council

The municipal council was only established during 2022-23.

The council did not link the performance agreement of the accounting officer to the measurable performance objectives that were approved with the budget and the SDBIP.

When the 2023-24 audit report was tabled, the mayor and council noted the report and resolved to deal with issues raised without providing proper details of how the recommendations would be implemented and the issues resolved.

The council did not prepare and adopt an oversight report on the annual report as the report was not prepared and tabled. It also did not take any action against the accounting officer and the mayor for failing to prepare and table the annual report.

National and provincial interventions and actions

The municipality had been under discretionary provincial intervention since 2023-24. The lack of impact is due to instabilities at accounting officer and senior management level. In December 2025 (after year-end), the municipality was placed under mandatory provincial intervention.

The preparation of a financial recovery plan is in progress.

Provincial oversight

The MEC for local government submitted reports to the provincial legislature on whether the municipality adequately addressed issues we raised and on the performance of the municipality with remedial actions in October 2025 and November 2025, respectively (after year-end). The provincial legislature has not yet dealt with these reports.

Free State – Nketoana (seven years disclaimed)

The municipality is situated in Reitz and falls under the Thabo Mofutsanyana district. It provides basic services to 21 705 households. The area's main economic sectors are agriculture and retail.

The community experiences regular water interruptions and poor road conditions. As the municipality prioritised only water infrastructure projects in 2024-25, residents are likely to continue to experience unsafe roads that are in a poor condition. We notified the accounting officer of two MIs on the mismanagement of a wastewater treatment works, which resulted in pollution of the environment.

MI

Pollution of water resources

The municipality did not manage the Lindley wastewater treatment works in compliance with environmental legislation, which resulted in raw sewage spilling into the environment, including the Vals River. We notified the accounting officer of an MI in January 2024, but the municipality did not take appropriate action. In April 2025, we referred the matter to the Department of Water and Sanitation, which is currently investigating the matter.

Funding

Cash in – R573,29 million*	Cash out – R576,3 million*
42% from national government – R138,78 million equitable share + R28,87 million MIG + R33 million WSIG + R40,06 RBIG + R1,54 million other grants	R198,95 million (35%) spent on salaries and councillor remuneration

Summary of key audit findings

Financial and performance reporting

- Key unconfirmed and/or incorrect amounts in financial statements: assets (fixed and movable); revenue; receivables; payables; unauthorised, irregular, and fruitless and wasteful expenditure.
- Performance report not useful and reliable: pervasive material audit findings.
- 2023-24 annual report not adopted and related council oversight report not prepared or tabled.

Financial health

- Disclosed a going concern uncertainty for 2024-25 (one year).
- Adopted an unfunded adjustments budget.
- Incurred unauthorised expenditure of R81,82 million*.
- Incurred fruitless and wasteful expenditure of R34,08 million* (closing balance: R163,38 million*).
- Revenue management:
  - No effective internal control over revenue and debtors, with inadequate systems for managing and accounting for revenue.
  - Municipal service accounts not prepared monthly.
- Indigent management: received R97,81 million equitable share allocation for 14 373 indigent households but budgeted less than this amount, while only R41,29 million (42%) reached 5 004 households (35%).
- Eskom debt:
  - R883,42 million* in arrears.
  - The municipality participates in Eskom's debt-relief programme but did not comply with all the required conditions and has no strategy in place to improve revenue collection.

Compliance, irregular expenditure and fraud risk

- Material non-compliance with legislation: 26 findings.
- Material procurement and contract management findings: quotation process and preference point system not applied; inadequate contract performance monitoring.
- Incurred irregular expenditure of R118,10 million* (closing balance: R667,08 million*).
- Fraud risk indicators reported to accounting officer.

Infrastructure and environmental management

- Infrastructure delivery audit findings on project to construct a 12 km pipeline from Reitz water treatment works to Petrus Steyn resulted in a one-year delay and findings on cost management.
- Environmental management: quality of wastewater discharged did not comply with required standards; wastewater infrastructure not safeguarded or maintained.

Material irregularities

- Five MIs: two on harm to public and three on harm to municipality.

Root cause – lack of institutional capability

The contract of the former accounting officer ended in October 2022, and the current accounting officer was appointed in January 2023.

Almost half of the finance unit positions remained unfilled (49% at year-end).

There were internal control deficiencies, including poor record-keeping, monitoring of action plans, financial management disciplines and consequences for poor performance.

There were information system deficiencies, including inadequate segregation of duties and unrestricted access to the financial system, which enabled users to amend supplier details, generate and process payments, approve transactions and initiate payments directly on the banking system. There was no defined role matrix to clarify roles for the appropriate use of the financial system.

Root cause – accountability ecosystem failures

Accounting officer

- Did not conduct reference checks and credential verifications for new staff members.
- Did not provide evidence to confirm whether appointed staff members had not previously been dismissed for financial misconduct, corruption or fraud within 10 years of dismissal.
- Did not perform performance appraisals for senior managers to assess each key performance area based on achieved results.
- Did not ensure that all staff signed performance agreements and that acting staff members' performance agreements were amended to include key performance areas.
- Was slow to respond to MIs – 60% in the further action stage.
- Did not implement any of the prior-year audit recommendations and overall recommendations on improving control environment.
- Did not implement the audit action plan.

The audit committee failed to review internal reports on performance measurement and annual financial statements, and did not advise the accounting officer or council on the adequacy, reliability and accuracy of financial reporting. It also did not submit reports on the review of the performance management system to council. The committee was ineffective as management also did not provide it with the information required to perform its functions and fulfil its mandate.

The internal audit unit did not advise the accounting officer or report to the audit committee on the implementation of the audit plan for risk management, internal controls or compliance with legislation. It was not effective due to incapacitation, with a 33% vacancy rate.

Mayor and council

When the 2023-24 audit report was tabled, the mayor and council noted the report with concerns and the mayor committed to track progress on the implementation of the audit action plan to achieve a better audit outcome; however, this was not implemented.

The council did not prepare and adopt an oversight report on the annual report due to the annual report not being adopted by council.

National and provincial interventions and actions

The municipality was placed under mandatory provincial intervention in December 2025 (after year-end).

The preparation of a financial recovery plan is in progress.

Provincial oversight

The MEC for local government submitted reports to the provincial legislature on whether the municipality adequately addressed issues we raised and on the performance of the municipality with remedial actions in October 2025 and November 2025, respectively (after year-end). The provincial legislature has not yet dealt with these reports.

Free State – Mohokare (three years disclaimed)

The municipality is the smallest of three local municipalities in the Xhariep district. Zastron serves as its main administrative hub and municipal seat. The municipality provides basic services to 13 666 households.

The financial and performance management failures impacted residents and businesses. An example of the dire effects on the community is the continued flow of sewerage onto the streets, which not only causes severe health risks for the community but also contaminates the environment. This was due to a 15-month delay in the completion of the Refengkhotso sewer network project, leaving the community relying on septic tanks as its primary means of wastewater disposal.

Funding

Cash in – R573,29 million*	Cash out – R174,58 million*
65% from national government – R80,14 million equitable share + R14,44 million MIG + R9,16 million RBIG+ R2 million WSIG + R8,26 million other grants	R94,12 million (54%) spent on salaries and councillor remuneration

Summary of key audit findings

Financial and performance reporting

- Key unconfirmed and/or incorrect amounts in financial statements: assets (fixed and movable); revenue; receivables; payables; cash; unauthorised, irregular, and fruitless and wasteful expenditure.
- Performance report not useful and reliable: pervasive material audit findings.
- Annual report and related council oversight report tabled late since 2021-22.

Financial health

- Disclosed a going concern uncertainty for the past 12 years.
- Adopted an unfunded adjustments budget.
- Incurred unauthorised expenditure of R65,37 million*.
- Incurred fruitless and wasteful expenditure of R64,61 million* (closing balance: R44,28 million*).
- Revenue management:
    - No effective internal control over revenue and debtors, with inadequate systems for managing and accounting for revenue, debts and receipts.
    - Evidence was not provided to confirm that revenue due to the municipality was calculated and municipal service accounts were prepared monthly.
- Indigent management:
    - Received R64,87 million equitable share allocation for 9 532 indigent households but budgeted less than this amount, while only R7,10 million (11%) reached 1 714 households (18%).
    - Free basic services were provided while the criteria were not met.
    - Indigent registers were not updated annually due to inadequate processes to create public awareness for residents to register as indigents.
    - Insufficient internal controls over indigent management persist.
- Eskom debt: R68,53 million* in arrears.

Compliance, irregular expenditure and fraud risk

- Material non-compliance with legislation: 43 findings.
- Material procurement and contract management findings:
    - Competitive bidding process not applied; preference point system not applied; bids not advertised as prescribed.
    - Evidence was not provided to confirm that: contract performance was monitored; suppliers declared interests; bid specifications were not biased; contract extensions or modifications were properly approved.
- Incurred irregular expenditure of R1,31 million* (closing balance: R258,85 million*).
- Fraud risk indicators reported to accounting officer and suspected fraud identified.

Grant, infrastructure and environmental management

- Utilisation of grants:
    - The water services infrastructure grant was not spent in accordance with the grant framework.
    - Evidence not provided to confirm whether the regional bulk infrastructure grant was spent in accordance with the grant framework.
    - Performance of programmes funded by these grants was not evaluated within two months after year-end.

- Infrastructure delivery audit findings on construction of sewer network on Refengkhotso project – delay of 18 months and findings on cost management.
- Environmental management: landfill sites operated without proper licensing requirements; inadequate infrastructure to manage waste; poor monitoring processes to prevent illegal dumping and pollution.

Material irregularities

- Seven MIs: two on financial loss (estimated R10,09 million), one on harm to public and four on harm to municipality.

Root cause – lack of institutional capability

There was instability in the accounting officer position during the current administration, with suspension of the former accounting officer and acting appointments between 2022-23 and 2024-25. This position has remained vacant for 20 months. The chief financial officer position has remained vacant for 31 months.

There were vacancies in the finance unit (13% at year-end).

There were internal control deficiencies, including poor record-keeping and financial management disciplines.

There were information system deficiencies, including payments made on the banking system with no direct link to purchase orders and invoices, and before being captured and approved on the financial system. The supply chain management system and modules, including those relating to fixed assets, were not used.

Root cause – accountability ecosystem failures

Accounting officer

- Failed to conduct reference checks and verify credentials for new staff members.
- Did not provide evidence to confirm whether appointed staff members had not previously been dismissed for financial misconduct, corruption or fraud within 10 years of dismissal.
- Appointed senior managers with no evidence provided that they disclosed financial interests within 60 days as required.
- Did not ensure that senior managers entered into a performance agreement within 30 days of the new financial year or within 60 days of appointment.
- Failed to ensure that all staff had signed performance agreements, and acting staff members' performance agreements were not amended to include key performance areas.
- Did not perform performance appraisals for senior managers to assess each key performance area based on achieved results.
- Was slow to respond to MIs – 43% remain in the further action stage.
- Did not implement any of the prior-year audit recommendations and overall recommendations on improving control environment.
- Did not implement the audit action plan.

The audit committee did not review internal audit reports on performance management and failed to submit reports on the review of the performance management system to the council. The committee was not effective due to the internal audit unit not performing its duties and a lack of management support as the municipality was not paying salaries.

The internal audit unit did not advise the accounting officer and failed to report to the audit committee on the implementation of the audit plan on matters relating to compliance with legislation. The unit was not effective due to incapacitation (25% vacancy rate).

Mayor and council

The council did not link the performance agreement of the accounting officer to the measurable performance objectives that were approved with the budget and the SDBIP.

When the 2023-24 audit report was tabled, the council noted the report with concerns and resolved to track progress on the implementation of the audit action plan to improve the audit outcome and to track the progress made on MIs. The resolution was not implemented.

Provincial oversight

The municipality submitted the annual and oversight reports to the provincial legislature. The MEC for local government submitted reports to the provincial legislature on whether the municipality adequately addressed issues we raised and on the performance of the municipality with remedial actions in October 2025 and November 2025, respectively (after year-end). The provincial legislature has not yet dealt with these reports.

Eastern Cape – Makana (seven years disclaimed)

Makana is one of seven municipalities in the Sarah Baartman district in the western part of the province. Its biggest town and administrative centre is Makhanda (formerly Grahamstown). The Makana area is known for its public and private nature reserves, spanning nearly a million hectares. The municipality provides basic services to 24 117 households.

The financial and performance management failures severely impacted residents and businesses. Delayed and poorly managed infrastructure projects, mismanagement of landfill sites, uncontrolled dumping, untreated sewer inflows and water pollution have left the community exposed to health risks due to contaminated water and pollution of the environment. We notified the accounting officer of two MIs dealing with the mismanagement of a wastewater treatment works and landfill site, which resulted in pollution of water sources and the environment.

MI ***Mismanagement of a landfill site***

The municipality failed to properly manage the Makhanda landfill site, resulting in uncontrolled littering, illegal dumping and contamination of the environment. The accounting officer did not take appropriate action to resolve the MI and, in September 2025, we referred the matter to the Department of Forestry, Fisheries and the Environment, which further sub-referred it to the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism. The investigation is ongoing.

Funding

Cash in – R610,86 million*	Cash out – R570,99 million*
37% from national government – R129,66 million equitable share + R27,78 million MIG + R19,8 million WSIG + R46,81 million other grants	R233,26 million (41%) spent on salaries and councillor remuneration

Summary of key audit findings

Financial and performance reporting

- Key unconfirmed and/or incorrect amounts in financial statements: assets (fixed and movable); revenue; receivables; payables; unauthorised, irregular, and fruitless and wasteful expenditure.
- Performance report not useful and reliable: pervasive material audit findings.

Financial health

- Disclosed a going concern uncertainty for the past nine years.
- Adopted an unfunded adjustments budget.
- Incurred unauthorised expenditure of R65,96 million*.
- Incurred fruitless and wasteful expenditure of R15,20 million* (closing balance: R11,39 million*).
- Revenue management:
  - No effective internal control over revenue and debtors, with inadequate systems for managing and accounting for revenue, debts and receipts.
  - Evidence was not provided to confirm that: revenue due to the municipality was calculated; municipal service accounts were prepared monthly; interest was charged on accounts in arrears.
- Indigent management: free basic services were provided while criteria were not met.
- Eskom debt:
  - Amount of Eskom arrears at year-end could not be confirmed due to lack of evidence.
  - Municipality participated in Eskom's debt-relief programme but did not comply with all the conditions, including the requirement to settle Eskom's monthly invoices within 30 days.

Compliance, irregular expenditure and fraud risk

- Material non-compliance with legislation: 42 findings.
- Material procurement and contract management findings:
  - The preference point system was not applied; bids were not advertised as prescribed; the evaluation process was not fairly applied; inadequate contract performance monitoring persisted; quotations were not obtained from CSD-registered or accredited suppliers.
  - Some contracts and quotations could not be audited due to missing documents.
  - Evidence was not provided to confirm that: quotation and competitive bidding processes were applied; adjudication was done by a properly constituted committee.

- Incurred irregular expenditure of R22,42 million* (closing balance: R316,03 million*).

Grant, infrastructure and environmental management

- Utilisation of grants: evidence was not provided to confirm that the performance of programmes funded by the municipal infrastructure and water services infrastructure grants was evaluated within two months after year-end and whether grants were spent in accordance with the grant framework.
- Infrastructure delivery audit findings on the upgrade of Belmont wastewater treatment works project – delay of two months and cost management findings.
- Environmental management:
  - Landfill sites not compliant with licensing requirements; inadequate infrastructure to manage waste; poor processes for monitoring waste.
  - Wastewater infrastructure not operational; quality of wastewater discharged did not comply with standards; wastewater infrastructure not safeguarded or maintained.

Material irregularities

- Three MIs: two on harm to public and one on harm to municipality.

Root cause – lack of institutional capability

There were vacancies in the finance unit (14% at year-end) and lack of skills.

The municipal structure does not comply with the prescribed guidelines.

There is no human resource capacity plan to enable the performance of functions and development plans.

Reports on progress of personal development plans were not submitted and no regular evaluation of the workplace skills plan and personal development plans were implemented.

There were internal control deficiencies, including a lack of daily, weekly and monthly reconciliation controls, poor record-keeping and weak financial management disciplines.

There were information system deficiencies, including weak system validations and controls on the financial system, including inadequate checks on tax numbers, bank accounts and invoice numbers. There were no system-generated user listings and requisitions could be processed without separate approvals. The municipality also paid for inactive and non-functional modules as well as modules not contracted for.

Root cause – accountability ecosystem failures

Accounting officer

- Did not ensure that municipal officials entered into a performance agreement within 30 days of the new financial year or within 60 days of appointment and did not ensure that all staff sign performance agreements.
- Had no appropriate systems and procedures to monitor, measure and evaluate performance of staff.
- Did not provide evidence to confirm whether acting staff members' performance agreements were amended to include key performance areas.
- Was slow to respond to MIs – 67% in the further action stage.
- Did not implement any of the prior-year audit recommendations and overall recommendations on improving the control environment.
- Did not implement the audit action plan.

The **audit committee** was not effective due the internal audit unit not being functional.

The **internal audit unit** did not prepare a risk-based audit plan. The unit was not effective due to inadequate capacity, which was made worse by the resignation of the internal audit manager in June 2025.

Mayor and council

Evidence was not provided to confirm whether the council adopted a code of ethical leadership for councillors, the accounting officer and all managers.

The mayor and council noted the 2023-24 audit report without implementing any resolutions.

National and provincial interventions and actions

The municipality has been under mandatory provincial intervention from October 2014. However, the intervention has not been effective due to a lack of oversight by the mayor and inadequate consequence management of staff by the accounting officer.

There is a financial recovery plan in place; however, it lacks timelines for better tracking and implementation.

Provincial oversight

The municipality submitted the annual and oversight reports to the provincial legislature and the MEC for local government submitted reports on whether the municipality adequately addressed issues we raised as well as a report on the performance of the municipality with remedial actions. Remedial actions were not implemented due to lack of oversight by council and monitoring by the accounting officer.

The provincial legislature noted the report on municipal performance and called the mayor, council, accounting officer and senior managers for a hearing to account for the other two reports before the portfolio committee responsible for cooperative governance.

Eastern Cape – Sundays River Valley (seven years disclaimed)

The municipality also falls under the Sarah Baartman district, with Nqweba serving as its centre. It is one of the key production areas for citrus in the country and is home to the Addo Elephant National Park. It provides municipal basic services to 19 811 households.

The financial and performance management failures contributed to continued wastewater treatment and service delivery failures, including sewage spillages flowing along public pathways and near households as well as uncontrolled effluent overflow contaminating surface water, groundwater and the surrounding environment. We notified the accounting officer of two MIs relating to the mismanagement of landfill sites, resulting in pollution of the environment and the public.

Mismanagement of a landfill site

The municipality failed to properly manage the Kirkwood landfill site, resulting in uncontrolled littering, illegal dumping and contamination of the environment. We notified the accounting officer of an MI in March 2024. The accounting officer did not take appropriate action to resolve the MI and, in March 2026, we referred the matter to the Department of Forestry, Fisheries and the Environment, which further sub-referred it to the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism.

Funding

Cash in – R241,04 million*

79% from national government – R117,54 million equitable share + R39,03 million MIG + R20,68 million WSIG + R14,12 million other grants

Cash out – R173,03 million*

R99,69 million (58%) spent on salaries and councillor remuneration

Summary of key audit findings

Financial and performance reporting

- Key unconfirmed and/or incorrect amounts in financial statements: assets (fixed and movable); revenue; receivables; payables; unauthorised, irregular, and fruitless and wasteful expenditure.
- Performance report not useful and reliable: adverse conclusion.

Financial health

- Disclosed a going concern uncertainty for the past two years.
- Adopted an unfunded adjustments budget.
- Did not provide evidence to confirm the unauthorised expenditure amount.
- Incurred fruitless and wasteful expenditure of R7,87 million* (closing balance: R20,93 million*).

- Revenue management:
  - No effective internal control over revenue and debtors.
  - Revenue due to municipality was not calculated monthly.
  - Evidence was not provided to confirm that interest was charged on accounts in arrears.
- Indigent management:
  - Received R88,35 million equitable share allocation for 12 983 indigent households but budgeted less than this amount.
  - Evidence was not provided to confirm the amount spent and the actual number of households reached.
  - Free basic services were provided while the criteria were not met.
  - Insufficient internal controls persist over indigent management.
- Eskom debt: R5,60 million* in arrears.

Compliance, irregular expenditure and fraud risk

- Material non-compliance with legislation: 23 findings.
- Material procurement and contract management findings: competitive bidding process not applied; awards to suppliers owned or managed by other state officials; inadequate contract performance monitoring; performance not monitored monthly.
- Evidence not provided to confirm irregular expenditure incurred in 2024-25 (closing balance: R404,19 million*).
- Fraud risk indicators reported to accounting officer.

Environmental management

- Landfill site was not compliant with licensing requirements; inadequate infrastructure used to manage waste; poor processes for monitoring water and air quality persisted.
- Wastewater treatment works did not have a valid operating licence; quality of wastewater discharged did not comply with standards; wastewater infrastructure not safeguarded, maintained or operational.

Material irregularities

- Five MIs: two on harm to public and three on harm to municipality.

Root cause – lack of institutional capability

In January 2023, a new accounting officer was appointed. In June 2022, a new chief financial officer was appointed and suspended in March 2025.

There were internal control deficiencies, including a lack of daily, weekly and monthly reconciliation controls, poor record-keeping and weak financial management disciplines.

There were information system deficiencies, including weak system validations and controls such as inadequate checks on tax numbers, bank accounts and invoice numbers. There were no system-generated user listings and requisitions could be processed without separate approvals. The IT service provider had unrestricted access to the financial system and could transact on municipal data, while the municipality had limited functionality. The municipality also paid for modules not contracted for and did not back up financial data adequately.

Root cause – accountability ecosystem failures

Accounting officer

- Had no appropriate systems and procedures to monitor, measure and evaluate performance of staff.
- Failed to ensure that municipal officials entered into a performance agreement within 30 days of the new financial year or within 60 days of appointment, while some staff did not sign performance agreements.
- Did not provide evidence to confirm whether performance appraisals for senior managers were performed and each key performance area was assessed based on achieved results.
- Was slow to respond to MIs – 80% in the further action stage.
- Failed to implement any of the prior-year audit recommendations and overall recommendations on improving the control environment.
- Failed to implement the audit action plan.

The audit committee was not effective due to lack of implementation of recommendations by the accounting officer.

The internal audit unit was not effective due to challenges in obtaining the required information from management, which hindered full execution of its audit plan.

Mayor and council

When the annual and oversight reports were tabled before council, the council resolved to refer findings to oversight structures for corrective action; monitor implementation of audit action plans; strengthen oversight by the municipal public accounts committee, internal audit and the audit committee; and support institutional stabilisation and service delivery improvement. The resolutions have not been implemented.

Provincial oversight

The municipality submitted its annual report and oversight report to the provincial legislature. The MEC for local government submitted reports to the provincial legislature on whether the municipality adequately addressed issues we raised as well as a report on the performance of the municipality with remedial actions.

Remedial actions were not implemented due to inadequate knowledge and skills in the municipality, including the finance unit. The provincial legislature noted the report on municipal performance and called the mayor, council, accounting officer and senior managers for a hearing to account for the other two reports before the portfolio committee responsible for cooperative governance and traditional affairs.

North West – Ditsobotla (nine years disclaimed)

The municipality has its seat in Lichtenburg in the Ngaka Modiri Molema district and provides electricity, sewerage, sanitation and waste management services to 60 890 households. Two of its main economic sectors are agriculture and mining.

The municipality is unable to demonstrate that it is delivering essential services effectively, as communities continue to express dissatisfaction with service delivery through recurring protests. Key concerns raised by residents include frequent electricity and water outages, deteriorating road infrastructure and inadequate refuse removal services. The ongoing decline in service delivery has also negatively impacted the local economy, with businesses such as Clover relocating operations due to unreliable municipal services, resulting in increased unemployment within the community.

Funding

Cash in – R470,79 million*	Cash out – R685,74 million*
45% from national government – R181,8 million equitable share + R24,95 million MIG + R6,46 million other grants	R328,66 million (48%) spent on salaries and councillor remuneration

Summary of key audit findings

Financial and performance reporting

- Key unconfirmed and/or incorrect amounts in financial statements: assets (fixed and movable); revenue; receivables; payables; unauthorised, irregular, and fruitless and wasteful expenditure.
- Overstated infrastructure work in progress (included incorrect payments and payments for work not done).
- Performance report not useful and reliable: disclaimed conclusion.
- 2023-24 annual report and related council oversight report not prepared.

Financial health

- Disclosed a going concern uncertainty for the past six years.
- Adopted an unfunded adjustments budget.
- Did not disclose any incurred unauthorised expenditure without providing evidence to confirm the unauthorised expenditure amount.
- Incurred fruitless and wasteful expenditure of R19,86 million (closing balance: R188,14 million*).
- Revenue management:
    - o No effective internal control over revenue and debtors, with inadequate systems for managing and accounting for revenue, debts and receipts.
    - o Evidence was not provided to confirm that municipal service accounts were prepared monthly.

- Indigent management:
  - Received R115,10 million equitable share allocation for 39 453 indigent households but did not budget for indigents.
  - Evidence was not provided to confirm the amount spent.
  - Free basic services provided while criteria were not met.
- Eskom debt:
  - Eskom arrears at year-end could not be confirmed due to evidence not provided.
  - Municipality did not comply with all conditions in Eskom's debt-relief programme, including the requirement to settle Eskom's monthly invoices within 30 days, due to cash-flow challenges.

Compliance, irregular expenditure and fraud risk

- Material non-compliance with legislation: 48 findings.
- Material procurement and contract management findings:
  - Competitive bidding process not applied; biased bid specifications; inadequate contract performance monitoring.
  - Evidence was not provided to confirm that: quotation process was applied; preference point system was applied; bids were advertised as prescribed; construction awards were made to contractors meeting CIDB requirements; suppliers were tax compliant; suppliers declared interests; adjudication was done by the adjudication committee; quotations were obtained from CSD-registered or accredited suppliers.
- Incurred irregular expenditure of R22,4 million* (closing balance: R341,34 million*).
- Fraud risk indicators reported to accounting officer and suspected fraud identified.

Grant, infrastructure and environmental management

- Utilisation of grants: the performance of programmes funded by the municipal infrastructure grant was not evaluated within two months after year-end.
- Infrastructure delivery audit findings on the upgrading of roads and stormwater infrastructure in Itsoseng (phase 2) project delayed by 44 months, with cost management and quality defects reported.
- Environmental management: landfill sites not compliant with licensing requirements; inadequate infrastructure to manage waste; poor monitoring of waste, waste burning and illegal reclamation; no water quality testing to determine impact on water sources; inadequate measures to curb illegal dumping.

Material irregularities

- Six MIs: two on financial loss (estimated R2,87 million) and four on harm to municipality.

Root cause – lack of institutional capability

There was instability in the accounting officer position over the current administration until it was filled in July 2024. The chief financial officer's position has been vacant since the beginning of the current administration.

There were vacancies in the finance unit (59% at year-end) and lack of skills.

There was no approved staff establishment.

Appointments were made in some posts with no job descriptions.

There were internal control deficiencies, including a lack of daily, weekly and monthly reconciliation controls, poor record-keeping and weak financial management disciplines.

There were information system deficiencies, including a lack of input validation checks on the financial systems. The municipality did also not use the asset, inventory, human resource and leave modules.

Root cause – accountability ecosystem failures

Accounting officer

- Appointed senior managers without submitting all the required documentation.
- Had no appropriate systems and procedures to monitor, measure and evaluate performance of staff.
- Did not ensure that municipal officials entered into a performance agreement within 30 days of the new financial year or within 60 days of appointment and some staff did not sign performance agreements.
- Was slow to respond to MIs – 67% in the further action stage.
- Failed to implement any of the prior-year audit recommendations and overall recommendations on improving the control environment.
- Failed to implement the audit action plan.

The audit committee was not operational due to political and administrative instability.

The internal audit unit did not perform the duties of an internal audit function, as it is inadequately capacitated, with only one person in the unit.

Mayor and council

There was political leadership instability, including parallel council structures and two mayors in office during 2024-25.

The accounting officer was appointed by the council with no evidence provided that the accounting officer submitted proof of previous employment or disclosed financial interests within 60 days as required.

The council did not prepare and adopt an oversight report on the annual report as the annual report was not prepared and tabled. The council did not take action against the accounting officer and the mayor for not preparing and tabling the annual report.

National and provincial interventions and actions

The municipality was under mandatory provincial intervention from May 2023 and, in September 2025, was placed under national intervention.

This did not have the desired impact as there is a slow response by management, mainly due to political and leadership instabilities. The municipality also faces numerous litigations, mainly due to financial mismanagement, which rendered the interventions ineffective.

There is a financial recovery plan in place.

Provincial oversight

The MEC for local government submitted reports to the provincial legislature on whether the municipality adequately addressed issues we raised and on the performance of the municipality with remedial actions. The remedial actions were not implemented due to political and leadership instabilities. The provincial legislature noted these reports without any resolutions.

Western Cape – Kannaland (four years disclaimed)

The municipality forms parts of the Garden Route district and is situated in the western part of the Little Karoo. The area is characterised by high unemployment and poverty. The municipality provides basic services to 6 333 households in towns such as Ladismith and Calitzdorp and the surrounding farming communities.

Residents and businesses do not receive appropriate essential services from the municipality. Examples are poor-quality roads, unfinished wastewater treatment works and poor landfill site management.

Funding

Cash in – could not be determined*	Cash out – could not be determined*
R80,24 million from national government – R36,99 million equitable share + R11,2 million MIG + R9 million WSIG + R23,05 million other grants	Cash spent on salaries and councillor remuneration could not be determined*

Summary of key audit findings

Financial and performance reporting

- Key unconfirmed and/or incorrect amounts in financial statements: assets (fixed and movable); revenue; receivables; payables; cash; unauthorised, irregular, and fruitless and wasteful expenditure.
- Overstated infrastructure work in progress (included duplicate and incorrect payments).
- Performance report not useful and reliable: pervasive material audit findings.

Financial health

- Disclosed a going concern uncertainty for the past seven years.
- Adopted an unfunded adjustments budget.
- Did not disclose any incurred unauthorised expenditure without providing evidence to confirm the unauthorised expenditure amount.
- Incurred fruitless and wasteful expenditure of R9,93 million* (closing balance: R9,93 million*).
- Revenue management: no effective internal control over revenue and debtors, with inadequate systems for managing and accounting for revenue.
- Indigent management: received R24,58 million equitable share allocation for 3 612 indigent households but only R17,63 million (72%) reached 2 216 households (61%).
- Eskom debt: R58,12 million* in arrears.

Compliance, irregular expenditure and fraud risk

- Material non-compliance with legislation: 28 findings.
- Material procurement findings: competitive bidding not applied; bids not advertised as prescribed.
- Incurred Irregular expenditure of R55,96 million* (closing balance: R200,22 million*).
- Fraud risk indicators reported to accounting officer.

Infrastructure and environmental management

- Infrastructure delivery audit findings on the upgrade and refurbishment of Ladismith wastewater treatment works (phase 2) project – delay of 11 months and cost management findings.
- Environmental management:
    - Landfill site and wastewater treatment works operated without a valid licence.
    - Inadequate infrastructure to manage waste; poor processes for monitoring water and air quality; inadequate controls to prevent illegal dumping, reclamation and pollution.
    - Quality of wastewater discharged did not comply with required standards; parts of the wastewater infrastructure were not operational.

Material irregularities

- One MI: on harm to municipality.

Root cause – lack of institutional capability

The accounting officer position was vacant for the whole year in 2021-22. In April 2023, a new accounting officer was appointed and only served for five months. In July 2024, the current accounting officer was appointed. The chief financial officer's position has been unstable throughout the current administration, with three different officials having occupied the position. The current incumbent was appointed in February 2025.

There was no evidence provided to confirm whether appointments were made in posts with job descriptions.

There were vacancies in the finance unit (38% at year-end) and a lack of skills.

There is no approved staff establishment.

There were internal control deficiencies, including a lack of skills in the preparation of financial statements, poor record-keeping and weak financial management disciplines.

There were information system deficiencies, including inadequate supplier and creditor account maintenance, integration of the financial and banking systems, and segregation of duties on the banking system.

Root cause – accountability ecosystem failures

Accounting officer

- Appointed senior managers without submitting all the required documentation.
- Did not provide evidence to confirm whether senior managers entered into a performance agreement within 30 days of the new financial year or within 60 days of appointment.
- Did not provide evidence to confirm whether performance agreements of senior managers were linked to measurable performance objectives approved with the budget and the SDBIP.
- Failed to provide evidence to confirm whether performance appraisals for senior managers were performed, and each key performance area was assessed based on achieved results.
- Failed to provide evidence to confirm whether performance agreements were signed by staff and acting staff members' performance agreements were amended to include key performance areas.
- Was slow to respond to an MI – the MI is in the further action stage.
- Failed to implement any of the prior-year audit recommendations and overall recommendations on improving the control environment.
- Failed to implement the audit action plan.

The audit committee did not review internal audit reports on performance management and annual financial statements and advise the accounting officer and council on the adequacy, reliability and accuracy of financial reporting. It did not submit reports on the review of the performance management system to council. The committee was not effective due to vacancies in the audit committee and the committee chair resigning in March 2025.

The internal audit unit did not advise the accounting officer or report to the audit committee on the implementation of the audit plan on compliance with applicable legislation. It was not effective due to capacity constraints as the unit has a chief audit executive who does not have the requisite qualification for the position.

Mayor and council

The accounting officer was appointed by the council with no evidence provided that the accounting officer submitted proof of previous employment or disclosed financial interests within 60 days as required.

Did not provide evidence to confirm whether the accounting officer entered into a performance agreement within 30 days of the new financial year or within 60 days of appointment.

When the 2023-24 audit report was tabled, the mayor and council noted the report without resolutions taken on it.

National and provincial interventions and actions

The municipality was placed under mandatory provincial intervention from September 2025 (after year-end).

A financial recovery plan was put in place after year-end.

Provincial oversight

The municipality submitted the annual and oversight reports to the provincial legislature. The MEC for local government submitted reports to the provincial legislature on whether the municipality adequately addressed issues we raised as well as a report on the performance of the municipality with remedial actions. No evidence was provided by the municipality on whether it implemented the remedial actions. The provincial legislature received the three reports and noted them without any resolutions.

2.6 Unqualified audit opinions with findings

'Unqualified with findings' is not good enough

The most prevalent audit outcome over the administrative term was an unqualified audit opinion on the financial statements with material findings on the performance report and/or compliance with key legislation.

Is 'unqualified with findings' a good outcome?

No, an unqualified audit opinion with findings is not a good outcome and **remaining in this category for extended periods is not desirable.**

The 117 municipalities that received this outcome in 2024-25 had high levels of repeat material non-compliance with key legislation, significant weaknesses in financial and performance management and inadequate consequences for transgressions. In most cases, municipalities in this category received an unqualified audit opinion on their financial statements only because they corrected misstatements in response to our audit findings.

Audit results of municipalities with unqualified audit opinion with findings

117 Unqualified audit opinion with findings

Manage estimated expenditure budget of **R313,21bn** 50%

Reporting not credible

96 82% Material misstatements in financial statements submitted for auditing

88 75% Material misstatements in performance reports submitted for auditing

High levels of non-compliance

110 94% Repeat material non-compliance with key legislation

R14,06bn Irregular expenditure

Material irregularities

162 Material irregularities

R5,45bn Estimated financial loss

32 on substantial harm to general public

Poor financial health

R13,24bn Unauthorised expenditure

R1,90bn Fruitless and wasteful expenditure

56 with concerning or unfavourable financial health assessments

16 with going concern uncertainties

Lack of consequences

34 29% Repeat material non-compliance with legislation on consequence management

R18,15bn Unauthorised, irregular and fruitless and wasteful expenditure not dealt with

These municipalities accounted for 45% of the total irregular expenditure, 37% of the total unauthorised expenditure, 30% of the total fruitless and wasteful expenditure and 31% of all MIs.

As detailed in subsection 2.2, poor financial reporting does not only hinder accountability but also has a negative impact on financial management. This is evident in the financial health concerns at these municipalities.

The prevalence of material findings on performance reporting points to weaknesses in planning, management and accounting for performance (as detailed in subsection 2.3), which led to a higher risk of service delivery failures.

We audited 46 infrastructure projects at 18 of the municipalities in this outcome category. We raised findings on 31 projects (67%) at 14 municipalities (78%).

Subsection 2.4 explains the cost of non-compliance in financial terms and the type of culture it creates. The high levels of non-compliance and lack of consequences at municipalities with this outcome indicate a lack of institutional integrity and accountability.

Municipalities in this audit outcome category serve more than half of the total households in the country: 10 629 953 (55%). They include 77 municipalities (66%) that are water providers, electricity providers or both. This means that any weaknesses that affect the municipality's performance are also likely to be felt by the public.

Three metros (eThekwini, City of Cape Town and City of Johannesburg) and 19 district municipalities (16%) are in this outcome category.

A municipality's story: Impact of an unqualified audit opinion with findings

Dr Pixley ka Isaka Seme in Mpumalanga provides basic services to 24 329 households in towns such as Volksrust, Amersfoort and Wakkerstroom. The area is mainly rural, with a strong focus on agriculture.

In 2024-25, the municipality received an unqualified audit opinion with findings for the fourth consecutive year. Despite the use of consultants for financial reporting services, material misstatements were identified in the financial statements submitted for auditing. The municipality subsequently corrected the misstatements and received an unqualified audit opinion.

We reported material findings on the quality of the municipality's performance report submitted for auditing, as it contained several performance indicators that were materially misstated. The measures implemented to improve performance were also not adequately reported, reducing the usefulness of the performance report.

We also reported material findings on compliance in the areas of expenditure management, revenue management, human resource management, strategic planning and performance management.

A municipality's story: Impact of an unqualified audit opinion with findings (continued)

The municipality disclosed irregular expenditure of R3,31 million that resulted from non-compliance with procurement process requirements. It also disclosed fruitless and wasteful expenditure of R0,78 million, of which 85% related to interest and penalties. We assessed the overall financial health of the municipality as concerning.

We notified the accounting officer of three MIs because of non-compliance with legislation that resulted in substantial harm to the public. The municipality provided unsafe drinking water to residents from the Vukuzakhe, Wakkerstroom and Amersfoort water treatment works. Water supplied from these facilities did not meet the requirements of the South African National Standard for Drinking Water Quality for safe human consumption. The Department of Water and Sanitation reported similar irregularities in its 2023 Blue Drop Report, which assessed the municipality's water services performance as poor with high-risk ratings. The report highlighted unacceptable microbiological compliance, indicating conditions that pose a direct risk to public health. This reflected inadequate management of water supply systems, including treatment processes, monitoring and quality assurance controls.

The municipality's continued reliance on the audit process to identify and correct material misstatements and continued material findings on the performance report indicates that it is not addressing the root causes of internal control deficiencies. Persistent non-compliance with legislation further points to fundamental weaknesses in in-year monitoring, accountability and institutional integrity.

Why are so many municipalities in this category?

Most municipalities that have received this outcome have made little effort to improve to a clean audit status. They remain in this category for extended periods, as many view the achievement of an unqualified audit opinion with findings as the desired outcome after having previously received qualified, adverse or disclaimed audit opinions. Often, the improved audit opinion on the financial statements is due to their reliance on the audit process to correct misstatements and not because they have addressed the underlying control weaknesses.

A total of 43 municipalities (37%) were in this category for between two and four consecutive years, 24 municipalities (21%) for five to nine years, and 20 municipalities (17%) for at least a decade.

Forty-four municipalities with unqualified audit opinions with findings for five or more consecutive years

1 Eastern Cape

- Mbhashe LM 10 years

5 Free State

- Thabo Mofutsanyana DM 5 years
- Tswelopele LM 6 years
- Phumelela LM 7 years
- Xhariep DM 10 years
- Lejweleputswa DM 16 years

3 Gauteng

- Sedibeng DM 10 years
- Lesedi LM ≥19 years
- City of Johannesburg MM (consolidated) 13 years

22 KwaZulu-Natal

- Big 5 Hlabisa LM 5 years
- Zululand DM 5 years
- Johannes Phumani Phungula LM 5 years
- Umgungundlovu DM 6 years
- uMzimkhulu LM 6 years
- Alfred Duma LM 7 years
- uMhlabuyalingana LM 8 years
- Umuziwabantu LM 8 years
- uPhongolo LM 8 years
- Dr Nkosazana Dlamini Zuma LM 9 years
- Ilembe DM 9 years
- Mandeni LM 9 years
- eThekwini MM 10 years
- Newcastle LM 10 years
- KwaDukuza LM ≥ 19 years
- Maphumulo LM 17 years
- Mkhambathini LM ≥ 19 years
- Mthonjaneni LM ≥ 19 years
- Ndwedwe LM ≥ 19 years
- Nkandla LM 16 years
- uMfolozi LM 15 years
- Greater Kokstad LM 13 years

7 Limpopo

- Greater Tzaneen LM 6 years
- Lephalale LM 6 years
- Makhado LM 6 years
- Makhuduthamaga LM 7 years
- Greater Letaba LM 8 years
- Maruleng LM 10 years
- Molemole LM 11 years

4 Mpumalanga

- Thembisile Hani LM 5 years
- City of Mbombela LM 6 years
- Bushbuckridge LM 7 years
- Nkomazi LM 11 years

1 Northern Cape

- Pixley ka Seme DM 12 years

13 North West

- Dr Kenneth Kaunda DM 6 years

DM: District Municipality LM: Local Municipality MM: Metropolitan Municipality

These municipalities are unlikely to improve their audit outcomes and performance if they do not address the key causes of findings on their financial statements, performance reports and compliance. As detailed in the preceding sections, these causes include weaknesses in institutional capability and integrity.

Concluding remarks

An unqualified audit opinion with findings is not a desirable outcome and is not an indication that a municipality is in a significantly better state than those with modified audit outcomes.

Accounting officers should not become complacent when their municipalities receive such an outcome. Mayors, councils, members of the executive councils for finance and local government, premiers and provincial legislatures should urge municipalities towards the achievement of a clean audit. This will provide a solid base towards improving service delivery.

2.7 District municipalities

Strategic role unrealised, outcomes remain weak

The local government sphere is structured into three distinct categories of municipalities. Category A municipalities are metropolitan municipalities, category B are local municipalities and category C are district municipalities. The country's Constitution expressly requires national legislation to give effect to this categorisation and the allocation of powers and functions across the different categories.

The establishment of district municipalities in 2000 introduced a model of shared executive and legislative authority between district and local municipalities. This model was not designed to displace or dominate local municipalities, which remain the sphere of government closest to communities. Rather, district municipalities were intended to perform a strategic and coordinating role within the local government system, particularly in relation to planning, capacity support and the achievement of economies of scale.

The constitutional purpose of district municipalities is twofold:

1. They must play a role in ensuring that municipal services are provided across the district in an equitable manner, with due regard to differing levels of need and capacity within the constituent local municipalities. Equity in this context is not concerned with uniformity of service delivery, but with the fair distribution of resources and support to address structural disparities and uneven development within a district.
2. They are constitutionally aligned to the objective of sustainable service delivery. Sustainability requires that services be provided in a manner that is financially viable and institutionally durable over time, such that services remain affordable to communities, while municipalities are able to deliver them within their available financial, administrative and technical means on an ongoing basis.

However, in practice, district municipalities have not consistently realised their full potential. Persistent governance and operational weaknesses continue to undermine the effectiveness of many district municipalities and, by extension, the overall performance of the local government sphere.

Audit outcomes serve as a valuable indicator of the broader governance, accountability and performance challenges faced by district municipalities. They not only reflect the state of financial management and compliance, but also reveal underlying issues relating to leadership effectiveness, institutional discipline and the ability to deliver on constitutional mandates.

Ongoing poor audit outcomes point not to ambiguity in mandate, but to shortcomings in execution, governance discipline and oversight.

Legislation designates district municipalities as water services authorities; however, they can delegate some of their responsibilities to local municipalities. Half of the district municipalities opted to do so, while the other half retained their function as water services providers.

Twelve (55%) of the 22 district municipalities that operate as water services providers received a qualified audit opinion, six (27%) received a financially unqualified audit opinion with findings and four (18%) received a clean audit.

Audit outcomes of district municipalities (2024-25)

Eastern Cape

- Joe Gqabi
- Sarah Baartman
- OR Tambo
- Alfred Nzo
- Amathole
- Chris Hani

Free State

- Lejweleputswa
- Thabo Mofutsanyana
- Xhariep
- Fezile Dabi

Gauteng

- West Rand
- Sedibeng

KwaZulu-Natal

- King Cetshwayo
- Harry Gwala
- iLembe
- Ugu
- uMgungundlovu
- Zululand
- Amajuba
- uMkhanyakude
- uMzinyathi
- uThukela

Limpopo

- Capricorn
- Waterberg
- Mopani
- Sekhukhune
- Vhembe

Mpumalanga

- Ehlanzeni
- Gert Sibande
- Nkangala

Northern Cape

- Frances Baard
- John Taolo Gaetsewe
- Namakwa
- Pixley ka Seme
- ZF Mgcawu

North West

- Bojanala
- Dr Kenneth Kaunda
- Dr Ruth S Mompati
- Ngaka Modiri Molema

Western Cape

- Cape Winelands
- Garden Route
- Overberg
- West Coast
- Central Karoo

Water service provider   Electricity service provider

The 12 water services providers with qualified outcomes represented 92% of the total number of district municipalities that were qualified (13). These municipalities found it difficult to account for more complex matters relating to their water delivery mandate. They were qualified on, among others, water loss disclosures (83%), revenue (75%), receivables and expenditure (67%) and fixed and movable assets (33%).

Of the 22 district municipalities that are not water services providers, eight (36%) received a clean audit, 13 (59%) received a financially unqualified audit opinion with findings and only one (Fezile Dabi District Municipality in the Free State) received a qualified audit opinion (on receivables). These municipalities did not have to deal with more complex accounting of revenue matters and therefore have received much better audit outcomes.

Overall, the 44 district municipalities displayed high levels of non-compliance with legislation, significant weaknesses in financial and performance management and inadequate consequence management for transgressions and poor performance.

Audit results of district municipalities

44 district municipalities

Manage estimated expenditure budget of

R42,98bn 7%

Reporting not credible

28 64% Material misstatements in financial statements submitted for auditing

26 59% Material misstatements in performance reports submitted for auditing

Poor financial health

R6,01bn Unauthorised expenditure

R0,33bn Fruitless and wasteful expenditure

26 with concerning or unfavourable financial health assessments

6 with going concern uncertainties

High levels of non-compliance

32 73% Material non-compliance with key legislation

R4,56bn Irregular expenditure

Lack of consequences

18 41% Non-compliance with legislation on consequence management

R24,76bn Unauthorised, irregular and fruitless and wasteful expenditure not dealt with

Material irregularities

76 Material irregularities

R1,82bn Estimated financial loss

11 on substantial harm to general public

The performance of district municipalities is not significantly different from that of other categories of municipalities, and they display similar systemic weaknesses. These include inadequate oversight, poor consequence management and lapses in professional standards, all of which undermine the overall functioning and credibility of district municipalities.

Without decisive improvements in professionalisation, financial discipline, consequence management and intergovernmental coordination, district municipalities will continue to fall short of their constitutional purpose.

03 Infrastructure management – a risk to service delivery

Municipal infrastructure is neglected, projects are delayed and funds are mismanaged

Basic services cannot be delivered to citizens without quality infrastructure that is properly maintained and remains in good working condition throughout its lifespan. The country's municipal infrastructure has not kept pace with the growing service delivery demands, resulting in a backlog in building new and maintaining existing infrastructure.

We have reported our audit findings on inadequate maintenance of infrastructure and project delays, cost escalations and poor quality over multiple years. The audit findings in 2024-25 indicate that the situation has not improved. In an environment where money is scarce and communities are experiencing poor service delivery due to old or insufficient infrastructure, councils, mayors, premiers and the national departments responsible for transferring grants to municipalities should urgently address the causes of infrastructure neglect and mismanagement.

In this section, we share our overall insights into infrastructure grants and project delivery, maintenance and environmental management, the causes of the weaknesses identified and our call to action. In the section on metros (section 4), more detail is provided on housing projects, given the central role they play in delivering sustainable and quality living environments to communities.

3.1 Infrastructure grants and project delivery

Municipal infrastructure projects are financed through a combination of infrastructure grants and municipalities' own funds.

Allocation of grant funding through direct (schedule 4B or 5B) conditional grants is made through the Division of Revenue Act (Dora) if a municipality is assessed as capable of implementing and managing the infrastructure project; otherwise, a schedule 6B (in-kind/indirect) allocation is made.

Transferring officers (accounting officers of departments responsible for transferring grants) are responsible for approving the business plans municipalities prepare to apply for grant funding, transferring the allocated funds, monitoring spending and complying with the requirements for the specific grant and business plan.

Receiving officers (accounting officers of the municipalities receiving the grant) are responsible for compiling a business plan (which includes, the project needs, milestones and budget), complying with any pre transfer conditions, implementing the project, maintaining sound financial and contract management to ensure spending of funds only for their intended purpose and reporting to the transferring officer at specified times on spending and project performance.

The National Treasury can give a transferring officer the power to withhold an allocation, or a portion thereof, for 30 to 120 days if the municipality did not comply with Dora or if withholding will prevent non-compliance. The department can also convert a direct conditional grant to an in-kind/indirect allocation (where the municipality no longer receives the funds directly and the transferring department or its implementing agent takes over project delivery). This occurs when there is a serious or persistent material breach of Dora.

There are five main conditional grants allocated to municipalities to fund infrastructure projects.

Main infrastructure-related grants

Grant	Transferring department	Intended use
Municipal infrastructure grant (MIG)	Department of Cooperative Governance	Build and upgrade municipal infrastructure
Public transport network grant	Department of Transport	Accelerated construction and improvement of public and non-motorised transport infrastructure
Regional bulk infrastructure grant (RBIG)	Department of Water and Sanitation	Develop new and refurbish, upgrade and replace ageing water and wastewater infrastructure
Urban settlements development grant	Department of Human Settlements	Transferred to metros to fund infrastructure that supports the development of integrated and sustainable urban settlements
Water services infrastructure grant (WSIG)	Department of Water and Sanitation	Water and sanitation projects to reduce backlogs and improve the sustainability of services

In 2024-25, municipalities received R42,55 billion through these five grants and spent 96% of the amount they received (R40,98 billion), compared to 94% in the previous year.

A total of 71 municipalities underspent their allocated grants by more than 10%. Underspending was most common among municipalities in the Northern Cape (14 municipalities) and the Free State (13 municipalities). The main reasons for underspending were delays in the commencement of projects due to delayed appointment of contractors or community unrest, and delays in project progress due to contractor underperformance.

High levels of spending are not a reliable indicator of effective grant management or infrastructure delivery. As reported in subsection 2.4, 25 municipalities (11%) did not spend the conditional grants received in accordance with the grant framework as set out in Dora. At 21 municipalities (9%), the non-compliance related to the utilisation of the MIG, RBIG and WSIG. These grants were either spent on operational costs / not in accordance with the business plan, and/or spending information and evidence were not made available for audit purposes (audit limitation).

Main infrastructure grants – key findings and audit outcomes of municipalities

Municipality	Infrastructure grants not spent in accordance with grant framework (2024-25)	Material non-compliance with Dora (2023-24)	Audit outcome	
			2024-25	2023-24
Free State				
Kopanong* (Trompsburg)	WSIG (audit limitation)	Yes		
Letsemeng* (Koffiefontein)	MIG WSIG	Yes		
Mohokare* (Zastron)	RBIG (audit limitation) WSIG	Yes		
Phumelela* (Vrede)	MIG WSIG	Yes		
Tokologo* (Boshof)	RBIG MIG WSIG	Yes		
Xhariep District Municipality (seated in Trompsburg)	MIG	Yes		
Northern Cape				
Kai !Garib* (Kakamas)	MIG (audit limitation)	Yes		
Kamiesberg (Garies)	MIG (audit limitation)	No		
Thembelihle* (Hopetown)	MIG WSIG	Yes		
Tsantsabane (Postmasburg)	WSIG (audit limitation)	Yes		
Eastern Cape				
Inxuba Yethemba (Nxuba)	MIG	No		
Kou-Kamma* (Kareedouw)	WSIG (audit limitation) MIG (audit limitation)	Yes		
Makana (Makhanda)	WSIG (audit limitation) MIG (audit limitation)	Yes		

Main infrastructure grants – key findings and audit outcomes of municipalities (continued)

Municipality	Infrastructure grants not spent in accordance with grant framework (2024-25)	Material non-compliance with Dora (2023-24)	Audit outcome	
			2024-25	2023-24
KwaZulu-Natal				
Impendle* (main town of Impendle and traditional villages and settlements)	MIG	Yes		
Jozini* (main town of Jozini and surrounding villages and rural areas)	MIG	Yes		
uThukela District Municipality* (seated in Ladismith)	WSIG	No		
North West				
Kgetlengrivier* (Koster)	MIG WSIG	Yes		
Mamusa* (Schweizer-Reneke)	MIG	No		
Maquassi Hills* (Wolmaransstad)	MIG (audit limitation) WSIG (audit limitation)	No		
Mpumalanga				
Nkomazi* (Malalane)	MIG	No		
Western Cape				
Laingsburg (main town of Laingsburg and surrounding areas, including Matjiesfontein)	WSIG (audit limitation)	No		

* Insufficient cash in bank

Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings

At 71% of these municipalities, there was not enough cash in the bank at year-end to pay back the unspent portion of conditional grants received (including grants other than those listed in the table).

The infrastructure grants were allocated in 2024-25 to 14 of these municipalities (67%), despite them materially not complying with Dora in 2023-24. In 2023-24, three of these municipalities (14%) had a disclaimed audit opinion and two (10%) again received this audit outcome in 2024-25.

As detailed in subsection 2.5, the common characteristics of a municipality that receives a disclaimed audit opinion are a lack of institutional capability to keep proper records and reliably report on its finances and performance, high levels of non-compliance with legislation and a breakdown in the accountability ecosystem due to instability in council and/or key positions in the administration and governance failures. We also reported infrastructure project failures at municipalities with disclaimed audit opinions in past general reports and, in subsection 2.5, we again report on similar failures at six of the seven municipalities with repeated disclaimed audit opinions. These are all indicators that a municipality might not be capable of implementing and managing infrastructure projects.

Infrastructure grants spent on operational costs: Phumelela (Free State)

Phumelela is the largest municipality in the Thabo Mofutsanyana district and provides basic services to 15 609 households across towns such as Vrede, Memel and Warden.

The municipality received MIG funding of R23,79 million and WSIG funding of R19,62 million. The funding was earmarked for the construction of water and sewer reticulation systems, the refurbishment of wastewater treatment works in Warden and the refurbishment of a sports facility in Vrede. However, the municipality spent R4,71 million (11%) of the grant funding on operational costs. At year-end, the municipality did not have sufficient cash to cover the unspent portion of the conditional grants. This caused delays in the planned completion of all three projects by at least a year. This meant that surrounding communities did not benefit from the planned objectives of the funding, which included improved water and sanitation access, environmental sustainability and community development.

We also reported material non-compliance with Dora at the municipality in 2023-24.

Infrastructure grants spent on operational costs: Xhariep District Municipality (Free State)

The municipality has its seat in Trompsburg and comprises three local municipalities: Letsemeng, Kopanong and Mohokare. The district is home to the largest dam in the country (Gariep Dam).

In 2024-25, the municipality received R44,71 million in MIG funding to finance the following approved capital infrastructure projects:

- R22,52 million on behalf of Mohokare to upgrade a wastewater pump station and construct a new outfall sewer to address sanitation backlogs and environmental risks in the Zastron/Matlakeng area. The project originally started in 2018 with a planned completion date of June 2020 but has not yet been completed.
- R22,19 million on behalf of Kopanong to improve waste disposal facilities and sanitation-related infrastructure in Trompsburg and Edenburg. The project was initially scheduled to commence in June 2024, with a targeted completion date of October 2024. However, this date has since been revised to July 2025 and again to February 2026.

Contrary to the purpose and conditions of the grant, the municipality used R5,74 million (13%) of the funds to cover operational expenditure. This contributed to project delays, prolonging the surrounding communities' lack of access to reliable and compliant basic sanitation and waste services as well as exposing them to health risks and harming the environment.

We also reported material non-compliance with Dora at the municipality in 2023-24.

In 2024-25, we audited 129 infrastructure projects that were managed by 62 auditees (eight metros, six district municipalities, 24 intermediate cities, 21 local municipalities and three municipal entities) across all provinces. We focused on critical infrastructure intended to deliver electricity, housing, roads, water and sanitation to the public. The estimated value of the selected projects was R14,16 billion.

Our performance audit teams, which consist of built environment professionals such as engineers, quantity surveyors and a professional construction project manager performed these audits. Our fraud specialists also audited the procurement and contract management processes of 16 municipalities for 21 of the selected projects – the estimated value of these projects was R2,91 billion.

We raised **findings on infrastructure project delivery** at all auditees and on 101 (78%) of the 129 projects audited; 68 (81%) of the 84 projects funded by grants had findings. Findings on non-compliance with procurement and contract management legislation were raised on 18 (86%) of the 21 projects we audited.

Findings on infrastructure projects per type of project (2024-25)
(Concerning trends highlighted)

Type	Projects audited	Projects with delivery findings	Projects delayed	Average delays (months)	Projects with cost issues	Projects with poor build quality	Projects with commissioning shortcomings	Projects where procurement processes were audited	Projects with procurement and contract management findings
Electricity	12	10 (83%)	4 (33%)	17	1 (8%)	3 (25%)	-	-	-
Housing	13	11 (85%)	7 (54%)	39	8 (62%)	5 (38%)	2 (15%)	4	2 (50%)
Roads	28	21 (75%)	17 (61%)	22	15 (54%)	12 (43%)	-	5	4 (80%)
Sanitation	34	28 (82%)	24 (71%)	31	23 (68%)	6 (18%)	3 (9%)	8	8 (100%)
Water	42	31 (74%)	20 (48%)	18	23 (55%)	4 (10%)	3 (7%)	4	4 (100%)
Total	**129**	**101 (78%)**	**72 (56%)**	**25**	**70 (54%)**	**30 (23%)**	**8 (6%)**	**21**	**18 (86%)**

Findings on the management and delivery of the infrastructure projects are prevalent across all types of projects, impacting all service delivery areas.

The reasons for the average **project delay** of 25 months included changes in scope, changes to designs because thorough feasibility studies and needs assessments were not conducted, late payment of invoices, late appointment or replacement of contractors and a lack of effective contract administration by project managers.

The **cost findings** included budget overruns, overpayments, payments for goods and services not received and poor project budget processes.

The **commissioning findings** included projects that were completed without addressing end-user needs, such as providing access to water and sewerage connections for completed houses and infrastructure completed but not used.

The **build quality findings** related to poor-quality workmanship. These issues should have been detected by professional service providers such as consulting engineers who were appointed by municipalities as experts in their respective fields to oversee and manage construction activities and who were expected to perform their duties with the necessary diligence and care.

MI

Upgrade and refurbishment of wastewater treatment works: Kannaland (Western Cape)

The municipality is situated in the western part of the Little Karoo and includes the towns of Ladismith, Calitzdorp and Zoar. It provides basic services to 6 333 households.

The municipality received WSIG funding of R11,93 million in 2023-24 and 2024-25 to upgrade and refurbish the ageing and overloaded Ladismith wastewater treatment works and improve the quality of untreated wastewater.

In January 2024, the municipality appointed a contractor for a contract to the value of R11,9 million. Construction commenced in May 2024, with completion initially scheduled for December 2024.

The contractor failed to meet key milestones, including the completion date of December 2024, and abandoned the site in April 2025 after the municipality withheld final payment to recover advance payments and overpayments to it. When the municipality terminated the contract in June 2025, a substantial portion of the work had not been completed. At the time of our audit in November 2025, expenditure of R8,16 million had been incurred and the project had been delayed by 11 months. An estimated additional R6,1 million will be required to appoint a replacement contractor and complete the outstanding work.

The contract and project were not monitored and appropriately managed. Key failures by the municipality were as follows:

- Incorrect and duplicate payments were made due to weak payment certification processes, inadequate supporting documentation and the incorrect application of contract price adjustment indices.
- Oversight by professional service providers was ineffective, leading to poor workmanship not being timeously prevented or detected, delays and increased project risk.

Upgrade and refurbishment of wastewater treatment works: Kannaland (Western Cape) (continued)

- A non-compliant performance guarantee was accepted, and it was not ensured that it remained valid for the duration of the contract. In addition, the advance payment and associated advance payment guarantee were not adequately managed, resulting in the guarantees expiring while advance amounts remained outstanding.

As a result of these deficiencies, the municipality incurred financial losses of approximately R2,6 million relating to overpayments and unrecovered advance payments. We issued an MI notification to the accounting officer in March 2026 relating to the expired performance and advance payment guarantees.

The value of the asset (infrastructure work in progress) was also materially overstated (inflated) in the financial statements, as the losses were included in the value calculated.

Due to the project failures, the intended upgrade of the wastewater treatment works was delayed, which continued to expose the residents to heightened environmental and health risks. As some of the grant funding has been wasted, the municipality will need to provide own funds to complete the project.

Construction of municipal roads and stormwater infrastructure: Ditsobotla (North West)

The municipality provides electricity, sewerage and waste management services to 60 890 households in and around Lichtenburg. Its main economic sectors include agriculture and mining.

In April 2021, the municipality appointed a contractor to upgrade approximately 2,9 km of roads and construct stormwater infrastructure in the township of Itsoseng. The project was funded through the MIG and had an initial contract value of R16,93 million, with a planned implementation period of eight months and a completion date of January 2022.

Despite delays and poor performance by the appointed contractor (including work only starting approximately five months after site handover), the municipality did not effectively manage contract performance or enforce contractual remedies. Progress was further affected by unresolved site access constraints, community unrest and late municipal payments. The contract was eventually terminated in June 2022 after minimal progress had been made and R2,66 million had been incurred.

In August 2022, the municipality appointed a replacement contractor at a revised contract value of R18,13 million. The municipality did not conduct a final assessment and reconciliation of the initial contractor's work before appointing the replacement contractor. Continuing community unrest and political instability meant that the second contractor only commenced work in July 2023. The project continued to be delayed due to late payments, challenges with the supply of materials and capacity constraints on the part of the contractor.

Due to poor performance by this contractor and following the consultant's recommendations, a cessionary contractor was appointed and signed a cession agreement in March 2025 after R18,34 million had been paid to the second contractor.

Construction of municipal roads and stormwater infrastructure: Ditsobotla (North West) (continued)

At the time of our site visit in September 2025, the project was approximately 70% complete and 44 months behind schedule. Payments of approximately R21 million had been made to contractors, which exceeded the original grant allocation.

The current contractor subsequently requested additional funding of R23,07 million to complete the outstanding work, citing exhausted professional fees, stolen materials, reconstruction of deteriorated works and the relocation of electrical infrastructure.

The project has been plagued by repeated deficiencies in procurement, and contract and project management. Weaknesses in the review and certification of payment certificates exposed the municipality to the risk of overpayments and duplicate payments. In addition, the required construction insurance and the consultant's professional indemnity cover lapsed while construction was ongoing, increasing the municipality's exposure to financial and legal risk. The delays in the project have also resulted in the partially completed road and stormwater infrastructure being exposed to deterioration.

Despite the additional expenditure incurred and the extra time allowed to complete the project, the intended benefits of improved safety and accessibility for the Itsoseng community have still not been realised.

Non-compliance with procurement and contract management legislation was identified on contracts totalling R2,17 billion for 17 projects.

The main findings impacting the appointment of the contractors were identified during the bid evaluation and award stages of the procurement process:

- Contracts were awarded to bidders that did not comply with mandatory functionality requirements.
- Bids were not evaluated in accordance with approved tender specifications.
- Bidders that did not meet prescribed requirements were recommended for appointment.
- Compliant bidders were incorrectly disqualified, undermining fairness and competitiveness.
- Municipalities did not consistently ensure that bidders submitted complete and accurate declarations of interest.
- Supplier due diligence processes were inconsistently performed or inadequately documented prior to contract award.

We also raised findings on the management of the contracts and payments to the contractors. Municipalities did not consistently enforce contract conditions, and the required monitoring of contractor performance was inadequate or not performed, limiting accountability for delivery delays, poor performance and quality shortcomings.

Controls over contract amendments and extensions were also ineffective. Contract extensions were approved for unjustified or invalid reasons, were not limited to exceptional circumstances and were not supported by full compliance checks, exposing municipalities to further non-compliance and irregular expenditure.

The following were the main weaknesses in the payment processes:

- Payments were made for incomplete or insufficiently verified work.
- Payments exceeded approved contract values without appropriate approval.
- Advance payments were not recovered, resulting in financial exposure and potential losses.

Procurement of infrastructure through a panel of service providers: KwaDukuza (KwaZulu-Natal)

The municipality includes the main town of KwaDukuza and major tourism and residential nodes like Ballito, Salt Rock and Zinkwazi Beach. It serves 117 523 households across the area and provides electricity, waste management and housing services to its residents.

After the 2022 KwaZulu-Natal floods, the municipality established a panel of service providers to support the implementation of infrastructure projects financed through disaster relief funding. The panel was intended to provide a readily available pool of contractors to enable the timeous and efficient delivery of infrastructure projects as the need arose.

During our 2024-25 audit, we identified instances of non-compliance in the use of the panel. The panel was not used in accordance with the municipality's approved rotation and allocation policy. Approximately 67% of the projects valued at R136,5 million were awarded to a single service provider, in direct contrast to the equitable and competitive principles of government procurement. Contractors were also awarded work exceeding the thresholds allowed by the Construction Industry Development Board (CIDB) – the regulator that determines how much work can be awarded to a contractor based on its capacity.

In addition, we identified deficiencies in contract management and oversight (as contractors that did not perform in accordance with contractual requirements were appointed and retained), as well as weaknesses in supervision and payment controls.

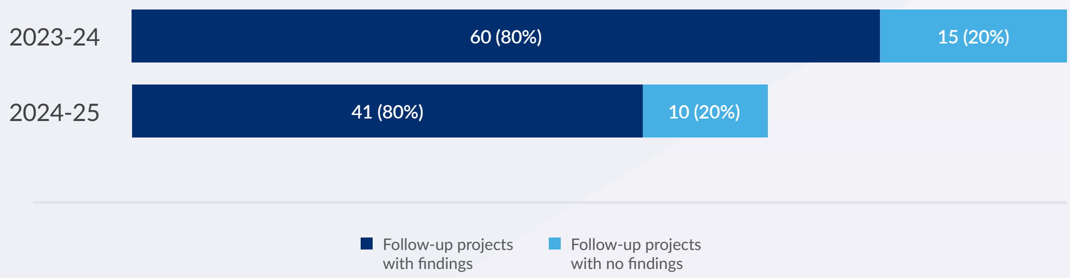
Two projects were terminated due to contractors performing poorly and abandoning the site. Weak project and payment management resulted in potential overpayments of approximately R20,2 million on the two terminated projects.

For example, the contractor responsible for constructing the Mnyundwini bridge to connect residents from the Mallende area to the KwaDukuza central business district abandoned the site in February 2025. At the time, the project was 67% complete against the contractual completion date of March 2025. Despite site inspections confirming that work had ceased, defects were present and unauthorised deviations from approved designs had occurred, payments of R25,1 million (84% of the project cost) were made to the contractor based on inadequately supported payment certificates, resulting in potential overpayments of R5,2 million. The performance guarantee on the project expired while the project remained incomplete and recovery actions were not timeously implemented.

In March 2026, we notified the accounting officer of an MI relating to the overpayments to contractors.

As part of our audits, we follow up on projects on which we had **previously reported findings.** We do this to determine the progress municipalities have made in implementing our recommendations to address the shortcomings. We followed up on 75 projects in 2023-24 and 51 projects in 2024-25. Projects with recurring findings remained at 80%, indicating that our recommendations are not implemented and that control weaknesses persist.

Infrastructure projects with recurring findings due to recommendations not implemented



Impact of continued weaknesses in infrastructure grant management and project delivery

- Infrastructure delays and poor-quality work affect the timely delivery of services and contribute to increased costs. In turn, cost overruns and poor cost management reduce available funding and limit the completion of planned projects.
- Procurement and contact management weaknesses, including the appointment of contractors without the required capacity, lead to poor performance, project abandonment, higher costs and delays.
- Commissioning shortcomings are delaying the intended service delivery benefits and can result in infrastructure being vandalised and theft of materials and equipment.
- Grant funding spent on operational costs or not spent in accordance with the business plan results in reduced funding to complete the project, with municipalities also then using their own revenue to address the shortfall. It can also result in contractors not being paid on time, the accrual of interest and contractors abandoning projects due to non-payment.
- The local economy is negatively affected, as unreliable infrastructure discourages investment, while businesses relocate to areas with better service delivery, further weakening municipalities' financial positions.

3.2 Infrastructure maintenance and environmental management

Municipalities need to plan and budget for the maintenance and renewal of existing infrastructure. As detailed in subsection 2.2, municipalities do not budget (or spend) in accordance with the National Treasury budget norms for repairs and maintenance and for renewal and rehabilitation.

Not all municipalities have properly planned for maintenance. For example, 31 (20%) of the 154 municipalities that are water services providers had no water infrastructure maintenance plan in 2024-25.

The **impact** of inadequate planning and budget for maintenance and renewal is accelerated infrastructure deterioration, driving up repair, refurbishment and replacement costs. As detailed in subsection 2.2, the deterioration increases water and electricity losses, which, in turn, result in revenue losses.

A further impact is declining service standards (such as poorer water quality) and increased mechanical breakdowns, resulting in service interruptions and increased risks to public health, safety, the environment and community wellbeing (as detailed next).

Neglected municipal infrastructure and poor environmental management have led to polluted water sources, and an unacceptable state of wastewater treatment works and landfill sites.

As part of our audits, our environmental specialists conducted inspections at 35 wastewater treatment works across 29 municipalities and one municipal entity (Johannesburg Water) as well as at 31 solid waste management and landfill sites across 30 municipalities (five metros, one municipal entity, 15 intermediate cities and nine municipalities that had previously received disclaimed audit opinions).

The work included condition assessments, site inspections and the evaluation of **wastewater management controls and compliance with environmental legislation.** We again found widespread non-compliance with legislative requirements.

- At 23 wastewater treatment works (66%), across 20 municipalities, facilities were not adequately safeguarded or maintained. This resulted in malfunctioning infrastructure and exposed critical assets to vandalism and theft.
- At 22 wastewater facilities (63%), across 19 municipalities, wastewater was being discharged into the environment, which did not meet the required effluent quality standards.
- At 17 wastewater facilities (49%), across 13 municipalities, reasonable measures were not taken to prevent the pollution of water sources or the adjacent environment.

The **impact** of these failures can be seen in untreated or inadequately treated wastewater flowing into rivers, communities and environmentally sensitive areas, causing sustained ecological degradation and exposing communities to serious health and safety risks, including contaminated water sources, persistent odours and unsafe infrastructure conditions. The impact is borne by rural and poorer communities that rely directly on natural water sources as well as farmers whose livelihoods are affected by polluted rivers and dams.

We also again found widespread non-compliance with legislative and licence requirements related to solid waste management and landfill sites:

- At 20 facilities (65%) across 17 municipalities, wastewater control systems, liquid waste management systems and landfill liners were not adequately maintained to manage the contaminated water flowing off the site or prevent seepage into the environment and water resources.
- At 28 facilities (90%) across 25 municipalities, there was no or inadequate monitoring of groundwater, surface water, landfill effluent, stormwater and landfill gas, significantly limiting the ability to detect pollution and effectively manage environmental risks.
- At 30 facilities (97%) across 25 municipalities, landfill sites were not managed in line with waste management licence conditions and minimum operational requirements. Common deficiencies included ineffective waste compaction, insufficient daily cover, poor stormwater drainage and inadequate site security.
- At 25 facilities (81%) across 21 municipalities, there was no or inadequate stormwater drainage or diversion, allowing clean stormwater to mix with contaminated rainwater flowing off the site and increasing the risk of erosion, landfill effluent generation and groundwater contamination.

The **impact** of these failures includes sustained environmental and health risks, such as pollution of land, surface water and groundwater resources, uncontrolled landfill gas emissions, fire hazards, unsafe working conditions and persistent nuisances, affecting nearby communities. The impact is disproportionately borne by rural and poorer communities that rely directly on groundwater and surface water sources and have limited capacity to respond when environmental conditions deteriorate.

Without urgent, coordinated corrective action, further deterioration of wastewater systems and landfill sites will deepen environmental harm and increase rehabilitation and recovery costs. We include further details of the MIs we raised relating to these matters in section 5.

MI

Continuing wastewater system failures resulting in pollution: Mopani District Municipality (Limpopo)

The municipality has its seat in Giyani and oversees five local municipalities (Ba-Phalaborwa, Greater Giyani, Greater Letaba, Greater Tzaneen and Maruleng). The district consists of various towns, townships and rural settlements and is home to 378 203 households. The municipality operates as a water services provider.

In July 2025, we visited the Ba-Phalaborwa wastewater treatment works and found that the wastewater mainline infrastructure and reticulation network was failing. This resulted in frequent sewer blockages and overflows. These overflows caused raw sewage to be discharged into the Tshutsi River, flowing downstream into the Kruger National Park.

Continuing wastewater system failures resulting in pollution: Mopani District Municipality (Limpopo) (continued)

Despite continuing urban development and a growing population, the infrastructure has not been upgraded or maintained in response to the additional strain on the system. The ageing and overloaded infrastructure is no longer capable of reliably handling current wastewater volumes due to inadequate maintenance and delays in the repair, refurbishment and upgrading of the wastewater network.

This was caused by poor monitoring and control measures to proactively identify and address challenges, poor financial management, a culture of reactive maintenance and management failing to address and implement recommendations to ensure compliance with legislative requirements on wastewater treatment and disposal.

The resultant raw sewage has been polluting the environment and water resources for several years and has negatively affected tourism, communities and businesses. The continuing failure of the wastewater reticulation system poses risks to the health and wellbeing of residents. We notified the accounting officer of an MI in November 2025 due to the likely substantial harm to the environment and water resources. We are assessing the actions being taken to resolve the MI.

Causes of continued infrastructure weaknesses

The failures in delivering and maintaining infrastructure are due to systemic weaknesses that should be addressed urgently.

- **Weak leadership, oversight and accountability across the infrastructure value chain,** where councils, the mayor and senior management did not consistently exercise their legislated responsibilities to monitor performance, enforce compliance and implement consequence management for persistent infrastructure delivery failures. The municipal council and the mayor failed to ensure that recurring issues are escalated and resolved, and that officials are held accountable for non-compliance, poor environmental performance and recurring operational failures.
- **Inadequate institutional capacity** in critical technical, project and asset management functions, including prolonged vacancies weakened infrastructure planning. The ineffective use of professional service providers weakened the execution, contract management and oversight of delivery and maintenance.
- **Inadequate financial planning and resource allocation,** including budgets approved without sufficient provision for wastewater infrastructure, maintenance, upgrades and monitoring, weak financial oversight by the chief financial officer and failure by the accounting officer to adequately resource operations, resulted in deferred maintenance and worsened the deterioration of infrastructure and control systems.
- **Inadequate monitoring, reporting and response to environmental risks** allowed non-compliance and pollution to persist, as environmental management and compliance officers did not ensure consistent monitoring of wastewater treatment or adequately identify, report and escalate risks, with limited follow-up on known deficiencies. The accounting officer did not enforce effective environmental management systems and compliance monitoring practices, while regulatory authorities did not adequately follow up on instances of non-compliance.

- **Poor infrastructure planning, project readiness and life cycle management,** with infrastructure needs not consistently informed by credible needs assessments, asset condition data and life cycle considerations, resulted in projects and maintenance programmes proceeding without adequate preparation or alignment to funding and implementation capacity.
- **Pervasive weaknesses in procurement and contract management,** weaknesses in bid specification, evaluation and adjudication processes, inadequate supplier due diligence, unjustified contract extensions and insufficient monitoring of contractor performance.
- **Ineffective integration between infrastructure planning, budgeting and execution,** where capital and maintenance programmes were not sufficiently aligned to available resources, contributed to underfunded maintenance, delayed procurement and a reliance on reactive solutions.
- **Weak financial controls and grant management,** including poor monitoring of expenditure, inadequate enforcement of grant conditions and ineffective follow-through on audit findings, compounded by weak planning, project management and capacity, resulted in underspending, non-compliance and delays in infrastructure delivery.
- **Increased risk of project failure and grant mismanagement** due to allocation of infrastructure grants to municipalities with a history of non-compliance with Dora and/or that have a poor control environment and weaknesses in the accountability ecosystem (as demonstrated by their audit outcomes and our reports) and/or a history of failed infrastructure projects.
- **Inadequate monitoring** of the utilisation of conditional grants by transferring officers, who are mostly focused on information provided by municipalities, with limited validations and inspections of the projects.
- **Lack of regular and proactive maintenance of infrastructure** due to inadequate budget allocation, liquidity constraints and poor monitoring of the condition of infrastructure, resulted in accelerated deterioration of infrastructure and increased future refurbishment and replacement costs.
- **Inadequate safeguarding** of assets has exposed wastewater infrastructure to theft and vandalism, placing additional pressure on limited budgets and capacity.

Call to action

To reverse persistent weaknesses in infrastructure delivery, decisive and coordinated action is required across the accountability ecosystem.

We call on the following roleplayers to act:

- Mayors and municipal councils should insist on regular and credible reporting on infrastructure projects, including progress, financial performance, grant compliance and emerging risks. They should intervene without delay where underperformance, cost overruns or non-compliance with procurement and contract management legislation are identified and ensure appropriate consequences are applied for transgressions and delivery failures. Through approving credible and funded budgets to enable proper infrastructure planning and implementation and setting the tone for performance and integrity in procurement processes, the success rate of infrastructure delivery will increase.
- Accounting officers must ensure that infrastructure projects are executed in a cost-effective, efficient and impactful manner to support service delivery objectives.
- Transferring officers must strengthen in year monitoring of infrastructure grants, increasingly focusing more on delivery milestones and quality of outputs and not predominantly spending and submission of reports.

- Transferring officers and the National Treasury should make greater use of the legislative mechanisms provided by Dora and the Municipal Finance Management Act, specifically, the provisions for the withholding, stopping, reallocation and conversion of grants. By actively applying these tools when performance is poor or when funds are at risk of being mismanaged, these roleplayers can drive better accountability, strengthen grant management and ensure that public funds are channelled where they will be used effectively and responsibly.
- Chief financial officers should ring-fence funding for wastewater operations, maintenance and asset renewal to prevent diversion of critical resources, strengthen financial management to improve grant utilisation and ensure responsible spending that aligns with legislated frameworks and service delivery priorities. They should ensure timely procurement processes that support preventative maintenance, emergency repairs and the availability of essential assets.
- Internal audit units should timeously follow up on action plans to address our findings. Their scope should include reviews of infrastructure projects and assessments of implementation to strengthen governance.
- Audit committees should work closely with internal audit units, ensure that infrastructure project audits are incorporated into their plans and assess the effectiveness of project management units.
- Premiers, members of the executive council for local government and those responsible for infrastructure development (for example, human settlements) must intensify oversight and support of municipalities responsible for infrastructure development and maintenance by proactively identifying those at risk and providing coordinated and targeted support.
- The National Treasury and the Standing Committee on Appropriations in the National Assembly should take the state of the municipality control environment and accountability ecosystem into consideration when allocating conditional grants. Consideration should be given to indirect/in-kind allocations for municipalities with an environment in which government funds can be at risk of mismanagement and loss. Our audit reports and general reports can be a good source of such municipalities.
- Regulatory bodies such as the CIDB and the National Home Builders Registration Council must enforce accountability by ensuring that appropriate consequences are applied for any misconduct by contractors.

04
State of metropolitan municipalities

Metros' audit outcomes and performance continue to worsen, affecting the daily lives of millions of people

The eight metropolitan municipalities (metros) have a pivotal role in delivering basic services and improving the quality of life of millions of people. Metros are the primary engines of economic growth and job creation, key sites for infrastructure investment and anchors of spatial integration, through integrated urban planning and transport-oriented development.

Well-functioning metros are essential to South Africa's inclusive urban growth, social stability and sustainable development. They are expected to serve as the benchmark and demonstrate exemplary service delivery performance due to their broader revenue bases and better institutional capacity, which are attributable to their enhanced ability to attract and retain suitably skilled and competent professionals.

According to the 2022 census, approximately 24,9 million people live in metropolitan areas, representing around 40% of the country's total population. In 2024-25, metros and their municipal entities were responsible for service delivery to 8,9 million households (46% of all households in the country).

A failing metro can have a profound impact on both residents and businesses in the form of unreliable public services, reduced economic activity and heightened risk to vulnerable communities, which together hinder growth and stability across the metropolitan area.

Metro failures can also significantly undermine the country's aspirations for a better life for all. Disruptions in the provision of basic services and delays in infrastructure investments impede progress towards equitable access to opportunities, economic growth and social cohesion, and compromise the improvement of living standards. These setbacks not only affect daily life but also hinder the achievement of the broader national goals of inclusive growth and sustainable development.

Audit outcomes serve as an indicator of whether a metro has established sound financial and performance management practices and has a culture rooted in accountability, transparency and institutional integrity, all of which are essential for delivering services effectively and ensuring long-term sustainability.

The audit outcomes of metros continued to regress in 2024-25, reflecting that these vital fundamentals are not in place. None of the metros achieved a clean audit and the number of metros with qualified audit opinions on their financial statements increased. We reported material findings on compliance with key legislation at all metros and on their performance reports at all metros except City of Cape Town and City of Ekurhuleni.

The audit process includes a formal dispute resolution mechanism to address matters of disagreement between our office as the external auditor and the auditees that we audit. At the end of the 2024-25 audit cycle, City of Cape Town, City of Ekurhuleni, City of Johannesburg and Buffalo City lodged formal disputes on our audit findings. The finalisation of the audits of City of Cape Town, City of Ekurhuleni and City of Johannesburg was delayed due to the time it took to resolve the disputes.

The figure below provides the audit outcomes of metros at consolidation level and details the audit outcomes of municipal entities, where applicable.

Audit outcomes of metros and their municipal entities

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit	Total
2020-21 Last year of previous administration	1	5	2	0	0	0	8
2023-24	1	3	4	0	0	0	8
2024-25	0	3	5	0	0	0	8

	Improvement	Unchanged	Regression
Movement from previous year and related budget	0 ▲	6 ▶ (R200,58bn)	2 ▼ (R135,40bn)
Movement from 2020-21 and related budget	0 ▲	5 ▶ (R219,07bn)	3 ▼ (R116,90bn)

Metro outcomes (including municipal entities) and movement from 2020-21

- **City of Cape Town** ▶ *
- **eThekwini** ▶ 10 years
- **City of Johannesburg (consolidated)** ▶ 13 years
  - City of Johannesburg (financial audit) ▼ 2024-25
  - Joburg Market ▲ 2022-23
  - Johannesburg City Parks ▶ 7 years
  - City Power Johannesburg ▶ 13 years
  - Johannesburg Development Agency ▶ 6 years
  - Joburg Property Company ▶ 7 years
  - Johannesburg Roads Agency ▶ 10 years
  - Johannesburg Social Housing Company ▶ 3 years*
  - Johannesburg Water ▶ 13 years
  - Johannesburg Metropolitan Bus Services ▶ ≥ 18 years
  - Metropolitan Trading Company ▲ 2021-22
  - Pikitup Johannesburg ▶ 10 years
- **City of Ekurhuleni (consolidated)** ▼ 2024-25
  - City of Ekurhuleni (financial audit) ▼ 2024-25
  - East Rand Water Care Company ▼ 2024-25
  - Ekurhuleni Housing Company ▶ 2 years*
- **Mangaung (consolidated)** ▼ 2021-22
  - Mangaung (financial audit) ▼ 2021-22
  - Centlec ▶ 7 years
- **City of Tshwane** ▼ 2022-23
- **Buffalo City** ▶ 3 years*
- **Nelson Mandela Bay** ▶ 2 years*

* Audit outcomes of City of Cape Town, Buffalo City, Nelson Mandela Bay, and two metro entities improved and / regressed over the administration – 2024-25 audit outcomes are same as 2020-21

▲ Improvement ▶ Unchanged ▼ Regression

The first part of this section reflects on the performance of metros and examines the underlying reasons for suboptimal service delivery. Drawing on audit insights, it highlights that the weaknesses in metro financial, infrastructure and performance management are largely attributed to a lack of institutional capability and integrity as well as gaps in planning and monitoring processes due to key roleplayers in the accountability ecosystem not diligently performing their legislated responsibilities.

In subsection 4.8, we include information per metro on their audit outcomes and results as well as a reflection on the unique circumstances of each metro and the recommendations we made to the accounting officer and mayor.

4.1 Performance (service delivery)

While we do not audit metros' performance, their financial statements and performance reports provide information on their performance and our audit of these documents, metro infrastructure and environmental management provides further insight into the state of their service delivery.

In the metro audit reports, we include a paragraph to draw the attention of oversight to the **non-achievement of planned targets** for service delivery-related development priorities, as reported by the metro in its performance report. The achievements by some metros were quite low in 2024-25, as illustrated in the table that follows.

Low achievement of targets by metros

Metro	Development priority	Percentage achievement of planned targets	Example of a target not achieved for development priority
Buffalo City	A spatially transformed city	38%	Average number of days taken to process building applications of less than 500 square metres *Planned target: 30 days* *Reported achievement: 132,65 days*
City of Cape Town	Housing	38%	Formal housing serviced sites provided (number) *Planned target: 2 400* *Reported achievement: 873*
City of Johannesburg	Infrastructure development and refurbishment	36%	Number of new households in informal settlements provided with electricity *Planned target: 2 000* *Reported achievement: 1 059*
City of Tshwane	Prioritisation of the electrical grid and water infrastructure	20%	Number of new sewer connections meeting minimum standards *Planned target: 950* *Reported achievement: 0*
Mangaung	Basic service delivery	50%	Number of inland water samples tested for monitoring purposes *Planned target: 2 000* *Reported achievement: 31*
Nelson Mandela Bay	Basic service delivery	59%	Number of new sewer connections meeting minimum standards *Planned target: 2 000* *Reported achievement: 1 471*

The non-achievement of certain service delivery indicators directly impacts the lived experiences of residents, as it means that the specific needs and requests raised through council and public participation processes have not been met.

In 2024-25, we identified that the councils of all metros except for City of Cape Town approved **significant revisions to their service delivery and budget implementation plan (SDBIP)** during the mid-year adjustment process. Several performance indicators and targets that were initially planned for, based on the needs of the community as determined through the public participation process, were removed or the targets adjusted. The reason for the adjustments was insufficient funds to deliver on the targets at these metros (i.e. the promised delivery was unrealistic considering the funds available). These changes were not communicated by Mangaung to the public within the prescribed period, as required by legislation.

This disconnect between the metro's planned targets and actual outcomes achieved can lead to frustration and disappointment within communities, particularly when essential services or delivery on housing projects is involved.

In 2024-25, we audited the management and delivery of **housing projects** by metros, focusing on the prioritisation of projects, the allocation of houses to beneficiaries, land management and enforcement of by laws, the provision of basic services at housing projects, the quality of interim housing for beneficiaries awaiting housing allocations and project delivery. In total, 12 housing projects were audited, with a combined project cost of R1,73 billion. The projects we audited were funded through the urban settlements development grant, human settlements development grant, informal settlement upgrading partnership grant or the restructuring capital grant.

Our audit determined that housing projects were not consistently prioritised in line with the approved plans or urgent community needs, while shortcomings in beneficiary management and allocation processes delayed access to housing for qualifying beneficiaries. Poor land management, including escalating land costs and inadequate enforcement of municipal by laws, further undermined sustainable housing delivery and contributed to illegal land occupation.

In addition, the insufficient spatial and town planning resulted in housing developments on land without adequate basic services, and weak project planning and management led to delays, poor quality housing and programmes that did not fully respond to the needs of beneficiaries.

We identified findings on 10 projects, with a combined project cost of R1,66 billion.

Findings on metro housing infrastructure projects (2024-25)

Name of project	Metro	Project delay (months)	Project had cost issues	Project had poor build quality	Project had commissioning shortcomings
Vista Park housing project	Mangaung	12	-	-	-
Etafuleni housing project	eThekwini	132	✓	✓	✓
Chantelle Ext 39 housing project	City of Tshwane	16	✓	-	-
Gugulethu housing project	City of Cape Town	15	-	✓	-
Macassar housing project	City of Cape Town	15	✓	✓	-
Townlands housing project	City of Tshwane	No delay	✓	-	-
Cambridge West housing project	Buffalo City	18	✓	-	-
Walmer Airport Valley Phase 2 housing project	Nelson Mandela Bay	8	✓	-	✓
Drieziek Ext 4 housing project	City of Johannesburg	No delay	✓	✓	-
Mzamomhle housing project	Buffalo City	No delay	-	✓	-

We highlight the main findings we reported to the accounting officers of metros related to the delivery of housing:

- Illegal land occupation identified at six metros (Buffalo City, City of Cape Town, City of Tshwane, eThekwini, Mangaung and Nelson Mandela Bay).
- Long-term registered beneficiaries not allocated housing or removed from register at five metros (Buffalo City, City of Johannesburg, eThekwini, Mangaung and Nelson Mandela Bay).
- Systems for monitoring and tracking progress of infrastructure projects not implemented at two metros (eThekwini and Mangaung).
- Completed houses unfairly allocated to beneficiaries at one metro (eThekwini).
- Interim housing did not meet health and safety standards at four metros (City of Tshwane, eThekwini, Mangaung and Nelson Mandela Bay) and essential water, sanitation and electricity services were not provided to individuals while waiting for housing allocations at two metros (eThekwini and Nelson Mandela Bay).

Housing project: City of Ekurhuleni

The Clayville Extension 45 social housing project is an initiative implemented through the Ekurhuleni Housing Company to deliver 452 social rental units in Tembisa at an estimated cost of R229,68 million. The project consists of four-story walk-up units and is well located for residents who work in Midrand and Tembisa.

A professional service provider was appointed in April 2019 for design, procurement and construction monitoring, and two main contractors (Contractor 1 and Contractor 2) were appointed in November 2019. Contractor 2's contract was terminated in December 2021 due to persistent non-performance, followed by the termination of Contractor 1's contract in May 2022, while the professional service provider's contract lapsed in December 2022. Contractor 3 and Contractor 4 were appointed in December 2022 to complete all three portions of the project.

Contractor 3's contract expired in December 2023 and Contractor 4's contract was terminated in January 2024. The accounting officer has not secured funding to complete the construction, which has led to vandalism, theft and deterioration of the incomplete structures. During a site verification in October 2025, we confirmed substantial damage to works constructed.

An audit finding on weaknesses in the utilisation of resources was issued in November 2025; although management disputed aspects of the finding, no progress has been made since the termination of Contractor 4. The site has remained abandoned and unsecured, with ongoing vandalism over the past 24 months. A total of R113 million has been spent on the project with little return on investment as the housing units have not been delivered to residents. This was due to inadequate project management and poor consequence management over non-performing contractors.

This is likely to result in a material financial loss unless a replacement contractor is appointed and safeguarding measures are implemented promptly. We notified the accounting officer of the MI in December 2025. By April 2026, we were deciding on further action to be taken as the accounting officer failed to take appropriate action to resolve the matter.

Structural damage to housing units with collapsed floor slabs, stairs and walls

A total of 44 **infrastructure delivery projects** of electricity, water, sanitation and roads were audited at metros and their municipal entities, with a combined project cost of R7,04 billion. Almost half of these projects (45%) were delayed, 15 (34%) had findings on management of costs such as overpayments and inefficient spending, which increase the risk of cost overruns, and seven (16%) had findings on poor-quality workmanship. At two completed infrastructure projects (5%), commissioning-related findings were identified, with one project lacking sanitation within the facility, while the other infrastructure asset was underused. The top five projects that were delayed were in Buffalo City, City of Ekurhuleni, City of Tshwane and eThekwini, with an average delay of 68 months.

The experience of **infrastructure neglect** in some metropolitan areas is real and increasingly visible in residents' day-to-day lives. Deteriorating road conditions (such as potholes and failed surfaces) cause damage to vehicles and slow down traffic, while ageing and poorly maintained networks contribute to frequent service interruptions, including water supply outages and electricity disruptions.

Our audits continued to identify a lack of preventative maintenance due to weak maintenance planning, poor execution of approved maintenance plans and overreliance on reactive repairs. Maintenance plans were often inadequate, not credible or not operationalised, resulting in planned maintenance activities being deferred until assets failed. At eThekwini and Mangaung, water infrastructure maintenance plans were not in place.

Impact of lack of maintenance: Johannesburg Water (City of Johannesburg)

The audit of Johannesburg Water identified the entity's failure to proactively maintain its water infrastructure. The accounting officer did not ensure that the water infrastructure was properly maintained and preserved, resulting in frequent pipe bursts and deteriorating network reliability.

The absence of proactive and preventative maintenance led to an increase in unplanned and emergency repairs. As a result, repair costs escalated significantly, placing pressure on the entity's financial position and increasing the risk of a material financial loss. These failures also contributed to service delivery disruptions, negatively affecting the reliability of water services provided to communities.

The lack of maintenance was due to inadequate maintenance planning, poor execution of planned maintenance activities and insufficient oversight to ensure that maintenance requirements were prioritised and implemented. Despite repeated infrastructure failures, corrective measures were not implemented promptly to prevent further deterioration of the water network. Given the financial and service delivery consequences of continued under maintenance, we notified the accounting officer of an MI in December 2024. Further appropriate action, including the refurbishment of water infrastructure, is being taken to resolve the MI.

Without effective corrective action, Johannesburg Water remains exposed to ongoing infrastructure failures, escalating repair costs and increasing financial and operational risks.

Neglect to infrastructure not only weakens service delivery, but can also escalate and cause severe environmental **pollution** – as seen with some metro wastewater treatment plants. When maintenance is deferred, treatment systems fail to meet standards, leading to untreated or partially treated sewage being discharged into landfill sites or rivers and dams.

Metros are subject to strict environmental management legislation. In 2024-25, we reported material findings on non-compliance with environmental management legislation at four metros (50%). Since 2021-22, we have reported material findings every year for Buffalo City, eThekwini and Mangaung. This year, we reported the following main findings:

- Wastewater treatment works were not safeguarded and maintained to prevent infrastructure from becoming defective or depleted, malfunctioning, misused, vandalised and theft of infrastructure at Buffalo City and Mangaung.
- Wastewater treatment works did not have operating licences at Buffalo City, Nelson Mandela Bay, Mangaung and eThekwini.
- Solid waste management facilities did not have operating licences at Mangaung.

Non-compliance with environmental management and neglect of infrastructure at metros often also result in harm to the public. We have issued 28 MI notifications to five metros (Buffalo City, City of Tshwane, eThekwini, Mangaung and Nelson Mandela Bay) and three municipal entities (Johannesburg Water, East Rand Water Care Company and Pikitup Johannesburg) relating to the poor management of wastewater treatment works and landfill sites, unhygienic ablution facilities, delays in completing a housing project and non-compliances with national standards on water quality.

Botshabelo solid waste landfill site: Mangaung

During our site visit to the Botshabelo landfill site in September 2024, we found that the metro did not operate the site in compliance with its permit conditions and minimum legislative requirements for waste disposal, in terms of the National Environmental Management: Waste Act.

Shortcomings included the absence of suitably qualified personnel to manage the landfill site, no approved integrated waste management plan, lack of proper access control with the presence of livestock and unauthorised persons on site, inadequate fencing, non functional infrastructure and equipment and ineffective litter control. Environmental control measures at the site were largely absent as there were no functional collection or treatment systems for contaminated liquid waste, stormwater management infrastructure or monitoring of ground and surface water. We also observed surface water contamination, soil degradation, uncontrolled runoff and waste burning.

These deficiencies were due to inadequate budgeting for landfill operations, weak internal controls, a lack of standard operating procedures, equipment and infrastructure maintenance and ineffective management and council oversight.

We notified the accounting officer of an MI in February 2025. The accounting officer did not take appropriate action to resolve the MI. In September 2025, we referred the matter to the Department of Forestry, Fisheries and the Environment, which sub-referred it to the Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs for further investigation. The investigation is ongoing.

Without prompt and effective corrective action, the residents remain exposed to continued environmental harm, while the metro remains exposed to regulatory enforcement action and increased long term rehabilitation costs.

Businesses also struggle to manage in metropolitan areas with poor infrastructure and basic service delivery. Businesses that provide goods and services to metros – many of which are based within the metro areas themselves – are further impacted by delayed payments to them. Such delays can significantly affect their cash flow and overall sustainability, making it challenging for these businesses to manage their operations efficiently. The average number of **creditor payment days** across the metros is approximately 121 days. Among the metros, the three with the highest number of creditor payment days are Nelson Mandela Bay (189 days), Mangaung (165 days) and City of Ekurhuleni (175 days). In contrast, the metro with the lowest number of creditor payment days is City of Cape Town, at 45 days.

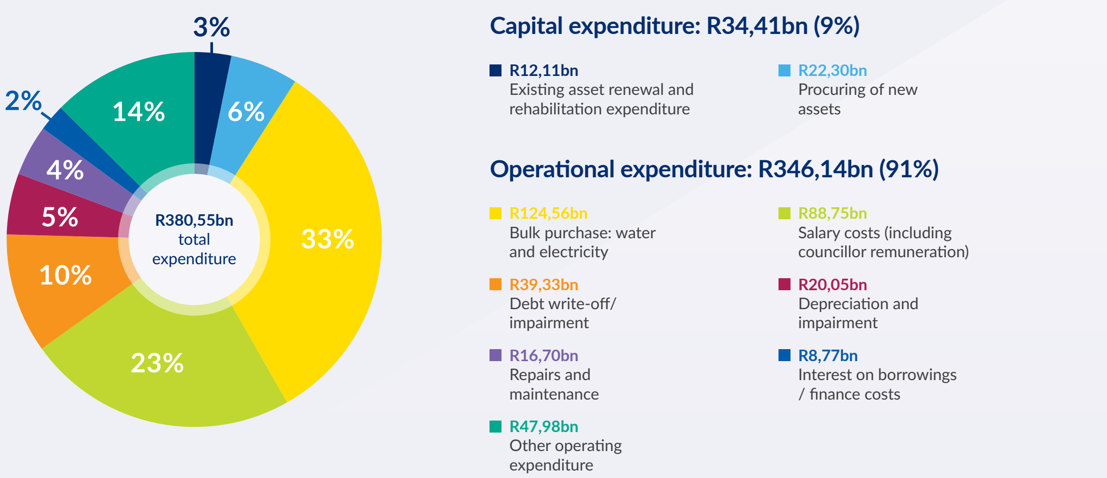
Financial management by metros has a significant impact on their service delivery.

4.2 Financial management

Ratepayers in metropolitan areas frequently voice concerns about how their monthly payments are being managed, especially when faced with frequent poor service delivery or the effects of deteriorating infrastructure. These concerns are not confined to metro ratepayers or residents alone; taxpayers nationwide also have a vested interest in the metros' finances, given that the metros receive significant financial support from the national purse.

In 2024-25, the total expenditure by metros and their municipal entities was R380,55 billion, R346,14 billion of which was operating expenditure (the day-to-day running cost) and R34,41 billion capital expenditure (the cost of building new infrastructure, upgrading current infrastructure or purchasing other assets).

Breakdown of metro expenditure (2024-25)



The National Treasury sets norms for the budget of municipal expenditure. Based on these norms and the indicators of financial health reported by the National Treasury in the state of local government finances and financial management report, the following is highlighted from the above figure on the breakdown of the metro expenditure with regard to **expenditure by metros at an overall basis**:

- Employee-related costs and remuneration of councillors account for 23% of total metro expenditure and 26% of operating expenditure, which is within the norm of 40%.
- Nine per cent (just less than the 10% norm) of metro expenditure was directed towards municipal assets through capital expenditure of R34,41 billion, which includes infrastructure such as roads, water networks, electricity grids, sewerage systems, etc.
- Only R12,11 billion (35% of the capital expenditure) was used by metros to replace or renew existing municipal assets to continue functioning at their intended capacity and prolong their useful life. This is less than the 40% norm and the rate at which municipal assets depreciate annually – the depreciation and impairment of R20,05 billion shown in the figure above is an estimate of the value that the metro's municipal assets lost in 2024-25 due to wear and tear and ageing.

  This indicates that adequate financial resources are not allocated to proactively maintain and upgrade existing infrastructure, thereby limiting the metros' ability to prevent expensive emergency repairs and ensure reliable service delivery, such as better road conditions and reduced water and electricity leakages. The rate of deterioration of municipal assets is higher than the rate of replacement and upgrading.
- The money spent on repairs and maintenance was only 4% of the value of municipal assets (R418,3 billion), which is below the norm of 8%. This increases the risk of premature deterioration and reduces functionality, ultimately leading to higher long-term costs and potential service disruptions.

All the metros showed indications of underinvestment in asset maintenance and renewal.

Indicators of underinvestment in municipal assets at metros

Metro	Capital expenditure < 10% of total expenditure	Repairs and maintenance < 8% of operating expenditure	Investment in asset renewal below depreciation and impairment (< 100%)
Buffalo City	-	✓	✓
City of Cape Town	-	✓	✓
City of Ekurhuleni	✓	✓	✓
City of Johannesburg	-	✓	-
City of Tshwane	✓	✓	✓
eThekwini	-	✓	✓
Mangaung	✓	✓	✓
Nelson Mandela Bay	✓	✓	✓

Value is not always derived from the money spent by metros, thereby reducing the funds available for delivering the promises made in the SDBIP and investment in infrastructure.

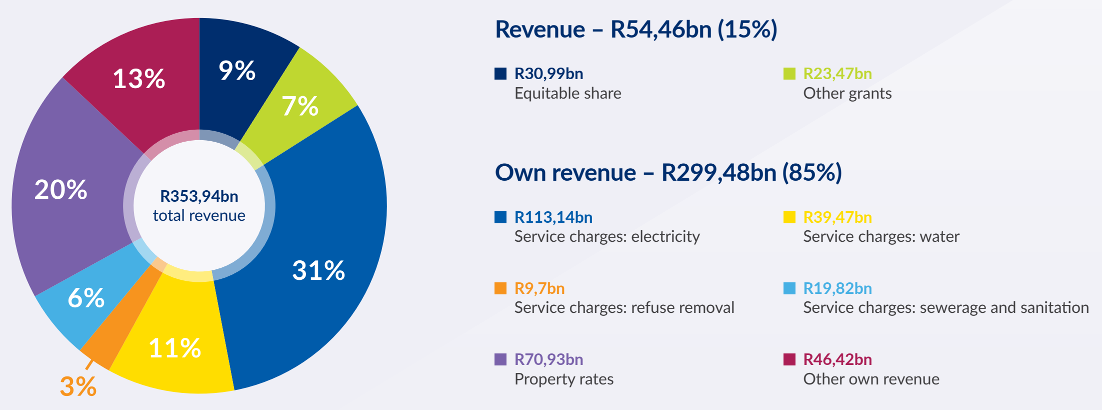
In 2024-25, metros incurred fruitless and wasteful expenditure amounting to R785,29 million. This brings the total of such expenditure since 2021-22 to R4,65 billion, with nearly half (49%) attributable to interest charges and penalties. Interest and penalties represent additional financial burdens for metros, arising from overdue accounts, non-compliance with financial obligations, or delays in settling liabilities. These costs intensify the strain on already limited budgets, further reducing the funds available for service delivery and infrastructure investment. For most metros, revenue covered expenditure, but Buffalo City, Nelson Mandela Bay and City of Ekurhuleni ended the year in a **deficit.**

Poor budgeting processes resulted in **unfunded adjustments budgets** being approved by councils and financial recovery plans not yielding the desired results. City of Ekurhuleni, City of Johannesburg and City of Tshwane adopted unfunded adjustments budgets – with City of Tshwane adopting an unfunded adjustments budget for the past four years.

Due to the poor budget-monitoring processes, metros have disclosed a total of R21,72 billion in **unauthorised expenditure** since 2021-22.

More **revenue** means more money for infrastructure maintenance and operations, but metros do not bill properly, do not collect properly and lose revenue through distribution losses.

Breakdown of metro revenue (2024-25)



The revenue metros collect, primarily from service charges, property rates and other own revenue streams, does not fully translate into money in the bank, as a portion of the income generated is not recoverable. The average debtors' collection period for metros is 144 days. As shown in the breakdown of expenditure figure, debt write-offs/impairment in 2024-25 was R39,33 billion, which is largely due to non-paying customers. As per the National Treasury's 2025 local government revenue and expenditure report (S71 report), other government entities (across national, provincial and local government) owed metros arrears totalling R7,1 billion at year-end.

At Mangaung, the revenue in the financial statements was materially misstated, as the metro relied on estimations for water consumption for billing purposes rather than reliable actual usage data – supporting evidence could not be provided for the audit to verify the estimations made.

Metros lose a significant amount of revenue through water and electricity losses, placing further strain on their financial position. In 2024-25, the estimated water losses for the eight metros totalled R9,89 billion (39%), while electricity losses were estimated at R17,28 billion (20%).

As detailed in subsection 2.2, these disclosed losses can be technical or non-technical. Technical losses occur across the water and electricity distribution network and include losses caused by damaged water pipes and equipment and by transmission distances, which cause energy losses due to heat. These losses are worsened by ageing and poorly maintained infrastructure. Non-technical losses occur due to theft, and incorrect or non-billing of consumers.

Assets, liabilities and cash

At year-end, metros had borrowed R62,07 billion (long-term debt) and owed creditors R120,58 billion (short-term debt). Combined, their total liabilities were R215,38 billion. Looking at metros overall:

- Positively, metros' total assets exceeded their total liabilities, reflected in the asset-to-liability ratio of 2,63:1. In addition, their net assets marginally exceeded the amounts owed to creditors, as indicated by the ratio of 1,01:1.
- The total cash available at year-end for metros was insufficient to cover creditors (ratio of 0,22:1). This is indicative of a potential inability by the metros to cover monthly fixed operational expenditures and maintain service delivery should unexpected financial shocks or setbacks occur.

These and other ratios were not healthy at individual metros. Based on our financial assessment, which is similar to that of the National Treasury, the financial position of all metros, except City of Cape Town and eThekwini, is concerning and, for City of Ekurhuleni and Mangaung, it was unfavourable.

Credit-rating agencies use financial statements as a tool to help them determine how much risk there is in lending money to a municipality. The credit rating assigned to a municipality can affect both its ability to borrow money and the cost of it doing so, particularly at metros with listed debt instruments (a form of debt used to raise capital).

Credit ratings reflect a municipality's relative financial strength and ability to meet its debt obligations. In this section, higher ratings indicate stronger financial capacity and lower credit risk, while lower ratings indicate weaker financial capacity and higher credit risk.

The individual metro dashboards provide detailed information on the credit ratings assigned by rating agencies, including movements in the status since 2021-22.

When a metro experiences financial distress, it is expected to implement a viable and sustainable recovery plan to address identified financial vulnerabilities. However, Mangaung has disclosed going concern uncertainties for nine consecutive years. This disclosure indicates that, based on the metro's own assessment, its current financial recovery plan is unlikely to improve its financial position in the near future. It was further determined that the metro is not implementing the plan effectively.

We provide details on the negative indicators and financial health ratios for each metro in subsection 4.8.

4.3 Institutional capability

In the previous general report, we indicated that a lack of institutional capability at metros is a root cause for their underperformance, financial position and poor-quality financial and performance reporting.

In 2024-25, the metro audit outcomes regressed due to the following elements of institutional capacity not operating effectively:

- The findings on the performance reports were mainly caused by inadequate systems, processes and controls to plan, collate, record, measure and report on performance. We found that processes are manual and prone to error. Some metros had ineffective in-year monitoring with unreliable information, while internal audit units and audit committees did not provide the required assurance on performance information.
- The findings on financial statements were due to weak fundamentals in in-year and year-end reporting, poor record-keeping, weak internal review and reconciliation processes and heavy reliance on the audit process for identification of material misstatements.

In this subsection, we provide insight on instability and vacancies, technology as well as the effectiveness of internal audit units and audit committees, as the main areas of capability that require attention at metros.

Instability and vacancies

By the 2024-25 year-end, metros reported an average overall vacancy rate of 23%, higher than the 18% reported in 2020-21. Senior management vacancies worsened, rising to 25% from the 15% reported in 2020-21. Mangaung recorded the highest overall vacancy rate at 61%, while Nelson Mandela Bay had the highest senior manager vacancy rate at 67%. Instability in key leadership positions significantly impacts the operations of metros.

Instability in key leadership positions (including acting officials) per metro

Metro	Mayor	Accounting officer		Chief financial officer	
	Incumbents over the past four years	Incumbents over the past four years	Months in position (current incumbent)	Incumbents over the past four years	Months in position (current incumbent)
Buffalo City	2	4	27	4*	68*
City of Cape Town	1	1	86	1	160
City of Ekurhuleni	3	1	103	1	73
City of Johannesburg	2	2	Vacant at year-end	2	29
City of Tshwane	3	2	34	3	19
eThekwini	2	2	33	1	47
Mangaung	3	4	20	5	13
Nelson Mandela Bay	5	6*	39*	2	Vacant at year-end

*Although the official occupied the post for majority of the period, several other officials acted in the role at different times due to various reasons, such as suspension or incapacity.

Skills development is a key responsibility of municipal management to promote the development and retention of competent municipal staff. In 2024-25, metros invested only R293,01 million on the training of municipal officials.

Generally, the metros' finance units are well resourced and able to attract professionals who can adequately deal with the complexities of their financial management and reporting. As a result, their use of financial reporting consultants is less prevalent – the metros accounted for only R68,21 million (4%) of the total consultant spend of R1,61 billion.

- Mangaung spent R18,24 million on consultants to assist with various financial reporting and accounting services. The metro had the highest finance unit vacancy rate of all metros, at 50%. Due to a lack of records and documents, the metro was again qualified on its financial statements in the areas in which consultants worked.
- City of Ekurhuleni spent R15,46 million on consultants to provide asset management support due to skills shortages and high vacancy levels. The metro's finance unit had vacancy rate of 26%. No findings were reported on the work of the consultants.

Vacancy rates in technical departments responsible for electricity, water, wastewater and solid waste services were high across several metros, contributing to weaknesses in performance reporting, achievement of targets and service delivery.

- City of Tshwane had the highest vacancy rate in the energy and electricity unit at 58%.
- Mangaung had the highest vacancy rates in the water departments (78% in the water unit and 61% in the wastewater and sanitation unit) and in the solid waste and refuse unit at 45%.

Council oversight and involvement are essential to systematically address persistent vacancies, the repeated reliance on consultants in critical functional areas, and ongoing weaknesses in performance management. Municipal performance management systems must clearly define the roles and responsibilities of all roleplayers in the system and ensure that performance is measured at least once a year. Municipalities must develop and adopt appropriate systems and procedures to monitor, measure and evaluate staff performance, supported by policies and procedures that set out how performance will be assessed, measured, managed and improved.

At Buffalo City and Mangaung, policies and procedures to monitor, measure and evaluate staff performance were not in place. Without a formalised performance management framework, it is difficult to effectively evaluate individual performance, identify skills gaps and consistently address non-performance decisively.

Internal audit units and audit committees

As outlined in section 1, internal audit units and audit committees have legislated mandates with clearly defined roles and responsibilities. Their purpose is to strengthen internal controls, mitigate risks, and provide assurance on financial and performance reporting.

Internal audit units and audit committees were established and operational at all metros. Except at City of Tshwane and Mangaung, all legislated functions were performed, including evaluating the reliability of financial and performance information, compliance with procurement legislation and the effectiveness of risk management. At City of Tshwane, sufficient evidence was not provided to confirm that the internal audit unit advised the accounting officer and reported to the audit committee on the implementation of the internal audit plan on matters related to risk management. At Mangaung, the internal audit unit failed to audit the underlying information supporting the financial statements due to non-submission of information by management.

Internal audit units and audit committees are a big investment for municipalities – the professionals who are employed as internal auditors and those who serve as members of the audit committees are expensive. In 2024-25, metros spent R493,46 million on their internal audit functions (including outsourcing costs), with City of Ekurhuleni, City of Tshwane and eThekwini accounting for more than half (67%) of this amount. However, the value that these structures can bring to financial and performance management is not fully realised, as is evident from the audit outcomes.

The reasons for these governance structures not being effective at all metros are as follows:

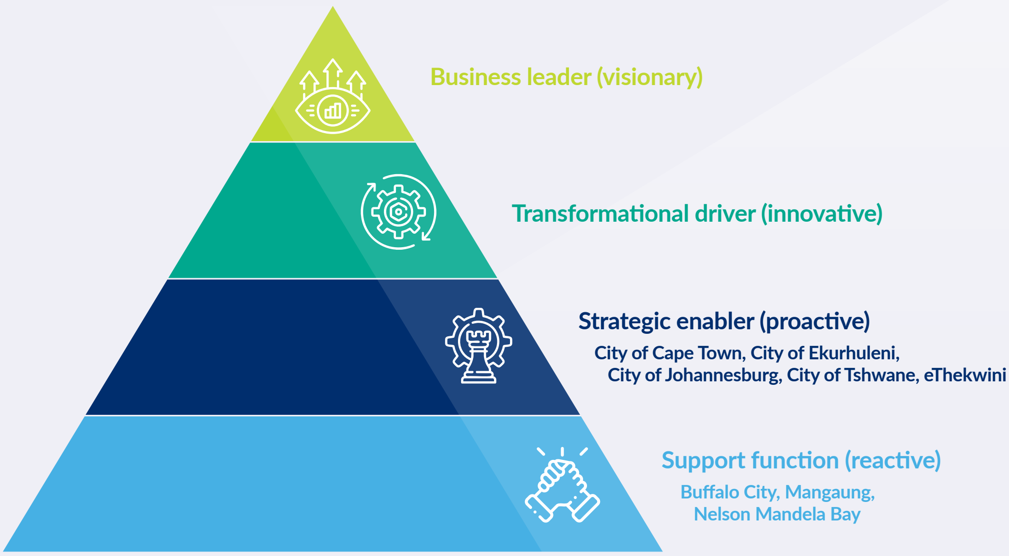
- Structural weaknesses within internal audit units and audit committees, including weak or outdated methodologies, insufficient depth and coverage of assurance work, poor follow-up and ineffective escalation, limit their ability to provide effective assurance and oversight. At all metros other than City of Cape Town, there was limited audit coverage, inadequate internal audit plans and/or inappropriate assessments of action plans and follow-up mechanisms by audit committees on the implementation of recommendations. Examples of these weaknesses include:
    - Nelson Mandela Bay: The internal audit unit did not include in the scope of its 2024-25 internal audit plan, or perform any work on, the financial statement areas relating to property, plant and equipment, provisions, contracted services, capital commitments and service charges, which were all qualified in 2024-25.
    - Buffalo City: The internal audit unit had included the audit of property, plant and equipment in its scope for 2024-25, but did not perform it, resulting in the metro being qualified on this area in 2024-25.
    - Mangaung: The audit committee did not ensure implementation of recommendations made due to inconsistent follow-ups with management.
    - Nelson Mandela Bay: The independence of the internal audit unit was compromised due to internal audit staff taking up operational posts, limiting their ability to provide objective and unbiased assurance.
- The impact of internal audit units and audit committees will always depend on how accounting officers and senior management respond to their findings and recommendations. The management at all metros, except City of Cape Town, did not adequately address findings and recommendations raised by their internal audit units relating to the financial statements, performance information or compliance with legislation, and we reported similar findings during our audit. Examples include:
    - Buffalo City and eThekwini: The internal audit unit audited procurement and performance information and reported findings to management. However, management did not adequately implement recommendations, and we reported material findings in these areas.
    - City of Johannesburg: The internal audit unit audited expenditure included in financial statements and reported differences between supporting schedules and the financial statements to management. However, management did not adequately implement recommendations, resulting in the separate financial statements of the metro receiving a qualified audit opinion due to a material misstatement on expenditure.
- Vacancies in internal audit units reduced their assurance effectiveness at City of Tshwane and Mangaung, which have significant vacancy rates above 50%. This prevented some internal audit units from implementing their internal audit plans, delayed internal audits, caused insufficient coverage of internal audit work in critical risk areas, and weakened assurance to management and oversight structures. At City of Tshwane, 16 information technology (IT) audits were planned, but two were deferred and seven were not finalised. There was no evidence that the internal audit unit had advised the accounting officer or reported to the audit committee on the implementation of the internal audit plan on matters relating to risk and risk management, as required by legislation.

Information systems

The information and communication (ICT) control environment remains a concern across all eight metropolitan municipalities. While there are pockets of progress, most notably at City of Cape Town, weaknesses continue to centre around governance, capacity and infrastructure.

Our 2024-25 ICT maturity assessment shows that Buffalo City, Nelson Mandela Bay and Mangaung continue to operate with ICT primarily as a support function. In contrast, eThekwini, City of Cape Town, City of Ekurhuleni, City of Johannesburg and City of Tshwane have progressed towards positioning ICT as a strategic enabler.

Information technology maturity levels of metros



Our review continues to highlight challenges with strategic alignment and ICT budgeting. City of Cape Town, City of Tshwane and City of Ekurhuleni demonstrate stronger alignment between ICT portfolios, budgets and metro priorities. In contrast, City of Johannesburg, Buffalo City, Nelson Mandela Bay, eThekwini and Mangaung show ongoing weaknesses. These include draft or unembedded strategies, decentralised decision-making and slow execution, all of which reduce the value realised from ICT investments. Decentralised ICT budgeting – where individual directorates procure systems independently – further limits visibility over total ICT spend and weakens standardisation, coordination and control.

Where funding is constrained or not effectively prioritised, critical initiatives are delayed, replacement of end-of-life systems is deferred, and risks to service delivery and cybersecurity continue to build.

Across metros, ICT steering committees, project management practices and vendor oversight mechanisms remain ineffective. This hinders accountability and contributes to recurring and unresolved ICT control weaknesses.

ICT strategy misalignment and fragmented ICT investment: eThekwini

Current ICT funding is misaligned with the complexity of metro operations and the digital transformation required, as 72% of total ICT spend was on system maintenance of existing legacy systems, software licences as well as payment of service providers. This resulted in fragmented systems, inefficiencies and delays in modernising key platforms essential for improving the lives of residents, which were affected by decentralised governance and unapproved IT strategies.

ICT systems rely heavily on manual, spreadsheet-based processes with limited automation and no system integration, resulting in inefficiencies, inconsistent data and weak audit trails. This fragmented environment compromised the accuracy, timeliness and reliability of performance information, ultimately affecting decision-making and the quality of service delivery.

The absence of integration across housing, water and sanitation, and electricity leads to duplicated work, higher operational costs and incomplete or inconsistent data, limiting management's ability to make informed decisions. Continued reliance on manual processes also increases the risk of errors, data manipulation and weak accountability due to the lack of automated audit trails.

The gap between intention and delivery is most evident in ICT projects, as progress across metros remains uneven. While City of Cape Town demonstrates stronger project governance and more disciplined execution on key initiatives, other metros continue to experience significant delays, weak oversight, incomplete documentation and ineffective vendor management. These challenges limit the realisation of intended project benefits.

Key drivers of these weaknesses include the following:

- Significant reliance on external service providers for system implementation, combined with limited capacity within project management offices, weakens oversight and increases delivery risk.
- Performance of IT consultants is not monitored consistently, resulting in expenditure without clear value delivered. This is further compounded by limitations in performance management systems, which constrain effective oversight of service providers.
- Service level agreements are often poorly defined and lack measurable performance indicators, limiting the ability to monitor and enforce accountability.
- Leadership instability, weak oversight and inconsistent application of project governance controls contribute to ineffective project execution.

Delayed modernisation and governance failures: City of Johannesburg

The e-procurement project was initiated in November 2022 to digitalise manual supply chain management processes, improve efficiencies and address recurring findings on compliance with procurement and contract management legislation, with a planned go live date of March 2024. However, this date was not achieved, and weaknesses in project governance and contract management persisted, including overreliance on service providers without adequate oversight and accountability.

Key issues included expenditure reporting that was not supported by evidence and inadequate monitoring of service level agreements and milestones. Invoices were not submitted for auditing, limiting the assessment of alignment between payments and milestones achieved. At the time of the audit, the payment report reflected that approximately R87,5 million (82%) of the approved budget had been paid, despite 50% of the modules remaining incomplete.

As a result, the metro continues to rely largely on manual procurement and contract management processes, with material findings continuing to be reported in the current year. As an example, the audit of procurement processes, contract management and payments were impacted by a limitation of scope due to incomplete information provided by management. Key documentation supporting an ICT contract, specifically the detailed breakdown of a contract extension amounting to R573 million, was not made available with no reason provided. This resulted in material non-compliance with section 62(1)(b) of the MFMA. The matter reflects repeat non-compliance, having also occurred in the 2023-24 financial year due to similar failures in submitting the required documentation.

Delays in the finalisation of the e-procurement project further compromise the municipality's ability to maintain adequate and reliable procurement documentation, specifically in this example, the contract management module.

ICT weaknesses are increasingly translating into operational and financial risks. Systemic control weaknesses in revenue management systems and customer service platforms are widespread, affecting revenue integrity and delaying the resolution of service delivery issues.

Recurring patterns across metros include weak access management, segregation of duties conflicts, incomplete or missing audit logs, and continued reliance on manual workarounds and legacy systems. These challenges are evident at Buffalo City, City of Ekurhuleni, City of Johannesburg, City of Tshwane, eThekwini, Mangaung and Nelson Mandela Bay.

These conditions increase the risk of billing inaccuracies, revenue leakage and compromised financial reporting. In addition, the reliance on outdated systems and manual processes limits transparency, reduces accountability and weakens the ability of municipalities to effectively manage and safeguard public resources.

Impact of weak ICT controls on data integrity: City of Ekurhuleni

The absence of system audit logs constrained the municipality's ability to quantify loss and demonstrate revenue completeness and accuracy, impacting audit outcomes.

We were not provided with sufficient evidence to confirm the valuation and completeness of the amount owed by consumers for services and property rates disclosed in the financial statements submitted for auditing. The computerised accounts receivable system was subject to manipulation through unauthorised manual adjustments and system overrides, compromising the integrity of the financial data on the receivables balance. Critical audit logging disabled during a major incident period (July 2023 to February 2024) and throughout the period of review, with logs only activated after the incident response began in September 2025.

The risk was formally accepted by management in June 2021; however, no effective compensating controls were implemented thereafter. The limitation misstatement formed the basis for the modified opinion on the financial statements in the auditor's report. The absence of tamperproof logs and reliable system controls materially compromised the integrity of financial data and created an environment where account level manipulations could occur without detection and did occur. These weaknesses directly compromised the data reliability of the financial system and online self-service system, making it impossible to verify which accounts were manipulated, the timing of those changes or the full extent of the impact.

Customer service environments are often unable to reliably measure or enforce turnaround standards due to poor data quality and system limitations. These weaknesses contribute to frequent breaches of service level agreements. As a result, service delivery is slow and inconsistent, with average resolution times in certain service categories ranging between 9 and 12 days, far exceeding the 48-hour targets set by municipalities. The most severe challenges were observed in Buffalo City and Mangaung, where significant backlogs persist, compounded by non-functional or unsupported call logging systems. These conditions further weaken accountability, limit visibility over service performance and reduce municipalities' ability to respond effectively to community needs.

Weaknesses in call centre system: Mangaung

The municipality entered into a contract with LQ Technologies (1 August 2021 to 31 July 2024) at a cost R2,03 million for the assessment of the current call centres, reporting, implementation and management. However, work was not completed, no call centre was implemented and the municipality continued using its open source system, despite its limitations. The metro's call centre system thus failed to lift service delivery.

The open source call logging system was implemented in 2017, but it was ineffective in enabling the timely and effective resolution of calls. The system was unsupported (no updates/security fixes), and the documented turnaround time was not approved and therefore not enforceable. Critical information, such as assigned resolvers and resolution dates/times, was not recorded, limiting the municipality's ability to measure and enforce turnaround times.

Weaknesses in call centre system: Mangaung (continued)

As at year-end, 216 high/urgent calls were unresolved, 3 177 calls were misclassified as normal and 826 calls were missing from the sequence with no formal deletion process.

These weaknesses highlight ongoing system limitations, ineffective contract management and inadequate oversight, which continue to undermine service delivery and accountability. This continues to drive citizen dissatisfaction, resulting in ongoing public complaints and eroding trust in municipal services. It also weakens revenue collection and poses a growing risk to the financial sustainability and long-term viability of metros.

ICT systems and infrastructure do not consistently support reliable service delivery. System availability remains a concern across several metros, driven by legacy platforms, unsupported environments and weaknesses in infrastructure management.

- eThekwini continues to rely on outdated and unsupported enterprise resource planning platforms and operating systems to run critical service delivery systems. These ageing environments increase the risk of system instability and security vulnerabilities, affecting key processes such as financial management, electricity services and supply chain operations. In addition, fragmented ICT operations and inconsistent oversight across divisions weaken infrastructure reliability and business continuity.
- City of Johannesburg faces challenges with backup management, unsupported legacy systems and ineffective change management controls. These weaknesses threaten the availability and integrity of systems supporting billing, procurement and financial management, increasing the risk of service disruptions and revenue leakage. On 26 January 2026, several customer centres reported failures when attempting to upload cash receipts to the shared directory for updates to the financial system. The metro's investigation revealed that the application system remained operational. However, users were unable to complete cash receipting processes, leading to a seven-day service disruption and negative public reporting regarding the metro's inability to accept payments. This meant that customers' cash payments could not be accepted as receipts could not be reconciled back to customer accounts to reflect payments.
- City of Ekurhuleni shows how infrastructure weaknesses can elevate cybersecurity risk. Exploitable system vulnerabilities highlight how inadequate maintenance can enable unauthorised access or system disruption. Such incidents threaten to interrupt revenue processes, customer services and operational monitoring functions that are critical to effective service delivery.
- Mangaung continues to experience persistent infrastructure vulnerabilities, including municipal devices operating on outdated operating systems, inadequate patch management and weak disaster recovery arrangements. Despite experiencing a prior cyber incident, deficiencies in business continuity planning and infrastructure resilience remain unresolved, leaving critical municipal operations exposed to potential system outages capable of disrupting service delivery.

Metros continue to be prime targets for ransomware and data breaches. We recommended that metros vulnerable to cyberattacks address their cybersecurity weaknesses, which are mainly driven by the following:

- Cybersecurity is still treated as an ICT issue rather than a core business risk requiring leadership oversight and accountability.

- Cybersecurity strategies and frameworks are often not approved, implemented or embedded into ICT planning and budgeting processes.
- Critical cybersecurity roles such as chief information security officers, security engineers and analysts remain unfunded or vacant. This leads to reliance on generalist ICT staff or fragmented service provider arrangements without clear accountability.
- Incident response plans and playbooks are incomplete, untested or not integrated with business continuity and disaster recovery processes.
- There is continued reliance on outdated and unsupported infrastructure with insecure configurations.
- There is weak, incomplete or inconsistent security logging across key systems.

These logging and monitoring weaknesses significantly limit municipalities' ability to detect malicious activity, assess the extent of security breaches and effectively investigate cyber incidents. In many cases, privileged user activity is not adequately monitored, audit trails are incomplete or disabled, and security tools are not integrated. This results in delayed detection and response, with limited ability to determine root causes.

Collectively, these weaknesses, combined with ageing infrastructure and unresolved vulnerabilities, substantially increase the risk of:

- service delivery disruptions due to outages of critical systems such as billing, customer care and operational platforms
- financial losses arising from fraud, data manipulation, incident recovery costs and unplanned ICT expenditure
- reputational damage and erosion of public trust, particularly where service interruptions or data breaches affect residents
- weak accountability and transparency, as incomplete logs, unsupported systems and limited forensic evidence constrain effective investigation and reporting.

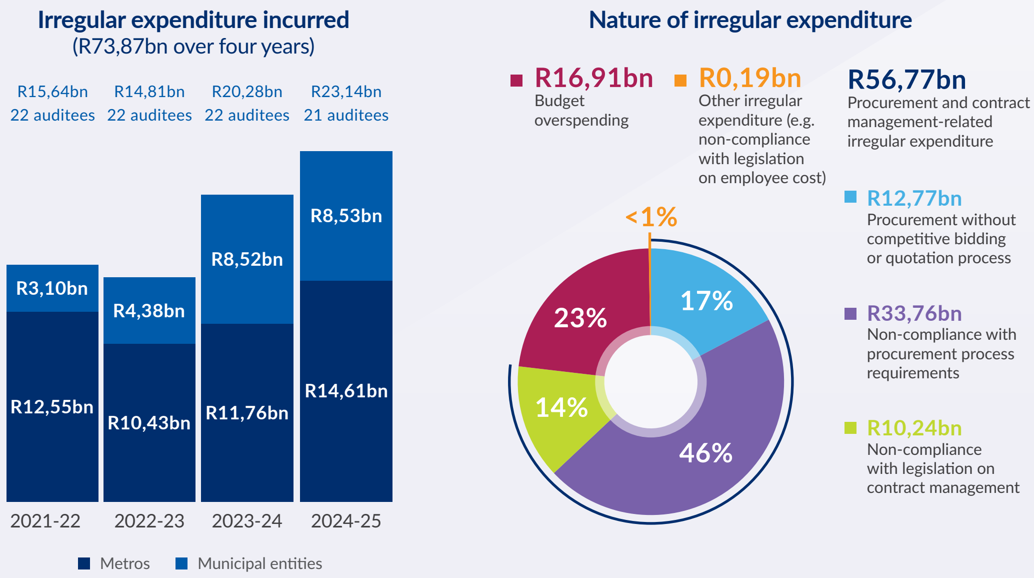
4.4 Institutional integrity and accountability

Institutional integrity requires metros to embed strong controls to ensure that leadership and officials behave ethically, comply with legislation, avoid conflicts of interest, and consistently act in the best interest of the institution. Accountability begins with leadership: when the right tone is set at the top, officials are more likely to recognise and embrace accountability in their daily operations. Metros failed to materially comply with key legislation in 2024-25. The following were the most common areas of non-compliance:

- Procurement and contract management: eight metros (100%)
- Prevention of unauthorised, irregular, and fruitless and wasteful expenditure: seven metros (88%)
- Consequence management: six metros (75%)
- Expenditure management: six metros (75%)
- Asset management: five metros (63%)
- Material misstatement/limitations in submitted annual financial statements: five metros (63%)

The non-compliance resulted in high levels of irregular expenditure.

Amount and nature of irregular expenditure for metros and related municipal entities



As mentioned in subsection 2.4, metros and their entities have accounted for 51% of the total irregular expenditure since 2021-22, with the biggest contributors over this period being City of Tshwane (R12,17 billion), City Power Johannesburg (R11,82 billion), Buffalo City (R10,69 billion) and eThekwini (R10,00 billion). In 2024-25, metros and their entities accounted for 58% of the total irregular expenditure, an increase from the 47% in 2021-22.

Since 2021-22, 77% of the R73,87 billion in irregular expenditure incurred by metros and their entities has been due to non-compliance with legislation on procurement and contract management.

Most common procurement findings in metros (2024-25)

Finding	Number of metros (%)	Buffalo City	City of Cape Town	City of Ekurhuleni	City of Johannesburg	City of Tshwane	eThekwini	Mangaung	Nelson Mandela Bay
Quotations and/or competitive bidding process not applied	7 (88%)	✓	-	✓	✓	✓	✓	✓	✓
Evaluation process not fairly applied	7 (88%)	✓	✓	✓	✓	✓	✓	-	✓
No/ inadequate contract performance measures and monitoring	6 (75%)	✓	-	✓	✓	✓	-	✓	✓
Preference point system not applied or incorrectly applied	4 (50%)	✓	✓	-	-	-	✓	-	✓

The legislation allows for justified instances where deviation from normal **quotation or competitive bidding processes** may be applied to appoint a service provider under specific circumstances. However, since 2021-22, we have continued to identify findings each year relating to deviations that were not justified or properly approved. These have persisted in at least 63% of the metros in the last four years.

The continued reliance on unjustified deviations points to deeper weaknesses in planning, procurement discipline, contract management and consequence management within municipalities.

Deviation from competitive bidding process: Mangaung

In 2024-25, the metro incurred irregular expenditure of R3,79 million relating to the procurement of servicing, installation and maintenance of municipal surveillance CCTV cameras through a deviation approved as an emergency. However, the circumstances did not meet the definition of an emergency per the municipality's Procurement Policy.

In addition to not complying with procurement legislation, the metro did not receive value for the money spent. Although the approved deviation limited the scope to maintenance of 217 CCTV cameras, the municipality was billed for maintenance of 69 cameras and for the purchase of 148 new cameras, even though only repair work was done.

In October 2025, we notified the accounting officer of an MI for the payments made for the replacement of the 148 cameras, when only repair work was done, resulting in an estimated loss of R2,97 million. The accounting officer did not take appropriate action to resolve the MI, and we issued a recommendation, which should be implemented by December 2026.

The irregularity was driven by weak monitoring and oversight, ineffective procurement planning and failures in asset verification. Inadequate supervisory review of procurement and invoice verification processes allowed non compliant expenditure to proceed to payment.

Some findings are indicative of an increased risk of the abuse of supply chain processes, particularly through the **use of panels or multi-award procurement arrangements** (panels). Panels are a procurement mechanism where an auditee appoints more than one supplier through a single competitive procurement process to provide similar goods or services over a defined period. The appointed panel members are not guaranteed a specific volume of work. Instead, the auditee issues specific orders to panel members either on a rotational basis or through a secondary selection process such as obtaining quotations. While these arrangements are not explicitly legislated, they remain subject to the broader public procurement legislation and their procurement policies, which should ensure that allocations of work to panel members are done in a manner that is fair, equitable, transparent, competitive and cost-effective.

Our audit work found that weak governance over panels has created an environment susceptible to manipulation, fraud and abuse, in particular relating to the processes used to allocate work. We have identified instances of collusive bidding or quoting, unjustified extensions and deviations in panel use, inconsistent application of evaluation criteria, and a lack of transparency in the allocation and rotation of work.

Procurement irregularities related to use of panels of suppliers: eThekwini

The metro established a water tanker panel in 2017 to provide water services to residents. The contract awarded expired in 2021, but was extended multiple times, effectively extending its duration to eight years. As a result, a mechanism that was used to expedite service delivery has gradually been used to close off the market and give preferential treatment to selected suppliers.

We identified indicators of potential collusive behaviour among panel members. Several suppliers were found to be sharing resources without disclosure, contravening original bidding declarations and distorting fair and competitive procurement processes.

We reported non-compliance with the Municipal Supply Chain Management Regulations due to the inappropriate use of procurement deviations and the failure by the accounting officer to prevent and address abuse of the procurement process, including the investigation of allegations of such abuse, particularly potential collusive bidding relating to water tankering services. We also reported non-compliance with the MFMA due to the absence of an effective system to manage and control expenditure incurred for these services, specifically in relation to overpayments and payments for services not received. As a result of the non-compliance, the metro disclosed irregular expenditure of R657,10 million in 2024-25.

Between July 2024 and October 2024, the metro paid an estimated R4,62 million for water delivered using water tankers without evidence that goods and services were received. The supporting documentation submitted by suppliers was found to be misrepresented or invalid. We notified the accounting officer of the MI in December 2025 and by May 2026 recovery processes had commenced, resulting in an acknowledgement of debt from the service provider. Loss recovery is in progress and further appropriate action is being taken to resolve the MI.

We also identified multiple instances of suspected fraud where suppliers were paid based on claims linked to vehicles that could not have delivered water – these included light-duty vehicles as well as unregistered or scrapped vehicles. Supporting documentation was also incorrect or inconsistent with what was claimed. We issued an MI to the accounting officer in February 2026 (after the cut-off for inclusion of detail in this general report) relating to an estimated loss of R1,57 million due to overpayments.

These findings highlight systemic control environment weaknesses in contract management relating to the use of the water tanker panel. These deficiencies have continued to expose the municipality to financial loss and have significantly compromised citizens' constitutional right to reliable access to water services.

Procurement irregularities relating to the use of panels: City of Ekurhuleni

During the audit of procurement at the metro for the appointment of a panel of service providers to support ICT software licensing and related services up to 30 June 2027, we identified indicators of potential collusive bidding. These indicators included identical pricing errors, similar handwriting on pricing schedules, coordinated pricing patterns and the submission of shared personnel by two appointed bidders.

The risk of compromised competition was further increased by weaknesses in the bid specification, which did not clearly define the scope of work, resulting in significant price disparities between bidders. Work that was declined by one panel member was reallocated to the bidders with indicators of collusive conduct at negotiated rates, despite the availability of lower-priced bidders. This resulted in the metro paying approximately R6,99 million more for the services than needed.

We reported non-compliance with the Municipal Supply Chain Management Regulations due to bid specifications not being adequately described in terms of performance requirements, and failure by the accounting officer to prevent, address and investigate abuse of the procurement process relating to these ICT services. Due to the non-compliance, the metro disclosed irregular expenditure of R37,68 million in the 2024-25 year, based on the amounts billed to date.

These matters reflect a significant breakdown in governance over procurement, negatively impacting fairness, cost-effectiveness and competition.

As detailed in subsection 2.4, to prevent **conflicts of interest**, legislation prohibits municipalities from awarding contracts to, or accepting quotations from, employees, councillors or other state officials (including suppliers that they own or manage) if the individuals are serving the municipality or any other state institution. While awards to suppliers in which close family members or business associates of employees or councillors have an interest are not expressly prohibited, such awards may create conflicts of interest. Municipalities are therefore required to disclose any such awards exceeding R2 000 in their financial statements.

A prohibited award to the value of R153,41 million was made by City of Tshwane due to a supplier falsely declaring that there is no conflict of interest and failure by the affected employee to disclose interests as part of the annual declaration process.

Awards were made to suppliers owned or managed by state officials at eThekwini (18 awards worth R3,63 million) and Buffalo City (four awards worth R0,23 million). The suppliers falsely declared that no state officials have an interest in the supplier.

City of Cape Town, City of Tshwane, eThekwini and Nelson Mandela Bay made awards to suppliers in which close family members and business associates of employees have interests, totalling R401,77 million. Non-disclosure, lack of employee declaration, false supplier declarations and conflicts of interest were identified.

Findings on awards to suppliers in which close family members and business associates of employees have an interest

Findings	Amount	Metro and details of awards
Awards not disclosed in the financial statements	R3,63m	City of Cape Town – one award worth R3,63 million
Employees failed to disclose interest	R70, 20m	• City of Tshwane – two awards worth R58,82 million. The services relate to support and maintenance, IT services and physical security. No consequence management was implemented, despite this being a repeat finding from the previous year. • eThekwini – three awards worth R6,25 million • City of Cape Town – one award worth R3,63 million • Nelson Mandela Bay – five awards worth R1,5 million
Employees participated in the procurement process	R6,25m	eThekwini – three awards worth R6,25 million
False declaration by suppliers	R62,45m	• City of Tshwane – two awards worth R58,82 million • City of Cape Town – one award worth R3,63 million.

The most common contract management finding was the **lack of or inadequate contract performance measures and monitoring,** identified at six metros, as mentioned earlier in this section.

At City of Johannesburg, we identified month-to-month extensions of contracts worth R248,21 million due poor planning and/or delays in finalising the new procurement. The contracts relate mainly to housing projects and road construction and rehabilitation services.

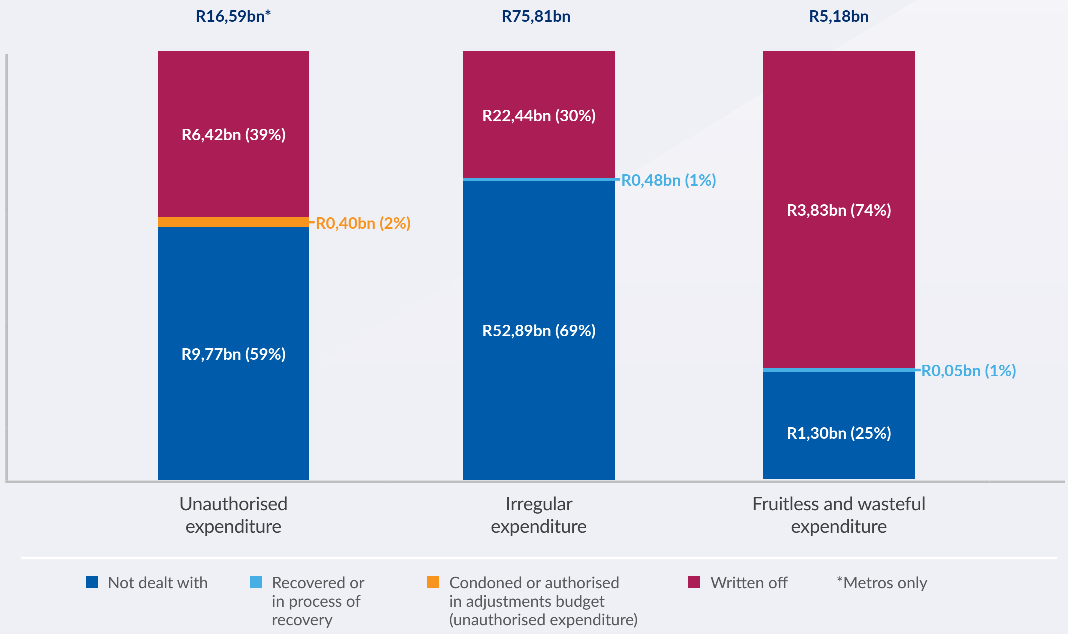
We notified the accounting officers of six metros and two municipal entities of 15 MIs relating to poor contract management practices – nine for payments made for goods or services that were not received, no benefit from cost incurred (two) and the remainder for payments for poor quality (three) and not in line with the contract (one).

Legislation tasks the accounting officer and the council with preventing, detecting, disclosing and dealing with **unauthorised, irregular, and fruitless and wasteful expenditure.** There is a well-defined process to deal with these types of expenditure transparently and consistently, as the amounts and how they have been dealt with are disclosed in the financial statements.

Over the past four years, most metros have been slow to respond to these matters – not investigating as required by the MFMA, not holding officials accountable and not taking all possible steps to identify and recover possible financial losses. As a result, the year-end balances of these types of unwanted expenditure remain high. By 2024-25, the balance of irregular expenditure that metros had accumulated over many years totalled R69,34 billion, while the balance for unauthorised expenditure stood at R16,86 billion and for fruitless and wasteful expenditure at R3,02 billion.

Metros and their entities have started paying attention to unauthorised, irregular, and fruitless and wasteful expenditure over the past three years, but councils and boards have been more inclined to write off the financial losses and the money irregularly spent rather than take steps to address the root causes.

How metro councils and boards dealt with opening balance of unauthorised, irregular, and fruitless and wasteful expenditure



Delayed investigations resulting in irrecoverable financial losses: Buffalo City

The metro incurred irregular expenditure of R66,54 million due to non-compliance with procurement legislation relating to an annual plant hire contract awarded in 2012, which expired in 2014.

Although the irregular expenditure was referred to the municipal public accounts committee (MPAC), the matter was not investigated, recoverability was not assessed and the liable officials were not identified, as required by legislation. As a result of recovery processes not being instituted timeously, the expenditure prescribed after three years and became irrecoverable.

In October 2024, the council resolved to write off the expenditure on the basis of prescription. This case demonstrates how delays in investigations weaken accountability and transfer the financial burden of non-compliance to the municipality.

The lack of institutionalised integrity and accountability at some metros increased the **opportunity for fraud.** In 2023-24, we reported findings to accounting officers on indicators of fraud or improper conduct in procurement and contract management processes at six metros for follow-up. Mangaung and Nelson Mandela Bay did not investigate any of these reported findings. eThekwini investigated the reported findings but did not resolve any of the findings while City of Johannesburg investigated and resolved some of the findings.

We illustrate the positive impact of proper investigations and actions taken on the outcomes through an example from City of Cape Town.

Positive impact of proper investigations: City of Cape Town

During 2024-25, the metro investigated procurement irregularities within its urban waste management directorate. The most significant matter related to the award for the supply and delivery of refuse bags, in May 2021 worth R132,3 million, and earlier refuse collection tenders awarded between 2017 and 2019. The investigations mainly focused on allegations of undisclosed relationships between officials involved in bid committees and service providers, which affected the fairness of evaluations.

The metro completed a forensic investigation in September 2024, which confirmed weaknesses in conflict-of-interest management, inconsistent application of evaluation criteria and instances where poor due diligence findings were not adequately considered. In one case, a refuse collection contract was cancelled at a late stage in May 2021 due to undisclosed conflicts of interest, resulting in the extension of existing contracts to ensure continuity of service delivery.

The investigation resulted in disciplinary action being initiated against implicated officials; however, several resigned before processes could be concluded. The remaining officials received final written warnings. The matter was also reported to the South African Police Service for further investigation. The investigation concluded that the failures identified compromised fairness, transparency and competitiveness in procurement and highlighted the need for stronger conflict of interest controls and more decisive consequence management.

4.5 Planning, budgeting, monitoring and reporting processes

Section 1 outlines the importance of, and legislated responsibilities for, the planning, budgeting and monitoring and reporting process. In the complex environment of metros, adherence to these legislated processes is critical to ensure robust monitoring, corrective action for deviations and sound decision-making.

Weaknesses in this process arise when key roleplayers in the accountability ecosystem do not diligently perform their legislated duties.

Annual planning, budgeting and performance agreements

Audit finding	Metros
The council adopted an unfunded adjustments budget contrary to advice from the National Treasury.	City of Ekurhuleni, City of Johannesburg, City of Tshwane
The mayor approved an SDBIP with material deficiencies not identified and corrected by the accounting officer.	Buffalo City, City of Tshwane, Mangaung
Planned performance (as agreed through public participation) was not funded, resulting in significant mid-year adjustments.	Buffalo City, City of Ekurhuleni, City of Johannesburg, City of Tshwane, eThekwini, Mangaung, Nelson Mandela Bay

In-year monitoring and corrective action

Audit finding	Metros
Mid-year budget and performance assessments (section 72) were not submitted by the accounting officer by 25 January.	Nelson Mandela Bay
Monthly budget statements (section 71) were not timeously submitted by the accounting officer each month.	Nelson Mandela Bay
Recommendations by the National Treasury, based on monthly budget statements, were not implemented by the accounting officer.	Buffalo City
Monitoring was performed using in-year financial reporting that is not reliable (based on poor-quality financial statements submitted for auditing).	Buffalo City, City of Ekurhuleni, City of Johannesburg, City of Tshwane, Mangaung, Nelson Mandela Bay
Monitoring was performed using in-year performance reporting that is not reliable (based on poor-quality performance reports submitted for auditing).	Buffalo City, City of Cape Town, City of Johannesburg, City of Tshwane, eThekwini, Mangaung, Nelson Mandela Bay

Accounting for performance and corrective action

Audit finding	Metros
The financial statements included in the annual report for oversight purposes were materially misstated.	Buffalo City, City of Ekurhuleni, City of Tshwane, Mangaung, Nelson Mandela Bay
The performance report included in the annual report for oversight purposes was materially misstated.	Buffalo City, City of Johannesburg, City of Tshwane, eThekwini, Mangaung, Nelson Mandela Bay
Responsibilities – 2023-24	
An oversight report was not adopted in time by the council after the annual report tabling.	Mangaung
MPACs did not:	
• make recommendations to address shortcomings highlighted by oversight reports and unauthorised, irregular, and fruitless and wasteful expenditure	Buffalo City, Mangaung
• monitor progress on MIs and make recommendations to the council	City of Ekurhuleni, City of Johannesburg, City of Tshwane, Mangaung
• exercise oversight on disciplinary actions	City of Ekurhuleni, City of Johannesburg, City of Tshwane, Mangaung
• evaluate the extent to which audit committee recommendations have been implemented.	Mangaung
Remedial actions included in the provincial report on 2023-24 municipal performance of municipalities (section 47 report) have not been implemented.	City of Ekurhuleni, City of Johannesburg, City of Tshwane

4.6 Accountability ecosystem

Councils play a critical role in setting the tone for ethical behaviour, good governance and accountability and in creating a culture that fosters trust and confidence in local government.

While most metropolitan councils have established the required governance structures and comply procedurally with legislative requirements (except where highlighted in the previous subsection), this compliance has not translated into effective oversight or improved outcomes. In 2024-25, we found the following:

- Councils did not promote sound financial management as well as transparent, effective and good governance in the implementation of policies and the use of public funds – at all three metros in Gauteng and Mangaung.
- Councils did not implement the Consequence Management Framework – at two metros (City of Tshwane and Mangaung).
- Council disciplinary boards did not monitor the institution of disciplinary proceedings – at four metros (City of Johannesburg, City of Ekurhuleni, Buffalo City and Mangaung).
- Council disciplinary boards did not investigate allegations of financial misconduct – at three metros (Buffalo City, City of Ekurhuleni and Mangaung).

MPACs were established at all metros; however, only the committees at City of Cape Town effectively discharged their responsibilities. In addition to the oversight actions not taken as per the previous subsection, at three metros (City of Johannesburg, City of Ekurhuleni and Mangaung), the committees did not track and monitor committee recommendations and did not set specific time frames for recommendations relating to investigations of unauthorised, irregular and fruitless and wasteful expenditure.

Section 154 of the Constitution stipulates that the national and provincial government must support and strengthen the capacity of municipalities to manage their own affairs, exercise their powers and perform their duties. Section 34 of the MFMA also requires the national and provincial government to help municipalities build capacity to support efficient, effective and transparent financial management.

The finance minister did not delegate the monitoring and administrative oversight role for metros to the provincial members of the executive council (MECs). The **National Treasury** is responsible for this oversight role and has implemented various initiatives to support metros, including the following:

- Providing financial reporting support through high-level financial reporting reviews, guidance on accounting-related queries and oversight of audit action plans.
- Conducting annual budget assessments, providing budget support and recommendations, and performing mid-year budget and performance assessments and reporting any findings from these assessments.
- Institutionalising in-year management, monitoring and reporting systems to track metro performance in all key areas.
- Continuing to drive the implementation of common performance indicators at metros to streamline planning and reporting and improve the completeness, measurability and relevance of performance indicators and targets.

However, metros have not taken full advantage of these initiatives, with financial and performance outcomes remaining poor, more metros now obtaining modified financial opinions and metros continuing to pass unfunded adjustments budgets.

In 2023-24, the National Treasury established the Metro Trading Services Reform programme to provide incentives and technical assistance to strengthen the performance of water and sanitation, electricity and solid waste trading services in metros and address the institutional challenges that hinder the provision of these services to communities. These incentives include linking grant funding to efficiency improvements, which will assist in curbing water and electricity leakages and investing in infrastructure such as smart meters for water and electricity, or Geographic Information System-based leak detection and real-time consumption monitoring.

Over the administration, we have been engaging with premiers, MECs of local government and provincial legislatures to advocate for stronger oversight by provincial government and legislatures.

In response to our reports and engagements, the **premiers** committed to increased oversight and support by the provinces to metros.

The **provincial legislature** may deal with the annual report and oversight reports in accordance with its constitutional powers. Overall, the 2023-24 reports were not dealt with by the Western Cape, KwaZulu-Natal and Gauteng provincial legislatures. Although the Free State provincial legislature dealt with Mangaung's reports, this was done late in August 2025, and no resolutions were made.

Parliament has increased its oversight of metros through joint committee engagements coordinated by the Portfolio Committee on Cooperative Governance, which includes the national and/or provincial Scopa, provincial legislatures and Standing Committee on the Auditor-General. Increased oversight will continue to strengthen the accountability processes for metros.

4.7 Conclusion

Over the years, the audit outcomes of metros have consistently demonstrated the prevalence of poor-quality financial and performance reporting and high levels of disregard for legislation.

The continued weak commitment to transparency and accountability, combined with deficiencies in institutional capability, a lack of institutional integrity and poor governance and oversight, continued to negatively impact metro residents and businesses directly through the resultant non-performance and financial instability of metros.

We reiterate our call to the MECs for finance and for local government to prioritise the development and implementation of sustainable solutions for metros, so that they can effectively fulfil their mandates and positively contribute to the country and its people. Decisive action is required, alongside significantly improved oversight by premiers, the MECs for local government and committees in Parliament and provincial legislatures.

The impact that fully functional, well-performing metros will have on South Africans and businesses is substantial and well worth working towards.

In the remainder of this section, we provide further insights into the eight metros.

4.8 Spotlight on individual metros

City of Ekurhuleni

Governance failures are worsening the state of service delivery

Five-year audit outcomes

	2020-21	2021-22	2022-23	2023-24	2024-25
Audit outcome	Clean audit	Clean audit	Unqualified with findings	Unqualified with findings	Qualified with findings
Material findings: compliance with legislation	No	No	Yes	Yes	Yes
Material findings: performance report	No	No	No	No	No

Financial statements — Audit opinion: Qualified

Material misstatements	Before audit	After audit
Receivables	Yes	Yes

Compliance and irregular expenditure

Number of material findings 3

Areas of non-compliance
Prevention of irregular expenditure; procurement management

Material procurement and contract management compliance findings
Criteria applied in evaluation differed from those originally specified; inadequate contract performance and monitoring measures; performance of contractors not monitored on monthly basis

Irregular expenditure over administration R0,62bn (4 years)

Consequence management

Material consequence management compliance findings None

Dealing with prior-year irregular expenditure balance

R0,95bn | R0,06bn

Dealing with prior-year fruitless and wasteful expenditure balance

R0,07bn

■ Not dealt with ■ Written off

Distribution losses over administration

Water losses R5,02bn (1 year more than 30% norm)

Electricity losses R10,55bn (4 years more than 10% norm)

Performance report — Audit opinion: Unqualified

Material findings	Before audit	After audit
	None	None

Financial health — Assessment: Unfavourable

Adverse financial health indicators
- Liquidity ratio: (0)
- Creditor days: 175 days
- Debtor days: 640 days

Going concern uncertainty Yes (2024-25)

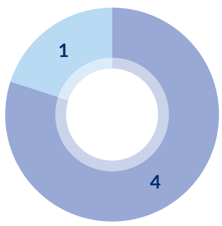
Credit rating Moody's | Caa2 | Downgraded

Unauthorised expenditure over administration R0,40bn (1 year)

Fruitless and wasteful expenditure over administration R0,08bn (3 years)

Material irregularities (including municipal entity)

5 material irregularities – R112,99m estimated financial loss



■ Recently notified
- Inefficient use of resources – no/limited benefit derived from cost (1)

■ Appropriate action
- Pollution of water sources, resulting in harm to public (3)
- Under-utilisation of material public resource (distribution centre building) (1)

City of Ekurhuleni Metropolitan Municipality is situated in the east of Gauteng, covering an extensive area from Germiston in the west to Springs and Nigel in the east. The area is commonly known as the East Rand and includes towns such as Boksburg, Kempton Park and the major townships of Tembisa and Katlehong. It provides electricity, water, sanitation, roads, waste management and other community services to a large and diverse population across 1,55 million households. It also supports significant economic activity through its residential, commercial and industrial base. The metro has two entities, namely, East Rand Water Care Company and Ekurhuleni Housing Company.

Over the administrative period, the metro experienced political instability, with changes in the speaker and members of the mayoral committee disrupting the consistency of council oversight. In contrast, the administration remained stable, as the accounting officer and other senior leaders have held their positions for more than four years. The control environment remained weak in revenue management, information security, and procurement and contract management due to a lack of strong preventative and detective controls. In some instances, this exposed the metro to a risk of fraud. While governance structures such as the internal audit unit, audit committee and MPAC continued to operate, their impact was constrained by the slow implementation of corrective actions and inadequate consequence management by the accounting officer.

The combined effect of instability at political level and weaknesses in the control environment contributed to the metro's audit outcome regressing over the administration. The metro remained vulnerable to repeat findings on procurement and contract management due to the slow implementation of audit action plans. It also did not implement adequate controls to address the root causes of prior-year audit findings.

The metro's financial performance remained strained due to persistent revenue-collection challenges and uncertainty over the recoverability of consumer debt. Weaknesses in the billing system, coupled with prolonged reliance on billing estimations for certain customer accounts, undermined the credibility of the bills issued and placed additional strain on the metro's cash-flow sustainability, as it continued to struggle with revenue collections.

The metro continued to deliver essential municipal services in a complex and high-demand environment. In 2024-25, it spent 96% of its budget; however, it did not achieve some of its key water and roads service delivery targets. The metro also experienced delays in the construction of key infrastructure projects due to inadequate contract administration, monitoring and poor project management.

We made the following recommendations to the accounting officer to address the control environment weaknesses:

- Strengthen IT controls in the billing environment by enforcing appropriate user access management, retaining complete audit trails, formalising change control processes and implementing effective monitoring of amendments to customer accounts and billing data.
- Ensure that action plans to address recurring audit findings are specific, measurable and owned by the responsible senior officials, with regular monitoring and consequence management for delayed implementation.

We also called on the mayor to strengthen political oversight of the implementation of audit action plans and to demand regular reporting from the administration on progress in resolving longstanding revenue, receivables, procurement and contract management issues and service delivery risks.

The metro must urgently address concerns relating to governance, institutional integrity and accountability to restore trust, improve outcomes and support reliable service delivery.

City of Johannesburg

Instability and failing accountability affected citizens' lived experiences

Five-year audit outcomes

	2020-21	2021-22	2022-23	2023-24	2024-25
Audit outcomes (consolidated)	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
Audit outcomes (stand-alone)	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified with findings
Material findings: compliance with legislation	Yes	Yes	Yes	Yes	Yes
Material findings: performance report	Yes	Yes	Yes	Yes	Yes

Financial statements

Audit opinion (consolidated): Unqualified

Audit opinion (stand-alone): Qualified

Material misstatements	Before audit	After audit
Expenditure; irregular expenditure; receivables	Yes	Yes
Cash flows from investing activities; property, infrastructure, plant and equipment; revenue from non-exchange transactions; financial instruments; going concern; other disclosures	Yes	No

Compliance and irregular expenditure

Number of material findings 11

Areas of non-compliance

Quality of financial statements; prevention of unauthorised and irregular expenditure; expenditure management; asset management; consequence management; utilisation of conditional grants; procurement management

Material procurement and contract management compliance findings

Competitive bids not invited and/or deviations not justified

Irregular expenditure over administration R6,55bn (4 years)

Consequence management

Material consequence management compliance findings

Irregular and fruitless and wasteful expenditure was not investigated to determine if any person is liable

Dealing with prior-year irregular expenditure balance

Dealing with prior-year fruitless and wasteful expenditure balance

Distribution losses over administration

Water losses R10,30bn (4 years more than 30% norm)

Electricity losses R18,97bn (4 years more than 10% norm)

Performance report

Audit opinion: Qualified

Material findings	Before audit	After audit
Findings: reliability	Yes	Yes

Financial health

Assessment: Concerning

Adverse financial health indicators

- Liquidity ratio: 0,13
- Creditor days: 117 days
- Debtor days: 68 days

Going concern uncertainty No

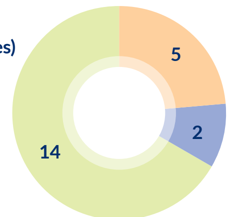
Credit rating Moody's | Ba3 | Downgraded

Unauthorised expenditure over administration R6,81bn (4 years)

Fruitless and wasteful expenditure over administration R0,40bn (4 years)

Material irregularities (including 5 municipal entities)

21 material irregularities – R717,98m estimated financial loss



Appropriate action

- Assets not safeguarded, resulting in loss (2)
- Pollution of water sources, resulting in harm to public (1)
- Landfill site mismanagement, resulting in harm to public (1)
- Under-utilisation of material public resource: bus station (1)

Recently notified

- Under-utilisation of a material public resource: office building (1)
- Inefficient use of resources - no/limited benefit derived from cost (1)

Resolved

- Non-compliance, resulting in penalties (1)
- Inefficient use of resources – no/limited benefit derived from cost (2)
- Payment for poor-quality goods or services (1)
- Payment for goods or services not received (1)
- No benefit from cost (3)
- Unbilled revenue (3)
- Loss of investments (2)
- Sars late payments, resulting in interest and penalties (1)

City of Johannesburg Metropolitan Municipality is the largest metro in South Africa in terms of economy and population. It is located in Gauteng in the north-eastern interior of the country and covers an area of 1 645 square kilometres. It is made up of several suburbs, townships and commercial nodes, including Midrand, Sandton, Lenasia, Soweto and Braamfontein. The metro operates through a decentralised governance model, comprising the metro authority and several municipal entities, each mandated to deliver specific infrastructure and service functions, thereby contributing to and supporting integrated urban management and service delivery.

Johannesburg is a national hub for finance, commerce and manufacturing, supporting significant economic activity and employment. The metro is responsible for delivering core municipal services, including electricity, water and sanitation, waste management, roads, public transport, housing and environmental services to approximately 2,25 million households across this hub. These services are delivered through the core administration and key municipal entities such as City Power Johannesburg, Johannesburg Water, Pikitup Johannesburg and the Johannesburg Roads Agency.

Our audit found that the metro faces a broad range of systemic operational challenges, including financial and liquidity constraints, driven by weak revenue collection and rising expenditure pressures. Significant infrastructure deterioration and maintenance backlogs across key service delivery areas further compound these pressures. Persistent electricity distribution losses through City Power Johannesburg and ongoing pressures in water and sanitation systems managed by Johannesburg Water, among others, add to the strain. These operational constraints are further compounded by governance and institutional capacity weaknesses.

Instability in political and administrative leadership during the administrative period weakened accountability and overall performance. While council and mayoral structures remained functional, ineffective oversight and unstable coalition governance led to shifting priorities and inconsistent oversight. At an administrative level, instability in the accounting officer position, along with vacancies in key management positions in the finance unit and the chief audit executive post, further impacted institutional performance.

Leadership instability and a weakened control environment constrained the metro's ability to enforce consequence management, implement audit action plans and address repeat findings. Investigations into unauthorised, irregular, and fruitless and wasteful expenditure were delayed or incomplete, allowing known control weaknesses to continue over multiple years. This contributed to the regression in the audit outcome for the stand-alone audit.

Continued non-compliance and reliance on the audit process to report credible financial and performance information persisted. The overall control environment remained weak. The tone of leadership and existing governance arrangements did not consistently reinforce compliance, disciplined financial management, accountability or effective oversight. Management failed to implement adequate preventative and detective controls, resulting in poor record-keeping, weak review processes, ineffective risk management and delayed responses to audit findings.

The impact of the internal audit unit and audit committee was limited by slow and incomplete implementation of recommendations due to insufficient management action. MPAC demonstrated an increased focus on oversight and consequence management, but backlogs in investigations and delayed finalisation of cases point to inadequate enforcement and limited accountability.

While the metro implemented financial stabilisation and recovery initiatives and engaged the National Treasury for support, these actions have not yet resulted in notable improvement. The metro's financial health remained concerning due to liquidity pressures, high debt and inability to timeously collect revenue. Ongoing lapses in budget discipline as well as revenue and asset management continued to put pressure on cash flows and constrained the metro's ability to adequately fund service delivery and infrastructure. The metro incurred unauthorised expenditure of R2,38 billion, mainly due to overspending.

Achievements of key service delivery targets remained low. City Power Johannesburg and Johannesburg Water displayed weak performance reporting and unreliable system-generated information on performance that limited oversight. Delays in infrastructure delivery, weak project management and a lack of maintenance caused high water and electricity distribution losses and had a negative effect on service delivery.

To address weaknesses in the control environment, we recommended the following to the accounting officer:

- Stabilise the senior management level by filling critical vacancies.
- Implement the agreed audit action plans.
- Enforce consequence management.

We also called on the mayor to:

- demand measurable progress on longstanding governance and control failures
- hold the accounting officer and municipal entities' leadership accountable for agreed audit action plans
- enforce consequence management.

By stabilising leadership and strengthening accountability, the metro has a clear opportunity to restore confidence, improve outcomes and put itself firmly on a path to sustainable service delivery.

City of Tshwane

Governance failures delaying service delivery and increasing risk to sustained financial health

Five-year audit outcomes

	2020-21	2021-22	2022-23	2023-24	2024-25
Audit outcome	Unqualified with findings	Adverse with findings	Qualified with findings	Qualified with findings	Qualified with findings
Material findings: compliance with legislation	Yes	Yes	Yes	Yes	Yes
Material findings: performance report	Yes	Yes	Yes	Yes	Yes

Financial statements

Audit opinion: Qualified

Material misstatements	Before audit	After audit
Contingent liabilities and commitments; property, infrastructure, plant and equipment	Yes	Yes
Financial instruments; other disclosures; statement of comparison of budget and actual amounts; revenue; revenue from non-exchange transactions	Yes	No

Compliance and irregular expenditure

Number of material findings 17

Areas of non-compliance

Internal audit; expenditure management; prevention of unauthorised, irregular and fruitless and wasteful expenditure; asset management; procurement management; consequence management; strategic planning and performance management; quality of financial statements

Material procurement and contract management compliance findings

Awards made to bidders on functionality criteria not stipulated or that differed from original invitation; performance of contractors not monitored monthly; procurement from suppliers without Sars clearance; inadequate contract performance and monitoring measures

Irregular expenditure over administration R12,17bn (4 years)

Consequence management

Material consequence management compliance findings

Unauthorised, irregular and fruitless and wasteful expenditure not investigated to determine if any person is liable; losses resulting from irregular and fruitless and wasteful expenditure not recovered from liable person

Dealing with prior-year irregular expenditure balance

Dealing with prior-year fruitless and wasteful expenditure balance

■ Not dealt with ■ Recovered or in process of recovery ■ Written off ■ Removed and not condoned

Distribution losses over administration

Water losses	R5,23bn (4 years more than 30% norm)
Electricity losses	R10,40bn (4 years more than 10% norm)

Performance report

Audit opinion: Qualified

Material findings	Before audit	After audit
	Yes	Yes

Findings: measurability; presentation; completeness; relevant indicators; reliability

Financial health

Assessment: Concerning

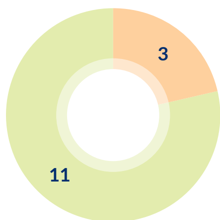
Adverse financial health indicators

- Current ratio: 0,72
- Liquidity ratio: 0,10
- Creditor days: 111 days
- Debtor days: 115 days

Going concern uncertainty	No
Credit rating	Moody's | Caa2 | Unchanged
Unauthorised expenditure over administration	R5,22bn (4 years)
Fruitless and wasteful expenditure over administration	R3,61bn (4 years)

Material irregularities

14 material irregularities – R340,55m estimated financial loss



Appropriate action

- Pollution of water sources, resulting in harm to public (1)
- Inefficient use of resources – no/limited benefit derived from cost (1)
- Unbilled revenue (1)

Resolved

- Payment for goods or services not received (4)
- Assets not safeguarded, resulting in loss (3)
- Payment not made or not made in time, resulting in interest (1)
- Payment for poor-quality goods or services (1)
- Inefficient use of resources – no/limited benefit derived from cost (1)
- Unbilled revenue (1)

City of Tshwane Metropolitan Municipality is South Africa's administrative capital. Located in northern Gauteng, it serves as the seat of government, housing the Union Buildings and over 130 foreign embassies. The metro is a leader in advanced manufacturing of transport equipment and is home to several medical, research and educational institutions.

It is the largest metro geographically and serves approximately 1,39 million households across areas such as the greater Pretoria metropolitan area, Centurion, Bronkhorstspruit, Soshanguve and Mamelodi. The city has two small entities, the Housing Company Tshwane and the Tshwane Economic Development Agency.

Senior leadership within the municipal administration has remained fairly stable over the past four years, while political leadership at the mayoral, mayoral committee and speaker levels has fluctuated due to complex coalition dynamics.

The control environment remained weak due to the absence of basic daily and monthly disciplines, such as reconciliations, and a culture of tolerating non-compliance with legislation. Performance agreements were not rigorously enforced, resulting in limited consequences for poor performance. The internal audit unit and audit committee were ineffective due to delays in executing the internal audit plan, while the MPAC's investigative processes were inadequate and critical matters before the disciplinary board remain unresolved.

Political and administrative leadership failed to set the appropriate tone by not addressing governance, oversight and accountability weaknesses decisively and timeously, further posing risks to the metro's ability to deliver services to its residents.

Due to the instability and weaknesses in institutional integrity and capability, the financial statements continued to receive qualified audit opinions, and the performance reports included unreliable and incomplete information on metro performance. Material non-compliance with legislation persisted, causing continued financial misconduct that undermined a strong ethical culture.

The financial health of the metro remained concerning, marked by high liabilities and outstanding customer debt balances, significant salary and wage liabilities, a weak credit profile and borrowing constraints, rising distribution losses as well as fruitless and wasteful expenditure.

Service delivery remained inadequate, with the metro only achieving 56% of its key service delivery targets in 2024-25, mainly due to poor project delivery and ongoing contractual challenges. While increased leadership oversight improved responsiveness to service delivery concerns and fostered a positive resident sentiment, it did not translate into the institutional capability needed for sustained and improved performance. Infrastructure delivery was hindered by persistent project delays due to poor contract and project management, delayed payments and a lack of consequences for poor-performing contractors. The deteriorating infrastructure further contributed to distribution losses, leaving the metro paying more for services than necessary.

We recommended the following to the accounting officer to address the control environment weaknesses:

- Strengthen municipal performance planning, monitoring, management and reporting.
- Improve procurement and contract management processes, especially weaknesses in committees.
- Continuously review and monitor the financial strategy of the metro.
- Improve oversight of infrastructure management through a sustainable maintenance approach and a focused roadmap supported by alternative financing and partnerships.

Buffalo City

Limited consequence management weakens service delivery and accountability

Five-year audit outcomes

	2020-21	2021-22	2022-23	2023-24	2024-25
Audit outcome	Qualified with findings	Unqualified with findings	Qualified with findings	Qualified with findings	Qualified with findings
Material findings: compliance with legislation	Yes	Yes	Yes	Yes	Yes
Material findings: performance report	Yes	Yes	Yes	Yes	Yes

Financial statements

Audit opinion: Qualified

Material misstatements	Before audit	After audit
Property, infrastructure, plant and equipment	Yes	Yes
Expenditure; other disclosures; irregular expenditure	Yes	No

Compliance and irregular expenditure

Number of material findings 14

Areas of non-compliance
Quality of financial statements; strategic planning and performance management; asset management; expenditure management; prevention of unauthorised and irregular expenditure; human resource management; procurement management; consequence management; environmental management

Material procurement and contract management compliance findings
Competitive bids not invited; criteria applied in evaluation differed from those originally specified; construction contracts awarded to contractors not registered with CIDB and/or that did not qualify for contract

Irregular expenditure over administration R10,69bn (4 years)

Consequence management

Material consequence management compliance findings
Irregular expenditure was not investigated to determine if any person is liable

Dealing with prior-year irregular expenditure balance

R10,49bn | R0,70bn

Dealing with prior-year fruitless and wasteful expenditure balance

R6,60m

■ Not dealt with ■ Written off

Distribution losses over administration

Water losses	R0,63bn (4 years more than 30% norm)
Electricity losses	R2,18bn (4 years more than 10% norm)

Performance report

Audit opinion: Disclaimed

Material findings	Before audit	After audit
Findings: measurability; reliability	Yes	Yes

Financial health

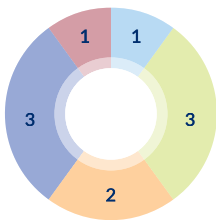
Assessment: Concerning

Adverse financial health indicators
- Liquidity ratio: 0,31
- Creditor days: 76 days
- Debtor days: 330 days

Going concern uncertainty	No
Credit rating	GCR | A- | Downgraded
Unauthorised expenditure over administration	R1,21bn (3 years)
Fruitless and wasteful expenditure over administration	R0,01bn (3 years)

Material irregularities (including municipal entity)

10 material irregularities – R120,38m estimated financial loss



■ Recently notified
- Pollution of water sources, resulting in harm to public (3)

■ Appropriate action
- Lack of proper performance-related records, resulting in harm to institution (1)

■ Resolved
- Unbilled revenue (2)
- Assets not safeguarded, resulting in loss (1)

■ Appropriate action not taken – decision on invoking powers in process
- Pollution of water sources, resulting in harm to public (1)
- Unbilled revenue (1)

■ Appropriate action not taken – invoked our powers
Recommendation
- Payment for goods or services not received (1)

Buffalo City Metropolitan Municipality in the Eastern Cape is a major coastal hub and is the country's only river port, which serves as a major gateway for imports and exports. The metro includes the urban centres of KuGompo City (formerly East London), Qonce, Bhisho and Mdantsane. It provides core municipal services, including electricity distribution, water and sanitation, refuse removal, road maintenance and fire/emergency services to just over 270 000 households. The area has a well-developed manufacturing base, with the auto industry playing a major role.

Although council leadership remained relatively stable, key senior management positions, especially the chief financial officer, were occupied in an acting capacity for extended periods. Despite this stable governance environment, the metro's control environment remained weak and ineffective, undermining accountability and consistent decision-making.

Management oversight was inadequate, as evidenced by poor information verification. Weak communication and coordination between directorates, combined with limited skills transfer from appointed experts to municipal staff, contributed to the unreliability of the asset register and led to recurring errors. Oversight structures, including the internal audit unit, audit committee and MPAC, were ineffective as recommendations were often delayed or not implemented. Consequence management remained weak with limited investigations and corrective action, further eroding overall accountability. Management focused more on improving audit outcomes than on addressing the root causes of the problems. Irregular expenditure continued to rise, largely driven by contract extensions and procurement deviations that were not compliant with legislation. Collectively, these matters remain the key root causes of the metro's shortcomings.

The metro remained under significant financial pressure, with weak revenue collection, slow recovery of outstanding debts, and late payments to creditors. Insufficient funding for infrastructure maintenance posed risks to service delivery, while poor cash-flow management and limited progress on the voluntary financial recovery plan worsened the situation. Certain assets lost value or became unusable, creating unbudgeted costs, which led to unauthorised expenditure.

Poor planning and weak project and contract management further affected service delivery, resulting in delays, inefficiencies and MIs. Losses of electricity and water remained high, environmental requirements were not always met, and only 55% of the well governed city planned performance targets were achieved. Weak controls over assets increased the risk of financial misstatements, inaccurate reporting, theft, loss, misuse, damage, potential fraud and service delivery failures. Reported performance information was not useful or reliable and lacked supporting information as in prior years.

To address control weaknesses, we recommended the following to the accounting officer:

- Strengthen internal skills.
- Improve asset and infrastructure controls.
- Apply consequence management.
- Request quarterly assurance from heads of departments on the effectiveness of performance management.

We also called on the mayor to improve oversight by establishing systems that allow for proper monitoring of the performance of top management.

We further recommended that the council exercise quarterly oversight through structured progress reporting on the audit improvement plan.

Unless financial, performance and compliance disciplines are improved, consequence management is enforced and corrective actions are implemented consistently, the metro is unlikely to see improvement. The poor leadership tone at the top and the culture of non-performance must also be addressed before the audit outcomes can improve. These weaknesses will continue to affect the provision of services to businesses and residents.

Nelson Mandela Bay

Urgent action is required to restore stability and accountability

Five-year audit outcomes

	2020-21	2021-22	2022-23	2023-24	2024-25
Audit outcome	Qualified with findings	Qualified with findings	Unqualified with findings	Qualified with findings	Qualified with findings
Material findings: compliance with legislation	Yes	Yes	Yes	Yes	Yes
Material findings: performance report	Yes	Yes	Yes	Yes	Yes

Financial statements

Audit opinion: Qualified

Material misstatements	Before audit	After audit
Property, infrastructure, plant and equipment; provisions and guarantees; contingent liabilities and commitments; expenditure; revenue from exchange transactions	Yes	Yes
Receivables; payables, accruals and borrowings; cash flow from operating activities; revenue from non-exchange transactions; other disclosures	Yes	No

Compliance and irregular expenditure

Number of material findings 19

Areas of non-compliance

Consequence management; revenue management; asset management; strategic planning and performance management; environmental management; expenditure management; prevention of unauthorised, irregular and fruitless and wasteful expenditure; procurement management; quality of financial statements

Material procurement and contract management compliance findings

Competitive bids not invited; points incorrectly allocated/calculated; performance of contractors not monitored monthly; inadequate contract performance and monitoring measures; persons in service of auditee had indirect interest in provider and failed to disclose it

Irregular expenditure over administration R6,81bn (4 years)

Consequence management

Material consequence management compliance findings

Unauthorised, irregular and fruitless and wasteful expenditure not investigated to determine if any person is liable; investigations not conducted into all allegations of financial misconduct

Dealing with prior-year irregular expenditure balance

R22,23bn

Dealing with prior-year fruitless and wasteful expenditure balance

R0,71bn

■ Not dealt with

Distribution losses over administration

Water losses	R1,23bn (4 years more than 30% norm)
Electricity losses	R4,53bn (4 years more than 10% norm)

Performance report

Audit opinion: Disclaimed

Material findings	Before audit	After audit
Findings: reliability	Yes	Yes

Financial health

Assessment: Concerning

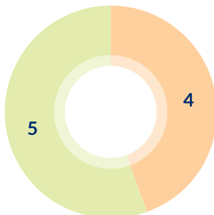
Adverse financial health indicators

- Liquidity ratio: 0,58
- Creditor days: 189 days
- Debtor days: 94 days

Going concern uncertainty	No
Credit rating	Moody's | Rating withdrawn
Unauthorised expenditure over administration	R3,16bn (3 years)
Fruitless and wasteful expenditure over administration	R0,08bn (4 years)

Material irregularities

9 material irregularities – R99,53m estimated financial loss



■ Resolved
- Unbilled revenue (2)
- Payment for goods or services not received (2)
- Inefficient use of resources – no/limited benefit derived from cost (1)

■ Appropriate action not taken – decision on invoking powers in process
- Pollution of water sources, resulting in harm to public (1)
- Employees on prolonged suspension (1)
- Unbilled revenue (2)

Nelson Mandela Bay Metropolitan Municipality in the Eastern Cape includes the major city of Gqeberha (formerly Port Elizabeth), the industrial hub of Kariega (formerly Uitenhage) and the town of Despatch. It also governs several surrounding coastal, suburban and residential townships, including Ibhayi and Motherwell. The metro is tasked with delivering core services such as electricity, roads, water, sanitation, housing and refuse removal to nearly 410 000 households. Its economy is anchored in the automotive sector, manufacturing, tourism and agriculture.

Persistent political and administrative instability has eroded institutional capability, weakened accountability and disrupted leadership continuity. The suspension of the accounting officer more than two years ago created a leadership vacuum, compounded by recurring acting appointments and longstanding vacancies at executive and senior management levels. This instability has led to fragmented decision-making and weak ownership of critical controls.

The metro's control environment remained weak. The audit committee's effectiveness was constrained by capacity limitations within the internal audit unit, slow implementation of recommendations by management, and weak consequence management. Poor-quality submissions by management, together with limited MPAC capacity, contributed to a growing backlog in addressing unauthorised, irregular, and fruitless and wasteful expenditure.

Although the audit opinion remained unchanged, the number of qualification areas increased, signalling a deterioration in financial management and reporting. The quality of the performance report also significantly regressed, to the extent that the reliability of the reported performance information could not be confirmed. Organisational instability contributed to poor coordination and inconsistent reporting across the metro. Persistent non-responsiveness, particularly within the supply chain management environment, points to an entrenched culture of tolerance of non-compliance.

While the budget is technically funded, the metro's finances remain financially constrained, posing potentially significant underlying risks. Persistent unauthorised expenditure, elevated debt impairment, prolonged creditor-payment cycles and continued underinvestment in infrastructure, particularly for renewal and maintenance, continue to erode financial sustainability.

Service delivery failures are evident in deteriorating water infrastructure, inadequate pollution control of water resources and ineffective infrastructure project implementation. These shortcomings contributed to water losses exceeding acceptable benchmarks, substantial harm to the public, and delays in housing delivery.

For example, the Walmer Airport Valley housing project sought to relocate residents from informal settlements to houses. However, the metro was unable to move the residents into temporary housing during construction, as illegal occupants had settled in the area and existing residents resisted relocation while construction was in progress. This prevented the contractor from completing construction activities and caused an eight-month delay.

To address weaknesses in the control environment, we recommended the following to the accounting officer:

- Ensure proactive implementation of the audit action plan, including upskilling financial officials and strengthening capacity to improve the quality and reliability of financial reporting.
- Prioritise the finalisation of the organisational structure and expedite the appointment of executive directors to stabilise leadership and strengthen institutional capability.

We also called on the mayor and the council to capacitate MPAC and the disciplinary board with adequate resources to facilitate the work they need to perform.

Without urgent action to restore stability and accountability, the metro risks an audit regression, weakened service delivery and continued erosion of public trust.

Mangaung

Governance failures and weak accountability undermine service delivery

Five-year audit outcomes

	2020-21	2021-22	2022-23	2023-24	2024-25
Audit outcome	Unqualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings
Material findings: compliance with legislation	Yes	Yes	Yes	Yes	Yes
Material findings: performance report	Yes	Yes	Yes	Yes	Yes

Financial statements

Audit opinion: Qualified

Material misstatements	Before audit	After audit
Contingent liabilities and commitments; employee cost; expenditure; property, infrastructure, plant and equipment; revenue from exchange transactions	Yes	Yes
Heritage assets; other current assets; other liabilities; revenue from non-exchange transactions	Yes	No

Compliance and irregular expenditure

Number of material findings 29

Areas of non-compliance

Prevention of unauthorised, irregular and fruitless and wasteful expenditure; tabling of oversight report; quality of financial statements; expenditure management; utilisation of conditional grants; revenue management; asset management; consequence management; strategic planning and performance management; human resource management; procurement management; environmental management

Material procurement and contract management compliance findings

Inadequate contract performance and monitoring measures; performance of contractors not monitored monthly

Irregular expenditure over administration R0,92bn (4 years)

Consequence management

Material consequence management compliance findings

Unauthorised, irregular and fruitless and wasteful expenditure not investigated to determine liability: investigations not conducted into allegations of financial misconduct; allegations of financial misconduct not reported to police, not investigated by relevant disciplinary board / treasury / independent investigator as well as disciplinary hearings not held or appropriate action not taken

Dealing with prior-year irregular expenditure balance

R3,40bn

Dealing with prior-year fruitless and wasteful expenditure balance

R0,28bn | R0,19bn

■ Not dealt with ■ Written off

Distribution losses over administration

Water losses	R1,85bn (4 years more than 30% norm)
Electricity losses	R0,94bn (1 year more than 10% norm)

Performance report

Audit opinion: Adverse

Material findings	Before audit	After audit
	Yes	Yes

Findings: measurability; presentation; relevance; reliability

Financial health

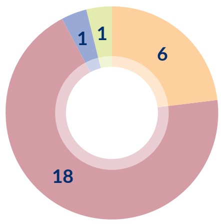
Assessment: Unfavourable

Adverse financial health indicators
- Liquidity ratio: 0,23
- Current ratio: 0,91
- Creditor days: 165 days
- Debtor days: 110 days

Going concern uncertainty	Yes (9 years)
Credit rating	Moody's | Caa1 | Unchanged
Unauthorised expenditure over administration	R4,92bn (4 years)
Fruitless and wasteful expenditure over administration	R0,37bn (4 years)

Material irregularities (including municipal entity)

26 material irregularities – R112,05m estimated financial loss



■ **Recently notified**
- Pollution of water sources, resulting in harm to public (1)

■ **Resolved**
- Sars late payments, resulting in interest and penalties (1)

■ **Appropriate action not taken – decision on invoking powers in process**
- Landfill site mismanagement, resulting in harm to public (3)
- Pollution of water sources, resulting in harm to public (3)

■ **Appropriate action not taken – invoked our powers**

Recommendation
- Assets not safeguarded, resulting in harm to institution (1)
- Payment not made or not made in time, resulting in interest (1)
- Payment for goods or services not received (1)

Referral
- Pollution of water sources, resulting in harm to public (3)
- Landfill site mismanagement, resulting in harm to public (3)
- Assets not safeguarded, resulting in loss (1)
- Inefficient use of resources – no/limited benefit derived from cost (1)
- Payment for goods or services not received (1)

Remedial action
- No benefit from cost (2)
- Payment not made or not made in time, resulting in interest (1)

Recommendation and referral
- Debt not recovered (1)

Remedial action not implemented and referral
- Assets not safeguarded, resulting in loss (1)

Certificate-of-debt process commenced
- Payment made not in line with contract (1)

Situated in the central interior of South Africa, **Mangaung Metropolitan Municipality** covers the largest land area of any metro in the country. It consists of Bloemfontein, the industrial township of Botshabelo and the historical area of Thaba Nchu. It functions as the Free State's administrative and economic hub and serves as the country's judicial capital. The metro provides essential services, including water, electricity (via Centlec), refuse removal, sanitation and public transport (via Hauweng buses) to nearly 300 000 households.

The political and administrative leadership at the metro is currently stable, following a period of instability from 2020-21 to 2023-24. The council and mayor failed to exercise effective oversight by not enforcing accountability or consequences, while the accounting officer and senior management's failure to address known control weaknesses, provide credible information and act on recommendations resulted in persistent poor performance and ongoing project delays.

The control environment remained weak as basic control measures such as proper record-keeping, regular reconciliations and effective review and monitoring of financial and performance information were not adequately implemented. Audit action plans developed in response to prior audit findings were poorly managed and monitored, leaving previously reported deficiencies unresolved. The internal audit unit and the audit committee had limited impact due to management's failure to implement their recommendations, while MPAC did not enforce accountability and consequences.

The metro's audit outcome regressed over the administration due to persistent governance failures and a weak control environment. The absence of consequence management, compounded by a poor leadership culture and a weak ethical tone, allowed these failures to persist. Throughout the administration the metro published unreliable performance reports and maintained high levels of non-compliance. This was further demonstrated by the high number of MIs raised, which resulted or is likely to result in material financial losses, harm to the public and the continued failure to prevent, detect and respond to legislative transgressions.

Despite recent signs of stability, the metro remains financially distressed and continues to disclose a going concern uncertainty. Although a mandatory financial recovery plan was implemented, progress has been slow and largely ineffective, owing to weak execution and the submission of unreliable and poor quality reports. Revenue management was ineffective, as billed revenue was not adequately converted into cash. Poor budget management resulted in spending that exceeded available resources, leading to overspending and increased liquidity pressures.

Service delivery remains constrained, as evident in the persistent delays in infrastructure projects, inadequate maintenance of existing infrastructure and challenges in the provision of water, sanitation and waste management services. These failures reflect weaknesses in the execution of projects, poor contract management and a lack of accountability, which negatively affect the delivery of services to communities.

We recommended the following to the accounting officer and mayor to address the control weaknesses in the environment:

- Assign clear accountability to heads of departments for financial and performance reporting, with monthly certification and verification processes.
- Implement an integrated process to centrally manage performance; compliance; unauthorised, irregular, and fruitless and wasteful expenditure; and MIs for timely monitoring, reporting and application of corrective measures.
- Formalise and enforce consequence management processes with clear roles, tracked investigations and linkage to performance and disciplinary action.

The metro's challenges are not primarily due to insufficient resources or absent oversight structures. They highlight the urgent need to enforce accountability and consequence management, and strengthen the control environment to break the cycle of poor performance, financial instability and service delivery failures.

eThekwini

Institutional stability without accountability results in repeat audit findings

Five-year audit outcomes

	2020-21	2021-22	2022-23	2023-24	2024-25
Audit outcome	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
Material findings: compliance with legislation	Yes	Yes	Yes	Yes	Yes
Material findings: performance report	Yes	Yes	Yes	Yes	Yes

Financial statements

Audit opinion: Unqualified

Material misstatements	Before audit	After audit
	None	None

Compliance and irregular expenditure

Number of material findings 7

Areas of non-compliance

Environmental management; procurement management; prevention of irregular expenditure; expenditure management; consequence management

Material procurement and contract management compliance findings

Competitive bids not invited; persons in service of auditee whose close family members had interest in provider failed to disclose it; supply chain management officials / roleplayers with interest / family interest participated in contract process

Irregular expenditure over administration R10,00bn (4 years)

Consequence management

Material consequence management compliance findings

Irregular expenditure was not investigated to determine if any person is liable

Dealing with prior-year irregular expenditure balance

R1,24bn | R2,49bn

Dealing with prior-year fruitless and wasteful expenditure balance

R81,46m | R3,11m

■ Not dealt with ■ Written off

Distribution losses over administration

Water losses R8,93bn (4 years more than 30% norm)

Electricity losses R6,35bn (4 years more than 10% norm)

Performance report

Audit opinion: Qualified

Material findings	Before audit	After audit
	Yes	Yes

Findings: reliability

Financial health

Assessment: Good

Adverse financial health indicators

- Liquidity ratio: 0,27
- Creditor days: 93 days
- Debtor days: 116 days

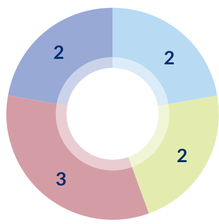
Going concern uncertainty No

Credit rating GCR | AA- | Downgraded

Fruitless and wasteful expenditure over administration R0,08bn (4 years)

Material irregularities

9 material irregularities – R692,85m estimated financial loss



■ **Recently notified**
- Poor project management, resulting in harm to public (1)
- Payment for goods or services not received (1)

■ **Appropriate action**
- Assets not maintained, resulting in harm to public (1)
- Unbilled revenue (1)

■ **Resolved**
- Fraud, resulting in loss (1)
- Payment not made or not made in time, resulting in interest (1)

■ **Appropriate action not taken – invoked our powers**

Referral
- Pollution of water sources, resulting in harm to public (2)

Remedial action
- Payment to ineligible beneficiaries (1)

eThekwini Metropolitan Municipality, located on the east coast of KwaZulu-Natal, is the economic hub of the province, contributing approximately 60% of the province's gross domestic product. Anchored by the country's busiest port in Durban, the metro is a key centre for manufacturing, logistics, trade and tourism. It plays a critical role in driving economic growth, employment and investment. It serves approximately 1,28 million households and is responsible for providing water, sanitation, electricity and refuse services. With a budget of R71 billion, the metro's scale and economic significance mean that its governance and service delivery outcomes have a substantial impact on the province's overall development trajectory.

The council, mayor and key senior management remained relatively stable over the administration. However, persistent failure of leadership to effectively enforce accountability across the control environment remains. Although MPAC, the internal audit unit and the audit committee regularly identified and reported non-compliance and unreliable performance reporting to senior leadership and the council, their impact was limited by the continued failure to implement recommendations. The audit action plan committed to was not implemented in previous audit cycles. Consequence management remained weak, with minimal repercussions for senior leadership's non-responsiveness and repeat audit findings.

The metro has consistently received an unqualified audit opinion with findings each year since 2015-16, and has made little effort to improve to a clean audit status. The metro seems to tolerate breaches in compliance requirements and has a false sense of achievement in its performance. As a result, material non-compliance with legislation and unreliable performance reporting have continued, resulting in the audit outcome not improving.

Although the metro remains financially viable, ongoing challenges place increased pressure on its short- to medium-term sustainability. Prolonged debt-collection periods, with a significant portion of outstanding debt unlikely to be recoverable, together with delays in settling creditor obligations and strained cash flows, increased the risk of not meeting loan conditions.

Performance reporting remains unreliable due to fragmented systems, while project delivery remains slow, with limited accountability. The metro continues to face significant service delivery challenges, particularly in the provision of housing, water and sanitation, driven by limited funding for infrastructure expansion. This was mainly a result of amounts owed to the metro by the provincial human settlements department, rapid growth in informal settlements and delayed or stalled housing projects, further exacerbated by recurring flood-related disasters.

Many communities experience unreliable water supply, with ongoing reliance on water tankers highlighting gaps in infrastructure and distribution systems. High water losses persist due to ageing infrastructure, non-functional meters and weaknesses in implementing turnaround strategies.

We issued MIs relating to likely environmental and public harm in housing, water and sanitation delivery as well as financial losses in water tankering services and revenue billing.

To address control weaknesses in the environment, we recommended the following to the accounting officer:

- Strengthen oversight to address recurring compliance breaches and irregular expenditure as well as enforce accountability where delays in consequence management persist.
- Enhance ICT governance through coordinated oversight, improved accountability and prioritised system integration and funding.
- Improve infrastructure delivery by aligning budgets with priorities, strengthening integrated planning and prioritising proactive maintenance.

We also called on the mayor and the council to play an oversight and monitoring role in the implementation of recommendations by the accounting officer.

The metro's strategic importance requires execution that strengthens its institutional stability and reinforces accountability. Without coordinated and decisive action, persistent weaknesses will continue to threaten service delivery and financial sustainability in KwaZulu-Natal.

City of Cape Town

Strengthen procurement controls to sustain service delivery

Five-year audit outcomes

	2020-21	2021-22	2022-23	2023-24	2024-25
Audit outcome	Unqualified with findings	Clean audit	Clean audit	Clean audit	Unqualified with findings
Material findings: compliance with legislation	Yes	No	No	No	Yes
Material findings: performance report	No	No	No	No	No

Financial statements

Audit opinion: Unqualified

Material misstatements	Before audit	After audit
	None	None

Performance report

Audit opinion: Unqualified

Material findings	Before audit	After audit
	Yes	No

Compliance and irregular expenditure

Number of material findings 1

Areas of non-compliance
Procurement management

Material procurement and contract management compliance findings
Criteria applied in evaluation differed from those originally specified

Irregular expenditure over administration R1,59bn (4 years)

Financial health

Assessment: Good

Adverse financial health indicators
- Liquidity ratio: 0,81
- Creditor days: 45 days
- Debtor days: 175 days

Going concern uncertainty No

Credit rating Moody's | Ba2 | Unchanged

Fruitless and wasteful expenditure over administration R0,03bn (3 years)

Consequence management

Material consequence management compliance findings None

Dealing with prior-year irregular expenditure balance
All dealt with

Dealing with prior-year fruitless and wasteful expenditure balance

R23,82m

Written off

Material irregularities

2 material irregularities – R55,00m estimated financial loss

Resolved
- Payment for goods or services not received (2)

Distribution losses over administration

Water losses R0,48bn (0 years more than 30% norm)

Electricity losses R2,42bn (4 years more than 10% norm)

City of Cape Town Metropolitan Municipality is South Africa's legislative capital and the economic hub of the Western Cape. The metro includes historical inner-city areas such as Bo-Kaap, established residential areas in the southern and northern suburbs, large townships, including Khayelitsha and Mitchells Plain, and well-known beach towns such as Camps Bay, Bloubergstrand and Muizenberg. The metro provides essential municipal services, including water and sanitation, electricity distribution, refuse removal and public transport to approximately 1,46 million households. The metro supports a diverse economy driven by tourism, trade, manufacturing, financial services and port-related activities.

Over the administration, there has been stability in council and key governance and administration-level positions, including the mayor, accounting officer and chief financial officer, with continuity across critical senior management positions. This stability provided a sound platform for effective planning, oversight and service delivery during the year under review.

Deficiencies in bid specifications, bid evaluations and supporting documentation reflected weaknesses in institutional discipline and execution, causing a regression in the audit outcome. While the internal audit unit, audit committee and MPAC were functional and provided oversight, recurring procurement findings indicate that preventative controls and consequence management remain ineffective in preventing non-compliance and irregular expenditure. The metro remained financially stable overall. However, revenue collection was constrained, as reflected in the debtor collection period. Distribution losses, particularly electricity losses, resulted in billable revenue not being invoiced and collected. These pressures highlight the need for sustained financial discipline to protect long-term financial sustainability and reduce pressure on internal resources or reliance on loan funding for infrastructure expansion.

The metro achieved 81% of its reported basic service delivery targets; however, delivery on housing-related targets remained a challenge, with an achievement of 38% during the year. Delays in housing projects affected the waiting time of beneficiaries and were linked to weaknesses in contractor performance management and slow corrective action when projects underperformed. These delays, together with ongoing population growth, continue to place pressure on housing and basic services and underline the need for stronger project execution to improve the lived reality of all residents.

We recommended that the accounting officer continue with the good practices but also implement measures to address the root causes of weaknesses in performance reporting as well as project, procurement and contract management. This includes:

- improving coordination between organisational performance management and line departments
- strengthening project governance through consistent escalation and monitoring of risks and delays
- enhancing procurement controls through clearer specifications, rigorous and adequately documented bid evaluation processes, targeted refresher training for bid committee members and improved record-keeping.

We also called on the mayor and council to strengthen oversight by supporting the accounting officer in implementing and monitoring a credible action plan to address control environment weaknesses and to continue oversight of irregular as well as fruitless and wasteful expenditure.

Overall, the metro should sustain its strong governance foundation while decisively addressing the identified systemic procurement control weaknesses. This will be critical to restoring positive audit momentum and improving service delivery outcomes, particularly in the housing and infrastructure environment.

We also called on the mayor to do the following:

- Maintain strong oversight to monitor progress on resolving key weaknesses identified in the audit.
- Improve consequence management by monitoring disciplinary actions for timely case resolution.
- Monitor improvements in financial health to enable the delivery and maintenance of key infrastructure.
- Monitor the achievement of set targets for service delivery to improve the lived realities of residents.
- Ensure full implementation of commitments made to improve audit outcomes and enable service delivery.

Overall, governance failures continue to expose the metro to elevated risk and have resulted in continuous poor audit outcomes and service delivery, requiring urgent and decisive leadership action.

05
Material irregularities

Delays in resolving material irregularities and lack of monitoring and oversight

Material irregularities (MIs) are irregularities that we identified during our normal audit processes that had, or are likely to have, a material impact on the finances, operations and service delivery of a public sector institution or that caused harm to the general public. As we do not audit all the transactions and activities of auditees, it is likely that additional MIs exist within local government beyond those reported in this section.

When the Public Audit Act (PAA) was amended in April 2019, it gave us the mandate to identify and report on such MIs and it expanded our powers to take action if accounting officers do not deal with the MIs appropriately.

Definition of material irregularity and expanded powers

Material irregularity (MI)

Any **non-compliance** with, or **contravention** of, legislation, **fraud, theft** or a **breach of a fiduciary duty** identified during an audit performed under the Public Audit Act that **resulted in or is likely** to result in a **material financial loss**, the **misuse or loss** of a **material public resource**, or **substantial harm** to a **public sector institution** or the **general public**

If the accounting officer does not appropriately deal with MIs, our expanded mandate allows us to:

1. **Refer material irregularities** to relevant public bodies for further investigations
2. **Recommend actions** in the audit report to resolve the material irregularity

   Take binding remedial action for failure to implement recommendations
3. **Issue certificate of debt** for failure to implement remedial action if financial loss was involved

Accounting officers have a legislated obligation to prevent irregularities and, if they had occurred, to deal with them appropriately, as set out in subsection 2.4. The mayor and the council, through the municipal public accounts committees (MPACs) and audit committees, have a further responsibility to monitor and support the process.

The MI process was established to enhance the effectiveness of the relevant roleplayers in preventing and addressing irregularities, while strengthening the oversight responsibilities of provincial leadership and legislatures as follows:

- Through the MI process, we identify and highlight the most important irregularities an accounting officer should pay attention to based on their impact or likely impact. We notify accounting officers of identified MIs and request a response detailing the actions taken and/or that will be taken to resolve the MI. If the actions are not appropriate or are not implemented as committed, we act in accordance with our mandate and expanded powers.
- In our audit, general and special reports as well as briefings to councils and provincial legislatures, we report in detail on MIs and how the accounting officer is addressing or not addressing the matter. Through our transparent reporting processes, information on MIs is also made available to the public and civil society organisations.
- We escalate MIs that are not being dealt with appropriately to mayors, members of the executive councils (MECs) and premiers, who can support the process by monitoring the status of MIs, following up on delays and helping to clear the obstacles that hinder corrective action. Through these processes, accounting officers can be held accountable for failing to address the MIs appropriately.

Where accounting officers, supported by their mayors and councils, fulfil their legislated responsibilities and commit to acting swiftly when we notify them of an MI, the use of expanded powers is not required. However, where MIs are not treated with the required seriousness, our recommendation, remedial and referral powers are applied without hesitation.

The rest of this section provides information on the number, nature and status of MIs identified since 1 April 2019, when the MI process was first implemented, as well as those identified since the publication of last year's general report – overall and per province. The section further examines the application of the expanded powers and illustrates the impact of the MI process. In addition, it discusses the delays encountered in resolving MIs and concludes with relevant recommendations.

The detailed status of the MIs where we used our expanded powers is included as appendix A.

5.1 Number, nature and status of material irregularities

Our previous general report indicated that we had identified 446 MIs since 1 April 2019. Three of the 446 MIs were subsequently closed, which brings the number of MIs carried forward from our previous general report to 443.

By 31 December 2025 (the cut-off date for MIs to be included in this report), we had identified 73 new MIs, increasing the total of MIs to 516.

The nature and status of the MIs within local government reflect the weaknesses in performance, accountability, transparency and institutional integrity highlighted in the preceding sections of this report. These irregularities not only demonstrate ineffective leadership by accounting officers in relation to compliance, prudent financial practices, service delivery and accountability, but also expose deficiencies in oversight and governance by mayors and councillors.

Nature of 516 material irregularities as at 31 January 2026

305 Material financial loss — 23

77	Payment for **goods or services not received / of poor quality / not in line with contract** or to **ineligible beneficiaries**	7
55	Eskom, water boards, lenders and suppliers **not paid on time** resulting in interest	1
19	Payroll and value-added tax (VAT) **not paid on time** or **incorrectly calculated** resulting in South African Revenue Service interest and penalties	
1	**Non-compliance** resulting in penalties	
3	Employees on **prolonged suspension**	1
3	**Suspected fraud** resulting in financial loss	
42	Revenue losses due to **unbilled revenue, debt not recovered or unrecorded receipts**	4
4	Revenue lost due to **electricity and water losses**	4
44	**Inefficient use of resources** resulting in no/limited benefit derived for money spent	5
20	**Assets not safeguarded/maintained** resulting in financial loss	1
8	Non-compliance in procurement processes resulting in **overpricing of goods and services procured or appointed supplier not delivering**	
14	**Uneconomical procurement** resulting in overpricing of goods and services procured	
15	**Loss of investment**	

13 Misuse of material public resource due to underutilisation — 3

5	**Distribution centre building, office building, bus station, reservoir and sport field**	3

110 Substantial harm to general public — 30

69	Non-compliance with environmental legislation resulting in **pollution of water resources**	13
29	**Landfill site mismanagement** resulting in harm to public	9
6	**Pension fund contributions** deducted and not paid over to the pension fund	3
4	Non-compliance with national standards on water quality resulting in **unsafe drinking water**	4
1	**Asset not safeguarded/maintained** resulting in harm to public	
1	Project delays resulting in beneficiaries living in **unsafe and unhygienic conditions**	1

96 Substantial harm to public sector institutions — 17

28	**Repeat disclaimed audit opinion**	
1	**Repeat adverse audit opinion** resulting in compromised transparency and accountability	1
11	Lack of proper **performance information records and systems**	3
3	Poor **financial, performance or project management**	1
39	**Non-submission** of financial statements	4
5	**Non-submission** of performance report	
1	**Asset not safeguarded/maintained** resulting in harm to the municipality	
8	**Bank and creditor's reconciliation not performed** resulting in compromised transparency and accountability on the bank and creditors balances	8

■ Number of new MIs

The nature of the 516 MIs illustrates persistent failures in local government across key areas of governance, including weaknesses in financial and performance disciplines, record-keeping and procurement processes, resulting in financial losses and harm to municipalities' financial position. In addition, widespread neglect in infrastructure delivery, maintenance and utilisation, as well as the ineffective use of public resources, causes harm to municipal operations and, ultimately, harm to the public.

The importance of addressing risks in all these areas has been emphasised repeatedly to the accounting officers through our audits, reports and engagements, as preventing MIs remains more effective than having to deal with them once they have already occurred.

Throughout this report, we include examples of MIs to show just how harmful their impact can be.

By 31 January 2026, approximately half (261) of the 516 MIs had been resolved. We share the impact that the resolution of these MIs has had in subsection 5.2.

Status of 516 material irregularities as at 31 January 2026

261 (50%) Resolved MIs	**55** (11%) Appropriate action being taken to resolve MIs
127 (25%) Appropriate action not taken – invoked our powers	**31** (6%) Appropriate action not taken – decision on invoking powers in process
10 (2%) Notification response received – assessment in process	**15** (3%) Notified and awaiting response
17 (3%) Not pursued further	

A lack of responsiveness by accounting officers over the administration's term meant that, by 31 January 2026, there were only a limited number of MIs where appropriate action had been taken and the MIs requiring us to take further action had increased.

In 2021-22 (the first year of the current administration), 103 (67%) of the unresolved MIs were appropriately dealt with by accounting officers and we took further action on only a third (33%) of the MIs (50 MIs). The MIs where appropriate action is not being taken have now increased to 158 (74%) of the 213 unresolved MIs (excluding those in the 'recently notified' and 'not further pursued' categories).

Since our last general report, we have decided not to continue pursuing 10 MIs in addition to the seven reported on previously. We include the details that informed this decision in the subsection dealing with recommendations, remedial action taken and remedial action not implemented.

Further actions taken to resolve material irregularities

In the 127 cases (25%) where accounting officers did not appropriately address the MIs that we had reported to them, we used our expanded mandate by including recommendations in the audit report or by the auditor-general invoking her additional powers of referral and remedial action.

Further action taken to resolve 127 material irregularities

19 Recommendations in audit report as accounting officer took little or no action to address MI

Northern Cape – 8
- !Kheis LM – 2
- Sol Plaatje LM – 2
- Kai !Garib LM
- Renosterberg LM
- Siyathemba LM
- Tsantsabane LM

Free State – 4
- Mangaung MM – 3
- Metsimaholo LM

Eastern Cape – 2
- Buffalo City Metro Development Agency
- Sundays River Valley LM

KwaZulu-Natal – 2
- Msunduzi LM – 2

North West – 2
- Rustenburg LM – 2

Western Cape – 1
- Kannaland LM

2 Recommendations in audit report and referral to public bodies

Free State – 1
- Mangaung MM

Limpopo – 1
- Thabazimbi LM

10 Remedial action not implemented-further actions

Free State – 5
- Ngwathe LM – 2
- Letsemeng LM
- Moqhaka LM
- Nketoana LM

North West – 2
- City of Matlosana LM – 2

Northern Cape – 1
- Emthanjeni LM

Eastern Cape – 1
- Inxuba Yethemba LM

KwaZulu-Natal – 1
- uMkhanyakude DM

1 Referral and remedial action

Free State – 1
- Mohokare LM

1 Referral, notice of certificate of debt process and remedial action not implemented-further actions

North West – 1
- City of Matlosana LM

1 Certificate of debt

North West – 1
- Ngaka Modiri Molema DM

14 Remedial action taken as our recommendations were not implemented

Free State – 5
- Mangaung MM – 3
- Mafube LM
- Maluti-A-Phofung LM

Northern Cape – 5
- Renosterberg LM – 2
- Joe Morolong LM
- Phokwane LM
- Siyathemba LM

Eastern Cape – 2
- Amathole DM
- Sundays River Valley LM

KwaZulu-Natal – 1
- eThekwini MM

Mpumalanga – 1
- Emakhazeni LM

76 Referral to public bodies for further investigation

Free State – 28
- Mangaung MM – 9
- Maluti-A-Phofung LM – 4
- Matjhabeng LM – 4
- Metsimaholo LM – 3
- Moqhaka LM – 2
- Nketoana LM – 2
- Masilonyana LM
- Mohokare LM
- Kopanong LM
- Ngwathe LM

North West – 16
- Ngaka Modiri Molema DM – 9
- Madibeng LM – 3
- JB Marks LM – 2
- City of Matlosana LM
- Dr Ruth Segomotsi Mompati DM

Mpumalanga – 15
- Dipaleseng LM – 5
- Emalahleni LM – 4
- Lekwa LM – 2
- Bushbuckridge LM
- Dr JS Moroka LM
- Govan Mbeki LM
- Thaba Chweu LM

Eastern Cape – 6
- Chris Hani DM – 2
- Makana LM – 2
- Sundays River Valley LM – 2

KwaZulu-Natal – 5
- eThekwini MM – 2
- uMzinyathi DM – 2
- Amajuba DM

Limpopo – 4
- Thabazimbi LM – 3
- Modimolle-Mookgophong LM

Northern Cape – 2
- Siyathemba LM
- Sol Plaatje LM

1 Notice of certificate-of-debt process

Free State – 2
- Mangaung MM
- Mohokare LM

1 Referral and remedial action not implemented-further actions

Free State – 1
- Mangaung MM

DM: District Municipality LM: Local Municipality MM: Metropolitan Municipality

Next, we summarise how we have used our enhanced powers through referrals, recommendations, remedial action and the certificate-of-debt process.

Referrals to public bodies

The auditor-general can approve the referral of an MI to a public body for investigation. Such a referral is made if:

- there are actual or suspected involvement by the accounting officer, mayor, council members or any other political office-bearers in any transaction or circumstances that contributed to the MI
- the public body's mandate, investigative powers and remedial or punitive powers make it better suited to deal with the MI than the accounting officer or us (e.g. if there are indicators of fraud or criminal conduct or where the public body has expertise to pursue specialist matters such as pollution).

The public body then regularly reports to us on its progress until the investigation is completed.

By 26 May 2026, 81 MIs at 32 municipalities had been referred for investigation to five public bodies.

Referrals of material irregularities to public bodies

Public body	MIs referred	Referral nature
Department of Water and Sanitation	43	Non-compliance with environmental legislation (National Water Act)
Department of Forestry, Fisheries and the Environment	15	Non-compliance with environmental legislation (National Environmental Management Act)
Special Investigating Unit (SIU)	13	Unlawful and improper conduct, maladministration, supply chain management irregularities, irregular and wasteful expenditure, including recoveries of financial losses
Directorate for Priority Crime Investigation (Hawks)	7	Suspected fraud, alleged corruption, suspected theft and forgery of documents
Public Protector South Africa	3	Maladministration, abuse of power, unethical behaviour and improper advantage

As detailed in appendix A, the investigations and actions by these public bodies have not been finalised. However, actions taken by four of the public bodies on some of the MIs have already had a significant impact.

Referrals to the SIU have resulted in completed and ongoing investigations with criminal referrals to the National Prosecuting Authority (NPA), administrative and disciplinary referrals, losses in the process of recovery through the SIU's Special Tribunal as well as systemic recommendations issued to accounting officers. For example:

- Ngaka Modiri Molema District Municipality (seated in Mahikeng) (North West): An MI on procurement irregularities resulting in overpricing of procured goods was referred to the Special Tribunal with potential recovery of R25 million.

- JB Marks (Potchefstroom, North West): An MI on a flood-line canal that needs to be reconstructed after deterioration has resulted in criminal referrals to the NPA as well as disciplinary referrals and recommendations issued to the municipality to strengthen procurement and contract management processes.
- Chris Hani District Municipality (seated in Komani, Eastern Cape): An MI on the invalid payment of extension-of-time claims to a contractor has resulted in the recovery of an estimated R300 000 through the Special Tribunal to date, with further recoveries being pursued.
- Bushbuckridge (main town of Bushbuckridge as well as Acornhoek, Mkhuhlu and Thulamahashe, Mpumalanga): The ongoing investigation of an MI on overpayments to a contractor for the paving of internal streets has, to date, resulted in a criminal referral to the NPA and administrative referrals to the Companies and Intellectual Property Commission and the South African National Accreditation System based on the preliminary outcomes.

Referrals to the Hawks have resulted in law enforcement outcomes, including arrests, court proceedings and advanced investigations that are at various stages of prosecutorial decision-making, while others remain under investigation. For example:

- Matjhabeng (Welkom, Free State): An MI on the payment for an attenuation dam not constructed as part of a stormwater system resulted in the arrest of three suspects. The case is pending re enrolment for trial after the recovery and submission of previously missing documents.
- Madibeng (Brits, North West): An MI on unauthorised debit orders has been referred within the Hawks to a priority crime specialised investigating unit for preparatory investigative work.
- Mohokare (Zastron, Free State): The investigations into MIs on pension fund contributions not paid over to the pension funds and on payment for pumps and a pressed steel tank not received on a water project have progressed to engagements with provincial roleplayers.

Collectively, these referrals contribute to the recovery of losses, enable consequence management and serve as a deterrent against maladministration and fraud. The advancement of cases through judicial processes, including arrests, demonstrates the enforcement of consequences for financial misconduct, while matters still under investigation reflect sustained law enforcement oversight aimed at strengthening financial governance and accountability within local government.

All 15 MI **referrals to the Department of Forestry, Fisheries and the Environment** were sub-referred to environmental management inspectors (frequently referred to as 'Green Scorpions') in the provincial departments responsible for environmental management. These inspectors are tasked with compliance monitoring and enforcement of environmental legislation. The inspectors can investigate, inspect, enforce and administer compliance, but the prosecution of offences is vested in the NPA.

The administrative enforcement measures applied by the environmental management inspectors, such as directives and compliance notices, have had a limited impact in addressing longstanding non-compliance at landfill sites. Through our referral of the non-compliance, these matters were escalated beyond routine regulatory engagement and significant progress has been made by the inspectors: criminal cases have been opened for 10 MIs, nine of which have already been referred to the NPA for prosecution. Some of these cases resulted in plea and sentence agreements (e.g. the accused agreeing to plead guilty to charges in return for reduced sentences).

Referrals to the Department of Water and Sanitation have resulted in tangible progress beyond administrative enforcement measures. The department uses environmental management inspectors (frequently referred to as 'Blue Scorpions') and officials in various regional offices to investigate water pollution and illegal water usage. Of the MIs referred to them, 25 have progressed to criminal investigations, resulting in 17 referrals to the NPA for prosecution and 14 court-sanctioned enforcement outcomes.

These investigations contributed to measurable compliance improvements at several wastewater treatment works, with some facilities being fully operational after refurbishment, resulting in reduced water pollution risks.

Recommendations, remedial action taken and remedial action not implemented

We can include specific **recommendations** relating to MIs in the audit report of the auditee. These are not the normal recommendations that we provide as part of our audits, but instead they deal with the actions the accounting officer should take to resolve a specific MI. They typically deal with three areas:

- Recovery: steps that should be taken to recover financial and public resource losses or to recover from misuse or harm.
- Prevention: steps that should be taken to strengthen internal controls to prevent further losses, misuse and harm.
- Consequences: steps that should be taken to impose consequences for wrongdoing, including disciplinary processes and, if applicable, handing the matter over to a law-enforcement agency.

We included recommendations on 21 MIs in the audit reports of 13 municipalities and one municipal entity.

If these recommendations are not implemented, we take **remedial action** that covers the same areas of recovery, prevention and consequences. Remedial action is a binding (obligatory) instruction taken by the auditor-general. Similar to the recommendations, it outlines the action an auditee needs to take to address the MI, but places a legal obligation on the accounting officer to address the matter.

We took remedial action for 15 MIs at 12 municipalities because our recommendations were not implemented. When we take remedial action, we also inform the mayor, the speaker of the council, members of the mayoral committee for finance, the chairpersons of the audit committee and the MPAC as well as the province's MECs for finance and local government.

If the MI caused financial loss for the state, the remedial action also includes a **directive** for the financial loss to be quantified and recovered. If the directive issued with the remedial action is not implemented, we initiate the certificate-of-debt process (which is described in the next subsection).

If the accounting officer does **not implement the other remedial action,** we can take any action that the Public Audit Act provides for, including escalating the matter to the broader accountability ecosystem, issuing a special report or taking legal action.

Our course of action is to communicate the non-implementation to all the roleplayers previously informed and escalate the matter to the premier, requesting action to be taken and reporting back by stipulated dates. The non-implementation of remedial action for 12 MIs was dealt with in this manner.

Of the 10 MIs that we are **not pursuing further** through the MI process, nine deal with a lack of proper accounting records, which resulted in municipalities in the Free State, Northern Cape and North West repeatedly receiving disclaimed audit opinions that also impacted their financial sustainability. Since the MIs had been issued, the audit outcomes of six municipalities have improved but their systemic issues have not been addressed in accordance with the remedial actions we issued. The remedial actions at the other three municipalities have also not been implemented. We escalated the lack of action to the relevant premiers and speakers of the legislatures. The provincial leadership has made some progress in addressing the challenges at these municipalities. As the deep-rooted weaknesses at the municipalities will take time to address fully, we decided not to pursue the matters further through the MI process, but to rather continue with monitoring and supporting the actions of the broader accountability ecosystem.

The other MI that we are not pursuing further relates to a financial loss MI at Emthanjeni (De Aar, Northern Cape) because of interest on the late payment of Eskom accounts. The financial loss was not recoverable and officials could not be held accountable, as the late payments were due to persistent cash-flow constraints, weak revenue collection and prolonged financial distress. As these systemic challenges cannot be addressed fully within the MI time frame, the continued pursuit of the MI was unlikely to result in meaningful impact. The matter will continue to be monitored through the normal audit process.

Certificate-of-debt process

If an MI involves a financial loss, and a directive to quantify and recover the financial loss is not implemented, we initiate the certificate-of-debt process.

By 25 May 2026, we had issued a certificate of debt for one MI and commenced with the certificate-of-debt process for three MIs.

The R4,62 million certificate of debt issued against the accounting officer of Ngaka Modiri Molema District Municipality (North West) was for an overpayment on water tankering services that was not recovered. In December 2025, the council suspended the accounting officer and, by March 2026, efforts to recover the certificate-of-debt amount were still ongoing.

The certificate of debt was a measure of last resort, taken only after all opportunities and advisory processes in terms of the Public Audit Act were exhausted. This action confirms that enforcement follows when failures in accountability persist. The instruction to the mayor to recover the debt and the tabling of the certificate of debt before the council further underscore the use of layered governance mechanisms aimed at promoting accountability and the recovery of public funds.

Material irregularities for which the certificate-of-debt process has started

Municipality	Material irregularity	Status as at 25 May 2026
City of Matlosana (North West)	Market dues payable by fresh produce market not billed and collected by municipality	The accounting officer did not take appropriate action to implement the directive issued, as the financial loss was not recovered from the supplier. On 24 March 2026, the auditor-general notified the accounting officer of her intention to pursue a certificate of debt and, in line with the MI Regulations, invited the accounting officer to make a written representation on why she should not proceed to issue a certificate of debt. The accounting officer submitted a written representation on 13 April 2026 and a supplementary written representation on 18 May 2026, which we are currently assessing.

Material irregularities for which the certificate-of-debt process has started (continued)

Municipality	Material irregularity	Status as at 25 May 2026
Mangaung Metro (Free State)	Payment for extension-of-time claims not in terms of the contract, relating to construction of trunk routes for integrated public transport network roads	The accounting officer did not take appropriate action to implement the directive issued, as the responsible parties or persons were not identified for the purpose of financial recovery. On 26 November 2025, the auditor-general notified the accounting officer of her intention to pursue a certificate of debt and, in line with the MI Regulations, invited the accounting officer to make a written representation on why she should not proceed to issue a certificate of debt. The accounting officer submitted a written representation on 21 January 2026. After consideration, the auditor-general concluded that the process to issue a certificate of debt should proceed. On 23 February 2026, the auditor-general invited the accounting officer to make an oral representation to the MI advisory committee. On 12 May 2026, the accounting officer appeared before the committee. The committee is currently assessing the outcome of the hearing.
Mohokare (Free State)	Payment to contractor for work not done on construction of bulk raw water pipeline from Orange River to Paisley Dam	The accounting officer did not take appropriate action to implement the directive issued, as the financial loss was not recovered from the supplier. On 24 March 2026, the auditor-general notified the accounting officer of her intention to pursue a certificate of debt and, in line with the MI Regulations, invited the accounting officer to make a written representation on why she should not proceed to issue a certificate of debt. The accounting officer submitted a written representation on 15 April 2026 and additional supplementary information on 25 May 2025, which we are currently assessing.

5.2 Impact of material irregularity process

In this subsection, we reflect on the impact made by the MI process through the actions taken to address the harm and losses caused by MIs, implement consequences against those involved and improve controls. The actions were taken by accounting officers (on their own account or in response to recommendations or remedial action) or by the public bodies to which we referred MIs.

When we notify an accounting officer of an MI, they often address irregularities and transgressions that they should have dealt with already. Until we issued notifications, no actions were being taken to address the irregularities we had identified on 432 (84%) of the 516 MIs.

We report on the impact of the MI process for 474 of the 516 MIs. We exclude the 25 where we only recently notified the accounting officer and the 17 that we will not pursue further, except where we report on financial loss MIs.

We concluded in the previous general report that the MI process is not yet having the desired impact due to unresponsiveness, a culture of no accountability, a lack of consequences in local government (as also detailed in subsection 2.4) and delays in resolving MIs (as detailed in subsection 5.4). Consequently, in this section, we also highlight the inaction by accounting officers and the actions we took in response.

Addressing harm to the general public – 98 MIs

The harm caused by five of these MIs has been addressed, based on **four resolved MIs** and one unresolved MI, where the following actions were taken:

- Improved management of landfill sites and wastewater treatment works at four municipalities.
- Community ablution blocks refurbished at eThekwini Metro (KwaZulu-Natal).

Refurbishment of community ablution blocks: eThekwini Metro (KwaZulu-Natal)

The KwaDabeka transit camp near Pinetown had inadequate ablution facilities and poor sanitation, which posed hygiene and health risks. We notified the accounting officer of an MI in November 2024. By February 2025, the metro had implemented corrective measures, including refurbishing community ablution blocks and installing chemical toilets. In November 2025, the metro installed two permanent toilet facilities, providing a more sustainable solution. Further action is being taken to fully resolve the MI.

In the case of the remaining 93 MIs, the harm caused to communities or municipal staff is continuing.

Residents continue to suffer from water pollution and the poor management of landfill sites. As detailed earlier, we responded to the accounting officers not addressing the harm caused by the **mismanagement of landfill sites** by referring 15 MIs to the Department of Forestry, Fisheries and the Environment. We also referred 43 MIs dealing with the **pollution of water sources** to the Department of Water and Sanitation.

Regarding the MIs on the failure to pay over pension fund contributions deducted from municipal employees to the relevant pension funds, we included recommendations in the audit report of Renosterberg (Petrusville, Northern Cape) and took remedial action and referred the matter to the Hawks for investigation at Mohokare (Zastron, Free State).

Addressing harm to public sector institutions – 84 MIs

The harm caused by 61 (73%) of these MIs has been addressed. The following actions for **60 resolved MIs** and one unresolved MI were taken to address the harm:

- Nineteen municipalities and two municipal entities resolved 39 MIs through the submission of overdue financial statements.
- Accounting officers at Masilonyana (Theunissen) in the Free State as well as Renosterberg (Petrusville), Siyancuma (Douglas), Siyathemba (Prieska) and Ubuntu (Victoria West) in the Northern Cape submitted overdue performance reports.
- Proper performance information records and systems are being implemented at Ngwathe (Parys, Free State) and Richtersveld (Port Nolloth, Northern Cape) to improve performance reporting.
- Fifteen municipalities took appropriate action to address the lack of proper records that caused repeated disclaimed audit opinions and negatively affected their financial sustainability.

Performance information records and system controls strengthened: Ngwathe (Free State)

The municipality provides 44 634 households with basic services in towns like Parys, Vredefort, Heilbron and Koppies. The region is mainly agricultural and is a prominent tourist destination, notably for the globally recognised Vredefort Dome.

The municipality did not reliably report on its performance due to a lack of proper records to support the achievements reported in its performance reports. We notified the accounting officer of an MI in October 2023. In response to the MI, a performance management system manager was appointed and technical indicator descriptions and standard operating procedures were designed and implemented, resulting in improved record-keeping and the segregation of duties between planning and performance management. This resulted in the outcome on the performance report improving from a disclaimed to a qualified audit conclusion in 2024-25. The MI has been resolved.

Nineteen MIs (23%) dealt with a lack of proper accounting records, which resulted in repeated disclaimed audit opinions and financial problems for the municipalities. Although the number of municipalities with disclaimed audit opinions has decreased (as reported in subsection 2.5), the progress in resolving these MIs remains slow, due to the deeply rooted and systemic weaknesses that may take multiple years to address.

Besides the 15 MIs where harm was addressed, we took further action on four MIs by:

- including recommendations in the audit reports of three municipalities
- requesting the provincial leadership to take action for Nketoana in the Free State as remedial actions were not implemented.

Addressing misuse of material public resources – four MIs

Accounting officers are taking action on these MIs, but the underutilisation of municipal infrastructure (distribution centre and office buildings, sports field, bus station and reservoir) has not yet been fully addressed.

Prevention and recovery of financial loss – 305 MIs

The estimated financial loss of the 23 financial loss MIs issued since the previous general report is R1,48 billion, bringing the total estimated financial loss of the MIs we report on to R10,23 billion.

Prevention and recovery of financial loss since 2019

Estimated financial loss for 305 MIs — **R10,23bn**

Recovered, in process of recovery or prevented — **R1,69bn**

R1,32bn in previous years + **R0,37bn** since the previous general report

Recovered	In process of recovery	Prevented
R0,71bn (32 MIs)	R0,73bn (48 MIs)	R0,25bn (16 MIs)

Recently notified (9 MIs) — **R0,32bn**

Written off as not recoverable by 20 municipalities **(23 MIs)** — **R0,24bn**

Not recoverable in our assessment **(146 MIs – including 8 MIs not pursued further)** — **R4,62bn**

Outstanding balance (73 MIs) — **R3,36bn**

The response to dealing with actual and potential financial losses remains slow. This is also evident in the way in which irregular expenditure and fruitless and wasteful expenditure are dealt with, as set out in subsection 2.4.

The outstanding balance of R3,36 billion is at risk of being lost if urgent action is not taken. In response, we took the following steps:

- Referred 15 MIs (R262,32 million) to public bodies for investigation and recovery.
- Included recommendations in the audit reports for nine MIs (R225,51 million) to urge accounting officers to act.
- Issued directives as part of remedial action to accounting officers to recover the losses of eight MIs (R68,08 million).
- Commenced with a certificate-of-debt process for MIs at City of Matlosana in North West as well as Mangaung Metro and Mohokare in the Free State (R50,82 million).

The remaining balance of R2,75 billion is being dealt with by accounting officers. We regularly follow up to assess the progress made and whether we should use our mandate to influence a faster response.

Loss prevented and being recovered: City of Tshwane Metro (Gauteng)

In 2021-22, the metro awarded a R617 million contract to Akhile Consortium to prepare an immovable asset register, but did not implement adequate controls to monitor and review the consultant's work. This resulted in the metro not detecting and correcting material misstatements in the areas for which the consultant was appointed as well as in payments to the consultant for work not done.

We notified the accounting officer of an MI in April 2023. In September 2024, a value-for-money audit was finalised and determined that the consultant did not perform work valued at R26,08 million. To recover the loss, the accounting officer withheld R12,32 million owed to the consultant and a summons was issued by the High Court in May 2025 to recover the remaining R13,76 million from the consultant. Legal processes are still ongoing. The MI has been resolved.

Loss recovered and being recovered: Fetakgomo Tubatse (Limpopo)

The municipality covers an expansive, largely rural region featuring a strong mining sector. Its administrative seat and main economic hub is Burgersfort, from where the municipality provides waste management services to 149 645 households.

Between November 2018 and May 2021, the municipality paid R1,57 million to a contractor for paving and fencing not delivered as part of the construction of the Motodi sports complex. We notified the accounting officer of an MI in March 2023. Following an investigation, recovery letters were issued to the contractor in March 2025 and May 2025. A total of R1,49 million was recovered from retention money and a debt was created for the remaining R0,08 million, which is in the process of being recovered. Disciplinary processes were also instituted against three officials, who were issued reprimand letters in March 2025. The MI has been resolved.

Consequences and fraud/criminal investigations

As part of resolving MIs, accounting officers were required to take action to ensure consequences for the officials involved (181 MIs) and institute fraud or criminal investigations (78 MIs). Since 2019, the following actions have been taken:

- For 71 of the 181 MIs (39%), 216 responsible officials were identified and disciplinary processes have been completed or are underway.
- For 68 of the 78 MIs (87%), fraud or criminal investigations have been instituted.

Other consequences included supplier contracts being cancelled (13 MIs).

The earlier example of Fetakgomo Tubatse includes details of disciplinary processes that had been concluded, while the example that follows illustrates criminal investigations that were instituted.

Criminal investigation instituted against responsible officials: Fezile Dabi District Municipality (Free State)

The municipality is seated in Sasolburg and oversees four local municipalities: Moqhaka, Metsimaholo, Ngwathe and Mafube. The area serves as the province's second-largest economic contributor, heavily driven by the manufacturing and petrochemical sectors.

In December 2021, the municipality paid R1,27 million to a service provider for information and communication technology equipment, which was not delivered. We notified the accounting officer of an MI in February 2024. In April 2024, the municipality entered into a secondment agreement with the SIU to investigate the matter. The investigation was finalised in March 2025. In June 2025, the accounting officer opened a case with the Hawks against the implicated officials, including some who had since left the municipality. In August 2025, the accounting officer also appointed a firm to recover the loss, with letters of demand issued to the service provider in October 2025. The MI has been resolved.

Investigations by accounting officers often conclude that no officials can be held accountable for irregularities. The main reason for not being able to hold officials accountable is systemic weaknesses in the control environment, which include a lack of clear policies, procedures and responsibilities. As part of evaluating the actions taken to address an MI, we evaluate the extent of the investigation conducted to determine whether all identified areas of concern were adequately considered as well as whether the conclusions reached were appropriate. If we do not agree with the outcome of the investigation based on certain deficiencies, we request that the matter be reconsidered.

Investigations by municipalities concluded with no consequences

- **Greater Tzaneen** (Limpopo) has its seat in the town of Tzaneen and serves 137 883 households. Between June 2023 and June 2024, the municipality overpaid employees for leave encashment, resulting in an estimated loss of R3,20 million. We notified the accounting officer of an MI in March 2025. The matter was investigated by the MPAC and finalised in August 2025. The council resolved to write off the loss since the irregularity arose from a historic system configuration error, which has been rectified, and no one could be held accountable. The MI has been resolved.

- **Rand West City** (Gauteng) provides services to 119 290 households in and around Randfontein and Westonaria. The municipality had not been billing residents for sewerage services since the connection of Azaadville Gardens to the sewer pipes in 2014, resulting in an estimated loss of R1,08 million. We notified the accounting officer of an MI in November 2024. By June 2025, the accounting officer had billed all previously unbilled customers and implemented monthly reviews of service charges to prevent a recurrence. No officials were held accountable, as billing responsibilities for sewerage services were not clearly defined between Rand West City and Mogale City. The MI has been resolved.

Investigations by municipalities concluded with no consequences

- Between July 2019 and June 2021, **Chris Hani District Municipality** (seated in Komani, Eastern Cape) contracted Newlipath Consultants under an uneconomical fee structure that was not linked to the actual time and cost of providing VAT services to the municipality, resulting in an estimated loss of R68,02 million. We notified the accounting officer of an MI in November 2022. Investigations concluded by the municipality's legal department and MPAC found no financial misconduct or contravention of legislation by any official and determined that the municipality suffered no financial loss. Due to concerns regarding the independence of the investigation and limitations in its scope, we concluded that the investigation did not address the irregularity. In October 2024, we referred the matter to the SIU for further investigation, which is currently in progress.

Improved internal controls to prevent recurrence

A poor internal control environment is the root cause of most of the MIs. In total, 438 MIs (92%) required accounting officers to strengthen the control environment to prevent a recurrence of similar irregularities.

Since 2019, accounting officers of 99 municipalities and six municipal entities have addressed internal control deficiencies in response to 221 MIs (50%).

While accounting officers often respond by improving controls related to a specific MI, they do not always improve the overall control environment to prevent further MIs.

Control environment not strengthened: Maluti-A-Phofung (Free State)

The municipality consists of the main towns of Phuthaditjhaba, Harrismith and Kestell alongside rural areas such as QwaQwa. It provides basic services to 119 249 households.

Since September 2022, we have notified the accounting officer of seven MIs relating to the non-submission of separate and consolidated financial statements for auditing:

- In December 2022, the accounting officer submitted the 2021-22 separate financial statements to address the MI issued in September 2022.
- Between September 2024 and January 2025, the accounting officer submitted consolidated financial statements for the 2018-19 to 2022-23 periods to address the five MIs issued in March 2024.
- In December 2025, the accounting officer submitted the 2024-25 separate financial statements to address the MI issued in September 2025.

Despite these MIs having been resolved, the non-compliance continued due to inadequate consequence management and a lack of governance and oversight, as detailed in subsection 2.5.

Where the root causes are addressed and the overall control environment is strengthened, the risk of recurrence is reduced, as shown in the next examples.

Control environment strengthened: Dr JS Moroka (Mpumalanga)

The municipality provides water, sewerage, sanitation and waste services to 65 675 households in and around Siyabuswa. Many municipal residents rely heavily on Gauteng's major economic hubs for daily employment.

In 2021-22, the municipality did not calculate and bill all consumers for property rates each month, resulting in an estimated loss of R3,96 million. We notified the accounting officer of an MI in April 2023. In July 2023, the accounting officer appointed a divisional revenue manager. In September 2024, the revenue unit was trained. Since 2023-24, the municipality has been performing reconciliations between the general valuation roll, supplementary roll and billing system to ensure the accurate billing of properties. During the same year, the municipality reviewed and approved a property rates tariff structure for all rate categories. In 2024-25, the municipality billed previously unbilled customers for the 2018 to 2024 period and is now correctly billing all consumers each month. The MI has been resolved.

Control environment strengthened: Nelson Mandela Bay Metro (Eastern Cape)

In 2018-19, the metro did not charge interest on outstanding debts of customers with payment arrangements, resulting in an estimated loss of R11,16 million. We notified the accounting officer of an MI in December 2019. In February 2020, the billing system was updated to charge interest on outstanding balances each month, subject to payment arrangements. Since then, the municipality has been charging interest on all interest-bearing arrangements and no further material non-compliances of this nature have been identified. The MI has been resolved.

5.3 Material irregularities in provinces

This subsection highlights the extent, nature and status of MIs per province.

Since 2019, we have issued MI notifications to the accounting officers of municipalities and municipal entities in all nine provinces. A fifth of the MIs (20%) were issued to auditees in the Free State, followed by the Eastern Cape with 15%.

Material irregularities per province

Province	Number of MIs	Number of auditees	Nature of MIs			
			Material financial loss – including estimated amount	Under-utilisation of material public resource	Harm to public sector institution	Harm to general public
Eastern Cape	77	24	55 (R963m)	2	6	14
Free State	104	19	29 (R659m)	-	40	35
Gauteng	57	15	43 (R1 412m)	3	1	10
KwaZulu-Natal	66	22	56 (R1 819m)	-	3	7
Limpopo	44	16	36 (R1 453m)	-	-	8
Mpumalanga	52	17	27 (R2 339m)	-	6	19
Northern Cape	49	19	24 (R465m)	-	22	3
North West	60	16	32 (R1 061m)	-	16	12
Western Cape	7	5	3 (R56m)	-	2	2
Total	**516**	**153**	**305 (R10 228m)**	**5**	**96**	**110**

The Free State and North West were the slowest to take action in response to our MI notifications and were responsible for 69 (54%) of the 127 MIs where we had to take further action.

Status of material irregularities by province

Eastern Cape

77

- 38 Resolved
- 9 Under assessment/awaiting response
- 30 Unresolved
  - 11 | 8 | 2 | 6 | 2 | 1

Mpumalanga

52

- 28 Resolved
- 3 Under assessment/awaiting response
- 21 Unresolved
  - 5 | 15 | 1

Free State

104

- 37 Resolved
- 3 Not pursued further
- 4 Under assessment/awaiting response
- 60 Unresolved
  - 4 | 9 | 4 | 28 | 1 | 5 | 1 | 5 | 1 | 2

Northern Cape

49

- 23 Resolved
- 2 Not pursued further
- 2 Under assessment/awaiting response
- 22 Unresolved
  - 4 | 2 | 8 | 2 | 5 | 1

Gauteng

57

- 38 Resolved
- 3 Under assessment/awaiting response
- 16 Unresolved
  - 14 | 2

North West

60

- 20 Resolved
- 11 Not pursued further
- 1 Under assessment/awaiting response
- 28 Unresolved
  - 1 | 5 | 2 | 16 | 2 | 1 | 1

KwaZulu-Natal

66

- 40 Resolved
- 1 Not pursued further
- 2 Under assessment/awaiting response
- 23 Unresolved
  - 14 | 2 | 5 | 1 | 1

Western Cape

7

- 3 Resolved
- 4 Unresolved
  - 3 | 1

Limpopo

44

- 34 Resolved
- 1 Under assessment/awaiting response
- 9 Unresolved
  - 4 | 4 | 1

Total

516

- 261 Resolved
- 17 Not pursued further
- 25 Under assessment/awaiting response
- 213 Unresolved
  - 55 | 31 | 19 | 76 | 2 | 14 | 1 | 10 | 1 | 2 | 1 | 1

Appropriate action taken · Appropriate action not taken – decision on invoking our powers in process · Recommendation · Referral · Recommendation and referral · Remedial action · Remedial action and referral · Remedial action not implemented · Referral and remedial action not implemented · Certificate-of-debt

Section 7 provides further details on the responsiveness to MIs in each of the provinces.

5.4 Delays in resolving material irregularities

When an MI notification is issued, the loss, misuse or harm has most often already occurred and swift action is required to recover losses and prevent further misuse or harm.

The time it takes to resolve an MI depends on its complexity and the type of actions required to resolve such an MI. Some MIs can be resolved relatively quickly, while others require auditees to correct deep-rooted systemic weaknesses or quantify a financial loss that occurred across multiple years, which will take much longer to address.

Of the 182 MIs with an appropriate action status or where we have invoked our powers, 157 have remained unresolved for longer than a year. The reasons for delays in the MI process are:

- instability at accounting officer level
- slow response by accounting officers
- prolonged investigations or delays in concluding criminal proceedings
- delays in disciplining officials
- delays in recovery processes.

Instability at accounting officer level

If the accounting officer to whom we had issued the MI notification is no longer in the position, we must often reissue the notification to the new accounting officer or allow more time to resolve the MI in the interest of procedural fairness. Often, any progress made by the original accounting officer comes to a halt due to a gap in monitoring and follow-up. Instability at accounting officer level affected the resolution of 28 MIs at 15 municipalities.

Instability at accounting officer level: Matjhabeng (Free State)

The municipal area is the primary hub for gold mining in the province around towns such as Welkom and Virginia. The municipality supplies basic services to 161 118 households.

In September 2018, the municipality appointed Enigma Consulting for revenue-enhancement and debt-collection services. The municipality paid R253,6 million to the consultant under an uneconomical fee structure that was not linked to the time and costs of providing such services to the municipality, resulting in an estimated loss of R104,7 million.

We notified the accounting officer of an MI in October 2024. In November 2024, the accounting officer resigned. Thereafter, various officials acted in the position of accounting officer. Due to these instabilities, we reissued the MI to the acting accounting officer in October 2025 and granted additional time for them to resolve the matter. By March 2026, the municipality was still without a permanently appointed accounting officer.

Instability at accounting officer level: Renosterberg (Northern Cape)

The municipality's seat is in Petrusville, with agriculture as the core economic activity of the area. The municipality provides basic services to 3 970 households.

From January 2020, the municipality paid salaries to two employees that were more than their approved salary scales. We notified the acting accounting officer of an MI in November 2023. The accounting officer did not take appropriate action to resolve the MI and we included recommendations in the audit report for implementation by November 2024. In March 2024, the acting period of the accounting officer ended and, from April 2024, another official acted as accounting officer until September 2025, when a new accounting officer was appointed. These continued changes negatively affected continuity, decision-making and accountability, resulting in delays in addressing the MI. We took remedial action, which had to be implemented by April 2026.

Slow response by accounting officers

During our audit process, accounting officers are often slow to respond to our audit recommendations. We experience similar delayed responses to our MI notifications, implementing our MI recommendations and remedial action, and requests for information on the status of actions being taken. Such delays affected the resolution of 89 MIs at 43 municipalities.

Slow response: Emthanjeni (Northern Cape)

Situated in the Central Karoo region, the municipality includes the towns of De Aar (the administrative seat), Britstown and Hanover. It serves 13 019 households across the area by providing basic services.

The municipality paid R2,86 million for financial reporting services that could have been performed by municipal officials. We notified the accounting officer of an MI in September 2023.

Appropriate action was not taken to address the MI and we included recommendations in the audit report for implementation by May 2025, with a progress report due by February 2025. The progress report was submitted past the due date in March 2025 and, despite various follow ups, the final report was not submitted as proof that the recommendations had been implemented.

We then took remedial action for implementation by February 2026. A progress report was not submitted, and a final report was submitted after the due date in March 2026. We concluded that our remedial action was not implemented. In May 2026, we requested the council and provincial leadership to take action to address the accounting officer's failure to implement the remedial action – a progress report on actions taken is due from the premier in November 2026.

Prolonged investigations or delays in concluding criminal proceedings

Some MIs can be resolved only once public bodies have completed their investigations and processes. Cases referred to public bodies generally require extended periods to reach a conclusion due to the complexity and scope of the investigations as well as the expectation that evidence must withstand a higher standard of legal scrutiny compared to audit evidence. Therefore, ongoing engagement with law-enforcement agencies is maintained and all necessary support is provided in response to their requests to ensure effective collaboration. This process, necessary as it is, delays the recovery of financial losses and the implementation of consequence management processes and criminal proceedings.

Other reasons for delays include the following:

- Delayed acceptance and commencement of investigations by public bodies due to multiple approvals being required by public body officials and executive authorities.
- Difficulties experienced by public bodies in obtaining statements from various roleplayers who may not be available during the investigation as well as supporting documents not being available.
- Scope changes during investigations due to the identification of new risks that might affect the investigation outcome.
- Dependencies on expert witnesses and legal counsel, court processes and other law-enforcement agencies and public bodies.

The resolution of 70 MIs at 32 municipalities was affected by prolonged investigations or delays in concluding criminal proceedings.

Prolonged investigation: Bushbuckridge (Mpumalanga)

The municipality is the largest local municipality by land size in the province and serves as the gateway to major tourist attractions, including the Kruger National Park. It provides water, sewerage and waste management services to 148 132 households in Bushbuckridge, Acornhoek, Mkhuhlu and Thulamahashe.

In December 2018, the municipality paid R2,10 million to a contractor for paving streets, which was not done. We notified the accounting officer of an MI in October 2021. The accounting officer did not take appropriate action to resolve the MI and, in August 2024, we referred the MI to the SIU for further investigation. In May 2025 (nine months later), after the Department of Justice and Constitutional Development had completed its assessment of the merits of the matter, the president issued a proclamation to investigate the matter. The investigation is in progress.

Delays in disciplining officials

We often see that either the investigation to identify the responsible officials takes too long or the disciplinary process against implicated officials is delayed. These delays often arise because the investigations may be complex or time intensive. In some cases, additional time is taken to ensure that the process is procedurally fair according to labour legislation, so that any applicable sanctions can be enforced.

Where accounting officers or senior managers are implicated, councils do not adequately fulfil their role of ensuring consequences due to a lack of structures, processes and monitoring.

Often, officials resign before they can be disciplined, resulting in further delays as alternative procedural steps must then be initiated. These may include referrals to other accounting officers/authorities or public bodies to implement corrective action where the officials remain employed within the public sector.

Delays in disciplinary process: eThekwini Metro (KwaZulu-Natal)

Between January 2017 and October 2022, the metro paid R5,61 million to invalid beneficiaries under the Expanded Public Works Programme. We notified the accounting officer of an MI in December 2022. The accounting officer concluded an investigation in April 2024. As the investigation did not identify all responsible officials who had enabled the payments, the accounting officer reopened the investigation.

The reopened investigation was concluded only in October 2025 and identified six additional officials were identified as responsible. However, no evidence was provided to confirm whether disciplinary proceedings had commenced against these individuals. In February 2026, we took remedial action, which must be implemented by June 2026.

Delays in disciplinary process: Harry Gwala District Municipality (KwaZulu-Natal)

The municipality is seated in Ixopo and is comprised of four local municipalities. The municipality operates as a water services provider. The area is characterised by expansive commercial farms and vast tracts of tribal authority land.

In March 2020, the municipality had to pay R8,09 million in standing-time claims to a contractor due to the late delivery of pipes by another contractor. We notified the accounting officer of an MI in February 2022. In March 2022, the accounting officer instituted and completed an investigation that identified four responsible officials. In May 2022, the accounting officer resigned, delaying the implementation of the investigation report's recommendations. In September 2022, after the new accounting officer had been appointed, implementation resumed and, in July 2023, disciplinary proceedings commenced. After delays due to the unavailability of witnesses, the hearings concluded in December 2025. In January 2026, submissions were made to the presiding officer for a ruling.

Delays in recovering financial losses are often experienced due to in-house legal units and external legal firms taking long to gather proper evidence and/or tracing responsible parties. Court orders are often required for civil claims. By the time the responsible parties have been identified and claims made, the debt can sometimes not be recovered anymore due to prescription, death or supplier liquidations. These delays affected the resolution of 25 MIs at 17 municipalities.

Delays in recovery processes: Intsika Yethu (Eastern Cape)

The municipality's main towns are Cofimvaba and Tsomo. It is responsible for waste management services to 35 851 households. After year-end, the municipality's name changed to Vuyisile Mini.

In 2018-19, the municipality paid an estimated R18 million to suppliers for the upgrading of gravel roads that was not done. We notified the accounting officer of an MI in November 2021. In December 2021, the council referred the matter to the MPAC and the matter was subsequently taken to court. In November 2023, the court confirmed the contractor's liability for the loss but the garnishee order was only served on the contractor in October 2025 – almost two years after the liability had been confirmed. No funds had been recovered by March 2026.

5.5 Conclusion

The MI process can contribute to improved accountability and oversight, better service delivery and the protection of resources and public sector institutions in local government, but has yet to reach its full potential.

Everyone in the accountability ecosystem has a crucial role to play in optimising the impact of the MI process. Some roleplayers have mandates and powers similar to – or more comprehensive than – ours, which they should use to ensure that irregularities are dealt with swiftly and that similar instances are prevented.

We provide our recommendations on preventing and dealing with MIs and overseeing the resolution of MIs (also by internal audit units and audit committees) to the accounting officers during the audit. We highlight that improved institutional integrity at the municipality will further increase the value obtained from the MI process.

In our previous general reports and through engagements throughout the term of this administration, we encouraged leadership at all levels (including political leadership) to embrace the process as a tool to strengthen financial and performance management so that irregularities (such as non-compliance, fraud, theft and breaches of fiduciary duties) and their resulting impact can be prevented or dealt with appropriately.

However, our recommendations on increased oversight and monitoring have not been implemented widely. This was confirmed through our assessment of the involvement of councils and MPACs in monitoring the resolution of MIs. At the 40 municipalities where we performed the assessment and which had MIs to deal with in 2024-25, 12 (30%) of the councils and 17 (43%) of the committees did not monitor progress on the MIs.

We repeat the recommendations we made in previous general reports to the political leadership responsible for municipalities:

- Mayors, councils and MPACs should support, monitor and oversee the resolution of MIs by requesting quarterly reports on the progress that accounting officers make in resolving them and, where there are any unreasonable delays, hold them to account.
- Provincial leadership and legislatures should request regular reports from municipalities on the resolution of MIs.

We will continue to use the MI process to improve performance, transparency and accountability in local government, built on a foundation of ethical behaviour and institutional integrity.

06 Call to action

Calibre and capability of new leaders will determine success of 7th administration

Throughout the term of this administration, our recommendations have been directed to the members of the accountability ecosystem in local government. The legislation that applies to municipalities and municipal entities is specific on the responsibilities of all roleplayers in local government – at the level of the municipal administration, mayor and council, as well as in the province and nationally.

Our call to the accountability ecosystem was to do what legislation requires, embrace accountability and transparency, and work in a coordinated and collaborative manner to improve service delivery and fiscal discipline in local government.

Although there have been some encouraging signs of responsiveness to our messages, progress continued to be limited in 2024-25.

The root causes of continued poor audit outcomes and service delivery challenges can be traced to persistent accountability ecosystem failures at multiple levels. Our audits again confirmed that key roleplayers throughout the system either are not doing what legislation requires of them or are not effective in performing these duties.

The lack of diligent execution of legislated duties occur within municipal administrations, municipal governance structures and the oversight functions meant to ensure compliance and performance.

6.1 Municipal administration – accounting officers and senior management

As demonstrated in various sections of this report, a **lack of institutional capability and integrity** is at the heart of poor-quality financial and performance reporting, non-compliance with legislation and poor municipal financial health.

The main areas that need attention are:

- Continued **skills and capacity** gaps affect not only the quality of work delivered by municipal officials but also perpetuate the dependency on consultants in local government at a high cost and without the expected improved outcomes.
- A lack of **controls** or control failures result in errors, non-compliance, fraud, losses and misconduct not being prevented, or detected and corrected, in line with legislation, policies and good practices. Accounting officers and their senior managers are responsible for establishing and implementing robust internal controls and for ensuring that these controls operate effectively across all municipal processes. Such internal controls include the adequate supervision, review and approval of work performed by municipal officials; the segregation of duties; standard operating procedures and compliance checklists as well as validation and access controls on information technology (IT) systems.

  Although internal audit units and audit committees have been established to support municipal administration in implementing and monitoring controls, the reports and recommendations of these structures are often ignored, diminishing their effectiveness.
- **IT systems** in local government are either not effective or not used effectively to automate and protect the integrity of key processes, such as billing revenue, asset management, processing payments and accounting for transactions. These shortcomings weaken operational efficiency, increase the risk of errors and fraud, and compromise data integrity across critical municipal functions.

  Municipal digital transformation remains inconsistent and vendor led and there is a lack of skills, funding, connectivity and data standards. As a result, local government cannot fully leverage digital opportunities for better services, financial management, transparency, accountability or citizen engagement.
- There is a lack of **institutional integrity** across local government. Municipalities should institutionalise controls to ensure that leadership and officials behave ethically, comply with legislation, act in the best interest of the institution and avoid conflicts of interest. However, our audits show that this is not the case.

  Accountability processes and swift consequences for transgressions and poor performance strengthen institutional integrity.

As part of our audits, we made recommendations to accounting officers and their senior management on filling vacancies, capacitating officials, institutionalising internal controls (with a focus on preventative controls), establishing good policies and procedures, and protecting and improving their systems. We also identified – and notified them of – material irregularities (MIs) with which they must appropriately deal.

As detailed in this report, accounting officers and senior management have been slow to respond to our findings and recommendations. Instability in the accounting officer position further contributed to the slow response, as detailed in the sections on disclaimed audit opinions, metros and MIs.

The question then becomes, who should be providing oversight and using their enforcement mandate, as provided for in law, to demand action from those that run the municipalities? Legislation, including the Municipal Finance Management Act (MFMA) and the Municipal Systems Act, is clear that the mayor and the council are fully responsible for this governance function.

6.2 Governance – mayors and councils

In our previous general report, we reported that the legislative framework sufficiently deals with the governance responsibilities of mayors and councils. However, the implementation of these responsibilities is inconsistent and often without impact.

In 2024-25, these governance failures continued in all the key areas of decision-making by mayors and councils.

Annual planning and budgeting process

Through the budget process, planned expenditure on municipal operations and projects is aligned with projected revenue. Where expenditure and revenue do not match, only the council has the power to restore balance by either increasing revenue through rates and taxes or reducing or reprioritising expenditure, such as by postponing projects. The service delivery and budget implementation plan (SDBIP) determines the service delivery priorities and objectives for the year.

The budget and the SDBIP are therefore core instruments for planning and performance oversight. They enable mayors and councils to align spending with realistic revenue assumptions and service delivery priorities, and to monitor whether approved plans are implemented as intended throughout the year.

Although councils formally approved budgets and SDBIPs, the intended discipline of the budget process was not consistently achieved. As detailed in subsection 2.3, councils continued to adopt unfunded adjustments budgets, with an even higher prevalence in 2024-25 than in 2020-21, against the advice of the National Treasury and relevant provincial treasury.

The SDBIP should include performance indicators and targets that clearly define what will be done, what success will look like and how it will be measured. As detailed in subsection 2.3, the SDBIPs approved for 2024-25 again included performance indicators and targets that were not clear on what is being measured or that were not relevant to overall goals, or for which processes were not in place to measure achievement. Some municipalities left out performance indicators that measure core municipal functions.

This indicates that budgets and SDBIPs were often treated as compliance requirements rather than as tools for effective planning and performance oversight. As a result, the link between approved plans, actual spending and service delivery outcomes was weakened, limiting the ability of councils to take timely decisions to prevent financial deterioration. This calls into question the diligence with which the mayors and councils of these municipalities engaged with their SDBIP as an instrument for credible performance planning and oversight.

Identifying and dealing with financial and service delivery problems

Legislation places a duty on the mayor to monitor the implementation of the budget and the delivery on planned performance, and to then take corrective action if required. The mayor's submission to the council of regular reports (quarterly financial reports and a mid-year performance report) enables in-year council oversight and monitoring. This provides an opportunity to call the accounting officer to account, give direction and take action as needed, including requesting assistance from the provincial government. It should also trigger early corrective action and prevent a decline in financial health and service delivery.

The mayors of 249 municipalities (98%) prepared and tabled the mid-year performance reports in council (as detailed in subsection 2.3).

We audited specific governance responsibilities of mayors and councils in 2024-25 at 60 municipalities (metros, intermediate cities and 14 municipalities that had disclaimed audit opinions in 2023-24). At the 60 municipalities assessed, the mayors of 55 (92%) submitted quarterly financial reports to the council. The non-compliant municipalities were in the Northern Cape and North West.

Although the submission rate of these oversight reports is high, one should consider the accuracy of the information used by accounting officers to prepare these in-year reports that were used by mayors and councils. Based on the poor quality of the financial statements and performance reports submitted for auditing, as well as the lack of proper records and controls as detailed in subsection 2.2, it is likely that these reports were also materially incorrect.

Due to a combination of unreliable information and a lack of diligence and impactful decision-making by mayors and councils, the in-year monitoring had little impact in preventing and dealing with financial and service delivery problems. As detailed in subsection 2.2, the financial health of municipalities continued to be poor in 2024-25. Unauthorised expenditure reached the highest annual amount of the administration's term, with 69% of municipalities incurring R36,05 billion. Municipalities also did not implement financial recovery plans or comply with the Eskom debt-relief programme. Delays in delivering on infrastructure projects remained prevalent (as detailed in section 3) and inadequate service delivery continued to impact residents and businesses.

Annual report and oversight

The annual report is the municipal administration's account of its performance for the year – it includes the financial statements, performance report and audit report. The financial statements include specific statutory disclosures for the attention of the council, such as the extent of unauthorised, irregular, and fruitless and wasteful expenditure. The performance report not only includes an assessment of the year's performance but also the measures that will be implemented to improve performance in the following year.

Our audit report specifically points out incorrect or uncorroborated information in the financial statements and performance report, includes information on serious non-compliance with legislation and provides details on all MIs. It is directed to the council so that it can call the accounting officer to account for any unfavourable findings and make resolutions on addressing the findings. The mayor has the legal responsibility to ensure, on behalf of the council, that the issues we raise are addressed.

The council is required to consider the annual report and include comments on it in the oversight report, including whether the annual report is approved, approved with reservation, rejected or needs revision. The annual report discussion in council is open to the public and is intended to be used for the administration to account to the council and the public for the state of the municipality.

The timing of the annual report (at the end of January) allows the council to also consider and take resolutions on amendments to the plans for the next financial year to prevent any failures reported in the annual report from recurring.

The annual report and oversight report are intended to activate accountability: the council and the public should interrogate the municipal performance, financial reporting, compliance, audit outcomes and corrective actions outlined in these reports.

In 2024-25, the 2023-24 annual reports were tabled by the mayors and adopted by the councils at 245 municipalities (96%), while oversight reports were adopted by 247 councils (97%).

The lack of improvement highlighted throughout this report shows that the accountability process followed by councils had little impact on addressing the weaknesses at municipalities, despite the rich information in the annual reports pointing to underperformance, unreliable information, financial distress and losses, non-compliance and MIs.

The municipal public accounts committees (MPACs) have a specific role to play in the accountability process and in enabling consequences where appropriate. In our assessment, only a third of MPACs are dealing with such matters appropriately. We have reported on the ineffectiveness of the MPACs for several years. Consideration should be given to the causes for failure by these committees to properly execute their role and whether the stumbling blocks can be addressed or if other solutions should be identified.

At the 60 municipalities assessed, the mayors of 15 (25%) did not ensure that the 2023-24 audit report findings were addressed, while audit action plans were not monitored at 17 municipalities (28%). At 19 municipalities (32%), councils did not hold municipal officials accountable for the non-implementation of the audit action plans. These findings were most prevalent in the Free State, Gauteng and North West.

Overall, we assessed that only 32% of mayors across local government provided the required level of oversight. The impact of mayors neglecting this legislated duty can be seen in the lack of improvement in audit outcomes and the slow resolution of MIs.

Structures to deal with financial misconduct

Municipal councils are required by legislation to establish a disciplinary board to investigate allegations of financial misconduct and to monitor whether disciplinary proceedings are instituted against alleged transgressors.

The Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings became effective more than a decade ago, in July 2014. By 2024-25, 11 municipalities (18%) still did not have disciplinary boards in place. Without a disciplinary board, the council does not have the means to deal effectively with allegations of financial misconduct against the accounting officer, senior managers or any other municipal officials.

As detailed in subsection 2.4, where such boards are in place, their processes are often not effective. When municipalities do not pay attention to the fundamentals of establishing structures and processes to deal with financial misconduct, this shows that councils are not setting the correct ethical tone and are rather continuing to allow a culture of no consequences to prevail.

Accountability processes for unauthorised, irregular, and fruitless and wasteful expenditure

Disclosing unauthorised, irregular, and fruitless and wasteful expenditure in the financial statements is intended to activate the council to investigate the matter on behalf of municipal residents to ensure that any indications of financial misconduct are appropriately dealt with, any possible financial losses are recovered and any further losses are prevented.

Subsection 2.4 details that, in 2024-25, councils did not investigate the irregular expenditure disclosed in the previous year's financial statements to determine whether the municipalities were losing money due to non-compliance or if any official could be held liable. Some councils also did not investigate fruitless and wasteful expenditure to determine whether it could be recovered or if any official could be held liable. This means that the first step in the accountability process was not taken. Subsection 2.4 also highlights the growing trend of councils writing off irregular expenditure, sometimes without an investigation, and then certifying that the monies are not recoverable, reducing the amounts subjected to the consequence management process.

Capacitation of councillors

Councillor training on consequence management, MFMA responsibilities and updated legislation remains fragmented across municipalities and has had limited impact.

At the 60 municipalities assessed, we found the following:

- Councillors at 25 municipalities (42%) did not attend the professionalisation framework training.
- At 17 municipalities (28%), councillors did not attend training on updates to legislation.
- No training was provided to councillors on environmental management at 14 municipalities (23%).

Overall, councillor training continues to be largely compliance driven, with insufficient focus on practical application and enforcement, which reduces its effectiveness in strengthening accountability and service delivery.

Controls have been built into the local government system through legislation to deal with governance failures by mayors and councils. This has been done to enable the **national government and provincial governments to ensure that the required processes take place and to intervene, if necessary,** as outlined in section 1. However, we identified lapses in compliance with the key legislation in this area.

6.3 Oversight – national and provincial government and legislatures

Municipalities are partly funded by the national government and provincial governments, while the state of municipalities directly affects the people in each province. The members of the executive councils (MECs) for local government in the provinces therefore have a responsibility to monitor and support municipalities, and to intervene where necessary. These executive authorities, alongside their premier, are accountable to the provincial legislature for how they have executed their mandated functions for local government in the province.

The intention of the legislated obligations of the minister and the MECs responsible for local government is for them to keep track of municipal performance (on both financial and service delivery areas) and responses to audit reports, to intervene where and when necessary, and to report on their observations to Parliament and provincial legislatures.

The MEC for local government in a province is required to annually compile and submit to the provincial legislature and the National Council of Provinces a consolidated report of municipal performance in the province, which identifies those municipalities that had underperformed and proposes the remedial action to be taken. These reports were tabled late in the provincial legislature of KwaZulu-Natal and not yet tabled in North West. In the provinces where they were tabled, the proposed remedial actions were not implemented by 11 municipalities (18%).

In our previous general report, we reported on the backlog by the cooperative governance minister in preparing and tabling the consolidated report for local government to Parliament. In response, the outstanding reports for 2021-22, 2022-23 and 2023-24 were completed and tabled in Parliament on 1 December 2025. The 2023-24 report was published in the Government Gazette on 29 October 2025.

As detailed in section 1, the provincial legislatures do not have a legal obligation for municipal oversight, but when reports are tabled with them, this places a responsibility on them to deal with these reports in line with the rules of the legislatures and Parliament. In response to our message for greater oversight, Parliament and the legislatures in the Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo and North West called various municipalities to appear before them, while the Mpumalanga and Northern Cape legislatures have scheduled these sessions for June 2026.

6.4 A call for effective leadership and diligent oversight

We call on the local government accountability ecosystem to enable the much-needed improvement at municipal level and in the lives of our country's citizens. Roleplayers across the ecosystem must address the governance failures that cause the continued lack of institutional capability and integrity in municipal administration and the lack of accountability and consequences.

This call is reinforced by government's own policy commitments. The 2024-29 Medium-Term Development Plan confirms a whole of government focus on improving local government performance as part of building a capable, ethical and developmental state. Strategic priority 3 highlights stabilising municipal governance and finances, professionalising administrations, strengthening legislative and fiscal frameworks, and accelerating critical infrastructure delivery. These commitments create an opportunity for decisive leadership and coordinated action across all spheres of government to achieve meaningful improvements in municipal performance and service delivery.

Mayors, councils, national and provincial executive authorities and legislatures should diligently perform their legislated governance and oversight responsibilities in the municipal planning, budgeting, monitoring and reporting process through impactful decision-making and enforcing accountability. There are no gaps in legislation; instead, it is the quality of governance that is problematic.

Again, we recommend that the following be prioritised:

1. **Build capable institutions with intergovernmental support:** Support from all spheres of government – through coordinated and collaborative efforts in partnership with municipal leadership – is needed to strengthen legislative and fiscal frameworks and governance in local government. The national government and provincial governments should provide targeted support and oversight to stabilise municipalities by restoring governance and financial management, strengthening long term planning and improving service delivery.

   To strengthen governance processes, the contribution of **internal audit units and audit committees** should be optimised. Internal audit units provide independent assurance to the accounting officers on whether adequate and effective controls have been implemented and risks mitigated. The audit committee is an independent body that advises the mayor, council, accounting officer and senior management on matters such as internal controls, risk management and compliance with legislation.

   Accounting officers have a legislated responsibility to establish and support internal audit units and audit committees, and to respond to their reports and recommendations.

   Accounting officers, mayors and councils derive significant value when they elevate and support internal audit units and audit committees as key governance controls and ensure that their recommendations are implemented by senior management. This value comes in the form of strengthened financial and performance management, credible financial and performance reporting as well as compliance with legislation.

2. **Professionalise and capacitate local government:** In pursuing professionalisation, accounting officers, councils and provincial leadership should ensure compliant appointments and targeted skills development to professionalise municipal administrations. They should work towards a future in which local government is a career of choice for professionals and where scarce skills are retained.

3. **Instil a culture of ethics and accountability:** A shared vision of responsiveness, consequence management, accountability and ethical behaviour is essential to ensure that actions are taken promptly and that individuals are held accountable for their actions, or inaction.

   Responsiveness to – and support for – the **MI process** will demonstrate leadership commitment to accountability and contribute to the protection of resources and the strengthening of institutional integrity. We include detailed recommendations on dealing with MIs in section 5.

Ahead of the local government elections, we are also mindful that subsequent changes in political leadership at municipalities often results in a regression in municipal audit outcomes and performance. We therefore recommend the following:

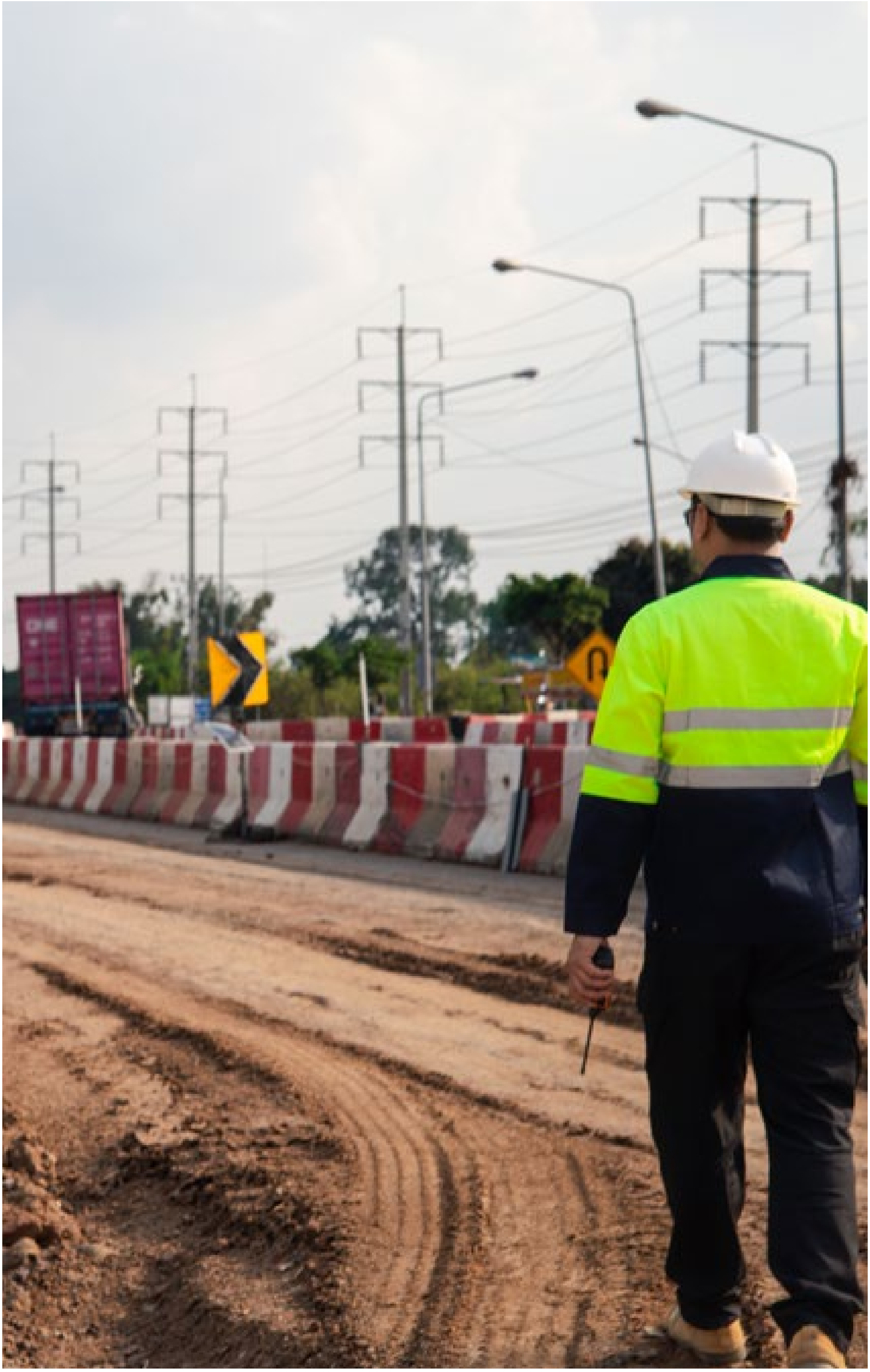
1. Political parties should carefully consider the **capability and integrity of the candidates** put forward as council members and mayors. At metros, the role and responsibilities of a mayor are equal to those of the chairperson of a board of directors of a large state-owned entity – the calibre of the mayoral candidates should be the same.

2. The **induction process** of council members by the South African Local Government Association, Department of Cooperative Governance and National Treasury should be of a high quality and cover all the areas where councils have been failing in their duties. Special attention should be paid to the capacitation of members of the mayoral committees for finance as they have a significant role to play in strengthening the financial management of the billions of rand that metros are entrusted with.

3. **Stability in the administration** must be maintained where it has been performing relatively well (even in difficult circumstances). Disruptions in municipal functions due to changes in accounting officers and senior management should be avoided as much as possible.

We specifically call on the mayors; the executives in the national government and provincial governments; and the members and committees of councils, Parliament and the provincial legislatures to diligently perform their legislated governance and oversight responsibilities through impactful decision-making and enforcing accountability. We further urge civil society, business and citizens to play their part in the local government accountability ecosystem.

We will continue to work with and support local government through our audits. The insights from these audits illuminate understanding of the challenges at municipalities, municipal entities and at provincial government level, which can be used to advocate for action. We will continue to use our expanded powers to step in where the accountability ecosystem fails.



07 Provinces

This section summarises the state of local government in each of the nine provinces. Each province has a unique story and the audit outcomes often reflect how the local government took care of its finances and delivered services to the people in the province.

Each provincial overview starts with a snapshot with high-level information on the overall state of local government in the province. We then summarise the main insights from our audits as follows:

- The audit outcomes in the areas of financial reporting, performance reporting and compliance with key legislation, including procurement and contract management.
- The service delivery risks posed by shortcomings in financial, infrastructure, grant, information technology (IT) and consequence management.
- How we have used our enhanced mandate and the response to our material irregularity (MI) process.
- A reflection on what should be done, and by whom, to improve the situation; and the commitments made by those with whom we had engaged before the tabling of this report.

Our website (www.agsa.co.za) provides comprehensive information on each municipality, including the metros, in the country, rolled up to district and provincial level.

All of this information aims to enable mayors; the executives in national and provincial government, including members of the executive councils (MECs) responsible for finance and local government; as well as the members and committees of councils, including the municipal public accounts committees (MPACs), Parliament and the provincial legislatures to diligently perform their legislated governance and oversight responsibilities.

7.1 Eastern Cape

Leadership tone and consequence management remain key to sustaining progress

Audit outcomes – municipalities

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit
2020-21	4	16	14	1	4	0
2023-24	6	14	16	1	2	0
2024-25	8	12	17	0	2	0

	Improvement	Unchanged	Regression
Movement from previous year and related budget	7 (R2,43bn)	29 (R59,01bn)	3 (R2,81bn)
Movement over administration and related budget	17 (R17,23bn)	12 (R40,41bn)	10 (R6,61bn)

Municipality outcomes with movement over administration

Improved
Great Kei LM; Kouga LM; Mnquma LM; Ntabankulu LM; Sarah Baartman DM; Umzimvubu LM; Dr AB Xuma LM; Emalahleni LM; Intsika Yethu LM; King Sabatha Dalindyebo LM; Ndlambe LM; Ngqushwa LM; OR Tambo DM; Sakhisizwe DM; Amathole DM; Chris Hani LM; Walter Sisulu LM

Unchanged
Joe Gqabi DM; Senqu LM; Amahlati LM; Mbashe LM; Buffalo City MM; Dr Beyers Naudé LM; Enoch Mgijima LM; Ingquza Hill LM; Nelson Mandela Bay MM; Raymond Mhlaba LM; Makana LM; Sundays River Valley LM

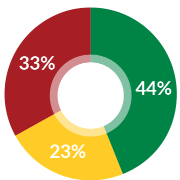
Regressed
Elundini LM; Winnie Madikizela-Mandela LM; Alfred Nzo DM; Blue Crane Route LM; Inxuba Yethemba LM; Kou-Kamma LM; Kumkani Mhlontlo LM; Matatiele LM; Nyandeni LM; Port St Johns LM

Clean audit | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit

DM: District Municipality | LM: Local Municipality | MM: Metropolitan Municipality

Financial health with movement over administration – municipalities

Overall assessment



- Good: 17
- Concerning: 9
- Unfavourable: 13

Municipalities with going concern uncertainty (years in position): (Regression)
- Amahlati (8 years)
- Amathole (9 years)
- Blue Crane Route (2 years)
- Dr AB Xuma (1 year)
- Dr Beyers Naudé (1 year)
- Elundini (1 year)
- Inxuba Yethemba (1 year)
- King Sabata Dalindyebo (9 years)
- Kou-Kamma (11 years)
- Makana (9 years)
- Ntabankulu (1 year)
- Sundays River (2 years)
- Walter Sisulu (4 years)

Unfunded budget: 10 (26%) (Regression)

Unauthorised expenditure: R5,48b – 22 (56%) (Regression)

Deficit (expenditure exceeded revenue): 12 (32%) (Regression)

Fruitless and wasteful expenditure: R372,17m – 33 (85%) (Unchanged)

Creditor-payment period exceeded 120 days: 13 (35%) (Improvement)

More than 80% of debt irrecoverable: 15 (41%) (Regression)

Current liabilities more than current assets: 12 (32%) (Slight regression)

Total liabilities more than total assets: 1 (3%) (Unchanged)

Cash coverage less than one month: 3 (8%)

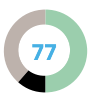
Water losses by 14 water providers:
- Amount: R1,03bn
- Above 30% norm: 10 (71%)
- Not disclosed: 0 (0%)

Electricity losses by 21 electricity providers:
- Amount: R2,86bn
- Above 10% norm: 17 (81%)
- Not disclosed: 0 (0%)

Improvement | Unchanged | Slight regression | Regression

Material irregularities – 24 municipalities and municipal entities (49% of provincial auditees)

Status



- 38 Resolved
- 9 Under assessment/awaiting response
- 30 Unresolved
  - 11 | 8 | 6 | 2 | 2 | 1

Nature

55	Material financial loss (R963m)
2	Misuse of material public resource
6	Substantial harm to public sector institution
14	Substantial harm to general public

Appropriate action taken | Appropriate action not taken – decision on invoking our powers in process | Referral | Recommendation | Remedial action | Remedial action not implemented

Last year, we reported an improvement in audit outcomes over the term of the 6th administration but cautioned that a lack of accountability and consequences leads to poor service delivery.

Audit outcomes

The overall audit outcomes of municipalities have slightly improved since 2020-21 and from the previous year.

Improvements were driven by stability in key finance positions, strengthened financial reporting and focused implementation of prior-year audit recommendations. With support and targeted technical assistance from the provincial treasury, several municipalities strengthened their internal controls and governance oversight, resulting in improved audit outcomes and fewer repeat findings, underscoring the importance of sustained management stability and disciplined follow through on audit recommendations.

The audit outcome of Alfred Nzo District Municipality (seated in eMaxesibeni) regressed due to leadership instability and weak financial management, including delays in appointing a chief financial officer, as well as poor supply chain management controls. The shift from a well-established automated system to manual supply chain management processes that lacked adequate documentation resulted in the incomplete disclosure of irregular expenditure, contributing to the regression.

The province's two metros, Buffalo City and Nelson Mandela Bay, have shown limited progress over the duration of the administration and during the period under review due to weak consequence management, prolonged leadership instability and ineffective daily and monthly financial disciplines. These weaknesses continue to constrain performance, accountability and transparency, preventing improvement in audit outcomes. We include a detailed analysis of the outcomes of the two metros in section 4.

The municipalities that achieved clean audits managed only 10% of the province's municipal expenditure budget. Only Joe Gqabi District Municipality (seated in Ekhephini, formerly Barkly East) and Mnquma (Gcuwa) have sustained clean audit outcomes throughout the administration, illustrating the role of stable leadership, strong controls and effective oversight in driving accountability.

Financial reporting

We were unable to audit most of the financial statement items of Makana (Makhanda) and Sundays River Valley (Nqweba), as they did not submit evidence and supporting documents. The lack of transparency in how municipal funds are utilised reflects entrenched governance failures and avoidance of accountability. Ineffective implementation of provincial treasury support, limited oversight by MPACs and mayors, and ineffective consequence management that have normalised non-compliance over the past seven years.

The number of unqualified audit opinions on the financial statements remained at 20 (51%). However, had municipalities not made corrections based on our findings, the financial statements of only 10 (26%) would have been unqualified.

The 17 municipalities (44%) with qualified audit opinions have entrenched and recurring control failures. Three municipalities have been in this category for five or more years.

Most of the material misstatements in the financial statements submitted for auditing related to infrastructure assets, debtors and cash-flow statements. Nineteen municipalities that received modified audit opinions could not make the corrections due to a shortage of accounting skills, ineffective daily controls and insufficient supporting documentation.

Twenty-nine municipalities (74%) used financial reporting consultants at a cost of R182,36 million. These consultant fees were spent in addition to the R1,13 billion that municipalities spent on salaries within their finance units. Consultant fees have increased from R155,98 million in 2020-21.

Despite this investment, 17 municipalities (59%) that used consultants submitted financial statements with material misstatements in the areas on which the consultants worked. This was due to inadequate reviews and a lack of monitoring of the consultants' work.

Persistent financial reporting weaknesses stem from weak basic controls that undermine the credibility of financial information, inadequate review processes by chief financial officers, poor implementation of action plans and ineffective monitoring of action plans by accounting officers. Most municipalities rely on the audit process and consultants instead of taking ownership of financial reporting. Poor-quality financial statements reflect a lack of transparency and can lead to decisions that are based on unreliable information.

Performance reporting

Municipalities without material findings on their performance reports have increased from 17 (44%) to 25 (64%) since 2020-21. Municipalities that submitted good-quality performance reports for auditing improved from 13 (33%) to 16 (41%) since the previous year.

The most common material findings on performance reporting were that reported achievements were not reliable at nine municipalities (26%) and that indicators and targets were not clearly defined during the planning process at eight municipalities (23%).

Weak performance information systems, coupled with a lack of management accountability and ineffective reviews, drive repeat findings, undermine transparency and accountability, and result in poor decision-making and inefficient resource allocation.

We issued an MI notification at Buffalo City Metro for inadequate performance management systems and poor record-keeping. Corrective actions, including strengthened internal controls and improved submission of supporting information, led to a reduction in the number of material findings.

Compliance with key legislation

Municipalities with material findings on compliance with key legislation have decreased from 35 (90%) to 31 (79%) since 2020-21.

The most common areas of non-compliance were the submission of financial statements with material misstatements at 29 municipalities (74%), failure to prevent unauthorised, irregular, and fruitless and wasteful expenditure at 24 municipalities (62%), findings on procurement and contract management at 22 municipalities (56%), payments to creditors not settled within 30 days or an agreed period at 20 municipalities (51%) and failure to implement consequence management at 17 municipalities (44%).

The irregular expenditure increased from R3,14 billion in 2020-21 to R5,52 billion in 2024-25. Almost half of the irregular expenditure (49%) stems from deviation processes that did not comply with legislation. Overall, 14% of the annual municipal expenditure budget (excluding employee costs and bulk purchases) was spent irregularly. In total, R26,92 billion of irregular expenditure was incurred over the current administration.

The extent of non-compliance could be greater and the value of irregular expenditure higher, as we qualified the completeness of the irregular expenditure amount disclosed by eight municipalities.

Procurement and contract management

Non-compliance with legislation on procurement and contract management was the reason for R5,46 billion (99%) of the irregular expenditure incurred in 2024-25.

The procurement and contract management processes of 31 municipalities (79%) did not comply with legislation. Non-compliance was reported as material at 22 municipalities (56%).

Common audit findings included deviations from the required competitive bidding and quotation processes, which resulted in unfair and uncompetitive procurement processes that increased the risk of paying higher prices or appointing suppliers that cannot deliver. A lack of monthly contract monitoring further indicates poor contract management, increasing the risk of overpayments and non delivery of services. Persistent weaknesses in procurement and contract management indicate systemic accountability and internal control failures, rather than isolated compliance lapses.

Financial management

The 2024-25 expenditure budget of the municipalities was R64,25 billion. Municipalities received R13,28 billion in equitable share grants and R8,44 billion in other grants from the national government.

The province's financial health remained under pressure because of weak revenue management, poor budgeting practices and ineffective debt collection, leading to irrecoverable debt and constrained cash flows. Poor expenditure control and ineffective monitoring of spending throughout the year were the key drivers of unauthorised expenditure. Inadequate cash-flow management resulted in delays in settling creditors, leading to interest and penalties. This contributed to fruitless and wasteful expenditure of R1,39 billion over the administrative period.

By year-end, municipalities owed arrears of R4,23 billion to Eskom and R576,99 million to water boards. At Enoch Mgijima (Komani), an MI was identified due to the failure to safeguard infrastructure. The infrastructure is ageing, and not enough funds are being allocated to maintain it, resulting in the municipality being unable to recover 53% of the electricity purchased. These weaknesses erode the municipality's ability to provide services.

Infrastructure and grant management

Of the main infrastructure related conditional grants of R6,21 billion received in 2024-25, intended for infrastructure development and maintenance, 96% was spent.

We raised compliance findings on the utilisation of the municipal infrastructure grant at three (8%) of the municipalities that received the grant. Unspent grant funds were not cash backed at Kou Kamma (Kareedouw), grant funds were misused for operational expenditure at Inxuba Yethemba (Nxuba) and there were record-keeping and expenditure control weaknesses at Makana. Similar weaknesses were also identified at Makana on the water services infrastructure grant. Due to the lack of supporting evidence, we were unable to determine whether grant funds were used for their intended purpose.

We identified weaknesses in 25 (78%) of the 32 projects that we audited relating to water, sanitation, electricity, housing, roads and recreational facilities. Key findings related to project delays, inadequate management of project costs and poor workmanship. The Mbizana sewer project in Alfred Nzo District Municipality has stalled since 2020 due to non-compliance with environmental legislation. We notified the accounting officer of an MI because of harm to the public (environment) resulting from untreated wastewater being discharged into the eMhlangeni River. At Buffalo City Metro, delays in decommissioning sewage treatment works led to the continued discharge of non compliant wastewater into the Buffalo River, resulting in harm to the public, and we notified the accounting officer of an MI.

Infrastructure maintenance weaknesses persist due to poor upfront planning, weak project scoping and inadequate risk assessment. Inadequate oversight and a lack of accountability, combined with limited internal review of the work done by project consultants, have contributed to non-compliance with legislation, project delays and a lack of service delivery to communities.

Consequence management

We reported material non-compliance with legislation on consequence management at 17 municipalities (44%). A common finding was the failure to investigate unauthorised, irregular, and fruitless and wasteful expenditure to determine whether any individual could be held liable. The consistent failure to investigate such expenditure and hold officials accountable confirms that consequence management is not being effectively enforced or prioritised. This creates an environment where non-compliance is normalised, accountability is weak and there is limited deterrence against repeat incidents.

The closing balance of irregular expenditure was R39,62 billion, while that of fruitless and wasteful expenditure was R1,40 billion and that of unauthorised expenditure was R8,81 billion.

Irregular expenditure of R2,97 billion was written off as irrecoverable after being investigated, while only R676 477 was recovered.

Nelson Mandela Bay Metro has not investigated significant irregular and fruitless and wasteful expenditure dating back several years. This was due to inadequate capacitation of MPAC, political instability and vacancies in key senior positions. The prolonged suspension of the accounting officer and ongoing gaps at executive level have further weakened leadership effectiveness, resulting in fragmented decision-making and limited accountability over key controls.

Material irregularities

MIs in the province largely stem from payments for undelivered goods and services, unbilled or uncollected revenue, procurement non-compliance as well as the misuse of assets and infrastructure, including poorly managed landfill and wastewater facilities. These reflect persistent weaknesses in financial management, contract oversight and consequence management, negatively affecting financial sustainability, environmental safety and service delivery.

In general, accounting officers are slow to respond to the MI process due to instability in accounting officer positions, legal disputes when they recover losses and budget constraints that lead to slow implementation of planned actions.

Municipal councils and MPACs have exercised oversight of MIs, but weak implementation, delays and reliance on external processes have limited timely accountability and recovery. Referrals to law enforcement are increasing; however, protracted investigations have constrained consequence management and resolution of the MIs. Provincial support has largely focused on financial management rather than enforcing accountability for specific cases.

At Intsika Yethu (Cofimvaba), council oversight led a successful recovery process following investigations. In contrast, at Sundays River Valley, weak council and MPAC monitoring resulted in all four active MIs advancing to further action, including referrals to public bodies for investigation.

Conclusion and call to action

The recommendations raised by the auditors were not adequately addressed by the mayors, as demonstrated by the repeat findings raised across most municipalities with no consequences for the continued failure to act on the corrective actions. This absence of accountability has contributed to the persistence of weak control environments and ongoing governance failures.

Despite the premier's commitment to strengthen oversight and institutionalise reporting on audit improvement plans through executive and intergovernmental forums, Makana and Sundays River Valley again received disclaimed audit outcomes, reflecting persistent control weaknesses.

Increased oversight engagements led by the provincial legislature signal an improved tone of accountability. Oversight by Scopa and the national Portfolio Committee on Cooperative Governance and Traditional Affairs intensified, with multiple municipalities called to account. This was further reinforced by joint hearings in October 2025, where 19 Eastern Cape municipalities, together with provincial leadership, were held accountable for governance, financial management and service delivery.

Monitoring by the provincial treasury and cooperative governance department has not yet resulted in meaningful improvement, as recurring material misstatements and repeat findings persist across municipalities.

Sustaining gains, especially through the upcoming transition period, requires decisive leadership, stability in key positions, durable systems, and reduced reliance on short-term fixes. Focused attention is required for municipalities that remain stuck in the qualified and disclaimed categories as well as the metros that continue to constrain overall progress.

Based on the insights obtained through our audits, we made the following recommendations to the premier, MECs for finance and local government and the provincial legislature:

- The premier should provide decisive provincial leadership to enforce accountability in municipalities where councils and MPACs have consistently failed to act. This includes strengthening oversight in municipalities with unfavourable outcomes, enforcing consequence management for unimplemented audit recommendations and MIs, and intervening where support efforts have not resulted in action, particularly at Sundays River Valley and Makana.

- The MEC for finance should strengthen in year financial discipline and ensure that the support provided by the provincial treasury builds internal capacity, reduces consultant dependence and results in measurable audit improvements.

- The MEC for local government should strengthen oversight and targeted initiatives to improve controls, performance management and reporting, with clear milestones, monitoring and escalation where progress is inadequate, and consequence management applied to prevent the normalisation of non-compliance.

- The speaker should strengthen the provincial legislature's oversight role by ensuring that commitments made during oversight hearings result in concrete resolutions and enforceable follow up actions. Oversight should focus on outcomes and accountability, rather than process compliance alone.

In conclusion, progress demonstrates what is possible when leadership sets the tone and the accountability ecosystem functions effectively. Sustaining and extending these gains now depend on visible consequence management and disciplined leadership to translate improved audit outcomes into tangible improvements in governance and service delivery.

7.2 Free State

Failure to enforce accountability and consequences weakens performance and service delivery

Audit outcomes – municipalities

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit
2020-21	0	6	13	0	4	0
2023-24	0	6	13	0	4	0
2024-25	0	7	11	0	3	2

Movement from previous year and related budget: 1 ▲ (R1,29bn) 20 ▶ (R23,04bn) 0 ▼

Movement over administration and related budget: 3 ▲ (R3,51bn) 16 ▶ (R13,41bn) 2 ▼ (R7,4bn)

Municipality outcomes with movement over administration

Improved Dihlabeng LM; Setsoto LM; Kopanong LM

Unchanged Lejweleputswa DM; Phumelela LM; Thabo Mofutsanyana DM; Tswelopele LM; Xhariep DM; Fezile Dabi DM; Letsemeng LM; Mafube LM; Mantsopa LM; Matjhabeng LM; Metsimaholo LM; Moqhaka LM; Ngwathe LM; Tokologo LM; Masilonyana LM; Nketoana LM

Regressed Mangaung MM; Mohokare LM

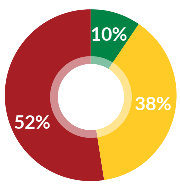
Outstanding audits (reason) Maluti-A-Phofung LM (financial statements outstanding); Nala LM (financial statements submitted late)

Clean audit | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit

DM: District Municipality LM: Local Municipality MM: Metropolitan Municipality

Financial health with movement over administration – municipalities

Overall assessment



- Good: 2
- Concerning: 8
- Unfavourable: 11

Municipalities with going concern uncertainty (years in position): ▲
- Dihlabeng (1 year)
- Kopanong (16 years)
- Letsemeng (10 years)
- Mafube (16 years)
- Mangaung Metro (9 years)
- Masilonyana (2 years)
- Matjhabeng (16 years)
- Mohokare (12 years)
- Moqhaka (10 years)
- Ngwathe (1 year)
- Nketoana (1 year)

Unfunded budget: 15 (65%) ▲ (slight improvement)

Unauthorised expenditure: R4 332,72m – 21 (91%) ▶

Deficit (expenditure exceeded revenue): 12 (67%) ▼

Fruitless and wasteful expenditure: R1 279,39m – 23 (100%) ▼

Creditor-payment period exceeded 120 days: 13 (72%) ▲

More than 80% of debt irrecoverable: 11 (61%) ▼

Current liabilities more than current assets: 13 (72%) ▼

Total liabilities more than total assets: 4 (22%) ▼

Cash coverage less than one month: 7 (39%)

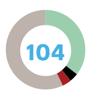
Water losses by 17 water providers:
- Amount: R1,28bn
- Above 30% norm: 9 (53%)
- Not disclosed: 1 (6%)

Electricity losses by 17 electricity providers:
- Amount: R0,74bn
- Above 10% norm: 11 (65%)
- Not disclosed: 3 (18%)

▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Regression

Material irregularities – 19 municipalities and municipal entities (73% of provincial auditees)

Status



- 37 Resolved
- 4 Under assessment/awaiting response
- 3 Not pursued further
- 60 Unresolved

4	9	4	28	5
1	1	5	1	2

Nature

- 29 Material financial loss (R659,24m)
- 35 Substantial harm to general public
- 40 Substantial harm to public sector institution

Appropriate action taken | Appropriate action not taken – decision on invoking our powers in process | Recommendation | Referral | Remedial action | Recommendation and referral | Remedial action and referral | Remedial action not implemented | Referral and remedial action not implemented | Notice of certificate-of-debt process

Last year, we reported on a continued lack of improvement in audit outcomes over the term of the 6th administration. We called on all roleplayers to act urgently and cement an ethical culture and strong accountability that will improve service delivery.

Audit outcomes

The overall audit outcomes of municipalities have regressed since 2020-21 and slightly improved from the previous year. The regression over the administrative term is from a budget-related perspective due to Mangaung Metro regressing over this period. Overall, weak financial disciplines and the trend of poor audit outcomes persisted due to councils, mayors and accounting officers not implementing consequences and because most internal audit units and audit committees did not provide effective oversight. This indicates that key control weaknesses and oversight gaps continue.

After seven years of qualified outcomes, Dihlabeng (Bethlehem) improved to an unqualified audit opinion with findings. This improvement was mainly due to the appointment of an accounting officer and chief financial officer in 2023-24 and the timely implementation of corrective measures in 2024-25.

The province has not recorded a single clean audit in more than seven years, placing it among the worst-performing provinces. This is as a result of persistent weaknesses in governance, oversight and compliance, as well as limited implementation of consequences.

The submission of financial statements improved from 11 late submissions in 2020-21 to six late submissions in 2023-24 and to two late submissions in 2024-25. Maluti-A-Phofung (Phuthaditjhaba) continued to submit financial statements late due to instability in the chief financial officer position. As a result, we notified the accounting officer of an MI in September 2025, which prompted the submission of the 2024-25 separate financial statements. The consolidated financial statements are still outstanding.

We include a detailed analysis of the outcomes of Mangaung Metro in section 4.

Financial reporting

Three municipalities again received disclaimed audit opinions due to systemic failures in institutional capability and limited accountability. In prior years, we notified accounting officers at Masilonyana (Theunissen) and Nketoana (Reitz) of MIs because of poor records management that contributed to their disclaimed outcomes. Although the MI for Masilonyana was escalated to provincial leadership to take further actions, the premier's office did not submit the required progress report to us on the actions implemented to address the municipality's record-management weaknesses, resulting in the audit outcome remaining unchanged.

The number of unqualified audit opinions on the financial statements increased to seven municipalities (33%). However, had municipalities not made corrections based on our findings, the financial statements of only one (5%) would have been unqualified. This indicates continued dependence on audit-driven corrections rather than effective controls throughout the year.

Most of the material misstatements in the financial statements submitted for auditing related to consumer billings (inaccurate billings undermine debt collection, leading to cash-flow constraints), municipal assets (poor asset management compromises infrastructure reliability and sustainability) and operational expenditure, ultimately crippling service delivery.

The 14 municipalities (67%) that received modified audit opinions could not make the corrections due to weak oversight, poor record-keeping mechanisms and inadequate institutional capabilities.

Eighteen municipalities (86%) used financial reporting consultants to address the lack of skills and/or vacancies in their finance units at a cost of R83,81 million. This amount was in addition to the R446,01 million that municipalities spent on their finance units. Over the administrative term, councils and accounting officers did not pay attention to upskilling and capacitating the finance units, resulting in continued overreliance on consultants for financial reporting.

Despite this investment, all 18 municipalities (100%) using consultants submitted financial statements with material misstatements in the areas on which the consultants worked. Most chief financial officers and senior managers did not adequately review the consultants' work, thus shifting accountability for financial reporting.

This reflects weak internal ownership of financial reporting and ineffective year-round controls and reviews, which severely compromises the quality of in-year decision-making.

Performance reporting

Municipalities without material findings on their performance reports have remained at five (24%) since 2020-21. Municipalities that submitted good-quality performance reports for auditing slightly improved from one (5%) to two (10%) since the previous year.

The most common material findings on performance reporting were that indicators were not simple, clear and easy to understand (useful) at 15 municipalities (71%) and that reported achievements were not valid, accurate and/or complete at 13 municipalities (62%).

Senior management repeatedly disregarded basic controls, including adequate record-keeping and reconciliations, and did not implement effective monitoring to validate performance information. Furthermore, some internal audit unit reviews yielded limited benefit, as accounting officers did not fully implement the recommendations made, while other internal audit units did not prioritise the review of performance information. The provincial cooperative governance department's support measures lacked effectiveness and had little measurable impact on resolving municipalities' performance reporting deficiencies.

As a result, the reported performance information did not reliably reflect actual service delivery, provided limited transparency and delayed corrective action.

Compliance with key legislation

The number of municipalities with material findings on compliance with key legislation has remained at 21 (100%) since 2020-21.

The most common areas of non-compliance were the prevention of unauthorised, irregular, and fruitless and wasteful expenditure at 21 municipalities (100%), material misstatements or limitations in submitted financial statements at 20 municipalities (95%), consequence management at 19 municipalities (90%), procurement and/or contract management at 18 municipalities (86%) and expenditure management at 17 municipalities (81%).

Irregular expenditure at municipalities decreased from the R1,70 billion reported in 2020-21 to R1,23 billion in 2024-25. Overall, 7% of the annual municipal expenditure budget (excluding employee costs and bulk purchases) was irregularly spent. In total, R6,38 billion in irregular expenditure has been incurred over the administration by municipalities.

The extent of non-compliance could be greater and the value of the irregular expenditure higher, as we qualified the completeness of the irregular expenditure amount disclosed by six municipalities.

Four municipalities disclosed that they were still investigating these amounts to determine whether they had been irregularly spent, and we could not audit awards worth R15,02 million due to missing or incomplete information at two municipalities.

Procurement and contract management

Non-compliance with legislation on procurement and contract management was the reason for R1,02 billion (83%) of the irregular expenditure incurred by municipalities in 2024-25.

The procurement and contract management processes of 20 municipalities (95%) did not comply with legislation. The non-compliance was reported as material at 18 municipalities (86%). Most municipalities did not follow competitive and fair procurement processes or apply adequate contract management. Basic controls were ineffective and did not prevent or detect these non-compliances. These weaknesses were a significant driver of irregular expenditure and contributed to delayed projects, negatively impacting service delivery.

The continued tolerance by councils and accounting officers of transgressions of procurement and contract management legislation has weakened performance, compromised institutional integrity and diminished the quality of spending. The provincial leadership's inaction also cemented a culture of widespread non-compliance, which eroded accountability and the enforcement of consequences.

Unqualified audit opinions with findings

Four (57%) of the seven municipalities with unqualified audit opinions with findings have been in this category for more than five years. In 2024-25, five municipalities (71%) obtained an unqualified audit opinion only because they corrected misstatements in response to our audit findings.

The weaknesses in the municipalities' control environments also affected performance reporting and compliance: five (71%) had material findings on their submitted performance reports, while all seven (100%) had material findings on compliance. These municipalities were responsible for R227,71 million (18%) of the irregular expenditure.

These municipalities have become complacent, often taking comfort in unqualified audit opinions with findings without addressing long-standing weaknesses in governance, internal controls and accountability.

Financial management

In 2024-25, municipalities managed an expenditure budget of R27,66 billion. Municipalities received R4,89 billion in equitable share grants and R2,85 billion in other grants from the national government.

Poor financial health continued, with 11 municipalities (52%) disclosing a going concern uncertainty in 2024-25. In 2024-25, 15 councils (65%) adopted unfunded adjustments budgets, contributing to total annual budget overspending of R4,28 billion. Over the administrative term, municipalities incurred fruitless and wasteful expenditure of R4,64 billion, mainly due to late supplier payments and the resulting interest and penalties.

In April 2022, Mangaung Metro was placed under mandatory national intervention in terms of section 139(7) of the Constitution, but progress in implementing planned actions has been slow and the metro remains under severe financial constraints, negatively impacting services to communities.

By year-end, municipalities owed arrears (including interest) of R15,09 billion to Eskom and R8,55 billion to water boards. These financial constraints stem from inadequate budgetary controls, poor revenue and cash management, and continued failures in transparency and accountability due to ineffective council oversight.

Infrastructure and grant management

Of the main infrastructure related conditional grants of R2,16 billion received in 2024-25, intended for infrastructure development and maintenance, 89% was spent.

We raised compliance findings on the utilisation of municipal infrastructure, regional bulk infrastructure, and water services development at six of the municipalities (32%) that received these grants. They were Kopanong (Trompsburg), Letsemeng (Koffiefontein), Mohokare (Zastron), Phumelela (Vrede), Tokologo (Boshof) and Xhariep District Municipality (seated in Trompsburg). Some municipalities underspent their grants, while substandard workmanship was also delivered on some grant-funded projects.

In 2024-25, the provincial cooperative governance department reallocated municipal infrastructure grants totalling R44,71 million from Kopanong and Mohokare to Xhariep District Municipality to implement agreed-upon projects for basic service delivery. The district did not spend the funds as intended, to the detriment of affected communities, and the National Treasury requested repayment of the unspent funds. If the municipality fails to pay, this will be offset in the next equitable share instalment.

We identified weaknesses in all 20 (100%) of the projects that we audited relating to basic services such as electricity, roads, sanitation, wastewater and water infrastructure. Persistent delays in project completion deprived communities of critical services. Councils did not remedy critical capacity and skills constraints timeously and accounting officers did not assign clear responsibility for project delivery or enforce accountability on poor-performing project managers, hampering consequence management.

We again identified shortcomings in the maintenance of infrastructure. Ten municipalities struggled to develop credible maintenance plans due to a lack of infrastructure condition assessments. Twelve municipalities repeatedly underinvested in repairs and maintenance, mainly due to insufficient budget allocation, contributing to high electricity and water losses as well as accelerated infrastructure deterioration.

These weaknesses were mainly caused by poor project planning and inadequate oversight and contract management by infrastructure units. This contributed to delays, insufficient performance and weakened accountability for service delivery to communities.

Information systems management

The overall information systems audit outcomes continued to reflect a concerning control environment. This situation was primarily driven by weak and ineffective risk management practices, coupled with the failure of accounting officers to adequately prioritise and respond to IT-related risks. As a result, identified deficiencies were not addressed timeously or sustainably, perpetuating control weaknesses and increasing the risk of system failures, data compromise and unreliable financial information.

Consequence management

We reported material non-compliance with legislation on consequence management at 19 municipalities (90%). The most common findings related to municipalities not investigating unauthorised, irregular, and fruitless and wasteful expenditure. The MPACs were often not adequately capacitated, resulting in prolonged investigations and the absence of corrective action, undermining accountability and financial discipline. Internal audit units and audit committees also did not provide adequate support to the MPACs to ensure that investigations were carried out.

The closing balance of irregular expenditure at municipalities was R11,79 billion, while that of fruitless and wasteful expenditure was R4,73 billion and that of unauthorised expenditure was R19,93 billion. The closing balances of these expenditures decreased mainly due to write-offs, but three councils approved these write-offs without proof that investigations had been performed.

Overall, councils have shown limited responsiveness to our repeated calls to implement consequence management. As mandated by legislation, the National Treasury issued a notice of intent to withhold funds from some municipalities, including Mangaung Metro, because the accounting officers have repeatedly failed to implement consequence management.

Without investigations and consequences, non-compliance has become the norm, financial discipline and governance oversight have weakened and accountability systems have been rendered ineffective.

Material irregularities

The high number of MIs due to substantial harm to public sector institutions reflects the inability of municipalities to timeously and accurately account for their financial and non-financial performance due to weaknesses in the internal controls around the preparation and review of financial and performance information. Municipalities continued to experience challenges in complying with environmental legislation regarding wastewater and solid waste management, resulting in harm to the general public. Due to poor financial management, municipalities incurred financial losses, and we issued MI notifications.

In general, accounting officers have been slow to respond to the MI process. Most MIs remain unresolved as accounting officers are not taking appropriate action to address these matters by performing adequate investigations and recovering losses. The lack of corrective action is central to ineffective consequence management, delays accountability and allows losses to continue. For example, at Mangaung Metro, 25 (96%) of the 26 MIs have not been resolved and the accounting officer has failed to implement our directive to recover losses of R2,99 million relating to contract price adjustments incorrectly paid to a contractor. We notified the accounting officer in November 2025 of our intention to issue a certificate of debt.

In instances where accounting officers did not take appropriate action, we notified the mayor of the further action we took. We also elevated some MIs for targeted action, but this did not always achieve the desired impact. For example, we escalated the MIs relating to poor record-keeping to the mayor, speaker, member of the mayoral committee for finance and MECs for finance and local government at Maluti-A-Phofung and Tokologo in June 2024, but the systemic issues at these municipalities were not addressed in accordance with the remedial actions we issued. We also requested the premier's office to submit a report to us on all the actions implemented by the relevant roleplayers by October 2024, but we have not yet received this report.

Conclusion and call to action

The province has shown persistent poor performance. This is reflected in the poor audit outcomes and the continued absence of clean audits. A culture of complacency, marked by poor performance, weak transparency and diminished institutional integrity, continues to undermine service delivery and public confidence. Inadequate oversight, weak leadership and insufficient monitoring and support by councils and mayors have further constrained improvements. The persistent weaknesses at municipalities indicate that mayors, councils and provincial leadership are ineffective and are not discharging their assigned responsibilities as required.

Commitments by the provincial leadership signal intent to improve municipal performance, accountability, transparency and institutional integrity, such as the notable improvement in the submission of financial statements. The provincial cooperative governance department commenced with capacity-building workshops for MPACs; however, the progress and implementation of these workshop learnings are slow.

Based on the insights obtained through our audits, we made the following recommendations to the premier, MECs for finance and local government and the provincial legislature:

- The speaker should ensure that oversight hearings are held on municipal audit outcomes, prioritise municipalities with repeat disclaimed audit opinions, require mayors and accounting officers to account jointly, and track and report on progress in implementing corrective actions.

- The premier should set a tone that instils shared responsiveness through collaborative and coordinated efforts by both provincial and municipal leadership in addressing service delivery issues in an integrated manner. With the support of the MECs for finance and local government, the premier should require municipalities to implement consequence management action plans, monitor and report quarterly on progress and intervene where leadership fails to enforce consequences, in order to eliminate the entrenched culture of non implementation.

- The MEC for finance through his office should deploy targeted technical support to municipalities that will enhance their control environments and improve their audit outcomes.

- The MEC for local government and his office should require credible, root-cause-designed action plans that are adequate and actioned timeously to address significant audit issues and improve the overall audit outcomes, specifically repeat disclaimed audit opinions.

Restoring service delivery at municipalities in line with their mandates requires decisive leadership, strengthened accountability and the consistent application of consequence management. Councils, accounting officers, internal audit units, audit committees and provincial leadership must act collectively and without delay to enforce performance standards, address non-compliance and uphold accountability, as continued inaction will further undermine governance and public confidence.

7.3 Gauteng

Lack of urgency and inadequate accountability continue to weaken financial health and erode service delivery

Audit outcomes – municipalities and municipal entities

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit
2020-21	3	18	2	1	0	0
2023-24	5	16	3	0	0	0
2024-25	4	16	4	0	0	0

Movement from previous year and related budget: 0 ▲ | 22 ▶ (R170,02bn) | 2 ▼ (R60,20bn)

Movement over administration and related budget: 5 ▲ (R7,74bn) | 16 ▶ (R66,22bn) | 3 ▼ (R118,07bn)

Municipality outcomes with movement over administration

Improved: West Rand DM; Joburg Market; Rand West City LM; Metropolitan Trading Company; Merafong City LM

Unchanged: Germiston Phase II Housing Company (t/a Ekurhuleni Housing Company); Midvaal LM; City of Johannesburg MM*; City Power Johannesburg; East Rand Water Care Company; Joburg Property Company; Johannesburg City Parks; Johannesburg Development Agency; Johannesburg Metropolitan Bus Services; Johannesburg Roads Agency; Johannesburg Social Housing Company; Johannesburg Water; Lesedi LM; Mogale City LM; Pikitup Johannesburg; Sedibeng DM

Regressed: City of Ekhurhuleni MM; City of Tshwane MM; Emfuleni LM

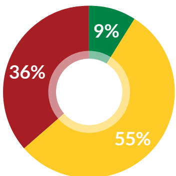
** CoJ financial audit was qualified*

Clean audit | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit

DM: District Municipality LM: Local Municipality MM: Metropolitan Municipality

Financial health with movement over administration – municipalities

Overall assessment



- Good: 1
- Concerning: 6
- Unfavourable: 4

Municipalities with going concern uncertainty (years in position): ▶
- City of Ekurhuleni (1 year)
- Emfuleni (1 year)
- Rand West City (8 years)
- West Rand (8 years)

Unfunded budget: 9 (82%) ▼

Unauthorised expenditure: R8,46bn – 6 (55%) ▲

Deficit (expenditure exceeded revenue): 7 (64%) ▼

Fruitless and wasteful expenditure: R1,50bn – 7 (64%) ▲

Creditor-payment period exceeded 120 days: 8 (73%) ▼

More than 80% of debt irrecoverable: 4 (36%) ▲ (slight)

Current liabilities more than current assets: 8 (73%) ▲

Total liabilities more than total assets: 2 (18%) ▲ (slight)

Cash coverage less than one month: 0 (0%)

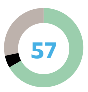
Water losses by 9 water providers:
- Amount: R4,43bn
- Above 30% norm: 6 (67%)
- Not disclosed: 1 (11%)

Electricity losses by 9 electricity providers:
- Amount: R8,06bn
- Above 10% norm: 7 (78%)
- Not disclosed: 1 (11%)

▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Regression

Material irregularities – 15 municipalities and municipal entities (63% of provincial auditees)

Status



- 38 Resolved
- 3 Under assessment/awaiting response
- 16 Unresolved
  - 14 | 2

Nature

43	Material financial loss (R1,41bn)
3	Misuse of material public resource
10	Substantial harm to general public
1	Substantial harm to public sector institution

Appropriate action taken | Appropriate action not taken – decision on invoking our powers in process

Last year, we reported that audit outcomes had stagnated over the term of the 6th administration and that failures to address weaknesses in service delivery, financial health and compliance continued.

Financial management

The 2024-25 expenditure budget of the auditees was R211,23 billion. Municipalities received R20,71 billion in equitable share grants and R12,70 billion in other grants from the national government.

Auditees continued to experience significant financial health challenges, driven mainly by weaknesses in credit-control processes for consumer debtors and significant water and electricity losses of R20,98 billion. This resulted in auditees spending more than what they could recover. Poor fiscal discipline further resulted in fruitless and wasteful expenditure of R2,40 billion. Weak budgeting processes remained prevalent and the adjustments budgets of nine of the 11 municipalities (82%) were unfunded due to budgets being based on revenue assumptions that were not achievable. In addition, six municipalities (55%) overspent their approved adjustments budgets by R8,46 billion and 16 auditees reported a combined deficit of R6,92 billion, which compounded the existing financial health pressure.

Going concern uncertainty continued year on year, and the number of affected municipalities remain unchanged since 2020-21. However, the pressure points have shifted, with an increased prevalence of going concern uncertainty within the Johannesburg metro entities in 2024-25. Of concern is that financial recovery plans and national and provincial interventions are not yielding the desired impact.

By year-end, auditees owed arrears (including interest) of R13,79 billion to Eskom and R5 billion to water boards.

Audit outcomes

Gauteng metropolitan municipalities continue to experience weak governance, leadership instability and poor accountability, which have resulted in weak control environments, persistent non-compliance and slow implementation of corrective actions. This has contributed to pressure on financial sustainability, while service delivery remains constrained by delays in infrastructure delivery, inadequate maintenance and weak project management, ultimately negatively impacting the lived experiences of residents.

The overall audit outcomes of municipalities have regressed since 2020-21 and from the previous year, as two additional metropolitan municipalities were qualified since 2020-21. Audit outcomes of municipal entities have remained stagnant since 2020-21 due to complacency in the unqualified opinion category and a regression from the previous year. The regressions were driven by leadership's failure to enforce and institutionalise key controls; to correct unreliable information technology (IT) environments that necessitate manual adjustments; to fast-track the implementation of audit action plans at key municipalities; to drive effective accountability, including consequence management; and to address continued reliance on the audit process to identify and correct errors.

The municipalities that regressed over the administrative term accounted for 68% of the municipal expenditure budget and served a large number of communities. Weak controls increased the risk of not implementing financial and service delivery plans, as well as council and oversight structures not receiving reliable information to act on risks in real time.

The two municipalities that achieved clean audits managed only 1% of the province's municipal expenditure budget.

We include a detailed analysis of the outcomes of the three metros in the province in section 4.

Financial reporting

The number of unqualified audit opinions on the financial statements decreased from 21 (88%) to 19 (79%) from the previous year for both municipalities and municipal entities (auditees). However, if auditees had not made corrections based on our findings, the financial statements of only 10 (42%) would have been unqualified.

Most of the material misstatements in the financal statements submitted for auditing related to revenue, expenditure, assets, liabilities, cash-flow statements and disclosure notes. Five municipalities (21%) that received qualified audit opinions could not adequately make the corrections due to poor underlying records and system information for key line items such as revenue, expenditure, consumer debtors and non-current assets.

Twelve auditees (50%) used financial reporting consultants to address the lack of skills and vacancies in their finance units at a cost of R85,47 million (2023-24: R70,13 million). These consultant fees were spent in addition to the R2,39 billion that auditees spent on their finance units. These fees decreased over the administrative period, mainly due to City of Tshwane Metro reducing its consultant spending on asset management from R121 million in 2020-21 to R12,02 million in 2024-25. Despite this investment, two auditees (17%) submitted financial statements with material misstatements in the areas on which the consultants worked due to the late appointment of consultants or the inadequate review of their work.

The decline in the quality of financial statements reflects weak institutionalised financial controls, a lack of adequate reviews at the right level as well as reliance on the audit process to identify and correct errors. Poor-quality financial statements result in unreliable financial reporting, weakened accountability arrangements and an increased risk to auditees' financial sustainability and service delivery outcomes.

Performance reporting

Auditees without material findings on their performance reports have increased from 12 (50%) to 13 (54%) since 2020-21. Auditees that submitted good-quality performance reports for auditing remained at 10 (42%) from the previous year. The most common material findings on performance reporting were due to information not being reliable at nine auditees (38%) and reported information not being simple, clear and easy to understand at six (25%).

The findings were caused by the inadequate review of supporting documentation by management, weak record-keeping, a lack of reconciliations as well as insufficient assessments of performance indicators and targets to confirm that they are simple and clear to report on. In addition, internal audit findings on performance information were not adequately addressed. Consequently, the reported performance information was unreliable, limiting transparency, weakening informed decision-making and delaying corrective action, which negatively impacted service delivery to communities.

Compliance with key legislation

Auditees with material findings on compliance with key legislation have decreased from 21 (88%) to 20 (83%) since 2020-21 and increased from the previous year's 19 (79%). The most common areas of non-compliance related to expenditure management at 17 auditees (71%), the prevention of unauthorised, irregular, and fruitless and wasteful expenditure at 16 (67%), material misstatements in the submitted financial statements at 13 (54%), procurement management at nine (38%) and consequence management at six (25%).

Irregular expenditure of municipalities and entities increased from R6,61 billion reported in 2020-21 to R14,44 billion in 2024-25. Overall, 14% of the annual municipal expenditure budget (excluding employee costs and bulk purchases) was irregularly spent. In total, irregular expenditure of R45,92 billion was incurred over the period of the current administration. The extent of non-compliance and the value of the irregular expenditure disclosed are not complete and could be higher, as we qualified the completeness of the irregular expenditure amount disclosed by Merafong City (Carletonville).

Procurement and contract management

Non-compliance with legislation on procurement and contract management was the reason for R7,55 billion (52%) of the irregular expenditure incurred in 2024-25. The procurement and contract management processes of 16 auditees (67%) did not comply with legislation. The non-compliance was reported as material at ten auditees (42%). Common procurement and contract management findings were due to non-competitive bidding, procurement requirements that were not followed and weak contract management. The continuing disregard for legislation, weak tone at the top and a lack of consequences for non-compliance can be seen in the recurring findings we raise year after year.

Persistent findings increase the risk of not deriving benefits from expenditure, enable opportunities for fraud and undermine public confidence in how municipal funds are spent.

Unqualified audit opinions with findings

Ten (67%) of the auditees with unqualified audit opinions with findings have been in this category for more than five years. Nine auditees (60%) only obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings. The weaknesses in the control environments of the auditees in this outcome category also affected their performance reporting and compliance: seven (47%) of the auditees had material findings on their performance reports and all 15 (100%) had material findings on compliance. These auditees were responsible for R8,53 billion (59%) of the irregular expenditure.

An unqualified audit opinion with findings does not equate to good governance. While the published financial statements may be free from material misstatements, persistent weaknesses in internal controls over performance reporting and compliance with legislation remain unresolved, often leading to complacency among auditees that remain in this category for long. This outcome limits assurance to the provincial legislature and the public on whether public funds are used lawfully and effectively to achieve intended service delivery outcomes. It further increases the risk of irregular as well as fruitless and wasteful expenditure, and reflects a culture of year end compliance rather than sustainable controls, resulting in slow consequence management and constrained progress towards clean administration.

Infrastructure and grant management

We again identified shortcomings in infrastructure maintenance, with condition assessments of selected roads and wastewater treatment works confirming ongoing deterioration and maintenance backlogs. These shortcomings were mainly due to continuing underinvestment in infrastructure upkeep (with most auditees spending less than the required 8% on repairs and maintenance) as well as ageing assets, weak maintenance planning, capacity constraints and poor quality of spending. The low level of maintenance spending has contributed directly to high electricity and water losses and accelerated infrastructure deterioration, increasing risks to service delivery, health and safety, environmental compliance and long term sustainability.

Of the main infrastructure related conditional grants of R7,55 billion received in 2024-25, intended for infrastructure development and maintenance, 99% was spent. We reported material weaknesses at 18 (72%) of the 25 projects that we audited relating to water, sanitation, housing, electricity and roads infrastructure. Infrastructure projects continued to experience delays, cost overruns and quality defects due to weak planning, inadequate funding readiness and ineffective procurement and contract management. Limited oversight and technical capacity have resulted in poor contractor performance, incomplete projects and work having to be redone to fix defects, while weaknesses in asset management have led to infrastructure assets not being recorded accurately, resulting in misstatements. These failures undermine service delivery planning and reporting, weaken accountability and negatively impact service delivery outcomes and infrastructure sustainability.

We identified governance weaknesses in land acquisition and beneficiary management at both City of Johannesburg and City of Tshwane metros. The weaknesses included non-compliance with valuation requirements, ineffective enforcement of land occupation bylaws, prolonged housing waiting lists and the provision of interim housing that did not meet acceptable living standards. These deficiencies are rooted in inadequate oversight and monitoring across grant management, land acquisition and housing allocation processes.

Information technology management

The provincial IT control environment remained weak, with deficiencies in IT governance, fragmented oversight of IT projects and contracts as well as persistent capacity constraints. Weak IT project and contract management, gaps in operational resilience and unreliable automated controls within revenue-critical systems undermine the value derived from IT investments. This exposes auditees to service disruptions, revenue leakage and potential financial misstatements. Cybersecurity risks are further heightened by obsolete infrastructure and ineffective vulnerability management. These issues are primarily driven by capacity constraints, over-reliance on inadequately monitored service providers, procurement delays and limited IT oversight. Addressing these systemic weaknesses will require coordinated leadership action, strengthened accountability mechanisms and decisive consequence management to improve control effectiveness and safeguard service delivery.

Consequence management

We reported material non-compliance with legislation on consequence management at six auditees (25%) as they did not consistently investigate and deal with unauthorised, irregular, and fruitless and wasteful expenditure due to MPACs not being effective in dealing with the historical balances of these expenditures.

Failure to timeously investigate instances of unauthorised, irregular, and fruitless and wasteful expenditure reinforces a culture of impunity. Although some investigations are undertaken by MPACs, they do not identify persons liable for the expenditure, resulting in write-offs, unresolved balances and avoidable repeat findings, which show that accountability is not firmly enforced, thereby promoting the culture of impunity.

The closing balance for irregular expenditure was R32,96 billion, while that of fruitless and wasteful expenditure was R3,17 billion and that of unauthorised expenditure was R12,63 billion. Irregular expenditure of R19,57 billion was written off, mainly at City Power (R9,20 billion), City of Johannesburg Metro (R2,90 billion), Johannesburg Water (R1,74 billion), Pikitup (R1,03 billion) and City of Tshwane Metro (R1,65 billion), while only R479,21 million was recovered or is in the process of being recovered. However, R18,53 billion (48%) of prior-year irregular expenditure remains unresolved. Unauthorised expenditure of R9,82 billion was written off, with R4,17 billion (30%) from prior years not dealt with. Fruitless and wasteful expenditure of R6,37 billion was also written off, with recoveries of only R52,97 million.

Material irregularities

MIs with an estimated financial loss of R1,41 billion were mainly due to the inefficient use of resources, payment for goods or services not received and unbilled revenue, while MIs relating to substantial harm to the general public reflect that reasonable steps are not being taken to prevent pollution and the degradation of the environment and water sources. Many MIs that are behind schedule relate to wastewater treatment plants, where delays in refurbishment increase the risk of ongoing pollution and service delivery failures.

In general, accounting officers are responding to the MI process by taking action; however, limitations in finalising investigations have delayed corrective action. At Emfuleni (Vereeniging), long-outstanding disciplinary processes were finalised, resulting in the dismissal of implicated employees. At City of Ekurhuleni Metro, action is being taken to resolve the MI relating to the underutilisation of the Ekurhuleni Fruit Market, as a formal process has been initiated to lease the facility. To address the non-utilisation of bus rapid transit stations, City of Johannesburg Metro has advanced with the construction of the Sandton and Gandhi stations. As at October 2025, 48 buses had been delivered and operational readiness achieved.

Councils, mayors, members of mayoral committees and MPACs have demonstrated strong support for the MI process by consistently monitoring commitments made by accounting officers. The premier continued to urge mayors to monitor accounting officers to apply lessons from existing MIs to strengthen internal controls and safeguard public resources through effective preventative measures, though this has not resulted in positive change, as MIs are still being raised in these areas. We acknowledge the work done, but more is still required.

Conclusion and call to action

Overall, local government in Gauteng is not yet demonstrating the level of performance, accountability, transparency and institutional integrity required to improve the lived realities of citizens. Performance is weak, as planned targets are not consistently achieved; infrastructure backlogs and maintenance failures persist; and financial sustainability is under pressure due to weak billing and collection, distribution losses, unmanaged unauthorised, irregular, and fruitless and wasteful expenditure; as well as unfunded adjustments budgets. Accountability is not enforced, as governance structures such as councils and MPACs do not exercise adequate oversight of municipalities, as evidenced by the large balances of unauthorised, irregular, and fruitless and wasteful expenditure remaining unresolved. Transparency is compromised by poor-quality financial and performance reporting and delayed implementation of audit recommendations, limiting effective oversight and timely corrective action. As a result, institutional integrity is weakened: basic controls are not institutionalised; fraud risk indicators persist without preventative measures; and governance failures continue to result in financial losses, infrastructure deterioration and harm to communities and the environment. In short, the accountability ecosystem is present but not yet effective in practice.

Councils and MPACs do not consistently ensure that audit action plans, investigations, recoveries and disciplinary processes are implemented and concluded. The MEC for local government undertook engagements and support initiatives with municipalities; however, these did not result in consistently functional councils and MPACs. The MEC for finance conducted budget assessments and monitored financial recovery initiatives, including unfunded adjustments budgets and financial recovery plans. Despite these actions, most municipalities remained unfunded, long-standing financial recovery plans did not deliver meaningful improvement and fiscal stress indicators persisted. The provincial legislature, through its oversight processes, received reports and engaged on audit outcomes; however, follow-through was weak. Section 47 reports and related oversight engagements were not consistently converted into time-bound actions tracked to closure. As a result, repeat audit findings, governance failures and unauthorised, irregular, and fruitless and wasteful expenditure backlogs continued across municipalities, reflecting the limited impact of legislative oversight on changing outcomes.

In the previous year, commitments were made by the provincial leadership to strengthen service delivery monitoring, enforce funded budgets, improve financial governance, build municipal capacity and strengthen consequence management. However, the current year's outcomes indicate that implementation is still lacking and has not resulted in sustained improvements in reliable reporting, infrastructure delivery, financial recovery or accountability. Several commitments remain in progress, while others lack sufficient specificity and enforcement to drive change.

Based on the insights obtained through our audits, we make the following recommendations to the premier, the MECs for finance and local government and the speaker of the provincial legislature:

- The premier through the MECs for finance and local government needs to reset and recommit much more forcefully and must diligently execute functions per the accountability ecosystem to improve the levels of financial management, resource protection and delivery. The premier must further ensure investment in capabilities within municipalities as well as stable financial management, embedded controls and disciplined execution of plans in respect of service delivery. The premier should also put in place measures to support better financial management and strengthen procurement and contract management processes within local government.

- The portfolio committees on finance and local government and the premier's office should exercise rigorous oversight by systematically tracking and monitoring the implementation of remedial action plans by identified municipalities. This includes joint oversight of financial recovery plans developed and executed by the provincial treasury and the respective municipalities.

- The provincial legislature should develop and implement a consolidated, ongoing oversight plan that brings together monitoring of National Assembly resolutions; commitments and recommendations from the provincial treasury, Salga, provincial cooperative governance department and premier's office; and information and communication technology functions in local government.

Without decisive leadership action in the form of the premier, councils, mayors and accounting officers recommitting and resetting to drive better governance and restore accountability, transparency and integrity through institutionalised controls and applying swift consequences, municipalities remain exposed to recurring oversight and accountability failures, poor financial performance, weakened public trust and continued poor service delivery.

7.4 KwaZulu-Natal

Basic control weaknesses and complacency continue to limit improvements and accountability

Audit outcomes – municipalities

2020-21	3	35	13	0	3	0
2023-24	7	36	8	2	1	0
2024-25	4	42	7	1	0	0

Movement from previous year and related budget	6 ▲ (R12,59bn)	44 ▶ (R111,05bn)	4 ▼ (R1,45bn)
Movement over administration and related budget	14 ▲ (R7,82bn)	37 ▶ (R116,6bn)	3 ▼ (R0,68bn)

Municipality outcomes with movement over administration

Improved Richmond LM; Umlalazi LM; AbaQulusi LM; Dannhauser LM; eDumbe LM; eMadlangeni LM; Mpofana LM; Mtubatuba LM; Nquthu LM; Ugu DM; Umngeni LM; uMshwathi LM; Inkosi Langalibalele LM; uMkhanyakude DM

Unchanged King Cetshwayo DM; uMhlathuze LM; Alfred Duma LM; Big 5 Hlabisa LM; Dr Nkosazana Dlamini Zuma LM; eThekwini MM; Greater Kokstad LM; Harry Gwala DM; iLembe DM; Johannes Phumani Phungula LM; Jozini LM; KwaDukuza LM; Mandeni LM; Maphumulo LM; uMfolozi LM; Mkhambathini LM; Msinga LM; Msunduzi LM; Mthonjaneni LM; Ndwedwe LM; Newcastle LM; Nkandla LM; Ray Nkonyeni LM; Ulundl LM; Umdoni LM; Umgungundlovu DM; uMhlabuyalingana DM; Umuziwabantu DM; Umvoti LM; uMzimkhulu LM; Umzumbe LM; uPhongolo LM; Zululand DM; Amajuba DM; Endumeni LM; uMzinyathi DM; uThukela DM

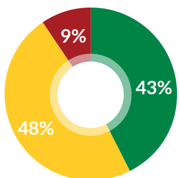
Regressed Okhahlamba LM; Nongoma LM; Impendle LM

■ Clean audit ■ Unqualified with findings ■ Qualified with findings ■ Adverse with findings ■ Disclaimed with findings ■ Outstanding audit

DM: District Municipality LM: Local Municipality MM: Metropolitan Municipality

Financial health with movement over administration – municipalities

Overall assessment



■ Good: 23
■ Concerning: 26
■ Unfavourable: 5

Municipalities with going concern uncertainty (years in position): ▲
- Mpofana (13 years)
- Okhahlamba (1 year)
- Ugu (8 years)
- uThukela (9 years)

Unfunded budget: 14 (26%) ▲

Unauthorised expenditure: R4,52bn – 40 (74%) ▼

Deficit (expenditure exceeded revenue): 19 (36%) ▼

Fruitless and wasteful expenditure: R620,58m – 44 (81%) ▶

Creditor-payment period exceeded 120 days: 19 (36%) ▼

More than 80% of debt irrecoverable: 24 (45%) ▼

Current liabilities more than current assets: 25 (47%) ▼

Total liabilities more than total assets: 1 (2%) ▼

Cash coverage less than one month: 5 (9%)

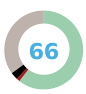
Water losses by 15 water providers:
- Amount: R4,65bn
- Above 30% norm: 11 (73%)
- Not disclosed 0 (0%) municipalities

Electricity losses by 25 electricity providers:
- Amount: R3,71bn
- Above 10% norm: 21 (84%)
- Not disclosed 0 (0%) municipalities

▲ Improvement ▶ Unchanged ▼ Slight regression ▼ Regression

Material irregularities – 22 municipalities and municipal entities (34% of provincial auditees)

Status



■ 40 Resolved
■ 1 Not pursued further
■ 2 Under assessment/awaiting response
■ 23 Unresolved
14 | 2 | 1 | 1 | 5

Nature

56	Material financial loss (R1,82bn)
7	Substantial harm to general public
3	Substantial harm to public sector institution

■ Appropriate action taken ■ Recommendation ■ Remedial action ■ Remedial action not implemented ■ Referral

Last year, we reported an improvement in audit outcomes over the term of the 6th administration, but a lack of accountability and poor financial management continued to impede service delivery.

Audit outcomes

The overall audit outcomes of municipalities have improved since 2020-21 and slightly improved from the previous year. The improvements were mainly attributed to accounting officers' and senior management's efforts to improve monitoring and implementation of audit action plans and strengthened provincial support. However, these improvements were largely concentrated in smaller municipalities.

uMkhanyakude District Municipality (seated in Mkuze) and Nquthu (Nquthu town and other high-density rural settlements such as Nondweni), Endumeni (Dundee) and Inkosi Langalibalele (Estcourt) resolved their disclaimed audit opinions, while the overall number of municipalities with qualified audit opinions decreased over the administrative term. Msunduzi (Pietermaritzburg), which holds the second-largest share of the municipal expenditure budget at R9,98 billion (8%), improved to an unqualified audit opinion for the first time in four years. Strong governance processes and management practices, combined with targeted support from coordinating departments, including the use of consultants, contributed to the overall improvements. Sustaining these improvements will require ongoing monitoring and effective oversight reviews.

eThekwini Metro, which manages R71,02 billion (57%) of the total municipal expenditure budget, remained on an unqualified audit outcome with findings. The metro has made limited progress towards a clean audit outcome over the past 10 years. We include a detailed analysis of the metro's outcomes in section 4.

Persistent breakdowns in basic monitoring and oversight by municipal leadership and senior management of compliance with legislation, information and communication technology (ICT) governance, monitoring of infrastructure management and enforcing consequences for compliance transgressions are ongoing barriers to improvement.

The municipalities that achieved clean audits managed only 7% of the province's municipal expenditure budget. uMsinga (Tugela Ferry), Umvoti (Greytown) and uMshwathi (Wartburg) were unable to retain their 2023-24 clean audit. The regressions were driven by the inability of management to maintain proper record-keeping practices. There was also inadequate oversight of performance reporting and compliance as well as audit committee instability. Clearly, clean audits – which should be a standard outcome – remain in short supply.

Financial reporting

Impendle (incorporating the main town of Impendle and villages such as Gomane) regressed from an unqualified to an adverse audit opinion. Political and administrative instability weakened the institutional capability of this municipality to meet day-to-day obligations and address significant internal control deficiencies.

The number of unqualified audit opinions on the financial statements increased to 46 (85%); however, had municipalities not made corrections based on our findings, the financial statements of only 15 (28%) would have been unqualified. Most of the material misstatements in the financial statements submitted for auditing related to the areas that affect residents. These included how cash and assets are managed, how money from services (like water, electricity and rates) is recorded and collected, and whether spending follows the rules. Seven municipalities that received modified audit opinions could not make corrections due to basic internal control breakdowns over reconciliations and reviews.

Forty-nine (91%) municipalities used financial reporting consultants to address a lack of skills and/or vacancies in their finance units at a cost of R216 million. An additional R1,33 billion was spent on municipal finance unit salaries, with a further R64,5 million allocated to training and skills development. Despite this investment, 22 (45%) municipalities submitted financial statements with material misstatements in the areas on which the consultants worked. This was largely due to poor review or oversight of consultant work. Although the spending on consultants decreased from R223,1 million in 2020-21, the return on investment was limited. For example, uMkhanyakude District Municipality, which has received qualified audit opinions for three consecutive years, spent R18,93 million in 2024-25 on consultants, R11,30 million of which was for the preparation of financial statements, despite having a capacitated finance unit. Similarly, Inkosi Langalibalele (Estcourt) cumulatively spent R26,65 million over a three-year period on asset management consultants without resolving audit qualifications on assets.

When financial statements are materially misstated, risks and errors are concealed, which undermines credibility and in-year financial reporting. The reliance on consultants further hinders the development of institutional knowledge and sustainability, as accountability is diluted and consultants are often tasked with responding to audit findings.

Performance reporting

Municipalities without material findings on their performance reports have increased from 31 (57%) to 32 (59%) since 2020-21. Municipalities that submitted good-quality performance reports for auditing regressed from 14 (26%) in the previous year to 11 (20%). The most common material findings on performance reporting were the unreliability of reported achievements at 11 municipalities (20%) and poorly defined key performance indicators at eight municipalities (15%). The findings resulted from inadequate reviews and reconciliations between the underlying records and the reported achievements as well as a lack of diligent oversight in the definition of performance indicators.

Unreliable performance reporting weakens transparency and the ability to evaluate whether the promises made to citizens are being upheld.

Compliance with key legislation

Municipalities with material findings on compliance with key legislation have decreased slightly from 51 (94%) to 49 (91%) since 2020-21, but increased from 47 (87%) in the previous year. The most common areas of non-compliance were unauthorised, irregular, and fruitless and wasteful expenditure not prevented at 39 municipalities (72%), material misstatements in the submitted financial statements at 39 municipalities (72%) and procurement and contract management shortcomings at 35 municipalities (65%).

The irregular expenditure at municipalities increased from the R3,41 billion in 2020-21 to R7,80 billion in 2024-25. eThekwini Metro contributed to R4,48 billion (57%) of this amount. Overall, 10% of the municipal expenditure budget (excluding employee costs and bulk purchases) was irregularly spent. In total, irregular expenditure of R25,32 billion was incurred by municipalities over the administrative term. The extent of non-compliance could be greater and the value of the irregular expenditure higher, as we qualified the completeness of the irregular expenditure amount disclosed by four municipalities, and we could not audit awards worth R81,78 million due to missing or incomplete information at eDumbe (Paulpietersburg) and Impendle.

Procurement and contract management

Non-compliance with legislation on procurement and contract management was the reason for R7,79 billion (nearly 100%) of the irregular expenditure incurred in 2024-25.

The procurement and contract management processes at 47 municipalities (87%) did not comply with legislation. The non-compliance was reported as material at 35 municipalities (65%). The most common findings related to deviations from competitive bidding and quotation processes, and procurement from suppliers without a Sars tax clearance certificate. As a result, the principles of fairness and transparency were compromised. Typically, vacancies and skills gaps in supply chain management units and ineffective monitoring of supply chain management checklists led to these findings. Continued deviations from procurement processes have created an environment vulnerable to inefficiency, waste and potential fraud.

For example, we issued an MI notification to the accounting officer of eThekwini Metro as the metro deviated from competitive bidding processes in procuring water tankers. Additional findings related to a lack of value for money, as the provision of water tankering services could not be validated and some contracted tankers were not properly equipped to transport water.

These weaknesses drive irregular expenditure, undermine accountability and increase the risk of financial losses. Additionally, when value is lost through irregular expenditure, it becomes more costly to provide goods and services and to make tangible and long-term improvements in the lives of residents.

Unqualified audit opinions with findings

Nineteen (45%) of the municipalities with unqualified audit opinions with findings have been in this category for more than five years. Thirty-one (74%) only obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings.

The weaknesses in the municipalities' control environments also affected performance reporting and compliance: 17 (40%) had material findings on their performance reports, while 41 (98%) had material findings on compliance. Four (10%) of the municipalities had material findings on performance reports and 36 (86%) of them had material findings on compliance every year over the administrative term. These municipalities were responsible for R7,08 billion (91%) of the irregular expenditure.

These municipalities should not be complacent as unqualified opinions with findings is not a desirable outcome and it represents a comfort zone with little incentive to improve. These municipalities account for 88% of the budget, which could expose public funds to inefficiency and communities to poor service delivery. They are characterised by constant failures in internal controls and governance processes with inaction to address audit recommendations and take corrective steps against municipal officials who fail to comply with legislation.

Financial management

The 2024-25 expenditure budget of the municipalities was R125,1 billion. Municipalities received R19,71 billion in equitable share grants and R10,93 billion in other grants from the national government. Poor budgeting practices and weak revenue and cash-flow management persisted in the use of these funds. Approximately 70% of revenue owed to municipalities was considered irrecoverable, with increasing water and electricity losses. This was further exacerbated by municipalities extending free basic services to beneficiaries who did not meet indigent criteria. For example, at eThekwini Metro, non-functional water meters resulted in consumers not being billed for water usage. This matter led to the issuing of an MI notification to the accounting officer.

Despite warnings from the National Treasury and the provincial treasury, municipalities tabled unfunded adjustments budgets with unrealistic assumptions and funding sources. Unauthorised expenditure increased to R4,52 billion, with Ugu District Municipality (seated in Port Shepstone) contributing the largest portion at R1,03 billion. This was mainly driven by overspending relating to water and sanitation costs, coupled with emergency infrastructure repairs and insufficient in-year budgeting controls. Furthermore, municipalities reported year-end deficits totalling R1,52 billion. Overspending reduces cash flows, disrupts planned projects and calls for crisis management when service delivery is interrupted. Poor cash-flow management is evidenced by the high average creditor repayment term of 149 days. Delayed payments increased interest and penalties, which contributed to fruitless and wasteful expenditure. This expenditure increased from R102,59 million in 2020-21 to R620,58 million in 2024-25. By year-end, nine municipalities (36%) that are electricity service providers owed arrears (including interest) of R3,03 billion to Eskom and nine municipalities (60%) that are water providers owed R2,60 billion to water boards.

Infrastructure and grant management

Of the main infrastructure related conditional grants of R7,5 billion received in 2024-25, intended for infrastructure development and maintenance, 98% was spent. We reported material compliance findings on the utilisation of the water services infrastructure grant at one municipality (8%) that received the grant. uThukela District Municipality (seated in Ladysmith) used conditional grant funding for operational purposes because it was in financial distress. This left infrastructure backlogs unresolved, with continued reliance on water tankers due to poor planning and weak project management practices.

We identified weaknesses in all 14 projects that we audited relating to electricity, housing, roads, water and sanitation. Poor project management, inadequate oversight and ineffective consequence management resulted in significant delays, cost escalations and compromised service delivery. Limited coordination and a lack of proactive maintenance resulted in asset deterioration and increased safety and environmental risks.

We again identified shortcomings in the maintenance of infrastructure. Municipalities spent only 4% on infrastructure repairs and maintenance, which is less than the required norm of 8%. At Newcastle (incorporating the main town of Newcastle and townships such as Madadeni and Osizweni), we identified a high volume of leaks, poor maintenance and operational inefficiencies in water infrastructure. The municipality lacked standard operating procedures and a maintenance plan for water loss management. This contributed to an increase in water losses, which rose to R74,65 million from R61,93 million in 2023-24. At eThekwini Metro and Msunduzi (Pietermaritzburg), severely deteriorated roads, poor drainage and sewage spillages highlighted inadequate routine maintenance and delayed responses to defects. Wastewater treatment works in eThekwini Metro and City of uMhlathuze (Richards Bay) continued to discharge non-compliant wastewater without it being addressed. This necessitated further action in terms of our enhanced powers, following the previously issued MI at eThekwini Metro. In addition, eThekwini Metro, Msunduzi and Endumeni (Dundee) failed to manage landfill site compliance, illegal dumping and environmental risks.

Project management weaknesses further hindered service delivery to communities. For example, the Etafuleni housing project in eThekwini Metro was due for completion in 2014 but remains significantly delayed 12 years later. Some beneficiaries are occupying incomplete homes without basic services. This was due to poor planning and weak coordination to connect basic services, resulting in illegal electricity connections and inadequate access to water, creating health and safety risks.

Information systems management

Overall, accounting officers, executive management, ICT leadership and governance structures have not ensured the strategic utilisation of ICT to enable effective financial management, governance and efficient municipal service delivery. Significant weaknesses in information systems management persisted. Most IT control environments were assessed as concerning due to weak ICT governance, ineffective cybersecurity and reliance on ageing systems, reflecting slow corrective action and limited

ICT investment. Weak ICT controls continued to expose municipalities to operational and financial risk, as evidenced by the cyber-related incident at KwaDukuza (comprising the main hub of KwaDukuza and coastal towns such as Ballito). This resulted in unauthorised transactions estimated at R35,73 million and a potential financial loss of R4,92 million.

Consequence management

We reported material non-compliance with legislation on consequence management at 19 municipalities (35%). The most common findings were unauthorised, irregular, and fruitless and wasteful expenditure not being investigated to determine whether anyone was liable for that expenditure; council decisions to certify irregular expenditure as irrecoverable not being based on an investigation; and investigations taking longer than three months to complete. Municipalities often lacked adequate records and processes to ensure that investigations were comprehensively conducted.

The closing balance of irregular expenditure at municipalities was R9,79 billion, while that of fruitless and wasteful expenditure was R883,62 million and that of unauthorised expenditure was R4,96 billion. Some progress has been made in addressing prior-year unauthorised and irregular expenditure. However, a lack of diligent and rigorous investigations has created an environment in which more and more transgressions are made without any consequences. This is evident in the regression in non-compliance with supply chain management legislation.

Material irregularities

Most MIs in the province related to financial loss, driven mainly by payments for goods or services not received and failure to collect and recover debt owed to municipalities, which reflects weak expenditure controls and poor revenue management. The financial loss from all MIs amounted to R1,82 billion, of which R10,93 million has been recovered or prevented, while a further R182,6 million was still in the process of recovery.

Accounting officers are responding to the MI process at some municipalities. This is evident through efforts to investigate the root causes of the irregularities, implement consequence management against officials, strengthen internal controls and address the identified harm. However, progress in addressing some MIs has been slow, necessitating us to invoke our powers. The delays are largely attributable to instability at accounting officer level, inadequate internal capacity and incomplete investigations and disciplinary processes. For example, at Msunduzi, the accounting officer failed to finalise the investigations necessary to identify the responsible officials for two MIs, despite these being committed actions. This resulted in recommendations being included in the audit report.

Conclusion and call to action

The municipal landscape reflects uneven performance, marked by a clear contrast between strong governance and deeply rooted, persistent weaknesses. Municipalities characterised by stable leadership, embedded controls and consistent accountability demonstrate that clean audits are achievable. However, these successes remain limited and fragile, as evidenced by the regression of some municipalities that previously had clean audits. The continued stagnation in large municipalities reflects deep structural and operational weaknesses, evident in infrastructure failures, non-compliance, financial sustainability risks and unreliable reporting. These challenges are compounded by weak accountability, poor consequence management and inconsistent adherence to legislation, leading to repeat findings and delayed corrective action.

Leadership commitments from the previous year by the speaker of the provincial legislature, premier and MECs for finance and local government have begun to translate into tangible actions, including strengthened and more coordinated provincial support to municipalities, which led to improvements in some audit outcomes. Despite some progress, systemic weaknesses in municipalities continue to limit sustained improvement, with weak consequence management undermining accountability and reducing the effectiveness of leadership commitments.

Based on the insights obtained through our audits, we made the following recommendations to the premier, MECs for finance and local government and the speaker of the provincial legislature:

- The premier must strengthen provincial oversight platforms to go beyond coordination and actively enforce accountability, ensuring measurable corrective action and resolution of persistent failures.
- The provincial treasury must take a more assertive role in enforcing financial discipline and sustainability across municipalities. This includes ensuring the operationalisation of credible, funded budgets; strengthening cash-flow and revenue management; and enforcing compliance with financial recovery plans.
- The provincial cooperative governance department must implement risk-based initiatives targeted at underperforming municipalities, with clear and measurable outcomes. These interventions must focus on addressing service delivery failures, strengthening financial health and resolving recurring compliance issues.
- The provincial legislature, through its relevant portfolio committee, must strengthen its oversight role by rigorously tracking municipal performance and interrogating information provided by the executive. This includes ensuring that the MEC for local government is effectively holding municipalities accountable and that reported progress translates into real, verifiable improvements on the ground.

We call on all roleplayers in the accountability ecosystem to ensure that the province moves beyond isolated improvements and embeds a culture of accountability and disciplined implementation of audit recommendations. Having a stable and responsive leadership structure is going to be indispensable. particularly considering the upcoming local government elections.

7.5 Limpopo

Improved audit outcomes demand demonstrable service delivery improvements

Audit outcomes – municipalities

2020-21	1	16	8	0	2	0
2023-24	2	14	10	0	1	0
2024-25	2	18	7	0	0	0

Movement from previous year and related budget	5 ▲ (R3,53bn)	22 ▶ (R32,09bn)	0 ▼
Movement over administration and related budget	6 ▲ (R14,71bn)	20 ▶ (R19,80bn)	1 ▼ (R1,11bn)

Municipality outcomes with movement over administration

Improved: Capricorn DM; Bela-Bela LM; Greater Giyani LM; Mogalakwena LM; Polokwane LM; Mopani DM

Unchanged: Waterberg DM; Blouberg LM; Collins Chabane LM; Elias Motsoaledi LM; Ephraim Mogale LM; Fetakgomo Tubatse LM; Greater Letaba LM; Greater Tzaneen LM; Lepelle Nkumpi LM; Lephalale LM; Makhado LM; Makhuduthamaga LM; Maruleng LM; Molemole LM; Musina LM; Ba-Phalaborwa LM; Modimolle-Mookgophong LM; Sekhukhune DM; Thabazimbi LM; Vhembe DM

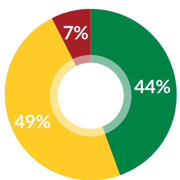
Regressed: Thulamela LM

Clean audit | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit

DM: District Municipality LM: Local Municipality

Financial health with movement over administration – municipalities

Overall assessment



- Good: 12
- Concerning: 13
- Unfavourable: 2

Municipalities with going concern uncertainty (years in position): ▲
- Thabazimbi (13 years)
- Vhembe (1 year)

Unfunded budget: 11 (41%) ▼

Unauthorised expenditure: R2 838,61m – 17 (63%) ▲

Deficit (expenditure exceeded revenue): 5 (19%) ▼

Fruitless and wasteful expenditure: R212,20m – 23 (85%) ▲

Creditor-payment period exceeded 120 days: 11 (41%) ▲

More than 80% of debt irrecoverable: 15 (56%) ▼

Current liabilities more than current assets: 13 (48%) ▼

Total liabilities more than total assets: 0 (0%) ▲

Cash coverage less than one month: 2 (7%)

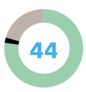
Water losses by 10 water providers:
- Amount: R1,29bn
- Above 30% norm: 7 (70%)
- Not disclosed: 0 (0%)

Electricity losses by 15 electricity providers:
- Amount: R0,51bn
- Above 10% norm: 12 (80%)
- Not disclosed: 1 (7%)

▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Regression

Material irregularities – 16 municipalities and municipal entities (59% of provincial auditees)

Status



- 34 Resolved
- 1 Under assessment/awaiting response
- 9 Unresolved
  - 4 | 1 | 4

Nature

- 36 Material financial loss (R1,45bn)
- 8 Substantial harm to general public

Appropriate action taken | Referral and recommendation | Remedial action

Last year, we reported that the audit outcomes remained largely unchanged, with a tolerance for continuing transgressions, excessive spending on consultants and poor performance, which resulted in minimal service delivery.

Audit outcomes

The overall audit outcomes of municipalities have improved since 2020-21 and from the previous year. In 2024-25, the province did not have any municipalities with disclaimed audit opinions. The improvements were due to the implementation and monitoring of audit action plans and the filling of key positions. Thabazimbi (incorporating the principal town of Thabazimbi as well as Northam and Regorogile, among others) improved from a disclaimed to a qualified opinion due to a mandatory provincial intervention in terms of section 139(1)(c) of the Constitution and the appointment of an accounting officer during the year. The accounting officer improved controls relating to financial reporting.

The municipalities that achieved clean audits managed only 5% of the province's municipal expenditure budget. The two municipalities (7%) with clean audits demonstrated sound financial disciplines, accountability and transparency. The limited number of clean audits remains a concern and indicates slow progress in embracing the characteristics of an effective local government culture and driving improved service delivery.

Financial reporting

The number of unqualified audit opinions on the financial statements increased to 20 (74%). However, had municipalities not made corrections based on our findings, the financial statements of only three (11%) would have been unqualified.

Most of the material misstatements in the financial statements submitted for auditing related to inaccurate cash-flow statements and the incorrect reporting of receivables and payables from exchange transactions. Seven municipalities that received modified audit opinions could not make the corrections due to inadequate record-keeping, resulting in transactions not being accounted for in accordance with the financial reporting framework.

All 27 municipalities (100%) used financial reporting consultants to address the lack of skills and/or vacancies in their finance units at a cost of R253,85 million. These consultant fees were spent in addition to the R885,01 million that municipalities spent on their finance units.

Despite this investment, 20 municipalities (74%) submitted financial statements with material misstatements in the areas on which the consultants worked. The quality of the financial statements remained poor, as finance units did not adequately review the work of consultants.

Poor financial reporting was mainly driven by a lack of skills in the finance units, weak in-year controls, poor record-keeping and a lack of consequence management, resulting in recurring errors. Despite an audit-readiness session conducted in collaboration with the provincial treasury and cooperative governance department, the quality of financial reporting did not improve.

When municipalities fail to produce credible financial statements, it undermines transparency, accountability and public trust because of the shortcomings to accurately account for how allocated funds were used for service delivery. This ultimately weakens governance and hinders the monitoring processes of oversight structures.

These results show that financial management disciplines remain significantly weak, and municipalities continue to depend on excessive use of consultants and pay little attention to preventative controls.

Performance reporting

Municipalities without material findings on their performance reports have increased from 10 (37%) in 2020-21 to 17 (63%) in 2024-25. Municipalities that submitted good-quality performance reports for auditing have improved from two (7%) to six (22%) since 2020-21. The previously mentioned audit-readiness session addressed, among other areas, the implementation of audit action plans, which led to the improvement in the quality of performance reporting.

The most findings on performance reporting were that indicators were not well defined at five municipalities (19%) and inaccuracies in the reported achievements at nine municipalities (33%) with material findings. These findings were caused by municipalities not implementing adequate controls to collate, report and monitor the reliability of performance reports.

When municipalities do not report accurately on their achievements, it is difficult to evaluate service delivery performance, which weakens oversight, decision-making and public trust.

Compliance with key legislation

Municipalities with material findings on compliance with key legislation have decreased from 26 (96%) to 25 (93%) since 2020-21 and remained unchanged from the previous year.

The most common areas of non-compliance related to material misstatements in the submitted financial statements at 24 municipalities (89%); failure to prevent unauthorised, irregular, and fruitless and wasteful expenditure at 20 municipalities (74%); and weak procurement and contract management at 13 municipalities (48%).

The irregular expenditure incurred decreased from the R1,78 billion reported in 2020-21 to R1,60 billion in 2024-25. Overall, 6% of the annual municipal expenditure budget (excluding employee costs and bulk purchases) was irregularly spent. In total, irregular expenditure of R7,40 billion was incurred over the administration.

The extent of non-compliance could be greater and the value of the irregular expenditure higher, as we qualified the completeness of the irregular expenditure amount disclosed by two municipalities and 14 municipalities disclosed that they were still investigating these amounts to determine whether they had been irregularly spent. We could also not audit awards worth R44,11 million due to missing or incomplete information at two municipalities.

Procurement and contract management

Non-compliance with legislation on procurement and contract management was the reason for R1,60 billion (100%) of the irregular expenditure incurred in 2024-25.

The procurement and contract management processes of 17 municipalities (63%) did not comply with legislation. The non-compliance was reported as material at 13 municipalities (48%). The nature of the non-compliances identified included uncompetitive bidding and inadequate contract management processes.

The scale of non-compliance shows a systemic breakdown in procurement disciplines, with almost all irregular expenditure arising from avoidable breaches. This continuing non-compliance with legislation undermines the efficient and sustainable use of public funds in an already constrained fiscal environment.

Unqualified audit opinions with findings

Seven (39%) of the municipalities with unqualified audit opinions with findings have been in this category for more than five years. Seventeen municipalities (94%) only obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings.

The weaknesses in the municipalities' control environments also affected performance reporting and compliance: five municipalities (28%) had material findings on their performance reports, while 18 (100%) had material findings on compliance. These municipalities were responsible for R1,09 billion (68%) of the irregular expenditure.

An unqualified opinion with findings is not an ideal outcome, and auditees should strive for sustainable clean administration by addressing systemic weaknesses relating to persistent non-compliances. Ongoing transgressions are symptomatic of governance and control failures that divert resources away from core service delivery, leading to infrastructure backlogs, operational inefficiencies and the non-achievement of planned water service delivery targets.

Financial management

The 2024-25 expenditure budget of the municipalities was R35,62 billion. Municipalities received R13,55 billion in equitable share grants and R6,15 billion in other grants from the national government.

Eleven municipalities (41%) operated on an unfunded budget. Five municipalities (19%) reported deficits, which indicates a deterioration in financial health.

The unauthorised expenditure incurred decreased from the R3,57 billion reported in 2020-21. Fruitless and wasteful expenditure incurred increased from R111,05 million in 2020-21 to R212,20 million in 2024-25. In total, fruitless and wasteful expenditure of R754,32 million was incurred over the administration. In 2024-25, fruitless and wasteful expenditure was caused mainly by the incurrence of interest and penalties, payments for standing time and overpayments. Eleven municipalities (41%) took more than 120 days to pay their creditors when they became due. By year-end, municipalities owed arrears (including interest) of R448,55 million to Eskom and R1,27 billion to water boards.

The causes for poor financial discipline include poor budgetary processes, inadequate implementation of treasury recommendations on budgets, cash-flow management and/or constraints and inadequate consequence management. Weak financial discipline erodes capacity by disrupting planning and cash flows, ultimately reducing the municipality's ability to operate effectively and sustain service delivery. Unfunded budgets, poor revenue collection and cash-flow pressures cause financial distress, which negatively affects service delivery.

Infrastructure and grant management

Of the main infrastructure related conditional grants of R5,12 billion received in 2024-25, intended for infrastructure development and maintenance, 99% was spent.

We identified shortcomings in the maintenance of infrastructure, including municipalities spending only approximately 3% on repairs and maintenance as opposed to the norm of 8%, and municipalities not performing adequate condition assessments.

For example, Mopani District Municipality (seated in Giyani) spent only 1% on infrastructure maintenance in 2024-25, which directly resulted in asset deterioration and poor service delivery. We observed the most severe infrastructure failures in the wastewater treatment works, pump stations and sewer reticulation networks within the Ba-Phalaborwa area. As a result, we issued an MI notification relating to environmental harm, following incidents of untreated wastewater overflowing into the Kruger National Park, causing significant environmental damage and potential harm to wildlife and the public. Despite clear indicators of impairment and operational failure, the accounting officer did not consider these in preparing the financial statements. Consequently, infrastructure assets were not impaired, resulting in material misstatements. This reflects deficiencies not only in infrastructure management but also in the application of accounting standards and financial reporting oversight.

Inadequate maintenance practices accelerate asset deterioration and infrastructure failures, resulting in health and safety risks and poor service delivery.

Consequence management

We reported material non-compliance with legislation on consequence management at 13 municipalities (48%). The most common findings related to a failure to investigate prior-year unauthorised, irregular, and fruitless and wasteful expenditure. MPACs were inadequately resourced and capacitated to initiate and complete investigations timeously. Without consequences, officials are not compelled to uphold standards, leading to recurring failures and diminished integrity in operations.

The closing balance of irregular expenditure was R4,10 billion, while that of fruitless and wasteful expenditure was R751,78 million and that of unauthorised expenditure was R5,48 billion. While some investigations into these expenditures were conducted and resulted in write-offs, the pace and quality of investigations remain slow and delay consequence management. When accountability mechanisms are weak, officials are not held responsible for their actions, creating a culture of wrongdoing without consequences.

Material irregularities

Most of the MIs in the province were due to accounting officers not taking all reasonable steps to ensure that municipalities had and maintained an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds. The MIs on likely substantial harm to the general public point to poor service delivery because of pollution of water resources and poor landfill site management.

In general, accounting officers are responding positively to the MI process. Ten MIs were resolved during the year, as accounting officers took appropriate action to address them. For example, an MI relating to the ineffective management of the Rebone landfill site in Mogalakwena (Mokopane) was resolved by the accounting officer appointing a service provider that implemented controls and managed reclamation activities to ensure compliance with permit conditions. As a result, the likely substantial harm to the public was addressed.

Where accounting officers did not take appropriate action, we invoked our powers. We included recommendations in the audit report of Thabazimbi and referred the MI relating to revenue collected by a vending entity and not paid into the municipality's bank account to the Hawks for further investigation. The contract with this service provider was cancelled in January 2026.

Some of the difficulties encountered in resolving MIs include delays in completing investigations and disciplinary processes as well as instability in accounting officer positions.

Conclusion and call to action

Overall, the audit outcomes are improving, but performance, accountability and institutional integrity are not yet consistently embedded across municipalities. The small number of clean audits, persistent weaknesses in financial and performance reporting, continued non-compliance and reliance on consultants without skills transfer indicate a fragile control environment. Where leadership takes responsibility, strengthens controls and acts on audit findings, governance and transparency improve. Where this does not occur, unreliable information, irregular expenditure and poor reporting undermine oversight, erode public trust and delay service delivery. Sustainable service delivery depends on building internal capacity, enforcing accountability and entrenching ethical and transparent practices across local government.

In line with the previous year's commitments, the MEC for local government revived the municipal and MEC forum to address matters affecting local government, and collaborated with the MEC for finance to establish a provincial internal audit forum. The impact of these forums is starting to bear fruit, considering the overall audit outcomes in the province.

We commend the role played by the premier and the coordinating institutions (provincial treasury and cooperative governance department) in swiftly intervening at municipalities that show indicators of financial distress. For example, Mogalakwena implemented a financial recovery plan in collaboration with the provincial cooperative governance department. The premier was also instrumental in the improvement at Thabazimbi, where the municipality was placed under section 139(1)(c) mandatory provincial intervention, which contributed to the municipality improving its audit outcome from a disclaimed to a qualified opinion.

Based on the insights obtained through our audits, we made the following calls to action to improve audit outcomes and service delivery:

- The MEC for local government should support and monitor the achievement of at least 80% of key targets to provide services. To further support this call to action, the premier should insist on the completion of all outstanding and new projects, including safeguarding and timeous completion, at the right quality and within budget.

- Internal audit units should conduct probity audits before contracts are awarded to address non-compliance with procurement prescripts. Audit committees must play their oversight role to ensure that the internal audit recommendations are implemented.

- We have consistently been calling on accounting officers to intensify their efforts in addressing the lack of skills and capacity to reduce the excessive use of consultants. Targeted training for officials in finance units on value-added tax and asset management should be prioritised. The MEC for finance should continue to monitor consultants' reduction plans through reviewing section 71 and 72 reports. Where these plans are not adhered to, the MEC must make recommendations to councils to enforce consequences.

- The provincial legislature should call non-performing municipalities to account. The relevant portfolio committees must table reports in the provincial legislature for interrogation. Resolutions must then be taken and tracked to ensure implementation that will lead to improved accountability.

The improved audit outcomes provide a solid foundation for accountability and transparency, but persistent non-compliance and slow service delivery continue to erode public confidence and undermine the impact of these gains on the lived realities of communities. Enabling improved service delivery and building public trust require greater operational and financial discipline and stringent internal controls. Decisive leadership will strengthen institutional integrity by setting clear expectations, enforcing consequences and creating a culture where ethical conduct is non-negotiable.

7.6 Mpumalanga

Persistent control weaknesses and limited accountability remain a barrier to shifting the culture

Audit outcomes – municipalities

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit
2020-21	4	7	5	1	3	0
2023-24	2	8	10	0	0	0
2024-25	1	12	7	0	0	0

	Improvement	Unchanged	Regression
Movement from previous year and related budget	4 ▲ (R7,19bn)	14 ▶ (R26,63bn)	2 ▼ (R2,02bn)
Movement over administration and related budget	7 ▲ (R14,3bn)	9 ▶ (R15,88bn)	4 ▼ (R5,66bn)

Municipality outcomes with movement over administration

Improved Dipaleseng LM; Dr Pixley ka Isaka Seme LM; Emalahleni LM; Govan Mbeki; Dr JS Moroka LM; Emakhazeni LM; Lekwa LM

Unchanged Ehlanzeni DM; Bushbuckridge LM; Chief Albert Luthuli LM; City of Mbombela LM; Nkomazi LM; Thaba Chweu LM; Thembisile Hani LM; Msukaligwa LM; Victor Khanye LM

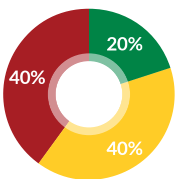
Regressed Gert Sibande DM; Nkangala DM; Mkhondo LM; Steve Tshwete LM

Clean audit | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit

DM: District Municipality LM: Local Municipality

Financial health with movement over administration – municipalities

Overall assessment



- Good: 4
- Concerning: 8
- Unfavourable: 8

Municipalities with going concern uncertainty (years in position): ▼
- City of Mbombela (1 year)
- Emalahleni (9 years)
- Govan Mbeki (6 years)
- Lekwa (10 years)
- Msukaligwa (3 years)
- Nkomazi (1 year)
- Thaba Chweu (2 years)
- Victor Khanye (2 years)

Unfunded budget: 12 (60%) ▼

Unauthorised expenditure: R5 220,24m – 14 (70%) ▲ (slight improvement)

Deficit (expenditure exceeded revenue): 14 (70%) ▼

Fruitless and wasteful expenditure: R1 197,85m – 18 (90%) ▼

Creditor-payment period exceeded 120 days: 13 (65%) ▼

More than 80% of debt irrecoverable: 6 (30%) ▲

Current liabilities more than current assets: 15 (75%) ▼

Total liabilities more than total assets: 4 (20%) ▼

Cash coverage less than one month: 6 (30%)

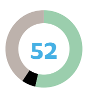
Water losses by 17 water providers:
- R793,11m
- Above 30% norm: 13 (76%)
- Not disclosed: 0 (0%)

Electricity losses by 14 electricity providers:
- R2 269,38m
- Above 10% norm: 13 (93%)
- Not disclosed: 0 (0%)

▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Regression

Material irregularities – 17 municipalities and municipal entity (77% of municipal auditees)

Status



- 28 Resolved
- 3 Under assessment/awaiting response
- 21 Unresolved
  - 5 | 15 | 1

Nature

27	Material financial loss (R2,34bn)
6	Substantial harm to public sector institution
19	Substantial harm to general public

Appropriate action not taken – decision on invoking our powers in process | Referral | Remedial action

Last year, we reported on an improvement in audit outcomes over the term of the 6th administration but cautioned that persistent weak control environments and a lack of leadership accountability hinder the necessary culture shift.

Audit outcomes

The overall audit outcomes of municipalities have improved since 2020-21 and from the previous year, mainly due to assistance through the audit process and strengthened provincial support. The gains in the province, which helped to eradicate disclaimed and adverse opinions, are not yet sustainable as root causes such as weak leadership oversight, poor control environments and limited accountability persist. These deficiencies resulted in regressions at Nkangala District Municipality (seated in Middelburg) from a clean audit to an unqualified opinion with findings and Mkhondo (Piet Retief) from an unqualified opinion with findings to a qualified opinion with findings.

Only Ehlanzeni District Municipality (seated in Mbombela) sustained a clean audit due to institutionalised controls, but accounted for just 1% of the province's municipal expenditure budget. Progress remains minimal, as municipalities responsible for 99% of the budget continued to lack the institutional capability to produce credible financial and performance reports and comply with legislation, constraining governance and service delivery amid rising community demands.

Financial reporting

The number of unqualified audit opinions on the financial statements increased to 13 (65%). However, had municipalities not made corrections based on our findings, the financial statements of only one municipality (5%) would have been unqualified.

Most of the material misstatements in the financial statements submitted for auditing related to inappropriate accounting for the cash-flow statement and receivables, as well as a failure to fully record irregular expenditure. Seven municipalities that received modified audit opinions could not make the corrections due to inadequate system reconciliations, a lack of accounting skills and incomplete irregular expenditure registers.

A total of 18 municipalities (90%) relied on financial reporting consultants to address their finance unit capacity gaps at a cost of R153,02 million. These consultant fees were spent in addition to the R940,57 million that municipalities spent on their finance units.

Internal audit units and audit committees reviewed the prepared financial statements, while the provincial treasury and cooperative governance department provided support through the integrated municipal support plan. Despite extensive support, financial controls remained weak, as actions focused on year-end fixes, rather than preventative controls and accountability.

Performance reporting

Municipalities without material findings on their performance reports have remained at nine (45%) since 2020-21. Municipalities that submitted good-quality performance reports for auditing regressed from five (25%) to four (20%) since 2020-21.

The most common material findings on performance reporting were unreliable reported achievements at eight municipalities (40%) and reported information not being useful at 10 municipalities (50%). At Lekwa (Standerton), persistent weaknesses in the performance management system between 2021-22 and 2024-25 rendered reported achievements unreliable, resulting in an MI notification to the accounting officer. Management did not ensure adequate record-keeping and reconciliations and did not implement effective monitoring to validate performance information, which hindered transparency and proper accountability for the true picture of the municipality's service delivery performance.

Compliance with key legislation

Municipalities with material findings on compliance with key legislation have increased from 16 (80%) to 19 (95%) since 2020-21 and from 18 (90%) in the previous year. The most common areas of non-compliance were failures submitting good-quality financial statements at 19 municipalities (95%), to preventing unauthorised, irregular and fruitless and wasteful expenditure at 15 municipalities (75%); and taking reasonable steps to ensure that money owed by the municipality was paid within 30 days at 15 municipalities (75%).

Irregular expenditure increased from the R1,26 billion reported in 2020-21 to R1,75 billion in 2024-25. Overall, 4% of the annual municipal expenditure budget (excluding employee costs and bulk purchases) was irregularly spent. In total, irregular expenditure of R8,44 billion was incurred over the administration. The extent of non-compliance could be greater and the value of the irregular expenditure higher, as we qualified the completeness of the irregular expenditure amount disclosed by three municipalities, and 10 disclosed that they were still investigating these amounts to determine whether they had been irregularly spent. We could also not audit contracts or awards worth R0,12 million due to missing or incomplete information at Dr Pixley ka Isaka Seme (Volksrust).

Procurement and contract management

Non-compliance with legislation on procurement and contract management was the reason for all of the R1,75 billion (100%) in irregular expenditure incurred in 2024-25. The procurement and contract management processes of 17 municipalities (85%) did not comply with legislation. The non-compliance was reported as material at six (30%) municipalities. Typical transgressions included the misuse of deviation procurement, inconsistent application of preferential procurement requirements, awards not made to the highest scoring bidders and weak contract management (including inadequate monitoring of delivery, performance and variations).

These findings were driven by vacancies and skills gaps in the procurement and finance units that weakened day-to-day review and monitoring, policies not being updated with legislative changes, incomplete bid documentation and record-keeping, as well as weak oversight and consequence management when officials breached controls. Weak procurement and contract management disciplines reduce procurement transparency, increase unfair practices, expose municipalities to financial losses and has a negative impact on service delivery. If the underlying weaknesses are not addressed, the number of municipalities with material findings on compliance might increase in future.

Unqualified audit opinions with findings

Three (15%) of the municipalities with unqualified audit opinions with findings have been in this category for more than five years. Twelve municipalities (100%) obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings.

The weaknesses in the municipalities' control environments also affected performance reporting and compliance: seven (58%) of the municipalities had material findings on their performance reports, while all 12 (100%) had material findings on compliance. These municipalities were responsible for R0,46 billion (26%) of the irregular expenditure.

Auditees in this audit outcome category should not become complacent. If root causes are not addressed, it could lead to regressions, as was the case at Mkhondo that regressed to a qualified opinion in 2024-25 after sustaining unqualified opinions with findings for the past four years.

Financial management

The 2024-25 expenditure budget of the municipalities was R35,84 billion. Municipalities received R8,31 billion in equitable share grants and R4,76 billion in other grants from the national government. Despite these allocations, the province continued to experience growing fiscal pressure.

The financial crisis in municipalities stems from weak budgeting practices and ineffective financial management. These weaknesses have led to unfunded adjustments budgets, driven by unrealistic revenue projections, insufficient oversight by accounting officers, escalating Eskom debt and significant water and electricity losses. As budgets remain disconnected from operational realities, municipalities continued to incur rising unauthorised expenditure and operating deficits – forcing some to fund 2024-25 obligations from future budgets – thereby compromising financial sustainability and undermining service delivery performance and community wellbeing.

Municipalities also struggled to collect revenue for basic services, with poor debt collection leading to limited cash flows, making it difficult for municipalities to finance their operations and settle supplier accounts. By year-end, municipalities owed arrears (including interest) of R25,83 billion to Eskom and R3,38 billion to water boards, and they took an average of 438 days to pay suppliers – incurring interest and penalties of R1,2 billion. We notified the accounting officer of Nkomazi (Malalane) of an MI relating to late payments to Eskom.

Despite the provincial treasury's continued efforts to revise financial recovery plans, many municipalities remain under severe financial strain, mainly due to the non-implementation of these plans. This indicates that progress will depend less on developing additional plans and more on enforcing financial discipline, strengthening accountability and improving day-to-day resource management.

Infrastructure and grant management

Of the main infrastructure related conditional grants of R3,40 billion received in 2024-25, intended for infrastructure development and maintenance, 100% was spent. Despite this high level of spending, municipalities did not consistently deliver the planned infrastructure on time or to the required standard. The municipal infrastructure grant was misused at Nkomazi, as unspent municipal infrastructure grant funding was used for operational expenditure (instead of for the purpose of the fund) and was not cash-backed. This contributed to poor infrastructure conditions and negatively affected service delivery.

Municipalities are unable to effectively plan for and maintain infrastructure, as evidenced by low spending on repairs and maintenance – averaging only 3,4% of the value of infrastructure assets, well below the National Treasury norm of 8%. This has resulted in the deterioration of infrastructure and continued water and electricity losses. This was confirmed through environmental inspections of wastewater treatment works at some municipalities. We notified the accounting officers of MIs in this regard at City of Mbombela (comprising the provincial capital of Mbombela and towns such as Barberton, Hazyview and KaNyamazane) and at Victor Khanye (Delmas).

We also tested drinking water quality at three water treatment plants at Dr Pixley ka Isaka Seme and found that the plants consistently distributed drinking water below the applicable prescripts of the South African National Standards. We notified the accounting officer of MIs because of this.

Consequence management

We reported material non-compliance with legislation on consequence management at seven (35%) municipalities. Unauthorised, irregular, and fruitless and wasteful expenditure from prior years was not adequately investigated. These weaknesses were primarily due to ineffective internal processes that delayed the initiation and conclusion of investigations as well as inconsistent council oversight, which undermined accountability and an ethical culture.

The closing balance of irregular expenditure was R4,15 billion, while that of fruitless and wasteful expenditure was R1,62 billion and that of unauthorised expenditure was R7 billion. Despite South African Local Government Association (Salga) driving capacity building at MPACs, many of these committees were still not adequately capacitated to conduct investigations. In some instances, the absence of defined time frames for investigations contributed to delays. Overall, the slow investigation and resolution of unauthorised, irregular, and fruitless and wasteful expenditure, together with the limited implementation of consequence management, continue to weaken accountability and delay improvements in governance and financial discipline.

Material irregularities

The MIs in the province related mainly to failures in basic service delivery and weak financial controls, including pollution at wastewater treatment works, poor landfill site management, overdue payments to suppliers and revenue that was not billed.

In general, accounting officers are slow to respond to the MI process largely due to instability at senior management level and prolonged delays in finalising investigations. While some action has been taken, such as strengthened revenue controls at Dr JS Moroka (Siyabuswa) that prevented further losses, these cases remain the exception rather than the norm across the province.

While mayors, councils and MPACs generally engage once MIs are shared, these engagements are fragmented and contribute to the slow progress in resolving MIs. As a result, there are limited improvements in accountability, service delivery and the prevention of further harm.

Conclusion and call to action

Despite reported improvements, persistent control weaknesses and limited accountability continue to remain a barrier to the culture shift towards performance, accountability, transparency and institutional integrity that is required for sustainable governance and meaningful service delivery improvement. Progress remains isolated, while municipalities managing most of the provincial budget continue to face systemic weaknesses that undermine service delivery and public confidence.

Although most prior-year commitments were implemented (support plans developed) or are in progress (filling vacancies and enhancing oversight), their impact has been limited by slow execution, inconsistent follow through and weak municipal accountability. The premier has committed to strengthening oversight through reviewing audit action plans, monitoring implementation and early involvement.

Based on the insights gained through our audits, we made the following key recommendations:

- The premier and MECs for finance and local government must strengthen preventative controls, driven by leadership building internal capacity, ensuring the effective and disciplined use of consultants, and improving project planning and monitoring to establish stronger and more resilient control environments.

- The MECs for finance and local government must prioritise the financial health of municipalities by promoting a robust financial management culture to ensure that all revenue billed is collected; spending is prudent; and financial losses and wastage are prevented or, where incurred, recovered speedily to support improved service delivery.

- The provincial legislature and MECs for finance and local government must enforce strict adherence to legislation, particularly supply chain management requirements, and capacitate council structures such as MPACs and disciplinary boards to effectively address high balances of unauthorised, irregular, and fruitless and wasteful expenditure.

- The premier and MEC for local government must strengthen accountability and governance by ensuring that political and administrative leadership, supported by coordinating provincial departments, consistently implement consequence management and reinforce governance structures to prevent repeat transgressions.

All roleplayers in the accountability ecosystem should act with urgency, collaboration and shared responsibility. By embedding preventative controls, strengthening oversight and enforcing accountability, municipalities can improve audit outcomes and, most importantly, ensure that public resources are used to deliver real and lasting benefits to the people of Mpumalanga.

7.7 Northern Cape

Focus on viability, capacity, quarterly reporting and consequences to enable better service delivery

Audit outcomes – municipalities

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit
2020-21	5	5	17	0	4	0
2023-24	2	6	20	0	3	0
2024-25	1	11	18	0	1	0

	Improved	Unchanged	Regressed
Movement from previous year and related budget	7 ▲ (R2,36bn)	22 ▶ (R10,46bn)	2 ▼ (R0,2bn)
Movement over administration and related budget	8 ▲ (R3,11bn)	17 ▶ (R9,06bn)	6 ▼ (R0,86bn)

Municipality outcomes with movement over administration

Improved: Dikgatlong LM; Gamagara LM; Nama Khoi LM; Umsobomvu LM; !Kheis LM; Joe Morolong LM; Kgatelopele LM; Renosterberg LM

Unchanged: Frances Baard DM; Dawid Kruiper LM; Ga-Segonyana LM; Karoo Hoogland LM; Pixley ka Seme DM; Emthanjeni LM; Kai !Garib LM; Khâi-Ma LM; Magareng LM; Phokwane LM; Richtersveld LM; Siyancuma LM; Siyathemba LM; Sol Plaatje LM; Thembelihle LM; Tsantsabane LM; Ubuntu LM

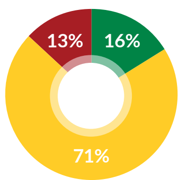
Regressed: John Taolo Gaetsewe DM; Namakwa DM; ZF Mgcawu DM; Hantam LM; Kareeberg LM; Kamiesberg LM

Clean audit | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit

DM: District Municipality   LM: Local Municipality

Financial health with movement over administration – municipalities

Overall assessment



- Good: 5
- Concerning: 22
- Unfavourable: 4

Municipalities with going concern uncertainty (years in position): ▲
- !Kheis (9 years)
- Kamiesberg (1 year)
- Renosterberg (1 year)
- Tsantsabane (3 years)

Unfunded budget: 22 (71%) ▼

Unauthorised expenditure: R1 910,12m – 24 (77%) ▼ (slight)

Deficit (expenditure exceeded revenue): 15 (52%) ▼ (slight)

Fruitless and wasteful expenditure: R393,55m – 30 (97%) ▼

Creditor-payment period exceeded 120 days: 20 (69%) ▼

More than 80% of debt irrecoverable: 8 (28%) ▲

Current liabilities more than current assets: 19 (66%) ▼ (slight)

Total liabilities more than total assets: 3 (10%) ▲

Cash coverage less than one month: 4 (14%)

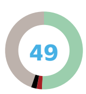
Water losses by 26 water providers:
- Amount: R239,12m
- Above 30% norm: 15 (58%)
- Not disclosed: 1 (4%)

Electricity losses by 26 electricity providers:
- Amount: R548,38m
- Above 10% norm: 23 (88%)
- Not disclosed: 1 (4%)

▲ Improvement ▶ Unchanged ▼ Slight regression ▼ Regression

Material irregularities – 19 municipalities and municipal entities (61% of provincial auditees)

Status



- 23 Resolved
- 2 Not pursued further
- 2 Under assessment/awaiting response
- 22 Unresolved
  - 4 | 2 | 8 | 2 | 5 | 1

Nature

24	Material financial loss (R464,97m)
22	Substantial harm to public sector institution
3	Substantial harm to general public

Appropriate action taken | Appropriate action not taken – decision on invoking our powers in process | Recommendation | Referral | Remedial action | Remedial action not implemented

Last year, we reported a regression in audit outcomes over the term of the 6th administration and cautioned that municipal councils needed to address governance failures and strengthen accountability.

Audit outcomes

The overall audit outcomes of municipalities have improved since 2020-21 and from the previous year. In some cases, this is related to systemic enhancements and management strengthening internal controls. In other cases, however, significant support from the premier, provincial cooperative governance department, provincial treasury and consultants contributed to the improvements, calling into question their sustainability.

The province has largely eliminated disclaimed audit outcomes, with Kamiesberg (Garies) being the only remaining disclaimed municipality after regressing from last year's qualified opinion. Improvements in institutional capability, particularly through better implementation and monitoring of controls and the filling of key vacancies, contributed to these gains. Support from the provincial treasury and Salga, especially in assisting with the preparation of financial statements and responses to audit findings, enabled !Kheis (Groblershoop) to improve its audit outcome – an initiative that should be extended to all municipalities with qualified opinions.

The number of clean audits remains low, with Frances Baard District Municipality (seated in Kimberley) being the only municipality to achieve this outcome, but accounting for only 1% of the province's municipal expenditure budget. Most municipalities in the 'unqualified with findings' category are not progressing to a clean audit status due to persistent compliance issues, demonstrating complacency.

The timely submission of financial statements improved significantly from 65% in 2020-21 to 94%, with only two municipalities submitting late in 2024-25. !Kheis's late submission, caused by a knock-on effect from the previous year, resulted in an MI being raised, which in turn drove the subsequent submission of its financial statements. Phokwane (Hartswater) submitted late due to instability in senior management and challenges with consultants.

Financial reporting

The disclaimed audit opinion of Kamiesberg was largely caused by the municipality changing financial systems during the financial year. Employees were not properly trained on the new system, resulting in some supporting documents not being available during the audit.

The number of unqualified audit opinions on the financial statements increased to 12 (39%); however, had municipalities not made corrections based on our findings, the financial statements of only four (13%) would have been unqualified.

Most of the material misstatements identified in the financial statements submitted for auditing, which could not be corrected, related to expenditure, revenue from exchange transactions and irregular expenditure. Nineteen municipalities could not fix these problems because their records for expenditure and irregular expenditure were poorly kept, and some customers were not billed correctly due to unread or broken meters.

Twenty-six municipalities (84%) used financial reporting consultants due to skills shortages and vacant posts at a cost of R178,3 million. Four municipalities spent a further R2,39 million on consultants, most of which was funded by district municipalities. These costs were in addition to R468,07 million spent on finance units. Consultant spending increased from R117,71 million in 2020-21, showing growing dependence on consultants.

Despite this investment, 28 municipalities (97%) that used consultants for financial reporting (appointed by both municipalities and district municipalities) submitted financial statements with material misstatements in the areas on which the consultants worked. This was caused by inadequate reviews of the work of consultants, resulting in reliance on the audit process to pick up errors.

Performance reporting

Municipalities without material findings on their performance reports have increased from 10 (37%) to 11 (35%) since 2020-21. Municipalities that submitted good-quality performance reports for auditing improved from five (19%) in 2020-21 to eight (26%) in 2024-25. The most common material findings on performance reporting were that the reported information was not correct and did not match supporting evidence (accuracy) at 14 municipalities (45%) and that the reported information was not a reasonable and accurate representation of the actual achievements (validity) of performance at 13 municipalities (42%).

Five MIs relating to significant deficiencies in the performance management system, including a lack of adequate records, were raised during the administrative term. This was caused by poor understanding of the performance management system, resulting in service delivery reporting not being credible and reliable.

Compliance with key legislation

Municipalities with material findings on compliance with key legislation have increased from 26 (84%) to 30 (97%) since 2020-21 and from 29 (94%) in the previous year. The most common areas of non-compliance were not preventing unauthorised, irregular, and fruitless and wasteful expenditure at 29 municipalities (94%); material misstatements or limitations in the submitted financial statements at 27 municipalities (87%); and procurement and contract management weaknesses at 26 municipalities (84%).

The irregular expenditure decreased from the R1,37 billion reported in 2020-21 to R656,48 million in 2024-25. Overall, 8% of the annual municipal expenditure budget (excluding employee costs and bulk purchases) was spent irregularly. In total, irregular expenditure of R3,26 billion was incurred over the term of the administration.

The extent of non-compliance could be greater and the value of the irregular expenditure higher, as we qualified the completeness of the irregular expenditure amount disclosed by 15 municipalities, and two municipalities disclosed that they were still investigating these amounts to determine whether they had been spent irregularly. In addition, we were unable to audit awards amounting to R1,72 million at three municipalities due to missing or incomplete information, including Tsantsabane (Postmasburg), where the financial impact of the limitation could not be quantified.

Procurement and contract management

Non-compliance with legislation on procurement and contract management was the reason for R646,96 million (99%) of the irregular expenditure incurred in 2024-25.

The procurement and contract management processes of all 31 municipalities were non-compliant with legislation, with material non-compliance reported at 26 municipalities (84%). The most common findings related to uncompetitive and unfair procurement processes, including inadequate monitoring of contractor performance; procurement from suppliers without a valid Sars tax clearance; a failure to submit declarations of interest; and obtaining insufficient quotations. These deficiencies stem from poor planning, weak supplier performance monitoring and inadequate governance oversight by accounting officers. They will persist unless consequences are implemented consistently and decisively.

Compliance with procurement and contract management requirements remains a concern, causing operational disruptions, eroding public trust and compromising service delivery due to delays on projects.

Financial management

The 2024-25 expenditure budget of the municipalities was R13,03 billion. Municipalities received R2,59 billion in equitable share grants and R1,87 billion in other grants from the national government.

Municipalities' financial health continued to deteriorate as they still did not collect most of the revenue owed to them (62% of debtors were irrecoverable), resulting in them struggling to pay their service providers. At two municipalities, we raised MIs due to substantial harm caused by the non-payment of pension fund contributions. By invoking our extended powers, we issued recommendations to the accounting officer at one of these municipalities, as action was not taken to respond to these matters.

Most municipalities were unable to manage their budgets through monthly budget reports and to pay their suppliers on time. In total, fruitless and wasteful expenditure of R1,29 billion was incurred during the term of the administration. This was mostly caused by interest and penalties, diverting resources away from essential services and worsening the financial health of already struggling municipalities.

By year-end, municipalities owed arrears (including interest) of R5,63 billion to Eskom and R933,92 million to water boards.

Infrastructure and grant management

Of the main infrastructure related conditional grants of R1,52 billion received in 2024-25, intended for infrastructure development and maintenance, 92% was spent.

We raised compliance findings on the utilisation of the municipal infrastructure grant at three municipalities (12%) that received the grant. The findings related to spending that was not in accordance with the framework of the grant. This can be linked to financial management challenges, as all three municipalities had unfavourable indicators when we assessed their financial sustainability. This is causing projects to be delayed, abandoned or poorly executed, negatively affecting basic service delivery.

We identified weaknesses in all five (100%) water and sanitation infrastructure projects that we audited. The common findings related to delays in completion of projects, late payment of contractors as well as fruitless and wasteful expenditure because of non-compliance with contract requirements. This was caused by grant funding not spent for the intended purpose and poor expenditure and cash-flow management. This affected the quality of services delivered, as sewerage systems were unreliable, causing sewage overflows and a health risk to communities of Sol Plaatje (Kimberley), !Kheis (Groblershoop) and Kareeberg (Carnarvon).

We again identified shortcomings in the maintenance of infrastructure. Municipalities spent only 2% of the value of their infrastructure assets on repairing and maintaining those assets – far below the National Treasury norm of 8%. In addition to billing issues, the lack of preventative maintenance over many years contributed to water and electricity distribution losses at most municipalities.

Sol Plaatje suffered distribution losses of R326,29 million. The municipality lost approximately two-thirds (67%) of all water (more than double the National Treasury norm of 30%) and more than a quarter (26%) of all the electricity it purchased (significantly more than the National Treasury norm of 7% to 10%). We issued MI notifications to the accounting officer because of the inadequate safeguarding and maintenance of water and electricity distribution assets.

These weaknesses significantly compromised municipalities' ability to deliver infrastructure projects and worsened their overall financial position.

Consequence management

We reported material non-compliance with legislation on consequence management at 23 municipalities (74%). Instances of unauthorised, irregular, and fruitless and wasteful spending were not properly dealt with, allowing a recurrence of the previously reported matters. Investigations did not take place, took too long or were inconsistent, mainly because councils failed to carry out proper investigations and enforce consequences.

The closing balance of irregular expenditure was R3,31 billion, while that of fruitless and wasteful expenditure was R1,03 billion and that of unauthorised expenditure was R9,04 billion.

While the unauthorised and the fruitless and wasteful expenditure balances increased compared to those of 2023-24, the irregular expenditure balance decreased by R357,38 million (10%). This can largely be attributed to write-offs of R858,06 million during the year. Notwithstanding the decrease in the irregular expenditure balance, municipal councils need to focus on ensuring that proper processes are followed before writing off unauthorised, irregular, and fruitless and wasteful expenditure. The significant closing balances of this expenditure confirm that consequence management has not been fully implemented. The lack of consequences also affected the MI process, impeding preventative and corrective action, delaying recoveries and allowing harm to continue.

Material irregularities

The high number of MIs causing substantial harm to municipalities correlates with the poor service delivery experienced by residents of many municipalities. The most common MIs in this category related to the non-submission of financial statements and a lack of records relating to annual municipal performance.

In general, accounting officers are slow to respond to the MI process. Delays in resolving MIs were caused mainly by instability at accounting officer level or inadequate or incomplete responses by accounting officers. Even after invoking our enhanced powers to include recommendations in audit reports, take remedial action and refer MIs to public bodies for investigation, some accounting officers still did not take the required action.

Mayors and councils are not sufficiently involved in the MI process. They need to regularly follow up on formal resolutions requiring accounting officers to act on investigation outcomes. Coordinating institutions must also strengthen their focus on this process. Legislative oversight has been limited and non-responsive accounting officers should be held accountable.

Conclusion and call to action

There has been limited progress in transforming the public sector culture across most municipalities in the province. The persistent poor quality of financial and performance reporting points to ongoing challenges with transparency, while weak financial and performance management continues to undermine effective service delivery. Furthermore, high levels of legislative non-compliance indicate that institutional integrity has not yet been fully embedded and longstanding accountability weaknesses remain unresolved.

Oversight by the provincial legislature was inadequate, and cooperation with the MEC for local government was weak. As a result, the MEC's report on performance and accountability was tabled late. Consequently, there was limited success in tracking and monitoring the implementation of recommendations arising from these reports.

Most prior-year commitments were not fully implemented. An increase in clean audits was not achieved when compared to the previous year. Vacancies in key positions remained high despite a slight improvement from the previous year. Commitments to strengthen internal audit units and audit committees, as well as to reduce reliance on consultants, were not implemented, as reflected in fewer established units and increased consultant costs.

Based on the insights obtained through our audits, we made the following recommendations to the premier, MECs for finance and local government and the provincial legislature:

- The MEC for local government, with the support of the premier, must assess the functioning of MPACs in investigating unauthorised, irregular, and fruitless and wasteful expenditure and in applying consequence management.
- The provincial treasury should intensify its support and implement assertive actions to improve the quality of monthly budget statements, quarterly financial and performance reporting and midyear budget and performance assessment reports submitted by municipalities. This can be achieved through the MEC for finance, ensuring that the dedicated municipal financial support unit focuses its efforts on municipalities with qualified and disclaimed audit opinions.
- The MEC for local government must assist with the review of integrated development plans and service delivery and budget implementation plans of municipalities and insist on the inclusion of key service delivery indicators to enhance service delivery within the province. In addition, the MEC should continue to focus on the filling of key vacancies at accounting officer and chief financial officer level to bring stability to local government.
- The premier should continue to focus on the reduction of consultant fees. The implementation of consultant reduction strategies should be monitored by the MEC for local government.

Sustained improvements in audit outcomes and service delivery will require councils and municipal leadership to enforce consequences, stabilise key posts and monitor delivery against funded plans. Financial and performance reporting has to become a quarterly discipline to ensure improvement in the quality of reporting. There is a need for greater collaboration between the different levels of government – the premier’s intergovernmental forum is well placed to achieve this.

7.8 North West

Audit outcomes improve, but weak service delivery reporting limits transparency

Audit outcomes – municipalities

2020-21	0	3	9	1	9	0
2023-24	0	3	13	3	3	0
2024-25	0	6	12	3	1	0

Movement from previous year and related budget: 6 ▲ (R5,46bn) 16 ▶ (R29,45bn) 0 ▼

Movement over administration and related budget: 12 ▲ (R13,47bn) 7 ▶ (R15,19bn) 3 ▼ (R6,25bn)

Municipality outcomes with movement over administration

Improved Bojanala DM; Moses Kotane LM; Greater Taung LM; JB Marks LM; Kgetlengrivier LM; Madibeng LM; Mamusa LM; Naledi LM; Ngaka Modiri Molema DM; Ramotshere Moiloa LM; Ratlou LM; Maquassi Hills LM

Unchanged Dr Kenneth Kaunda DM; Moretele LM; Dr Ruth Segomotsi Mompati DM; Mahikeng LM; Tswaing LM; Rustenburg LM; Ditsobotla LM

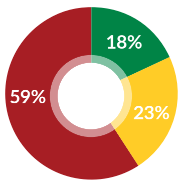
Regressed Matlosana LM; Lekwa-Teemane LM; Kagisano-Molopo LM

Clean audit | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit

DM: District Municipality LM: Local Municipality

Financial health with movement over administration – municipalities

Overall assessment



Good: 4

Concerning: 5

Unfavourable: 13

Municipalities with going concern uncertainty (years in position): ▶

- City of Matlosana (14 years)
- Ditsobotla (6 years)
- Dr Ruth Segomotsi Mompati (2 years)
- JB Marks (2 years)
- Kagisano-Molopo (2 years)
- Kgetlengrivier (7 years)
- Lekwa-Teemane (14 years)
- Madibeng (2 years)
- Mamusa (8 years)
- Maquassi Hills (11 years)
- Naledi (7 years)
- Rustenburg (3 years)
- Tswaing (11 years)

Unfunded budget: 17 (77%) ▼

Unauthorised expenditure: R3,11bn – 19 (86%) ▼ (slight)

Deficit (expenditure exceeded revenue): 1 (61%) ▼

Fruitless and wasteful expenditure: R738,84 m – 22 (100%) ▼

Creditor-payment period exceeded 120 days: 9 (50%) ▼

More than 80% of debt irrecoverable: 12 (67%) ▼

Current liabilities more than current assets: 13 (72%) ▼

Total liabilities more than total assets: 2 (11%) ▼

Cash coverage less than one month: 1 (6%)

Water losses by 18 water providers:

- Amount: R760,89m
- Above 30% norm: 6 (33%)
- Not disclosed: 9 (50%)

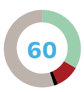
Electricity losses by 13 electricity providers:

- Amount: R1,66bn
- Above 10% norm: 9 (69%)
- Not disclosed: 3 (23%)

▲ Improvement ▶ Unchanged ▼ Slight regression ▼ Regression

Material irregularities – 16 municipalities and municipal entities (73% of provincial auditees)

Status



20 Resolved

11 Not pursued further

1 Under assessment/waiting response

28 Unresolved

1 | 5 | 2 | 16 | 2 | 1 | 1

Nature

32 Material financial loss (R1,06bn)

12 Substantial harm to general public

16 Substantial harm to public sector institution

Appropriate action taken | Appropriate action not taken – decision on invoking our powers in process | Recommendation | Referral | Remedial action not implemented | Referral, notice of certificate of debt process and remedial action not implemented | Certificate-of-debt process

Last year, we reported improvements in the audit outcomes over the term of the 6th administration but cautioned that efforts need to be intensified for sustained capacity, accountability and impactful improvements.

Audit outcomes

The overall audit outcomes of municipalities have improved since 2020-21 and from the previous year. Recent noteworthy improvements are JB Marks (Potchefstroom) and Madibeng (Brits), which is significant given the size of their budgets and the populations they serve. The improvements were largely driven by strategic partnerships with coordinating institutions. In collaboration with Salga, the provincial treasury implemented actions aimed at strengthening internal capacity, providing technical support on complex matters and facilitating audit readiness sessions with key stakeholders, including our office.

After a long history of disclaimed audit opinions, Ratlou (Madibogo) improved to a qualified audit opinion in 2024–25. This was driven by strong leadership commitment from the mayor and accounting officer to address prior-year issues, improved record-keeping with support from the provincial treasury and disciplined monthly tracking of the audit action plan. The limitation MI raised in 2024 on repeat disclaimers was also resolved in 2025 following the implementation of the recommended actions.

Financial reporting

Disclaimed audit opinions decreased from nine to one over the administration. The three adverse opinions reflect a marginal shift as municipalities move audit opinions out of the disclaimer space but still struggle with the preparation of good-quality financial statements, review discipline and finance capacity. Ditsobotla (Lichtenburg) remains the only disclaimed municipality in the province. This is mainly due to prolonged political and administrative challenges, including instability that weakened governance, institutional capacity and records management. Although a mandatory national intervention is in place, the rebuilding of financial records has not yet progressed sufficiently to enable the preparation of credible annual financial statements.

The number of unqualified audit opinions on the financial statements increased to six (27%). However, had municipalities not made corrections based on our findings, none of the financial statements would have been unqualified. Most of the material misstatements in the financial statements submitted for auditing related to municipal assets, revenue from billing and services as well as spending on goods, services and projects. Twelve municipalities that received modified audit opinions could not make the corrections due to unreliable revenue billing, a lack of regular reconciliations as well as poor asset management and verification processes.

Ten municipalities have had qualified audit opinions for over two years. Despite managing R24,7 billion (71%) of the R34,9 billion budget, they continued to struggle to appropriately account for the public funds they used, thus eroding transparency and public trust.

All municipalities (100%) used financial reporting consultants to address the lack of skills and/or vacancies in their finance units at a cost of R416,59 million. These consultant fees were spent in addition to the R691,24 million that municipalities spent on their finance units. Consultant costs have increased from R257,53 million in 2020-21. Despite this increase, all 22 municipalities (100%) submitted financial statements with material misstatements in the areas on which the consultants worked, which was also the case in 2020-21. Municipalities continued to derive limited value from their investment as they did not adequately monitor the work of consultants or hold them responsible for poor performance, thereby compromising transparency and accountability.

Municipal financial reporting weaknesses persisted, largely driven by limited institutional capability within key units, particularly finance, infrastructure as well as information communication and technology, which play a critical role in supporting and informing the financial reporting process. This undermined the credibility of financial information.

Performance reporting

Municipalities without material findings on their performance reports have increased from three (14%) to four (18%) since 2020-21. Municipalities that submitted good-quality performance reports for auditing remained at one (5%) since 2020-21. The most common material findings on performance reporting related to the reliability of reported information at 13 municipalities (59%), mainly as the reported information was not accurate, and the reported information was not useful at 10 municipalities (45%), mainly resulting from misalignment between planned and reported indicators as well as indicators that were not verifiable.

Performance reporting weaknesses persisted due to institutional capability gaps and weak accountability across the reporting ecosystem, which undermined the reliability of reported service delivery information and weakened transparency and accountability. Despite our initiatives, including the MI process and audit readiness sessions, progress has been limited as performance units lacked sufficient capacity. This was further compounded by inadequate oversight by accounting officers and municipal portfolio committees responsible for specific functional areas and the absence of a deliberate focus on service delivery monitoring by the provincial cooperative governance department.

Compliance with key legislation

Municipalities with material findings on compliance with key legislation have remained at 22 (100%) since 2020-21. All 22 municipalities (100%) had material misstatements in the submitted financial statements; failed to prevent unauthorised, irregular, and fruitless and wasteful expenditure; and lacked consequence management.

The annual irregular expenditure increased from the R3,99 billion reported in 2020-21 to R4,96 billion in 2024-25. Overall, 16% of the annual municipal expenditure budget (excluding employee costs and bulk purchases) was irregularly spent. In total, irregular expenditure of R15,12 billion was incurred over the administration. Weak compliance is closely linked to persistent breakdowns in financial discipline, particularly in the slow investigation and resolution of unauthorised, irregular, and fruitless and wasteful expenditure.

Encouragingly, collaborative efforts between the National Treasury and provincial treasuries are beginning to yield results, with municipalities increasingly prioritising the reduction of unauthorised, irregular, and fruitless and wasteful expenditure. Municipalities were required to implement plans to address this historical expenditure, with failure to do so resulting in enforcement actions such as the withholding of equitable share allocations, which were done in December 2025.

The extent of non-compliance could be greater and the value of the irregular expenditure higher, as we qualified the completeness of the irregular expenditure amount disclosed by eight municipalities, and we could not audit awards worth R193,90 million due to missing or incomplete information at three municipalities.

Procurement and contract management

Non-compliance with legislation on procurement and contract management was the reason for R4,96 billion (100%) of the irregular expenditure incurred in 2024-25. The procurement and contract management processes of 19 municipalities (86%) did not comply with legislation. The non-compliance was reported as material at 17 municipalities (77%).

Weak procurement and contract management practices remained a systemic constraint in the province. The most prevalent findings on procurement processes related to incorrect or unjustified bid evaluations, including miscalculated points and a failure to apply preference point systems, while contract management findings involved the absence of adequate performance measures and regular monitoring of contractors, driven by weak supply chain management capacity and oversight.

Non-compliance with procurement and contract management prescripts results in delivery delays, compromised quality and poor contractor performance, negatively impacting service delivery targets.

Financial management

The 2024-25 expenditure budget of the municipalities was R34,9 billion. Municipalities received R8,55 billion in equitable share grants and R3,77 billion in other grants from the national government. Own revenue remained the main source of funding for municipal budgets; however, low collection levels continued to strain financial health. The number of municipalities adopting unfunded adjustments budgets increased from 13 to 17 during the 2024-25 adjustments budget process, further worsening financial positions.

Municipalities' overspending against approved budgets has resulted in growing unauthorised expenditure, operating deficits and fruitless and wasteful expenditure, particularly interest costs, thereby limiting funds available for critical service delivery. Fruitless and wasteful expenditure of R2,19 billion was incurred over the administration. At JB Marks, we notified the accounting officer of an MI in December 2025 after the municipality had failed to take reasonable measures to collect revenue owed by customers.

By year-end, municipalities owed arrears (including interest) of R4,09 billion to Eskom and R3,56 billion to water boards.

Infrastructure and grant management

Of the main infrastructure related conditional grants of R3,59 billion received in 2024-25, intended for infrastructure development and maintenance, 96% was spent.

We raised compliance findings on the utilisation of the municipal infrastructure grant at three (15%) of the municipalities that received the grant. Mamusa (Schweizer-Reneke), Maquassi Hills (Wolmaransstad) and Kgetlengrivier (Koster) did not execute projects in line with the grant framework, as the funding was not used for its intended purpose but rather to prioritise payments for operating costs like salaries and paying Eskom. Spending not in accordance with grant conditions is mainly caused by weak municipal financial health, including cash flow constraints, unfunded adjustments budgets and poor financial management, which lead to grant funds being diverted to address operational pressures. This results in the non-achievement of grant objectives, delayed or poor quality service delivery and the risk of future grant funding being withheld, further worsening municipal financial sustainability.

We identified weaknesses in seven (44%) of the 16 projects that we audited relating to capital projects, landfill sites and wastewater treatment works. Infrastructure management findings included poor monitoring and supervision by infrastructure units, resulting in implementation delays, cost overruns and substandard build quality. For example, at Ditsobotla, the upgrading of roads and stormwater infrastructure in Itsoseng Phase 2 was delayed by 44 months and suspended at about 70% completion due to weak contractor performance and poor project management. This prolonged delay also compromised service delivery, with incomplete infrastructure remaining unusable for communities.

We again identified shortcomings in the maintenance of infrastructure. Overall, municipalities spent less than 3% on repairs and maintenance, which is well below the National Treasury's 8% norm. Poor infrastructure management results from a lack of regular condition assessments by technical units, structured maintenance plans and adequate budgeting, leading to reactive repairs that are more costly than preventative maintenance. Low maintenance spending continues to contribute to high water and electricity losses, deferred repairs and increased service delivery risks across the province.

Institutional incapacity in planning and performance monitoring, combined with limited accountability, has undermined infrastructure and grant management, resulting in expenditure that has not translated into better-functioning service delivery infrastructure.

Consequence management

We reported material non-compliance with legislation on consequence management at 22 municipalities (100%). Municipalities did not consistently investigate unauthorised, irregular, and fruitless and wasteful expenditure to establish losses for recovery and institute disciplinary steps. Slow investigations and poor council action delayed recovering losses and made it difficult to hold officials accountable. The closing balance of irregular expenditure was R36,92 billion, while that of fruitless and wasteful expenditure was R2,74 billion and that of unauthorised expenditure was R32,48 billion.

The closing unauthorised, irregular, and fruitless and wasteful expenditure balances remained high, as the decrease during the year was offset by continued in-year incurrence and limited resolution of prior-year balances. Although some unauthorised expenditure was addressed through adjustments budgets, write-offs and prior-period restatements, most irregular and fruitless and wasteful expenditure was not investigated, or investigations were not finalised on time.

Overall, the culture of consequence management in the province remained weak. The lack of consequences for unauthorised, irregular, and fruitless and wasteful expenditure was directly caused by the failure of councils and mayors to compel the administration to cooperate with MPACs, resulting in no investigations and no accountability for financial misconduct. The fact that R2,44 billion (8%) of the accumulated unauthorised expenditure balance was addressed by nine municipalities (41%) reflects an early but important behavioural shift driven by our influence, the MI process and the provincial treasury's enforcement actions.

Material irregularities

The MIs in the province mainly stemmed from weaknesses in procurement, contract management, environmental compliance and revenue controls, often resulting in harm to the general public. This mirrors the poor service delivery outcomes and highlights that weak accountability continues to undermine value for money and public confidence. In general, accounting officers are slow to respond to the MI process. Delayed responses have resulted in unresolved financial losses and prolonged service delivery harm, largely due to leadership instability, poor record-keeping and slow investigations.

In the 22 cases where MIs were not adequately addressed by accounting officers, we applied our expanded mandate through audit report recommendations, referrals and remedial action. In some cases of financial loss, MI investigations were initiated, but delays in recovering confirmed losses persisted, requiring escalation through a certificate of debt. This included a certificate of debt issued to the accounting officer of Ngaka Modiri Molema District Municipality (seated in Mahikeng) for unrecovered losses on a water tankering contract. Most unresolved MIs related to harm to institutions and communities, particularly from poor water and sanitation infrastructure maintenance.

Due to non-responsiveness by mayors and councils or limited corrective action by the premier, MECs for finance and local government and provincial legislature to resolve MIs, these matters were referred to public bodies with the appropriate investigative mandates. Some referrals have resulted in criminal cases being instituted by the Department of Water and Sanitation for pollution-related incidents.

Conclusion and call to action

In relation to the culture of performance, accountability, transparency and integrity, the outcomes reflect persistent institutional weaknesses across municipalities. Although there have been marginal improvements in audit outcomes, these gains have not translated into consistent or sustainable service delivery improvements. Weak performance management practices by officials, a lack of enforcement of accountability for transgressions by mayors and councils, poor-quality and unreliable performance information as well as inadequate consequence management continue to undermine governance effectiveness and erode public confidence in the ability of municipalities to fulfil their service delivery mandate.

Overall, legislative compliance by mayors, municipal councils, MECs for finance and local government and the provincial legislature is largely in place; however, compliance is predominantly procedural and not sufficiently outcome or impact-driven. Mayors and councils comply with statutory requirements but do not consistently enforce accountability for poor performance and transgressions by accounting officers and senior managers. Provincial municipal support measures by the MECs are implemented in line with legislative mandates, yet weak enforcement and consequence management limit their effectiveness. While the provincial legislature conducts oversight hearings, there is limited enforcement to ensure the implementation of its recommendations. The provincial cooperative governance department's remedial actions are not consistently implemented by municipalities, allowing persistent governance and service delivery challenges to remain unresolved.

Commitments by the premier improved coordination of provincial initiatives, including quarterly monitoring, Eskom debt-relief participation and progress with smart prepaid meter rollouts, but these have not yet delivered consistent improvements in municipal revenue performance or service delivery. The MEC for finance strengthened financial recovery plans and in-year budget monitoring and applied selective enforcement actions, although weak municipal follow-through and limited consequence management continue to hinder financial sustainability gains. The MEC for local government advanced performance oversight, infrastructure monitoring and professionalisation initiatives, but the impact has been constrained by limited enforcement of recommendations at council level. The speaker of the provincial legislature supported capacity building for council oversight structures, yet delays in legislative follow-up and accountability enforcement have reduced the effect of these commitments on municipal performance and service delivery outcomes.

Based on the insights obtained through our audits, we made the following recommendations to the premier, MECs for finance and local government and the provincial legislature:

- The premier should establish a monitoring and evaluation framework for all municipal support measures by the provincial treasury and cooperative governance department, with clear timelines and accountability. In addition, the premier should explore public-private partnerships to accelerate municipal infrastructure rehabilitation and improvement.

- The MEC for local government should restore governance effectiveness by strengthening the functionality of councils, MPACs and oversight committees and by enforcing accountability where these structures fail. The MEC should also conduct a root cause analysis on why support initiatives are not eradicating or preventing MIs and implement a corrective response plan. This should include leveraging on turnaround strategy contracts to track the impact of deployed experts on infrastructure backlogs and technical unit capacity.

- The MEC for finance should perform a root cause analysis of the continued reliance on consultants and implement a targeted reduction strategy. In addition, the MEC should monitor and enforce financial recovery plans through quarterly oversight of audit action plans, cash flow management and consequence tracking for repeat non-compliances. Furthermore, she should support municipalities through the budget process to ringfence service charge revenue for ongoing infrastructure maintenance.

- The speaker of the provincial legislature should strengthen legislative oversight by enforcing implementation plans for committee recommendations and requiring quarterly progress reporting from the executive. The speaker should also require regular reporting to committees on post-audit action plans, section 47 remedial actions and oversight resolutions until matters are fully resolved. Additionally, the speaker should use the provincial speakers' forum as a standing platform for municipal speakers to report on oversight and implementation progress.

Although audit outcomes are improving, weak service delivery reporting and the continued absence of clean audits in the province undermine public confidence in municipalities' ability to use public funds responsibly, while also limiting transparency and effective service delivery. Sustainable improvement will depend on firm accountability and consequence management to address the underlying root causes.

7.9 Western Cape

Focus on citizen-centric, inclusive and accountable governance that delivers results

Audit outcomes – municipalities

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit
2020-21	22	5	3	0	0	0
2023-24	20	6	2	1	1	0
2024-25	21	4	3	1	1	0

	Improved	Unchanged	Regressed
Movement from previous year and related budget	3 ▲ (R2,17bn)	24 ▶ (R33,71bn)	3 ▼ (R78,12bn)
Movement over administration and related budget	2 ▲ (R1,59bn)	22 ▶ (R109,53bn)	6 ▼ (R2,88bn)

Municipality outcomes with movement over administration

Improved Oudtshoorn LM; Beaufort West LM

Unchanged Bergrivier LM; Breede Valley LM; Cape Agulhas LM; Cape Winelands DM; Cederberg LM; Drakenstein LM; Garden Route DM; George LM; Hessequa LM; Langeberg LM; Matzikama LM; Mossel Bay LM; Overberg DM; Overstrand LM; Saldanha Bay LM; Stellenbosch LM; Swartland LM; Swellendam LM; West Coast DM; Witzenberg LM; City of Cape Town MM; Knysna LM

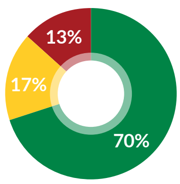
Regressed Central Karoo DM; Bitou LM: Prince Albert LM; Theewaterskloof LM; Laingsburg LM; Kannaland LM

■ Clean audit ■ Unqualified with findings ■ Qualified with findings ■ Adverse with findings ■ Disclaimed with findings ■ Outstanding audit

DM: District Municipality LM: Local Municipality MM: Metropolitan Municipality

Financial health with movement over administration – municipalities

Overall assessment



- Good: 21
- Concerning: 5
- Unfavourable: 4

Municipalities with going concern uncertainty (years in position): ▶
- Beaufort West (9 years)
- Kannaland (7 years)
- Theewaterskloof (2 years)

Unfunded budget: 6 (20%) ▼ (slight regression)

Unauthorised expenditure: R180,50m – 14 (47%) ▲

Deficit (expenditure exceeded revenue): 3 (11%) ▲ (slight improvement)

Fruitless and wasteful expenditure: R48,77m – 22 (73%) ▼

Creditor-payment period exceeded 120 days: 3 (11%) ▲ (slight improvement)

More than 80% of debt irrecoverable: 3 (11%) ▲

Current liabilities more than current assets: 5 (18%) ▼

Total liabilities more than total assets: 0 (0%) ▶

Cash coverage less than one month: 0 (0%)

Water losses by 26 water providers:
- Amount: R253,02m
- Above 30% norm: 9 (35%)
- Not disclosed: 1 (4%)

Electricity losses by 25 electricity providers:
- Amount: R1,27bn
- Above 10% norm: 9 (36%)
- Not disclosed: 1 (4%)

▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Slight regression ▼ Regression

Material irregularities – 5 municipalities and municipal entities (16% of provincial auditees)

Status

- 3 Resolved
- 4 Unresolved
  - 3 (Appropriate action taken)
  - 1 (Recommendation)

Nature

- 3 Material financial loss (R56,46m)
- 2 Substantial harm to general public
- 2 Substantial harm to public sector institution

■ Appropriate action taken ■ Recommendation

Last year, we reported a regression in audit outcomes over the term of the 6th administration and highlighted that leadership should focus on ensuring sustainable control environments that enhance good governance and contribute to service delivery.

Audit outcomes

The overall audit outcomes of municipalities have regressed since 2020-21 and from the previous year. The main drivers of these regressions were instability and vacancies in key positions, specifically in the position of chief financial officer, which negatively affected the embedding of financial disciplines and resulted in the deterioration of the quality of financial statements.

The City of Cape Town Metro with a budget of R76,83 billion (67%) regressed from the previous year. The regression resulted from weak procurement controls, particularly in that review processes were not sufficiently rigorous when assessing tender documents. We include a detailed analysis of the metro's outcomes in section 4.

The municipalities that achieved clean audits managed 28% of the province's municipal expenditure budget. While there is room for improvement in the areas of compliance with legislation, the province has consistently maintained a high number of clean audits.

Financial reporting

Kannaland (Ladismith) has received a disclaimed opinion since 2021-22, mainly because key disclosures, such as those related to property, plant and equipment as well as employee benefits, were omitted and records did not support several amounts. Laingsburg (comprising the primary town of Laingsburg along with the historic railway town of Matjiesfontein) has received an adverse opinion since 2021-22, with most misstatements driven by incorrect accounting treatments and the late preparation of financial statements, which left little time for internal reviews and corrections. These weaknesses, compounded by capacity and training gaps, resulted in MIs being issued at both municipalities to address financial reporting.

The number of unqualified audit opinions on the financial statements decreased to 25 (83%); however positively, 23 municipalities (77%) submitted good-quality financial statements and did not rely on the audit process to achieve this outcome. Most material misstatements in the audited financial statements related to the disclosure of irregular expenditure, the accuracy of receivables and accounting for value-added tax. After corrections, all of the municipalities received unqualified opinions except five where we expressed modified opinions.

Twenty-five municipalities (83%) used financial reporting consultants to address the lack of skills and/or vacancies in their finance units at a cost of R41,9 million. These consultant fees were spent in addition to the R819,42 million that municipalities spent on their finance units. The consultant cost has decreased over the administrative period. The five municipalities (17%) with modified opinions were responsible for at least R6,64 million (16%) of the consultant cost. However, the effectiveness of the consultants was hampered by weaknesses in the processing of underlying transactions and a lack of proper records.

Poor-quality financial statements resulted from weak financial discipline, such as insufficient reviews by management and audit committees. Unreliable financial data undermines effective decision-making and oversight, as inaccurate information is used for budgeting, performance assessments, monitoring of spending and financial health assessments. This prevents corrective actions from being taken, as financial risks go undetected. This negatively impacts accountability and transparency and prevents municipalities from achieving a culture of good financial management.

Performance reporting

Twenty municipalities (67%) submitted performance reports that did not require material adjustments. Five municipalities (17%) made material corrections to their performance reports, leading to 25 municipalities (83%) publishing performance reports that were free from material findings. While many municipalities produced good-quality performance reports, there was a slight regression from the previous year. The most common material findings on performance reporting were the non-disclosure of the measures taken to improve performance at four municipalities (13%) and inaccuracies in the reported performance at three municipalities (10%). Some basic service delivery indicators (e.g. providing free sanitation to indigent households) did not include sufficient and credible details of the measures taken by the municipality to improve on its performance, while some achievements (e.g. the number of formal households with electricity access) were overstated.

The findings stem from a lack of understanding of the disclosure requirements and weak review processes – particularly by internal audit units – resulting in reduced transparency. Consequently, oversight bodies are unable to fully understand the corrective actions taken to address poor performance or assess whether these actions have resulted in improved performance. This lack of insight directly undermines efforts to improve service delivery to citizens.

Compliance with key legislation

Municipalities with material findings on compliance with key legislation slightly regressed from eight (27%) in 2020-21 to nine (30%) in 2024-25. However, this was a slight improvement on the previous year when we reported material findings at 10 municipalities (33%). The most common areas of non-compliance related to weak procurement processes at eight municipalities (27%), the non-prevention of unauthorised, irregular, and fruitless and wasteful expenditure at eight municipalities (27%) and the submitted financial statements being materially misstated at seven municipalities (23%).

The irregular expenditure in the province increased from the R1,23 billion reported in 2020-21 to R1,79 billion in 2024-25. Overall, 2% of the annual municipal expenditure budget (excluding employee costs and bulk purchases) was irregularly spent. In total, irregular expenditure of R4,68 billion was incurred over the administration.

The extent of non-compliance could be greater and the value of the irregular expenditure higher, as we qualified the completeness of the irregular expenditure amount disclosed at two municipalities (7%), namely Kannaland and Laingsburg.

Procurement and contract management

Non-compliance with legislation on procurement and contract management was the reason for R1,78 billion (99%) of the irregular expenditure incurred in 2024-25. The procurement and contract management processes of 25 municipalities (83%) did not comply with legislation. The non-compliance was reported as material at eight municipalities (27%). Most of the findings related to instances where either competitive bids or quotation processes were not followed as required. Incorrect legislative interpretations, instability and vacancies in key positions, such as that of the supply chain manager, contributed to these findings. The shortcomings compromised fairness and transparency in making awards and, as such, opened the door to uncompetitive, uneconomical and inequitable procurement practices and the inefficient use of municipal resources. Ultimately, these procurement concerns may erode public trust and cause citizens to question their local government's capability to manage financial resources responsibly – even if not assessed as material non-compliance.

Repeated non-compliance with procurement and contract management legislation remains a concern in the Western Cape. Unless municipalities address recurring findings and strengthen preventative controls, especially by stabilising key supply chain management positions and implementing internal audit reviews of procurement processes before awards are made, irregular expenditure will persist and the risk of audit regressions will increase.

Unqualified audit opinions with findings

None of the four municipalities in this category, except City of Cape Town Metro, submitted good-quality financial statements. They only obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings. The weaknesses in the municipalities' control environments also affected performance reporting and compliance: two (50%) had material findings on their performance reports, while four (100%) had material findings on compliance. These municipalities were responsible for R1,02 billion (57%) of the irregular expenditure.

Unqualified audit opinions with findings confirm that the financial statements are credible, but they also highlight ongoing and significant concerns in governance. These recurring issues point to weaknesses within the control environment that, if unaddressed, have the potential to reduce transparency and weaken accountability, which will hinder the progress towards sustainable service delivery. It is therefore critical that municipalities do not remain in this category.

Financial management

The 2024-25 expenditure budget of the municipalities was R114 billion. Municipalities received R8,13 billion in equitable share grants and R8,59 billion in other grants from the national government. Most municipalities have implemented structured revenue-generation and -collection strategies to ensure timely and sufficient revenue collection. Consequently, fewer municipalities reported deficits for the year and many achieved a good overall financial health.

In total, fruitless and wasteful expenditure of R131,77 million was incurred over the administration. In 2024-25, a substantial portion of this expenditure related to interest and penalties, which correlates with the high average creditor-payment period of 55 days. The four municipalities with unfavourable financial health indicators contributed nearly half of the fruitless and wasteful expenditure (45%) in 2024-25. This places further strain on municipalities that are already facing financial difficulties. At year-end, municipalities owed arrears (including interest) of R256,13 million to Eskom.

Municipalities with unfunded budgets have initiated measures to address this issue. Some have implemented recommendations to restructure their budgets to ensure funding, while others have adopted budget funding plans aimed at achieving a funded budget in future.

Overall, the financial health of municipalities has improved over the term of the administration.

Infrastructure and grant management

Of the main infrastructure related conditional grants of R5,5 billion received in 2024-25, intended for infrastructure development and maintenance, 90% was spent.

We raised findings on the utilisation of the water services infrastructure grant at two municipalities (14%) that received the grant. At Laingsburg, not all grant expenditure could be supported by the required evidence, and therefore, the adherence to grant conditions could not be confirmed. This poor record-keeping stems from the recurring capacity and training gaps at this municipality. At Kannaland, there were significant underspending of the grant and delays in project completion due to poor contractor performance. Weak grant practices increase the risk of grant funding having to be returned, slow down infrastructure projects and ultimately delay service delivery to communities.

We identified weaknesses in seven (54%) of the 13 projects that we audited relating to housing, roads, electricity, water and sanitation infrastructure. We also assessed the condition of four wastewater treatment works. The most common findings were project delays, the concerning condition of wastewater treatment works and their impact on untreated wastewater, as well as a lack of action plans or remedial action to address the poor quality of wastewater. We also identified deficiencies in the standard operating procedures for infrastructure delivery project management. The findings were due to professional service providers and project managers not taking timely and effective action against poor-performing contractors and service providers. The lack of skilled process controllers also contributed to the environmental challenges. The delayed projects negatively affected the treatment of wastewater, provision of housing and disposal of solid waste. The persistent challenges, such as project delays and underspending, continue to hinder service delivery and the achievement of intended outcomes.

Information systems management

The overall IT audit outcomes of the province remain concerning and require improvement. We identified control deficiencies in newly tested IT business process reviews. Cyber controls should be implemented effectively to prevent any disruptions.

Consequence management

We reported material non-compliance with legislation on consequence management at five municipalities (17%). The findings related to the failure to investigate unauthorised, irregular, and fruitless and wasteful expenditure to identify liable parties. As these are repeat findings, mayors have failed to ensure that appropriate action plans are implemented to address these issues. Without investigations, improperly used or wasted funds cannot be recovered from those responsible.

The closing balance of irregular expenditure was R1,78 billion, while that of fruitless and wasteful expenditure was R39,42 million and that of unauthorised expenditure was R766,88 million.

The province resolved R2,84 billion (82%) of its unauthorised, irregular, and fruitless and wasteful expenditure by writing off these amounts. However, at municipalities where consequences are seldom enforced, a culture of tolerance towards non-compliance prevails, leading to numerous notable compliance issues and concerns regarding financial stability.

Material irregularities

Four MIs were identified during the year. Two were linked to inadequate record-keeping at Kannaland and Laingsburg, while two at Knysna (incorporating the main town of Knysna, coastal towns like Sedgefield and rural communities such as Rheenendal) related to significant harm caused to the public, reflecting ongoing service delivery challenges affecting residents and businesses. At Knysna, inadequately treated wastewater and poor solid waste management have resulted in pollution of the environment, including water streams and the estuary, which poses risks to ecosystems, public health and the quality of life of the local community.

In general, accounting officers are responding positively to the MI process. However, efforts to address the environmental concerns at Knysna promptly and effectively are hindered by ageing and inadequate infrastructure. The municipality has received support from both the national and provincial governments. A site visit was conducted, followed by a workshop addressing relevant issues and guidance in developing an action plan. Additionally, an infrastructure working group was established to deal with environmental concerns within the area.

Conclusion and call to action

Municipal performance in the province varies, with some municipalities showing improvement in service delivery while others face ongoing infrastructure and financial issues. Progress is often linked to stable leadership and structured initiatives, but gaps persist, limiting the achievement of provincial objectives. While many municipalities provide transparent financial reports and uphold accountability, some fall short in reporting, record-keeping and consequence management. Poor documentation and non-disclosure highlight weaknesses in transparency and inadequate investigations perpetuate non-compliance. This hampers oversight and reduces opportunities for effective stakeholder engagement. Accountability is critical for restoring discipline and responsible resource use.

Institutional integrity suffers from inconsistent legislative adherence, particularly in procurement and contract management. Repeat findings and delayed corrective action point to weak controls and leadership. Addressing these interrelated issues – performance, accountability, transparency and institutional integrity – is essential for sustainable improvement and restoring public trust. The province should prioritise targeted initiatives and strengthen governance to drive progress in local government.

While support has been provided by the province's oversight and support structures, the training initiatives, continuous monitoring and provincial feedback require strengthening, such as intensifying monitoring and enforcing compliance with financial recovery plans.

Considering the various repeat material findings reported, the previous year's commitments on action plans, improved controls and stricter oversight of mayors were not implemented effectively, especially at struggling municipalities.

Based on the insights obtained through our audits, we made the following recommendations to the premier, MECs for finance and local government and the provincial parliament:

- The MEC for local government, with the support of the premier, should oversee that mayors effectively address prior-year audit report findings.
- The premier, through the MECs for finance and local government, should provide oversight of the planning and coordination of the province-wide plan for municipalities. The provincial treasury and cooperative governance department should ensure that the reviews of integrated development plans and service delivery and budget implementation plans as well as the in-year monitoring of these plans reflect the needs of citizens.
- The MEC for finance and the provincial treasury should:
    - oversee the support provided by the provincial treasury to accounting officers and senior managers to develop, implement and monitor credible action plans, including developing strategies to address the skills and capacitation gaps that poor-performing municipalities face. This should further include training on newly effective standards
    - review the adequacy of the action plans and monitor their implementation at municipalities that received unmodified audit opinions to enable their improvement. This could also include the review of financial statements before submission
    - monitor and report on the implementation of audit recommendations at municipalities with modified audit opinions.

Overall, the province has achieved strong audit outcomes. Sustaining this momentum will require tighter procurement controls, improved record-keeping and more timely consequence management, alongside proactive management of infrastructure risks. Strengthening these areas will help safeguard public resources and support the consistent delivery of reliable, citizen-focused services.

Appendix A
Using our expanded mandate

In section 5, we summarise the further actions that have been taken on material irregularities (MIs) through using our expanded mandate to include recommendations in audit reports, take remedial action and refer MIs to public bodies for investigation. In this appendix, we list these material irregularities (MIs) and their status.

We reflect the status of the MIs in the different stages as follows:

- Recommendations and remedial action: 31 March 2026
- Remedial action not implemented and further action taken: 6 May 2026
- Referrals to public body for investigation: 26 May 2026

Recommendations and remedial action

We included recommendations on 21 MIs in the audit reports of 13 municipalities and Buffalo City Metropolitan Development Agency (Eastern Cape) and took remedial action for 15 MIs at 12 municipalities.

Material irregularities at recommendation or remedial action stage per province

Auditee	Material irregularity	Final implementation date for recommendation/ remedial action	Status as at 31 March 2026
Eastern Cape			
Amathole District Municipality	Commission-based payment to value-added tax (VAT) consultants, resulting in loss	28 April 2026	**Remedial action:** Follow-up not yet due
Buffalo City Metro	Payment to contractor for poor-quality work and site not safeguarded, resulting in vandalism on construction of East London Waterworld project	30 September 2026	**Recommendation:** Follow-up not yet due
Sundays River Valley	Lack of proper performance management system and records	12 June 2026	**Remedial action:** Follow-up not yet due
	Full and proper financial records not kept (2017-18 to 2022-23), causing substantial harm to municipality	30 June 2026	**Recommendation:** Follow-up not yet due

Material irregularities at recommendation or remedial action stage per province (continued)

Auditee	Material irregularity	Final implementation date for recommendation/ remedial action	Status as at 31 March 2026
Free State			
Mangaung Metro	Late payments to contractor, resulting in interest	12 June 2026	**Remedial action:** Follow-up not yet due
	Payment to contractor for extension of time due to delays in construction of community hall in Thaba Nchu caused by late appointment of consulting engineers	12 June 2026	**Remedial action:** Follow-up not yet due
	Payment to contractor for extension of time due to delays in construction of fire station in Botshabelo caused by late appointment of consulting engineers	12 June 2026	**Remedial action:** Follow-up not yet due
	Pension fund contributions of employees paid to the fund at incorrect rates, resulting in interest on contributions in arrears	27 April 2026	**Recommendation:** Follow-up not yet due
	Information technology (IT) assets not adequately maintained and safeguarded, resulting in breach of IT network	27 March 2026	**Recommendation:** Assessment in process
	Failure to recover overpayments to various suppliers	12 March 2026	**Recommendation:** Assessment in process
	Overpayment for repair work done on CCTV cameras	8 December 2026	**Recommendation:** Follow-up not yet due
Maluti-A-Phofung	Lack of proper performance management system and records	28 April 2026	**Remedial action:** Follow-up not yet due
Mafube	Late payment of pension fund contributions to pension fund, resulting in interest	28 April 2026	**Remedial action:** Follow-up not yet due
Metsimaholo	Inadequate safeguarding of material on site and construction works for upgrading of Oranjeville wastewater treatment works, resulting in deterioration and theft	24 January 2027	**Recommendation:** Follow-up not yet due
Mohokare	Pension fund contributions of employees not paid over to pension funds	28 April 2026	**Remedial action:** Follow-up not yet due

Material irregularities at recommendation or remedial action stage per province (continued)

Auditee	Material irregularity	Final implementation date for recommendation/ remedial action	Status as at 31 March 2026
KwaZulu-Natal			
eThekwini Metro	Payments under Expanded Public Works Programme to invalid beneficiaries	12 June 2026	**Remedial action:** Follow-up not yet due
Msunduzi	Failure to recover revenue from the sale of timber	30 June 2026	**Recommendation:** Follow-up not yet due
	Inadequate implementation of credit-control and debt-collection policy to collect consumer debts	30 June 2026	**Recommendation:** Follow-up not yet due
Limpopo			
Thabazimbi	Failure to collect revenue collected by a third-party service provider on municipality's behalf	28 March 2026	**Recommendation:** Assessment in process
Mpumalanga			
Emakhazeni	Late payments to Eskom, resulting in interest	28 April 2026	**Remedial action:** Follow-up not yet due
Northern Cape			
!Kheis	Full and proper records not kept (2019-20), causing substantial harm to municipality	21 July 2026	**Recommendation:** Follow-up not yet due
	Poor controls on supplier database, resulting in payments to incorrect bank account	21 May 2026	**Recommendation:** Follow-up not yet due
Kai !Garib	Lack of proper performance management system and records	30 April 2026	**Recommendation:** Follow-up not yet due
Joe Morolong	Failure to keep full and proper financial records, resulting in ineffective use of financial consultants	20 April 2026	**Remedial action:** Follow-up not yet due
Phokwane	Lack of proper performance management system and records	12 June 2026	**Remedial action:** Follow-up not yet due

Material irregularities at recommendation or remedial action stage per province (continued)

Auditee	Material irregularity	Final implementation date for recommendation/ remedial action	Status as at 31 March 2026
Renosterberg	Overpayment of employee remuneration	28 April 2026	**Remedial action:** Follow-up not yet due
	Pension fund contributions of employees not paid over to the fund	30 April 2026	**Recommendation:** Follow-up not yet due
	Performance report not prepared (2022-23)	28 April 2026	**Remedial action:** Follow-up not yet due
Siyathemba	Money received from consumers not banked and remained unaccounted for	28 April 2026	**Remedial action:** Follow-up not yet due
	Interest not charged on long-outstanding debts	29 March 2026	**Recommendation:** Assessment in process
Sol Plaatje	Overpayment to contractor for upgrade of Legaeng and Eagle Street pump stations	28 June 2026	**Recommendation:** Follow-up not yet due
	Basic electricity charges not billed monthly	30 September 2026	**Recommendation:** Follow-up not yet due
Tsantsabane	Lack of proper performance management system and records	29 April 2026	**Recommendation:** Follow-up not yet due
North West			
Rustenburg	Poor monitoring of Rustenburg Rapid Transport project, resulting in deterioration and additional cost	6 July 2026	**Recommendation:** Follow-up not yet due
	Overpayment to contractor for construction on Rustenburg Rapid Transport project	6 July 2026	**Recommendation:** Follow-up not yet due
Western Cape			
Kannaland	Full and proper records not kept (2021-22 and 2022-23), causing substantial harm to municipality	29 June 2026	**Recommendation:** Follow-up not yet due

Remedial action not implemented – further action in process

For 12 MIs at nine municipalities in the Eastern Cape, Free State, KwaZulu-Natal, North West and Northern Cape, the accounting officers did not implement remedial action by the stipulated date. We requested the provincial leadership, councils and audit committees to take action by overseeing and monitoring such implementation, as provided for in the MI Regulations.

Material irregularities at remedial action stage with further action required per province

Auditee	Material irregularity	Date escalated	Status as at 6 May 2026
Eastern Cape			
Inxuba Yethemba	Late payments to Eskom, resulting in interest	5 March 2026	Premier's consolidated progress report on actions taken by all parties is due by September 2026
Free State			
Letsemeng	Late payments to Eskom, resulting in interest	5 March 2026	Premier's consolidated progress report on actions taken by all parties is due by September 2026
Mangaung Metro	Inadequate safeguarding of zoo animals, resulting in animals that could not be located and verified	5 March 2026	Premier's consolidated progress report on actions taken by all parties is due by September 2026
Moqhaka	Late payments to Eskom, resulting in interest	24 February 2026	Premier's consolidated progress report on actions taken by all parties is due by September 2026
Ngwathe	Late payments to Eskom, resulting in interest	5 March 2026	Premier's consolidated progress report on actions taken by all parties is due by September 2026
	Late payments to Department of Water and Sanitation, resulting in interest	5 March 2026	Premier's consolidated progress report on actions taken by all parties is due by September 2026

Material irregularities at remedial action stage with further action required per province (continued)

Auditee	Material irregularity	Date escalated	Status as at 6 May 2026
Nketoana	Full and proper records not kept (2019-20), causing substantial harm to municipality	5 March 2026	Premier's consolidated progress report on actions taken by all parties is due by September 2026
KwaZulu-Natal			
uMkhanyakude District Municipality	Failure to collect long-outstanding debt	2 July 2025	Progress reports on actions taken were received from the former accounting officer in July 2025; the mayor and the speaker of council in August 2025, the MEC for finance in September 2025, the MEC for local government in November 2025 and the acting accounting officer in February 2026 and April 2026. We are deciding on the further action to be taken.
North West			
City of Matlosana	Late payments to Eskom, resulting in interest Late payments to water supplier, resulting in interest Market dues payable by fresh produce market not billed and collected by municipality	5 March 2026 5 March 2026 25 March 2026	Premier's consolidated progress report on actions taken by all parties is due by September 2026
Northern Cape			
Emthanjeni	Payments to consultants for services that could have been performed internally at lower cost	6 May 2026	Premier's consolidated progress report on actions taken by all parties is due by November 2026

Referrals

When we refer an MI to a public body, the public body assesses whether the MI falls within its mandate before it can commence with an investigation. At this stage, the status of the MI is 'Referral being considered by public body'. If the public body accepts the referral, the MI status changes to 'Investigation in progress'. When the investigation is completed and further actions are taken by a relevant body, the status changes to 'Investigation completed – further steps in progress'.

We have referred 81 MIs at 32 municipalities for investigation to the five public bodies outlined in the table.

Material irregularity referrals to public bodies

Auditee	Material irregularity	Referral date	Status as at 26 May 2026
Directorate for Priority Crime Investigation (Hawks)			
City of Matlosana (North West)	Market dues payable by fresh produce market not billed and collected by municipality	26 May 2026	Referral being considered by public body
Madibeng (North West)	Unauthorised debit order payments, resulting in loss	9 April 2025	Investigation in progress
Mangaung Metro (Free State)	Failure to maintain effective controls over the management and payment of overtime	26 March 2026	Referral being considered by public body
Matjhabeng (Free State)	Payment for attenuation dam (to control flow of stormwater) not constructed on Nyakallong stormwater system phase 1, resulting in a loss	17 June 2021	Investigation completed – further steps in progress
Mohokare (Free State)	Payment to contractor for services not delivered on construction of abstraction works on Orange River and equipping of two raw water pump stations	15 April 2025	Investigation in progress
	Pension fund contributions of employees not paid over to pension funds	30 April 2025	Investigation in progress
Thabazimbi (Limpopo)	Failure to collect revenue collected by a third-party service provider on municipality's behalf	21 May 2026	Referral being considered by public body
Special Investigating Unit			
Amajuba District Municipality (KwaZulu-Natal)	Unfair disqualification of supplier, resulting in overpricing	21 November 2022	Investigation completed – further steps in progress

Material irregularity referrals to public bodies (continued)

Auditee	Material irregularity	Referral date	Status as at 26 May 2026
Bushbuckridge (Mpumalanga)	Payment to contractor for work not done on paving of streets for Lillydale phase 1 project	6 August 2024	Investigation in progress
Chris Hani District Municipality (Eastern Cape)	Payment for extension of time on water services project without any value received	6 July 2022	Investigation in progress
	Payment of VAT consultants for which no value was received	18 October 2024	Investigation in progress
JB Marks (North West)	Inadequate planning and budgeting for construction of floodline canal, resulting in project being abandoned and limited benefit derived from money spent	10 June 2023	Investigation completed – further steps in progress
Mangaung Metro (Free State)	Government debt handed over to debt collectors in contravention of metro's credit-control and debt-collection policy, resulting in loss	18 March 2026	Referral being considered by public body
	Inadequate controls to prevent fuel losses	18 March 2026	Referral being considered by public body
	Reasonable steps not taken to recover overpayments to suppliers	11 September 2025	Referral being considered by public body
Ngaka Modiri Molema District Municipality (North West)	Procurement of generators at excessive prices (Boikhutsong pump stations), resulting in overpricing of procured goods and services	7 July 2023	Investigation completed – further steps in progress
	Procurement of generators at excessive prices (Boitshepegi), resulting in overpricing of procured goods and services	7 July 2023	Investigation completed – further steps in progress
Siyathemba (Northern Cape)	Unauthorised debit order payments, resulting in loss	9 April 2025	Investigation in progress
uMzinyathi District Municipality (KwaZulu-Natal)	Uneconomical procurement of backup electricity, resulting in overpricing	8 April 2025	Investigation in progress
	Uneconomical procurement of fuel and oil, resulting in overpricing	8 April 2025	Investigation in progress

Auditee	Material irregularity	Referral date	Status as at 26 May 2026
Public Protector South Africa			
Emalahleni (Mpumalanga)	Unfair disqualification of bidder, resulting in overpricing	21 November 2022	Investigation in progress
Mangaung Metro (Free State)	Inadequate safeguarding of zoo animals, resulting in loss	18 March 2024	Investigation in progress
Ngaka Modiri Molema District Municipality (North West)	Procurement of water services material, tools and electrical components without following competitive bidding process, resulting in overpricing	7 July 2023	Investigation in progress
Department of Water and Sanitation			
City of Matlosana (North West)	Pollution of water resource (Orkney wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
Dipaleseng (Mpumalanga)	Pollution of water resource (Balfour wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
	Pollution of water resource (Grootvlei extension 1 mine wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
Dr JS Moroka (Mpumalanga)	Pollution of water resource (Siyabuswa wastewater treatment works), resulting in harm to public	30 March 2026	Referral being considered by public body
Dr Ruth Segomotsi Mompati District Municipality (North West)	Pollution of water resource (Taung wastewater treatment works), resulting in harm to public	30 March 2026	Referral being considered by public body
Emalahleni (Mpumalanga)	Pollution of water resource (Ferrobank wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
	Pollution of water resource (Klipspruit wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
	Pollution of water resource (Thubelihle wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress

Auditee	Material irregularity	Referral date	Status as at 26 May 2026
eThekwini Metro (KwaZulu-Natal)	Pollution of water resource (Umbilo wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
	Pollution of water resource (Northern wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
Govan Mbeki (Mpumalanga)	Pollution of water resource (Embalenhle wastewater treatment works), resulting in harm to public	30 March 2026	Referral being considered by public body
JB Marks (North West)	Pollution of water resource (Ventersdorp wastewater treatment works and pump stations), resulting in harm to public	27 February 2024	Investigation in progress
Kopanong (Free State)	Pollution of water resource (Gariep Dam wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress
Lekwa (Mpumalanga)	Pollution of water resource (Standerton wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
Madibeng (North West)	Pollution of water resource (Mothotlung wastewater treatment plant), resulting in harm to public	30 June 2023	Investigation in progress
	Pollution of water resource (Letlhabile wastewater treatment plant), resulting in harm to public	30 June 2023	Investigation in progress
Makana (Eastern Cape)	Pollution of water resource (Mayfield wastewater treatment plant), resulting in harm to public	11 September 2025	Investigation in progress

Auditee	Material irregularity	Referral date	Status as at 26 May 2026
Maluti-A-Phofung (Free State)	Pollution of water resource (Phuthaditjhaba wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
	Pollution of water resource (Harrismith wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
	Pollution of water resource (Tshiame wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
	Pollution of water resource (Kestell wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
Mangaung Metro (Free State)	Pollution of water resource (Botshabelo wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress
	Pollution of water resource (Sterkwater wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress
	Pollution of water resource (Thaba Nchu wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
Masilonyana (Free State)	Pollution of water resource (Winburg wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress
Matjhabeng (Free State)	Pollution of water resource (Phomolong wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress
	Pollution of water resource (Hennenman wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress
	Pollution of water resource (Witpan wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress
Metsimaholo (Free State)	Pollution of water resource (Deneysville wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress
	Pollution of water resource (Oranjeville wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress

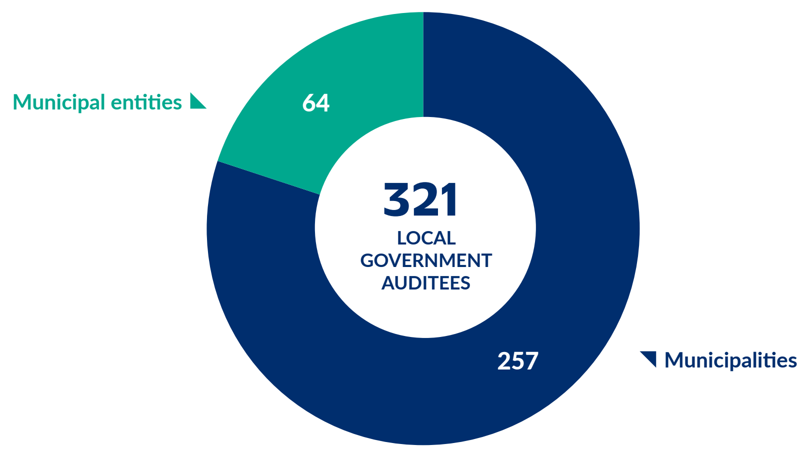
Auditee	Material irregularity	Referral date	Status as at 26 May 2026
Moqhaka (Free State)	Pollution of water resource (Kroonstad wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress
	Pollution of water resource (Viljoenskroon wastewater treatment works), resulting in harm to public	27 February 2024	Investigation in progress
Nketoana (Free State)	Pollution of water resource (Lindley wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
	Pollution of water resource (Petrus Steyn wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
Ngaka Modiri Molema District Municipality (North West)	Pollution of water resource (Coligny wastewater treatment works), resulting in harm to public	30 June 2023	Investigation in progress
	Pollution of water resource (Itsoseng wastewater treatment works), resulting in harm to public	30 June 2023	Investigation in progress
	Pollution of water resource (Lichtenburg/Blydeville wastewater treatment works), resulting in harm to public	30 June 2023	Investigation in progress
	Pollution of water resource (Lehurutshe wastewater treatment works), resulting in harm to public	30 June 2023	Investigation in progress
	Pollution of water resource (Zeerust wastewater treatment works), resulting in harm to public	30 June 2023	Investigation in progress
	Pollution of water resource (Mahikeng wastewater treatment works), resulting in harm to public	30 March 2026	Referral being considered by public body
Sol Plaatje (Northern Cape)	Pollution of water resource (Gogga pump station), resulting in harm to public	30 March 2026	Referral being considered by public body

Auditee	Material irregularity	Referral date	Status as at 26 May 2026
Thaba Chweu (Mpumalanga)	Pollution of water resource (Mashishing extension 8 wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
Thabazimbi (Limpopo)	Pollution of water resource (Thabazimbi wastewater treatment works), resulting in harm to public	14 April 2025	Investigation in progress
Eastern Cape Department of Economic Development, Environmental Affairs and Tourism – sub-referral from Department of Forestry, Fisheries and the Environment			
Makana	Poor management of Grahamstown waste landfill site, resulting in harm to public	11 September 2025	Investigation in progress
Sundays River Valley	Poor management of Kirkwood waste landfill site, resulting in harm to public	30 March 2026	Referral being considered by public body
	Poor management of Paterson waste landfill site, resulting in harm to public	30 March 2026	Referral being considered by public body
Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs – sub-referral from Department of Forestry, Fisheries and the Environment			
Mangaung Metro	Poor management of Botshabelo waste landfill site, resulting in harm to public	11 September 2025	Investigation in progress
	Poor management of Southern waste landfill site, resulting in harm to public	27 March 2024	Investigation in progress
	Poor management of Northern waste landfill site, resulting in harm to public	14 April 2025	Investigation in progress
Metsimaholo	Poor management of Sasolburg waste landfill site, resulting in harm to public	27 March 2024	Investigation in progress
Ngwathe	Poor management of Vredefort waste landfill site, resulting in harm to public	27 March 2024	Investigation in progress

Auditee	Material irregularity	Referral date	Status as at 26 May 2026
Limpopo Department of Economic Development, Environment and Tourism – sub-referral from Department of Forestry, Fisheries and the Environment			
Modimolle-Mookgophong	Poor management of Modimolle waste landfill site, resulting in harm to public	30 March 2026	Referral being considered by public body
Thabazimbi	Poor management of Rooiberg waste landfill site, resulting in harm to public	14 April 2025	Investigation in progress
	Poor management of Donkerpoort waste landfill site, resulting in harm to public	14 April 2025	Investigation in progress
Mpumalanga Department of Agriculture, Rural Development, Land and Environmental Affairs – sub-referral from Department of Forestry, Fisheries and the Environment			
Dipaleseng	Poor management of Balfour waste landfill site, resulting in harm to public	14 April 2025	Investigation in progress
	Poor management of Greylingstad waste landfill site, resulting in harm to public	14 April 2025	Investigation in progress
	Poor management of Grootvlei waste landfill site, resulting in harm to public	14 April 2025	Investigation in progress
Lekwa	Poor management of Morgenzon waste landfill site, resulting in harm to public	14 April 2025	Investigation in progress

Appendix B
Audit fact sheet

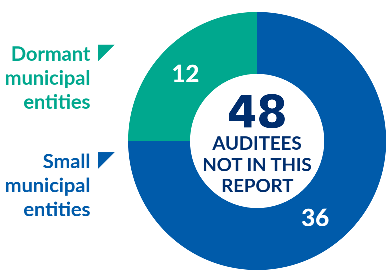
Auditees in local government



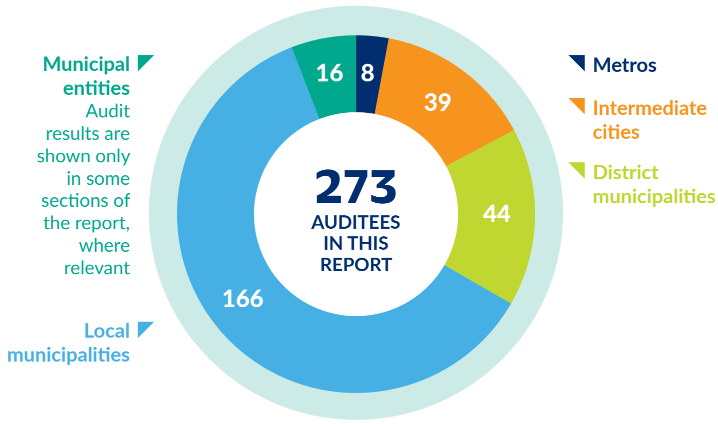
Auditees covered, and not covered, in this report

Not included in this report

(audit outcomes are available on our website)



Included in this report



Numbers and percentages are based on completed audits of

255 MUNICIPALITIES except for:

Unauthorised expenditure	Irregular expenditure	Fruitless and wasteful expenditure	Financial health (indicator assessment)	Budget assessment	Consultants	Internal audit assessment	Audit committees assessment	Water losses	Electricity losses
257	273	273	241	257	225	249	248	152	165
Municipalities (includes outstanding audits where financial statements were available)	Municipalities and municipal entities (includes outstanding audits where financial statements were available)	Municipalities and municipal entities (includes outstanding audits where financial statements were available)	Municipalities assessed (excludes those with adverse and disclaimed audit opinions or where not performed)	Municipalities where treasuries assessed funding of budgets	Municipalities that used consultants for financial reporting	Municipalities with established internal audit units where information was gathered and assessments were done	Municipalities with established audit committees where information was gathered and assessments were done	Municipalities that are water service providers	Municipalities that are electricity service providers

R622,56 BILLION

ESTIMATED EXPENDITURE BUDGET

(amount obtained through audit process)

Includes all the funds that the 257 municipalities budgeted for:

- operating expenditure to run day-to-day operations
- capital expenditure to acquire, upgrade and maintain assets and infrastructure

FINANCIAL STATEMENTS AND PERFORMANCE REPORTS

If a municipality has municipal entities, the financial audit opinion on the consolidated financial statements is shown.

Methodologies applied for auditing performance reports and corresponding conclusions provided to accounting officers on selected objectives are:

- Reasonable assurance (opinion) = 46 municipalities
- Limited assurance (conclusion) = 102 municipalities
- Findings engagements (extent and nature of material findings) = 107 municipalities

NUMBER OF HOUSEHOLDS

The number of households served by metropolitan municipalities, intermediate cities and local municipalities is based on the National Treasury's local government equitable share data and formula for 2024-25.

NUMBER OF MUNICIPALITIES WHERE SPECIFIC COMPLIANCE AREAS WERE AUDITED

8
Environmental management by metros

234
Utilisation of conditional grants

How we determine movement

Movement in **audit outcomes**: compare audit outcomes of auditees with completed audits for 2024-25 with their audit outcomes in 2023-24 and 2020-21

- ▲ Improvement
- ▶ Unchanged
- ▼ Regression

Movement in **percentage point (e.g. for findings)**: difference in percentage point for 2024-25 calculated for a focus area / grouping of auditees with the percentage point for 2023-24 and/or 2020-21

- ▲ Improvement (5 percentage points or more)
- ▲ Slight improvement (less than 5 percentage points)
- ▶ Sustained (100% achievement / positive result)
- ▶ Unchanged
- ▼ Slight regression (less than 5 percentage points)
- ▼ Regression (5 percentage points or more)

Movement in amounts: determine the percentage change in amount from 2023-24 and/or 2020-21

- ▲ Improvement (5% or more)
- ▲ Slight improvement (less than 5%)
- ▶ Unchanged
- ▼ Slight regression (less than 5%)
- ▶ Regression (5% or more)

What the different audit opinions mean

A **financially unqualified audit opinion with no findings (clean audit)** means the auditee:

- produced quality financial statements free of material misstatements (in other words, errors or omissions that are so significant that they affect the credibility and reliability of the financial statements)
- produced quality performance reports that measure and report on performance in a manner that is useful and reliable
- complied with key legislation relating to financial and performance management.

A **financially unqualified audit opinion with findings** means the auditee was able to produce quality financial statements that had no material misstatements but struggled to produce quality performance reports and / or to comply with all relevant key legislation.

A **financially qualified audit opinion with findings** means the auditee produced financial statements that contained material misstatements that were not corrected before the financial statements were published. The auditee also had challenges with the quality of its performance report and/or compliance with key legislation.

An **adverse audit opinion with findings** means that the auditee's financial statements included so many material misstatements that we disagreed with virtually all the amounts and disclosures included there.

A **disclaimed audit opinion with findings** means that we could not conclude or express an opinion on the credibility of the auditee's financial statements because there was no evidence to support most of the amounts and disclosures included there.

Usually, auditees with adverse and disclaimed opinions also cannot provide supporting documents for the achievements they report in their performance reports and do not comply with key legislation.

Appendix C

Honour roll: Clean audits

Twenty-three municipalities with clean audit status for five or more consecutive years

1 Eastern Cape

- Joe Gqabi District Municipality — 5 years

1 Gauteng

- Midvaal — 12 years

2 KwaZulu-Natal

- King Cetshwayo District Municipality — 5 years
- uMhlathuze — 6 years

1 Mpumalanga

- Ehlanzeni District Municipality — 6 years

1 Northern Cape

- Frances Baard District Municipality — 6 years

17 Western Cape

- Bergrivier — 10 years
- Breede Valley — 6 years
- Cape Agulhas — 12 years
- Cape Winelands District Municipality — 12 years
- Drakenstein — 7 years
- Garden Route District Municipality — 5 years
- George — 5 years
- Hessequa — 12 years
- Langeberg — 7 years
- Mossel Bay — 6 years
- Overberg District Municipality — 6 years
- Overstrand — 13 years
- Saldanha Bay — 7 years
- Stellenbosch — 6 years
- Swartland — 6 years
- West Coast District Municipality — 15 years
- Witzenberg — 13 years

Appendix D
Abbreviations

Abbreviation	Meaning
<	less than
bn	billion
CCTV	closed-circuit television
CIDB	Construction Industry Development Board
Covid-19	coronavirus disease
CSD	Central Supplier Database
CWIP	capital work in progress
DM	District municipality
Dora	Division of Revenue Act
EC	Eastern Cape
FS	Free State
GP	Gauteng
ICT	information and communication technology
IDP	Integrated Development Plan
IT	information technology
KZN	KwaZulu-Natal
LM	Local municipality
LP	Limpopo
m	million
MEC	member of the executive council
MFMA	Municipal Finance Management Act

Abbreviation	Meaning
MI	material irregularity
MIG	municipal infrastructure grant
MM	Metropolitan Municipality
MP	Mpumalanga
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
MTDP	Medium-Term Development Plan
NC	Northern Cape
NW	North West
PAA	Public Audit Act
PPE	property, plant and equipment
RBIG	regional bulk infrastructure grant
Salga	South African Local Government Association
Sars	South African Revenue Service
Scoag	Standing Committee on the Auditor-General
Scopa	Standing Committee on Public Accounts
SDBIP	service delivery and budget implementation plan
VAT	value-added tax
WC	Western Cape
WSIG	Water services infrastructure grant

AUDITOR-GENERAL
SOUTH AFRICA

AUDITING TO BUILD PUBLIC CONFIDENCE

Physical Address:	4 Daventry Road Lynnwood Manor Pretoria, SA
Postal Address:	PO Box 446, Pretoria, 0001
Telephone:	012 426 8000
Fax to Email:	012 426 8257
Email:	agsa@agsa.co.za
Website:	www.agsa.co.za

Auditor-General South Africa

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