

Report of the Standing Committee on Public Accounts on its hearings with Metropolitan Municipalities (Mangaung, Ekurhuleni, Tshwane, eThekweni, and City of Johannesburg) held between May and June 2026, dated:

1. Introduction

The Standing Committee on Public Accounts (SCOPA) identified municipalities as a key focus area for priority in its five-year strategic plan for the 7th Parliament, taking into account the persistent issues raised in the 6th Parliament legacy report and the role played by local government in delivering essential services to communities. Consequently, the committee resolved to intensify its oversight over metropolitan municipalities to restore financial accountability and improve service delivery outcomes.

In line with this strategic priority, the committee embarked on joint oversight visits with the Portfolio Committee on Cooperative Governance and Traditional Affairs (PC on COGTA) and the Standing Committee on Auditor-General (SCOAG) to the following metropolitan municipalities between July 2025 and January 2026:

- **Mangaung Metropolitan Municipality:** 24–25 July 2025 (followed by a virtual meeting on 12 August 2025)
- **Ekurhuleni Metropolitan Municipality:** July 2025
- **City of Tshwane Metropolitan Municipality:** July 2025
- **City of Johannesburg Metropolitan Municipality:** September 2025
- **City of eThekweni Metropolitan Municipality:** January 2026

Following the oversight visits, and in preparation for the hearings, the PC on COGTA and SCOPA received briefings from the Auditor-General of South Africa (AGSA) on the latest audit outcomes and financial performance of the five selected metropolitan municipalities. The AGSA briefings took place on 28 April 2026 and 2 June 2026.

The joint committees also received a briefing from the Special Investigating Unit (SIU) on 29 April 2026 on the status of investigations conducted under all relevant proclamations pertaining to these metropolitan municipalities.

Subsequent to these briefings, the joint committees conducted formal hearings with the municipalities between May and June 2026.

2. Governance of metropolitan municipalities

The municipalities in South Africa are governed by a distinct structure guided by the Municipal Structures Act 117 of 1998, the Municipal Systems Act 32 of 2000, and the Municipal Finance Management Act 56 of 2003 (MFMA), operating on a separation of powers framework. Together, these key statutes define the legal categorisation, operational structures, service delivery mechanisms, and financial accountability standards for local government. The municipal council serves as the primary governing body holding both legislative and executive authority, responsible for approving policies, budgets, and bylaws. The executive authority is led by the Executive Mayor or Mayor, who appoints Members of the Mayoral Committee (MMCs) to oversee specific portfolios, provide political leadership, and drive policy implementation.

The Municipal Manager/City Manager acts as the head of the administration and the accounting officer, tasked with daily management, executing council direction, ensuring fiscal accountability, and managing senior staff.

To enforce oversight and accountability, the Municipal Public Accounts Committee (MPAC) interrogates financial reports, investigates unauthorised, irregular, fruitless and wasteful expenditure, and recommends disciplinary or corrective actions to council.

The metropolitan municipalities have municipal entities that are responsible for frontline service delivery, such as the City Power Johannesburg SOC Ltd and Johannesburg Water SOC Ltd under the City of Johannesburg Metropolitan Municipality, the East Rand Water Care Company SOC Ltd (ERWAT) under the City of Ekurhuleni Metropolitan Municipality, and Centlec SOC Ltd under the Mangaung Metropolitan Municipality, among others. These entities operate as state-owned enterprises with independent boards of directors, maintain separate

accounting records, and undergo distinct annual audits before their financial statements are consolidated into the parent metro's group financial statements.

The overall audit outcomes across the five metropolitan municipalities under review reflect widespread regression and persistent internal control weaknesses. Out of the five metros, four received qualified audit opinions for the 2024/25 financial year, with only the City of eThekweni receiving an unqualified opinion with findings. The findings by the AGSA underline systemic issues in governance, internal control, and service delivery, driven by recurring financial misstatements, non-compliance with legislation, procurement irregularities and severe maintenance underspending that cripples critical public infrastructure.

Metropolitan municipalities are the engine of South Africa's economy and home to a significant portion of its population. They are responsible for providing basic everyday services like clean water, electricity, waste collection, and road maintenance, making it vital that they spend their limited budgets effectively to ensure these services are reliably delivered to communities.

Due to persistent non-compliance, unfunded budgets, non-payment of bulk suppliers (Eskom and Water Boards) and third parties, escalating unauthorised, irregular, fruitless and wasteful expenditure, and a lack of consequence management, the National Treasury took a decision in July 2026 to invoke Section 216(2) of the Constitution to temporarily withhold equitable share allocations. Two of the five metropolitan municipalities under review were affected by this (Mangaung and the City of Johannesburg). While funds were later conditionally released to prevent basic service disruptions, National Treasury emphasised that strict compliance requirements—including signed creditor payment plans, reduction of unauthorised, irregular, fruitless and wasteful expenditure balances, and disciplinary actions remain in force to enforce long-term financial accountability.

3. Mangaung Metropolitan Municipality

The Mangaung Metropolitan Municipality appeared before the committee on 05 May 2026. During the hearing, the committee resolved that the Mangaung Metropolitan Municipality must return for a follow-up meeting with more detailed information addressing the AGSA's findings, unauthorised, irregular, fruitless and wasteful expenditure, material irregularities (MIs),

infrastructure failures, and the implementation of the Financial Recovery Plan (FRP). A follow-up meeting was held on 10 June 2026.

3.1 Audit outcomes

The metro received a qualified audit outcome for the 2024/25 financial year, and which was for the third consecutive year, with repeat audit findings.

The AGSA identified the following qualification areas:

- **Service charges:** Significant concerns regarding Mangaung Metropolitan Municipality's water revenue were identified. The AGSA could not verify R1.676 billion in water revenue from conventional meters due to a lack of dependable consumption records, noting a limitation of scope as reliable consumption data was unavailable to substantiate this amount. Furthermore, the AGSA reported a departure from GRAP 9¹ due to incomplete billing where some consumers were not charged for water consumption. This resulted in an understatement of revenue and water trade debtors by R291.240 million, with consequential effects on the reported surplus and accumulated surplus. These findings highlight serious weaknesses in revenue management, internal controls, and financial reporting.
- **Bulk purchases:** The AGSA reported that sufficient appropriate audit evidence could not be obtained to confirm the water distribution losses included in bulk purchases as the Mangaung Metropolitan Municipality did not provide reliable data to confirm the water units sold that were used to calculate the water distribution losses disclosed in the consolidated financial statements. The AGSA was unable to confirm whether any adjustments were necessary to the water distribution losses stated at R495.548 million.
- **Property, plant and equipment:** The municipality did not comply with GRAP 21² by failing to test and record impairments on its sanitation network and water meters despite clear indication of damage or decline. Consequently, property, plant and equipment were overstated by R431.758 million, while impairment losses were understated by the same amount, directly impacting the surplus for the year and the accumulated surplus.
- **Employee costs (overtime):** Overtime has been flagged in multiple financial years as a recurring audit finding and compliance risk. The AGSA identified the root cause regarding occurrence and accuracy of overtime claims with weak authorisation and poor internal

¹ Generally Recognized Accounting Practice (GRAP 9) – revenue from exchange transactions.

² Generally Recognized Accounting Practice (GRAP 21) – impairment of non-cash generating assets.

controls. During the financial year under review, the AGSA reported that sufficient appropriate audit evidence could not be obtained to confirm overtime included in employee costs disclosed in the financial statements. Furthermore, the AGSA highlighted inadequate processes in place to ensure that a need was determined for overtime to be worked or to confirm that the municipal officials worked the overtime claimed. Consequently, the AGSA was unable to determine whether any adjustments were necessary to overtime included in employee-related costs stated at R263.640 million.

- **Commitments:** The municipality did not recognise commitments in accordance with GRAP standards, some commitments were incorrectly calculated or classified. Consequently, commitments disclosed in the consolidated financial statements were understated by R117.463 million.

3.2 Financial recovery plan

The Mangaung Metropolitan Municipality has been under national intervention since April 2022 in terms of section 139(7) of the Constitution, following the failure of provincial intervention initiated in terms of section 139(5)(a) and (c) of the Constitution in January 2020.

A mandatory Financial Recovery Plan was approved in September 2023, structured into three phases, namely, rescue, stabilisation, and sustainability. Despite nearly two years of implementation, progress has been slow with only 58% of the activities implemented by June 2025, leaving the municipality still in the rescue phase.

The Metro reported to the committee that the oversight of the FRP is conducted through quarterly war rooms, co-chaired by representatives from the National Treasury and Department of Cooperative Governance. The most recent review that was conducted on 12 May 2026 confirmed systemic weaknesses in revenue collection, debt management, and capital expenditure and resolved that the FRP must undergo a formal review. A service provider was going to be introduced in June 2026 to undertake this review, meaning that Quarter 4 of 2025/2026 financial year was going to be concluded under the current FRP, while Quarter 1 of 2026/27 financial was going to be assessed on the revised FRP.

3.3 Going concern

For the past few financial years, the AGSA reported events, conditions and matters that indicate a material uncertainty exist that may cast significant doubt on the entity's ability to continue as

a going concern. The consolidated financial statements for the 2024/25 financial year indicate that the municipality is under financial distress requiring the implementation of a mandatory FRP. There was also slow progress in dealing with financial difficulties, as only 58% of the phase 1: rescue phase activities contained in the FRP were implemented since August 2023. In addition, the group expects 84% (2023/24:81%) of their receivables to be uncollectable and only 2% (2023/24:2%) of the group's expenditure channeled for repairs and maintenance of critical service delivery infrastructure. In addition, the group owed the water board R642.048 million (2023/24: R921.667 million) and Eskom R1.598 billion (2023/24: R1.099 billion) as at 30 June 2025, which was long overdue. These events and conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

3.4 Unauthorised expenditure

The consolidated unauthorised expenditure incurred by the group was R1.360 billion in 2024/25 (2023/24: R1.810 billion), primarily due to overspending against the approved budget. This contravenes section 62(1)(d) of the MFMA, which requires reasonable steps to be taken to prevent such expenditure. Furthermore, as of 30 June 2025, cumulative unauthorised expenditure was R8.9 billion, highlighting a culture of overspending on the budget within the metro.

The AGSA reported that the unauthorised expenditure incurred was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA. In addition, the Accounting Officer and the Municipal Public Accounts Committee (MPAC) did not enforce consequence management for financial misconduct and irregularities, as required by the MFMA and municipal disciplinary regulations. Corrective measures and audit action plans were not implemented and monitored. This lack of enforcement resulted in repeat audit findings.

3.5 Irregular expenditure

The municipality incurred irregular expenditure of R323.866 million in the 2024/25 financial year (2023/24:R277.415 million). The irregular expenditure was incurred for various reasons, including the following:

- Expenditure incurred without following Supply Chain Management (SCM) processes – R90.426 million.

- Procurement in contravention of the SCM policy – R33.240 million.
- Councilors whose remuneration was overpaid, in contravention of the requirements of the Remuneration of Public Office Bearers, Act 20 of 1998 – R567 757.
- Employees who worked overtime in excess of the maximum thresholds permitted by the Basic Conditions of Employment Act during the 2024/25 financial year – R71.448 million and R67.999 million in 2023/24.
- Contract amount exceeded without following processes - R6.491 million.
- Deviations from personal security gazette guidelines in the 2024/25 financial year – R13.683 million and R10.157 million for 2023/24 financial year.

The AGSA reported that the full extent of the 2024/25 irregular expenditure is still in the process of being determined. Furthermore, irregular expenditure was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA and no consequence management or disciplinary actions were taken against responsible officials. The cumulative balance of irregular expenditure at the end of the 2024/25 financial year was R4.067 billion, which represents an increase of 8.7% from the balance of R3.743 billion in 2023/24.

3.6 Fruitless and wasteful expenditure

The municipality incurred fruitless and wasteful expenditure amounting to R67.236 million in the 2024/25 financial year (2023/24: R130 million), mainly due to interest on late payments, overpayments to various suppliers, as well as fines. The AGSA reported that reasonable steps were not taken to prevent incurrence of fruitless and wasteful expenditure, in contravention of section 62(1)(d) of the MFMA. Furthermore, fruitless and wasteful expenditure incurred by the was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

3.7 Material irregularities

During the 2024/25 financial year, the AGSA reported 27 Material Irregularities (MIs), 12 MIs relating to material financial losses (estimated at R112 million), 14 relating to substantial harm to the public, and 1 MI relating to substantial harm to the public sector institutions.

Of the 27 MIs, only 1 has been resolved, the rest have either been referred to other bodies or for remedial actions. No appropriate actions were taken for 9 MIs and the AGSA was in the process of invoking additional powers. A notification for certificate of debt was being considered for one MI. The MIs identified were as follows:

- Reasonable steps were not taken to recover overpayments made to the supplier;
- Poor management of the Botshabelo waste landfill site;
- Poor management of the Wepener waste landfill site;
- Poor management of the Dewetsdorp waste landfill site;
- Poor management of the Van Stadensrus waste landfill site;
- Government debt handed over to a debt collector in contravention of the municipality's credit control and debt collection policy;
- Reasonable steps not taken to ensure that the municipality has and maintains effective and efficient internal controls over the management and payment of overtime;
- An invoice for the replacement of CCTV cameras was certified for payment by officials, even though only repair work has been done;
- Construction of trunk routes for IPTN roads infrastructure network phase 1C Chief Moroka link route – payment for extension of time not in terms of the contract;
- Reasonable steps not taken to safeguard zoo animals;
- Construction of new community hall in Thaba Nchu – payment for contract price adjustments due to professional services not being available;
- Construction of fire station in Botshabelo – payment for contract price adjustments due to professional services not being available;
- Installation of internal services Vista Park Extension 3 – contractual obligations not settled within 30 days;
- Reasonable steps not taken to prevent fuel losses;
- The municipality's information technology assets not adequately maintained and safeguarded;
- Employer pension fund contributions not paid in accordance with the rules of the pension fund;
- Pollution of water resources not prevented – Botshabelo wastewater treatment works;
- Pollution of water resources not prevented – Sterkwater wastewater treatment works;
- Pollution of water resources not prevented – Thaba Nchu wastewater treatment works;
- Poor management of the Southern Landfill site; and

- Poor management of the Northern Landfill site

The metro reported to the committee that it did not have a standard procedure for handling the MIs and this has caused delays and escalation to remedial actions. The biggest challenge for the metro was investigating the MIs to establish the correct root causes and failures, as well as to respond to the AGSA and ensure that preventative controls are introduced and assurance of no future occurrence.

3.8 Deviations and contract expansions

During the 2024/25 financial year, the consolidated group financials recorded 301 instances of deviations from the SCM prescripts totaling R35.760 million, (2023/24: 385 instances totaling R28.390 million). The breakdown of deviations was as follows:

- Emergencies – R873 000 (2 instances)
- Exceptional cases – R4.861 million (242 instances)
- Sole supplier – R21.442 million (25 cases)
- Other (rectifying SCM procedures)– R8.584 million (32 instances)

These deviations stem from poor procurement planning which led to user departments routinely misuse the provisions for deviations rather than planning specifications in advance.

Contract management suffered similar challenges with 56% of active contracts requiring extensions and 21 rates-based contracts failing to meet basic MFMA monitoring and performance requirements.

Systemic failures in leadership, procurement planning, and technical capacity have severely compromised the SCM environment. The AGSA indicated that the leadership consistently failed to enforce monthly contract performance monitoring, apply consequence management, and penalise underperforming contractors. This severe lack of oversight contributed towards irregular expenditure across major municipal infrastructure projects. Contract extensions after expiry resulted in R1.320 million irregular expenditure at the Hamilton Water Pump Station, while unauthorised payments exceeded the approved bill of quantities and caused R5.6 million in irregular expenditure at Dewetsdorp Extension 8 Sanitation Project. Furthermore, ineffective scope control led to substantial cost overruns at the Maselsport Water Treatment Works.

Ultimately, these recurring SCM failures inflated procurement costs, triggered serious audit findings, and caused severe project delays that disrupted essential service delivery for local communities.

3.9 Conditional grant spending and infrastructure impact

The AGSA reported critical misalignment between the grant spending objectives and actual infrastructure delivery on the ground. Due to inadequate monitoring of grant funding usage, the municipality materially underspent its conditional grants in the 2024/25 financial year by R191.730 million (2023/24: R193.594 million). As a direct consequence of slow project implementations, National Treasury withheld R140.980 million in conditional grant allocations (2023/24: R296.655 million). These financial management gaps repeatedly delayed key capital projects, compounding failures in service delivery and placing severe strain on the municipality's existing infrastructure.

3.10 Infrastructure projects

The AGSA identified cross-cutting issues on infrastructure projects, centered around severe repair and maintenance deficit, where only 2% allocation of the municipality's operating budget, far below the 8% benchmark, forced a reactive approach to maintenance that drove up long-term repair expenses and pothole claims. This was further compromised by underspending of infrastructure grant allocation and withholding of grants by National Treasury. Stalled and abandoned infrastructure projects faced chronic vandalism and security issues, resulting in turning partially completed assets into municipal liabilities. Furthermore, severe wastewater and water quality failures persist, with non-functioning wastewater treatment works discharging raw effluent directly into rivers and towns such as Soutpan and Van Stadensrus experiencing critical drinking water non-compliance.

Summary of key findings from selected audited infrastructure projects:

3.10.1 Maselspoort water treatment works - refurbishment

The refurbishment of the Maselspoort water treatment works involved upgrading filters and clarifiers in Plant A, adding a wash water recovery system, and implementing temporary works for Plant B. The project commenced on 07 March 2024, under the Urban Settlement Development Grant, with an initial contract period of 14 months and an expected completion date of 07 May 2025 at a value of R104.564 million. Following contract revisions, the total

contract amount increased to R106.897 million, with the overall construction period extended to 19 months and a revised completion date of 26 February 2026. However, in April 2026, the AGSA reported to SCOPA that the project has stalled at just 26% despite the expenditure of R40.599 million, representing 38% of the revised contract amount. The project has experienced poor contract management, execution delays, and variation orders which contributed to delays in completing the project. These project management failures have led to significant financial mismanagement, including R2.230 million in fruitless and wasteful expenditure from payments issued without a valid contractual basis.

3.10.2 Hamilton water pump station - Maselspoort

This project commenced on 12 October 2022 under the Urban Settlement Development Grant to execute mechanical and electrical installations for high-lift pumps, the original completion target was 13 June 2023 and had a contract value of R22.091 million. Despite a minor target revision to 11 July 2023, severe operational issues occurred, including late payments, weak oversight, invalid contract extensions which led to R1.320 million irregular expenditure and the contractor abandoning the site, and formal contract termination on 04 March 2024 at 75% completion and R18.219 million spent. The AGSA reported to SCOPA in April 2026 that the project remains incomplete and the mechanical scope partially finished and other pipework remaining outstanding.

3.10.3 Dewetsdorp Extension 8 – water supply and sanitation

The Dewetsdorp Extension 8 water supply and sanitation project commenced on 25 March 2024 with funding from the Urban Settlement Development Grant. The original budget was R104.564 million with an initial period of 12 months, expected to be completed on 24 March 2025. However, severe project management failures, including poor contractor oversight, non-payments of contractors leading to site abandonment, and inadequate upfront geotechnical surveys that caused unexpected hard-rock excavation costs have significantly disrupted progress. Furthermore, unapproved quantity overruns resulted in R5.630 million in irregular expenditure, leaving the contract amount undetermined. Consequently, the completion date was pushed to 06 November 2025. The AGSA reported to SCOPA in April 2026 that the project remains in progress with practical completion date yet to be determined, standing at 51% physical completion with R23.560 million spent to date. Compounding the situation, nearby wastewater treatment facilities are non-operation due to severe vandalism, leading to the

ongoing discharge of raw sewerage into the local environment and creating an urgent public health and environmental risk.

3.10.4 Botshabelo West roads project

The Botshabelo West roads project involved upgrading existing gravel roads and associated stormwater systems to surfaced, paved standards. The project's implementation has been compromised by systemic municipal challenges, key among them a shortage of technical expertise within the Project Management Unit (PMU), poor contractor workmanship, and ongoing execution delays.

3.10.5 Vista Park II and III projects – electricity and housing

The Vista Park II & III projects encompassed electrical engineering infrastructure for Vista Park III alongside the delivery of affordable housing across both developments. Progress on the housing component was severely delayed due to inadequate project management and poor upfront planning, prolonging local housing backlogs and delaying critical utility connectivity across the area.

3.10.6 Government debt handed over to a debt collector in contravention of the municipality's policy

On 29 August 2023, a municipal official appointed an external service provider on a 15% commission basis to collect the outstanding government and business debt, violating the municipality's credit control and debt collection policy, which strictly forbids handing over government debt to private debt collectors. The unlawful 15% commission structure caused the metro to incur a financial loss of R10.949 million by 31 July 2025, and further losses anticipated due to ongoing unapproved commission obligations. The AGSA raised a material irregularity and formally notified the accounting officer on 11 September 2025. There were no corrective actions and the AGSA was in the process of considering further regulatory interventions.

3.11 Environmental management

- **Unlicensed wastewater facilities:** Eleven wastewater treatment works (including Botshabelo, Thaba Nchu, Bloemustria, Bainsvlei, Northern Works, Welvaart, Bloemspuit, Dewetsdorp, Wepener, Soutpan, and Van Stadensrus) operated without valid licenses, breaching Section 22(1)(b) of the National Water Act 36 of 1998.

- **Unlicensed Solid Waste Facilities:** The Wepener and Northern solid waste management facilities operated without valid operating licenses, in direct contravention of Section 20(b) of the National Environmental Management: Waste Act 59 of 2008.
- **Failure to protect and maintain infrastructure:** Thirteen wastewater treatment works failed to implement adequate security and maintenance, leading to defective, depleted, malfunctioning, or vandalised infrastructure and theft, in violation of Section 63(1)(a) of the MFMA.

3.12 Human resource management

The AGSA highlighted the following issues:

- Financial interests were not disclosed by the Municipal Manager within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
- Financial interests were not disclosed by the senior managers within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
- Job descriptions were not established for all posts in which appointments were made, as required by section 66(1)(b) of the Municipal Systems Act 32 of 2000 (MSA) and regulation 7(1) of Municipal Staff Regulations.
- Appropriate systems and procedures to monitor, measure and evaluate the performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.

3.13 Revenue management

The municipality failed to maintain an adequate management, accounting, and information system to track revenue and debtors, violating section 64(2)(e)(i) and (ii) of the MFMA. Revenue due to the metro was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA. Furthermore, accounts for municipal tax and charges were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

3.14 Consequence management

The metro failed to fulfil its legal duties under the MFMA and municipal financial misconduct regulations by not investigating financial non-compliance and hold officials accountable.

Specifically, it neglected to investigate unauthorised, irregular, or fruitless and wasteful expenditure to determine personal liability. Furthermore, allegations of financial misconduct against officials were neither referred to designated oversight bodies (such as a disciplinary board or independent investigators) nor properly investigated. Even when misconduct was proven, the municipality failed to take appropriate disciplinary action and routinely neglected to report criminal acts by officials to the South African Police Service.

3.15 Indonesia study tour

The international study tour to Indonesia was raised during the meeting on 05 May 2026. The committee questioned the Mangaung municipality's leadership about irregular and fruitless expenditure, including questionable overseas travel costs. Specifically, SCOPA noted that Mangaung officials had undertaken a study tour to Indonesia despite the municipality being under national intervention and still struggling with severe financial mismanagement. The committee questioned the value, necessity, and outcomes of this study tour, given that the Financial Recovery Plan was only 58% implemented after nearly two years, the municipality incurring high amounts of unauthorised, irregular, fruitless and wasteful expenditure, unfunded budget, water and electricity debt, among others.

The committee requested the municipality to provide further details, including the costs, names of the delegation, and the purpose of the study tour.

The municipality undertook a working visit to Surabaya City, Indonesia from 10 - 14 November 2025 to formalise a proposed friendship city partnership. The trip, facilitated by the Department of International Relations and Cooperation and the Consulate General of Indonesia, culminated in the signing of minutes of the meeting with Surabaya's Mayor, laying the groundwork for cooperation in areas including trade and investment, waste management, education, infrastructure, information technology, and renewable energy.

According to the submission to the committee, the delegation comprising seven people, including the Executive Mayor, MMC for Economic Development and Tourism as well as senior administrative officials.

The Municipal Cost Containment Regulations (MFMA notice 317 of 2019) sets out two relevant provisions governing international travel. Regulation 7(4) requires that international

travel be limited to meeting or events deemed critical, with attendance restricted to officials or political office bearers directly involved in the subject matter. Regulation 12(2) applies to conferences, meetings, and study tours, explicitly capping participation at no more than three officials or political office bearers, while also requiring consideration of the relevance of the event, the roles of attendees, and the availability of funds.

The metro justified the seven-member delegation stating that the trip covered seven core subject areas, which were trade, finance, tourism, manufacturing, infrastructure, governance, and arts and culture. They argued this required senior technical expertise. The municipality stated that the scope and complexity of engagements required a larger delegation despite the regulation's cap of three.

3.16 Investigations

3.16.1 Investigations - MPAC and Financial Disciplinary Board (FDB)

The metro reported to SCOPA that it referred several cases of unauthorised, irregular, fruitless and wasteful expenditure (UIFW) and material irregularities to the MPAC and the FDB for further investigation, actions and for consequence management. The investigations were still ongoing, the MPAC is supported by the technical team that provides analytical, administrative, and oversight capacity, in order to strengthen accountability on UIFW expenditure. The submission to the committee indicated progress in setting up oversight structures but there have been no recoveries of misused public funds. According to the presentation, the MPAC tabled its first report to Council in December 2025 and was required to submit bi-monthly reports to Council from January 2026, however, these reports have not been tabled and are still outstanding.

The FDB is operational and has been tasked with investigating UIFW cases and recommending disciplinary actions, especially on irregular expenditure and overtime.

In both meetings that Mangaung Metropolitan Municipality appeared before the committee (05 May and 10 June 2026), concerns were expressed that investigations were dragging without tangible financial recoveries, with some cases date back to more than ten years. This highlights ongoing weakness in governance and accountability.

3.16.2 Investigations – Integrated Public Transport Network (IPTN)

The Mangaung IPTN was initiated in 2016, and the multi-phased project aimed to build bus corridors, modern stop infrastructure, and an integrated transit system funded through the National Public Transport Network Grant (PTNG). To ensure smooth stakeholder integrations, the metro facilitated the creation of Mangaung Transit, an operating company bringing together local taxi associations and interstate bus lines. Construction began with early phases around 2017-2019. The IPTN project was launched on 17 July 2024 under the brand name Hauweng (managed by Mangaung Transit, trading as Hauweng/Vehicle Operating Company (VOC). It operated along the Route 1C (Hoffman Square to Brandwag) with three sub-routes (Tempe, Bloemgate, University of the Free State, gate 5) using 10 insured buses maintained by the VOC. The project is faced with many challenges, including cost overruns exceeding R2 billion, governance failures, slow implementation of planned routes and irregular payments.

In April 2022, an MI was raised by the AGSA on this project. The metro paid a contractor for extension of time for claims related to the IPTN phase 1C Chief Moroka link route, even though the claims were submitted outside the contractual timeframes and were not legally payable. This amount was disclosed as fruitless and wasteful expenditure in the 2020/21 financial year. Despite the repeated notifications and directives from the AGSA between 2022 and 2025, the accounting officer failed to implement remedial actions, such as investigating misconduct, recovering losses, and initiating disciplinary proceedings. The AGSA was in the process of issuing a certificate of debt against the accounting officer due to inadequate progress in addressing the irregularity and recovering the funds.

3.16.3 SIU investigations – IPTN project

The metro is subjected to multiple external investigations into corruption and irregularities linked to the metro police and the IPTN project. The SIU received allegations of corruption within the metro police and the IPTN for the period starting in 2017 to date. However, the municipality has not submitted all the requested documents to the SIU. The SIU is still analysing the partially submitted information to establish the legitimacy of the allegations. This process was still ongoing at the date the auditor's report was signed.

On 29 April 2026, the SIU reported to SCOPA that the investigation is still at the stage of motivation for a proclamation at the Department of Justice and Constitutional Development, therefore a formal presidential proclamation authorising a full investigation has not yet been

issued. Once authorised, the SIU will conduct the full investigation and pursue disciplinary, criminal, and civil referrals to strengthen accountability in the metro.

3.16.4 Directorate for Priority Crime Investigation (DPCI)/HAWKS

- **IPTN project** - An independent consultant was investigating allegations of improper procurement of buses and appointment or rollout of infrastructure project for the IPTN for the period starting in the 2015/16 financial year. This investigation was tabled in council on 28 February 2024 and on 07 November 2024, the council resolved that disciplinary proceedings be instituted against all implicated officials in the IPTN investigation who remain employed in the municipality. The council further resolved to refer the investigation report and its recommendations to DPCI for criminal investigations. A recommendation was made for a firm of attorneys to be appointed to initiate civil action against implicated individuals and recover any financial losses incurred through the IPTN project. The outcomes of these processes are still outstanding.
- **VIP bodyguards** – The DPCI are investigating allegations of overtime payments to VIP bodyguards employed in the office of the political office-bearers, from 2017 to 2021. The municipality reported that the proceedings were still in progress.
- **Security tender** - The DPCI are investigating allegations of irregularities in the metro's procurement processes regarding a security service tender awarded for the period 01 March 2019 to 28 February 2021. The investigation is still ongoing.
- **Indigent register (fraudulent claims)** – The DPCI are investigating allegations of criminality relating to fraudulent payments made in relation to the indigent register, from 07 March 2022 to 31 August 2023. Allegations were made that the proper approval process to make the required payments was not followed. The investigation is still ongoing.
- **Overtime claims** – The DPCI are investigating allegations of unverifiable overtime claims paid to municipal staff during the 2022 and 2023 financial years. The investigation is still ongoing.

3.16.5 Investigations by other external bodies

The metro faces serious environmental failures due to the landfill and wastewater pollution at the Northern and Southern Botshabelo, Sterkwater, and Thaba Nchu wastewater treatment sites. This has been referred to the Department of Water and Sanitation, and the Department of Forestry, Fisheries and Environment. The outcome on the investigation is still outstanding.

4 Ekurhuleni Metropolitan Municipality

The City of Ekurhuleni Metropolitan Municipality appeared before the committee on 06 May and 10 June 2026, following briefings by the AGSA on latest audit outcomes and the SIU on investigations on 28 and 29 April 2026 respectively.

4.1 Audit outcomes

The municipality received a qualified audit opinion from the AGSA in the 2024/25 financial year. The municipality previously maintained a strong financial governance record, achieving unqualified audits with no findings (clean audit) for both the 2020/21 and 2021/22 financial years. The audit outcomes deteriorated in the 2022/23 and 2023/24 financial years to unqualified audit with findings, marked by widespread compliance failures, supply chain management irregularities and material findings on financial statements. This shift marked the start of a multi-year governance decline, culminating in the 2024/25 qualified audit opinion.

The basis for qualification was on consumer debtors and information technology where the AGSA found that manipulation of computerised accounts receivable system compromised credibility and reliability of accounts receivable balance. The AGSA could not confirm the accuracy, completeness, and valuation of the accounts receivable balance. Unauthorised manual adjustments and system overrides within the computerised accounts receivable system compromised the integrity and reliability of the data and audit trail.

The AGSA attributed this to internal control breakdown, and the core driver of this limitation was the inadequate design and implementation of general information technology controls. The failure to establish robust access controls allowed unauthorised access to financial reporting systems, resulting in undetected data manipulation and severe misstatements.

4.2 Information Technology (IT) control environment

During the financial year under review, the municipality's IT control environment experienced significant regression, failing to provide reliable assurance over data integrity, security, system availability, and overall operational performance. Central to this decline was critical cybersecurity vulnerabilities that were successfully exploited during internal and external penetration testing, along with inconsistent implementation of core IT continuity controls such

as backups and disaster recovery. The municipality's 2024/25 audit outcomes revealed an estimated R2.5 billion loss due to IT control failures and cyber breaches.

Furthermore, Enterprise Project Management Office (EPMO) failures have left key IT projects delayed, underperforming, or entirely unused, while software licensing management remains inadequately monitored. Despite functional IT systems being available, the municipality continues to rely heavily on manual data collection for tracking core services, such as water, sanitation, and customer query handling.

These technical operational failures are rooted in underlying governance and structural disciplines within the municipality. Accountability for security and internal controls remains fragmented and significant internal skills gaps have created an excessive reliance on external vendors. In tandem with legacy system constraints, approved governance frameworks and project management methodologies are inconsistently enforced, leading to an absence of effective project oversight.

The cascading impact of these control failures compromises both the municipality's operations and financial integrity. The inability to independently verify data integrity or investigate security incidents heightens the risk of unauthorised system overrides, compromised receivables data, cyberattacks, and prolonged service disruptions. The AGSA reported that the weak project governance directly caused financial losses and unrealised system benefits, forcing a continued dependence on manual processes and obscuring city-wide project visibility. Ultimately, these IT continuity weaknesses diminish customer response capacity, translating directly into delayed system recovery and reduced public trust.

In the SCOPA meeting on 06 May 2026, the municipality reported that a forensic investigation was conducted, and the report confirmed both external system penetration and internal collusion by municipal officials, and approximately R800 million has been recovered and further disciplinary, criminal, and civil processes underway.

The municipality reported that remedial measures were being implemented, including the establishment of a 24-hour security operations centre, activation of tamper-proof transaction logs, and strengthen cybersecurity control to mitigate ongoing risks.

4.3 Unauthorised, irregular, fruitless and wasteful expenditure (UIFW)

4.3.1 Unauthorised expenditure

The municipality incurred unauthorised expenditure of R391.107 million during the 2023/24 financial year, primarily attributed to costs associated with excess consumption by indigent households. No additional unauthorised expenditure was incurred during the 2024/25 financial year. The closing balance for unauthorised expenditure was R391.107 million for both the 2024/25 and 2023/24 financial years. The unauthorised expenditure was referred to MPAC for further investigation and determination of appropriate steps to be taken, investigations are ongoing and no resolution taken by the MPAC when the municipality appeared before the committee.

4.3.2 Irregular expenditure

The municipality reported irregular expenditure of R137.65 million in the 2024/25 financial year, R41.190 million was confirmed as incurred in the current year, while R96.456 million was identified in the 2024/25 financial year but relates to the previous financial year. The closing balance for irregular expenditure at the end of 2024/25 financial year was R1.083 billion (2023/24: R1.000 billion). The irregular expenditure was incurred due to contravention of the SCM policies in various departments within the municipality. The AGSA reported that reasonable steps were not taken prevent irregular expenditure as required by section 62(1)(d) of the MFMA.

During the 2024/25 financial year, the council approved R55.035 million (2023/24: R44.795 million) write-off for irregular expenditure, the remaining amount was referred to the MPAC for further investigation.

4.3.3 Fruitless and wasteful expenditure

There was no new confirmed fruitless and wasteful expenditure incurred by the metro during the 2024/25 financial year, the closing balance for fruitless and wasteful expenditure for both the 2024/25 and 2023/24 financial years was R68.766 million, similar to unauthorised and irregular expenditure this amount was referred to the MPAC for further investigation.

4.4 Procurement and contract management

The AGSA highlighted several weaknesses on procurement and contract management, with repeated findings on unfair disqualification and evaluation of bidders, inadequate contract

performance monitoring, and insufficient oversight of contractor, potential misrepresentation of tender documents, suspected collusion between municipal officials and bidders, and weak due diligence that failed to detect fraudulent submissions.

4.5 Deviations from SCM regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 stated that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

SCM regulation (par. 36) of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the consolidated annual financial statements.

The municipality recorded R625.775 million contract deviations during the 2024/25 financial year. The AGSA reported that deviations from competitive bidding processes was approved without exceptional circumstances, violating SCM Regulation 36(1) amounting to R32.701 million.

4.6 Material Irregularities (MIs)

The AGSA identified five material irregularities within the City of Ekurhuleni and its entities, reflecting serious governance and compliance failures. These MIs included the misuse of public resources at the Ekurhuleni Fresh Produce Market (which remains unused), a material financial loss from the incomplete Clayville Extension 45 social housing project, and three cases of substantial harm to the public arising from pollution at the Olifantsfontein, Waterval, and Ancor wastewater treatment works under the East Rand Water Care Company (ERWAT).

None of the MIs have yet been resolved. One case is awaiting a response from the accounting officer, while four are under remedial action. No referrals or completed remedial actions have been finalised. These MIs highlight systemic weaknesses in project delivery, resource utilisation, and environmental management, with ongoing risks to both financial sustainability and public welfare.

4.7 Infrastructure projects

The AGSA audited five infrastructure projects, with significant findings on three projects. At the Kempton Park Reservoir (Water), delays caused by the late appointment of the contractor left communities waiting longer for reliable supply. The Reconstruction of Tembisa Bridges (Roads) was marked by poor planning, misaligned and damaged culverts, and multiple variation orders, increasing flood and erosion risks. The Atom Road Substation (Electricity) progressed very slowly due to operational, safety, and budget constraints, undermining service reliability.

Overall, in all the infrastructure projects audited, the AGSA highlighted inadequate contract administration, poor project management, and quality defects across these projects, compounded by vacant positions in key delivery units. The impact has delayed service delivery, reduced project capability, and heightened risks for affected communities, reflecting systemic shortcomings in planning, oversight, and execution of infrastructure projects.

4.8 Human Resource Management and vacancies

The municipality faces critical leadership challenges as several key executive positions remain vacant, severely impacting governance, service delivery, and operational oversight across the municipality.

On 06 May 2026, the committee was informed that core operational and administrative functions are currently compromised due to ongoing recruitment processes for the Chief Operating Officer (COO), Group Chief Financial Officer (GCFO), Chief of Police, Chief of Fire, Chief Risk Officer, and the Business Unit Head for Waste Management. Key service delivery departments were left without permanent head leadership, specifically, the Heads of Department for Community Services, Energy, Water and Sanitation. Although progress was made in the recruitment process for the COO and Business Unit Head for Waste Management awaiting council approval. The prolonged absence of permanent leadership continues to strain the municipality's overall functioning.

In addition to existing vacancy challenges, executive leadership within the metro is further strained by ongoing suspensions and delayed disciplinary proceedings involving three senior officials. On 06 May 2026, the committee was informed that disciplinary hearings for the Head

of Department for Human Resources, suspended on 12 December 2025 was postponed to end of May 2026 to allow for legal consultations for her appearance in the Madlanga Commission.

Similarly, proceedings for the Head of Department: Risk and Legal Services, suspended on 02 December 2025 encountered delays due to the official's hospitalisation. Meanwhile, the committee was informed that the Chief Information Officer who was suspended in April 2025, launched an urgent court interdict to halt his disciplinary tribunal, by the time the municipality appeared before SCOPA, the ruling was expected towards the end of May 2026. These prolonged disciplinary processes exacerbate administrative instability and hinder effective governance across critical departments.

4.9 Vetting status – Ekurhuleni Metropolitan Police Department (EMPD)

Prior to the follow up meeting on 10 June 2026, the municipality was requested to provide a status update on the vetting of EMPD officials, including the status of investigations, convictions, and all pending cases. The municipality reported that it has adopted a two-tier approach to vetting and integrity assessments. The first component consists of criminal record verification, the committee was informed that this vetting process conducted in May 2026 and covered 3 586 EMPD officials, utilising biometric fingerprint checks against the South African Police Service (SAPS) database. The second component involves formal security vetting processes conducted by the State Security Agency (SSA). The municipality acknowledged that this process has not been finalised.

The outcomes of the first component of the vetting process revealed the following:

- Conviction spanned from 1986 to 2024, with integrity-related offences such as dishonesty, fraud, murder, violent crime and traffic offences.
- Prior convictions - 63 officials account for 82 instances between 1986 and 2024, with the largest categories being dishonesty and fraud and violent crime (including 4 murder and 6 robbery conviction).
- Convictions during service – 55 officials account for 72 convictions between 1995 and 2024, with the leading offences being violent crime, attempted murder, theft, fraud and firearm offences.
- Pending criminal cases – 114 officials face a total of 173 pending cases of instances registered between October 2014 and December 2025. Over 58% of these cases fall

between 2022 and 2025. The largest categories include violent crime (72 cases), 27 assault cases, 14 robberies, 12 cases for murder, 9 cases for attempted murder, and 6 kidnapping cases, and 51 cases for fraud, corruption, extortion, defeating justice and conspiracy.

The committee expressed concerns regarding the gravity of charges such as murder, kidnapping, corruption, and sexual offences, among serving officers, questioning whether these individuals remain on active duty, if any occupy senior or sensitive positions, and what specific frameworks exist to categorise offenses and enforce suspensions or removals.

In addition, the committee requested clarity on whether officials under active investigation or facing trial for violent and serious crimes are stripped of their weapons and operational duties to prevent public risk.

Concerns were raised whether any of the implicated officials hold key managerial, decision-making, or supervisory positions within the EMPD structure.

The committee highlighted a lack of clear, enforced policy timelines for categorising severe misconduct, pointing out that administrative delays allow officials on prolonged suspensions to collect full salaries while cases stall.

4.10 Traffic fines – impairment

The issues surrounding the traffic fines collection and management system within the municipality highlighted several operational failures, financial losses, and critical IT governance breakdown. The AGSA reported that the metro impaired approximately R2.74 billion for traffic fine debtors in the 2024/25 financial year, representing 82% of traffic fines owed. The committee raised concerns as fine revenue was severely affected by system failures. The collapse in revenue collection was caused by an administrative decision taken at senior management level to abruptly cancel a fully functioning traffic fine management system without a replacement.

4.11 Electricity losses

During the 2024/25 financial year, the AGSA reported that the municipality incurred a material electricity loss amounting to R3.067 billion, which represents 15.5% of the total electricity purchased by the municipality (2023/24: R2.750 billion or 16%).

The financial loss is categorised into technical and non-technical losses, with non-technical issues accounting for the overwhelming majority. Technical losses totalled R858.388 million and were attributed to natural power dissipation across the transmission and distribution network. The remaining R2.209 billion comprised non-technical losses resulting from administrative and technical errors, negligence, electricity theft, meter tampering, illegal connections, and faulty meters.

4.12 Achievement of planned targets

The AGSA evaluated the municipality's 2024/25 performance against the strategic objective to deliver reliable, affordable, and sustainable services while ensuring improved infrastructure maintenance. Although the metro spent 96% of its allocated budget, it only achieved 71% of the planned targets. Critical service delivery targets were not achieved. Key areas of non-achievement were on the infrastructure development and basic response times. The municipality planned to construct a 6km municipal road network, whilst only 1.06km was constructed. In addition, the municipality had planned to complete 20 stormwater systems, whilst only 9 were completed. Furthermore, the callout response times within 48 hours severely fell short of the 85% target, achieving only 43.07% for sanitation and wastewater issues and only 52% for water-related callouts.

4.13 SIU Investigations

The SIU completed an investigation under Proclamation R195 of 2024, focusing on the unlawful sale and transfer of 221 municipal properties in Villa Liza Township between 01 January 2002 and 04 October 2024. The investigation revealed that none of the transfers were authorised by the municipality and that a conveyancer without a proper mandate submitted fraudulent documentation to the Deeds Office to execute the illegal sales. The SIU initiated legal action, including 208 referrals to the National Prosecuting Authority (NPA), 208 referrals to the Legal Practice Council (LPC) for fraud charges against the attorney. Additional enforcement included 208 referrals to the South African Revenue Service (SARS), 174 cases to the Financial Intelligence Centre (FIC), 219 Matters of Cause (MOCs). Civil proceedings are currently underway in the Special Tribunal to set aside the fraudulent transfers and recover the 208 properties back to the municipality.

5. City of Tshwane Metropolitan Municipality

On 12 May 2026, the City of Tshwane appeared before SCOPA to account for the 2024/25 annual financial statements and audit outcomes.

5.1 Audit outcomes

The City of Tshwane's audit outcomes over the period 2019/20 to 2024/25 reflect a fluctuating trajectory, marked by both regression and recovery. While the municipality initially received unqualified audit opinions with findings in 2019/20 and 2020/21, the audit outcomes regressed sharply to an adverse opinion in 2021/22. Subsequent years showed gradual improvement, with qualified audit opinions in 2022/23, 2023/24 and again 2024/25. There has been notable improvement, as the number of qualification areas decreased from 13 in the 2022/23 financial year, to 6 in 2023/24, and further down to 2 in 2024/25.

The two qualification areas for the 2024/25 financial year are the following:

5.1.1 Property, Plant and Equipment (PPE)

The AGSA reported that the municipality failed to comply with GRAP 17 (Property, Plant and Equipment) regarding its infrastructure and community assets. This non-compliance stemmed from the use of inappropriate valuation methodologies, inaccurate unit rates, and improper re-componentisation and revaluation of previously capitalised assets. As a direct result, the values recorded in the asset register were significantly inflated in both the 2024/25 and 2023/24 financial years, which subsequently distorted related accounts, including depreciation, impairment losses, and accumulated surplus. Ultimately, the AGSA concluded that due to the severity of these valuation errors and inaccuracies across the asset population, it was impractical to determine the exact monetary value of the total misstatement.

5.1.2 Contingencies

Similarly to the audit qualification on PPE, the municipality failed to comply with GRAP 19 (Provisions, Contingent Liabilities and Contingent Assets) due to incomplete and inaccurate supporting contingent liability register. This fundamental record-keeping breakdown created a scope limitation for the AGSA, as complete documentation was not available for audit. Consequently, contingent liabilities were omitted from the municipal records, leading to a significant material understatement.

5.2 Achievement of planned targets

During the 2024/25 financial year, the municipality's expenditure reached R50.31 billion, effectively resulting in 103% budget overspending. This demonstrates a severe disconnection between the actual expenditure and the actual service delivery. Despite fully exhausting and exceeding its financial resources, the metro only achieved 53% of its annual performance targets for the 2024/25 financial year, highlighting significant operational inefficiencies and poor alignment between the budget execution and target attainment. The following key targets were not achieved in the period under review:

5.2.1 Electrical Grid and Water Infrastructure (20% overall target achievement)

Under this target, the city only achieved an overall target of 20%, marked by significant shortfalls across all key significant outputs. Most notably, the municipality failed to deliver any new sewer connections against the planned target of 950. Infrastructure expansion and refurbishment were similarly not achieved, only 9 893.75 metres of water pipelines were replaced or upgraded against the target of 13 000 metres. The target for the installation of new sewer pipeline of 2 815 metres was also not achieved, as only 2 402.35 metres of new sewer pipeline were installed. The municipality had planned to connect 1 905 dwellings to the main electricity supply, but only 499 dwellings were connected. Furthermore, the municipality missed operational and compliance targets relating to unused water treatment capacity as it only achieved 37.22% against the planned target of 45%.

5.2.2 A Caring City – Social Relief & Housing (50% Overall Target Achievement)

Under “A Caring City” strategic priority, which focused on supporting vulnerable populations and providing social relief, the municipality attained an overall achievement of rate of 50%. Key housing and basic infrastructure targets were missed, as the metro delivered only 2 297 serviced water sites against a planned target of 2 834, and completed just 1 498 serviced sewer sites against a planned target of 2 834.

5.2.3 Missing indicators

The AGSA reported that three nationally mandatory National Treasury MFMA Circular 88 indicators were completely omitted from the municipality's approved planning documents, severely undermining operational transparency and council oversight. First, the indicator measuring the percentage of planned maintenance performance was excluded due to system limitations that prevented the extraction of credible data. Second, the indicator tracking the

percentage of surfaced municipal road lanes was omitted because the municipality lacked a uniquely identifiable asset register and defined denominators for its road network. Finally, the indicator measuring the number of title deeds registered to beneficiaries was left out because the title restoration process and associated grants were managed directly by provincial authorities rather than the municipality. Consequently, these critical service delivery outputs were neither planned for nor monitored, leaving key public needs unaddressed.

5.2.4 Problematic indicators and data reliability issues

The AGSA could not confirm reported achievements or reported reasons for underachievement for water and wastewater capacity, the infrastructure leakage index, and social relief serviced sites due to missing or non-verifiable records.

5.3 Going concern

The AGSA reported that the municipality's use of the going concern basis of accounting remains appropriate, though its financial position is subject to material uncertainty caused by ongoing short-term financial pressure. While the municipality has demonstrated an improved ability to generate revenue and cashflow, the rate at which cash becomes available frequently fails to align with immediate financial obligations. Solvency and liquidity levels continue to fall short of expectations as a consequence of historical financial underperformance. Nevertheless, the AGSA indicated that after evaluating management's cash flow projections, operational strategies, credit rating assessments, and the Eskom debt restructuring agreement, it was confirmed that the going concern assumption is valid and kept the audit opinion unmodified in respect of this matter. However, attention was drawn to the following risks:

- **Labour obligations:** The municipality must comply with the 2021 salary and wage collective agreement after losing its exemption application. This creates a liability of approximately R1.558 billion, requiring phased repayment while balancing other obligations.
- **Eskom debt:** Although reduced from R6.6 billion to R5.6 billion, the Eskom liability remains significant. Failure to adhere to the repayment plan (2024–2029) could trigger financial instability.

- **Service delivery dependency:** Revenue collection is tied to consistent service delivery. Any decline in electricity, water, or waste services could undermine the municipality's ability to collect funds.
- **Credit rating risk:** The municipality's ability to secure funding depends on maintaining a stable credit profile. While the rating by Moody's (Caa2, stable outlook) reflects some improvement, any deterioration could limit access to operational funding.
- **Regulatory compliance risk:** Historical non-compliance and unresolved unauthorised, irregular, fruitless and wasteful (UIFW) expenditure (over R10 billion under review) poses reputational and governance risks.

5.4 Unauthorised, irregular, fruitless and wasteful expenditure

5.4.1 Unauthorised expenditure

The municipality recorded unauthorised expenditure of R1.298 billion in the 2024/25 financial year (2023/24: R2.146 billion), bringing the closing balance to R3.444 billion (2023/24: R2.146 billion). The unauthorised expenditure was primarily driven by overspending mainly by the following units, amongst others:

- Water and Sanitation (R1.08 billion);
- Roads and Transport (R101.500 million);
- Shared Services (R67.22 million);
- Community and Social Services (R19.032 million);
- Human Settlements (R13.344 million); and
- Group Legal and Secretarial Services (R9.688 million).

The unauthorised expenditure comprises R90.655 million cash items and R1.207 billion non-cash items. The unauthorised expenditure relating to the 2022/23 financial year have been referred to the council and have been authorised/written off. The matters relating to the 2023/24 and 2024/25 financial years are currently under investigation and the municipality reported that it is assessing the cases.

The AGSA reported that reasonable steps were not taken to prevent unauthorised expenditure amounting to R1.298 billion, in contravention of section 62(1)(d) of the MFMA.

5.4.2 Irregular expenditure

The municipality reported irregular expenditure of R3.358 billion in the 2024/25 financial year (2023/24: R3.157 billion), increasing the closing balance of irregular expenditure to R18.258 billion (2023/24: R17.029 billion). Of the R3.358 billion irregular expenditure reported, R3.195 billion was incurred in the current financial year, while R162.683 million relates to prior years, but confirmed in the financial year under review.

During the 2024/25 financial year, an amount of R2.129 billion for irregular expenditure was referred to council for resolution. Of this amount, R1.649 billion was written off for the current year, R1.183 million was written off for prior years, while R479.164 million was earmarked for recovery. The balance of the irregular expenditure is currently under investigation.

The AGSA reported that reasonable steps were not taken to prevent irregular expenditure amounting to R2 598 795 130 as disclosed in note 57 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. Most of the disclosed irregular expenditure was caused by the non-compliance with the MFMA and the SCM prescripts. The main incidents of irregular expenditure were procurement through deviations without proper justification, misrepresentation by bidders, including forged documents submitted to win tenders, awards made to municipal officials, tenders awarded to bidders without tax clearance certificates, awards made after tender validity periods expired, and unfair disqualification of bidders and awards.

5.4.3 Fruitless and wasteful expenditure

The municipality recorded fruitless and wasteful expenditure of R614.885 million in the 2024/25 financial year (2023/24: R861.951 million), of this R613.122 million relates to the current year, and R1.154 million relates to the prior year but identified in the current year. The main contributors for fruitless and wasteful expenditure for the financial year under review were interest on late payments (R314.737 million), VAT interest and penalty liability (R30.997 million), goods or services procured and not utilised (R268.139 million), and declarations (R106.573 thousand). The municipality referred fruitless and wasteful expenditure of R2.297 billion to council for approval. The council approved R2.253 billion for write-off and R50.510 million for recovery. The closing balance of the fruitless and wasteful expenditure at the 2024/25 financial year was R1.458 billion (2023/24: R3.148 billion).

The AGSA reported that reasonable steps were not taken to prevent fruitless and wasteful expenditure, in contravention of section 62(1)(d) of the MFMA.

The AGSA reported that the municipality did not take reasonable steps to prevent unauthorised, irregular, fruitless and wasteful expenditure as required by section 62(1)(d) of the MFMA.

5.5 Unfunded budget

The municipality's 2024/25 budget was as adopted at R50.6 billion, comprising R48.3 billion for operations and R2.3 billion for capital infrastructure. However, the AGSA flagged the budget as unfunded, noting that expenditure commitments exceeded realistic revenue sources, thereby breaching MFMA requirements for a funded and credible budget. Service delivery losses of R1.7 billion in water and R3.3 billion in electricity, coupled with arrears of R5.6 billion to Eskom and water boards, and consumer debt impairments of R5.6 billion, underscored the municipality's weak financial position.

5.6 Deviation from supply chain management regulations

The municipality recorded deviations from the SCM regulations in terms of R296.823 million for the 2024/25 financial year. Deviations from the official procurement processes during the financial year under review were approved by the accounting officer and noted by the council in terms of the delegations as stipulated in the SCM policy, and the reasons for deviations was for exceptional cases.

5.7 Status of IT control environment

The AGSA reported that the IT control environment has regressed between 2022/23 and 2024/25, mainly due to weak governance, outdated systems, and unresolved cyber risks. Sustained budgetary constraints hindered the rollout of strategic initiatives and technology refresh, while delays in policy approvals and reliance on legacy systems created fragmented monitoring of security risks. Overdependence on service providers and failure to institutionalise business processes further weakened oversight. As a result, critical projects such as eHealth and SAP were delayed, SLA breaches eroded public trust, and poor vendor oversight compromised accountability. The environment now faces heightened cybersecurity vulnerabilities, weak access controls, and data integrity risks, all of which undermine service delivery and exposes the municipality to fraud, financial leakages, and operational

inefficiencies. The AGSA concluded that the poor IT governance practices remain the root cause for poor audit outcomes.

5.8 Infrastructure projects

The AGSA audited seven municipal infrastructure projects and reported widespread contract management failures, severe project delays, financial irregularities. Recurring issues across all the project sites included inadequate planning, delayed contractor payment, poor project management, and significant operational risks.

5.8.1 Refurbishment and Upgrading of Bronkhorstbaai and Summerplace Water Purification Plant (Water)

Completed in November 2023, the project suffered a contractor cost overrun exceeding 20%, an overpayment. A R136 200 deviation from specification, and design addition scope increased due to poor project management. Completed works included the walkway, paving, and ongoing excavations for street pole electrical cables.

5.8.2 Wapadrans 132/11kV Substation (Electricity)

Suffered completion delays exceeding 356 days alongside a failure to make timely payments.

5.8.3 Construction of IRPTN Line 2C: Lynnwood Road (Roads and Transport)

Experiencing completion delays and contractor performance issues, an expired performance guarantee, and payments made for items not observed on-site.

5.8.4 Construction of Parkmore Reservoir (Water)

Delayed by seven months due to poor preliminary planning, late issuance of construction permits, unforeseen hard-rock excavation, contractor cash-flow constraints, and work suspensions triggered by late payments to the Professional Services Provider (PSP).

5.8.5 Rooiwal Wastewater Treatment Works (WWTW) Condition Assessment (Sanitation)

The plant is drastically overwhelmed, discharging non-compliant effluent into the Apies River. Operational defects included unlined holding ponds, a lack of a bio-monitoring programme, invasive vegetation, two primary settling tanks under construction with inlet spillages, a

roofless screening area, non-functional screens during inspection, and primary settling and humus tank valves in poor condition.

5.8.6 Sunderland Ridge WWTW Conditional Assessment (Sanitation)

The facility faces capacity overload and a completion delay of 410 days caused by contractor financial constraints, lack of progress, and delayed subcontractor appointments.

5.8.7 Chantelle Housing Project (Human Settlements)

Development remains stalled following contractor termination, exacerbated by default on payments affecting the contractor.

5.9 Material Irregularities (MIs)

The AGSA identified 14 MIs against since the 2018/19 financial year audit, with the majority (13) linked to material financial losses amounting to R215 million and one case causing substantial harm to the public. Of these, 11 have been fully resolved, meeting the criteria of recovering losses, addressing harm, enforcing consequences, and strengthening internal controls, while three remain in progress with appropriate action underway. Notably, three resolved cases involved remedial action, reflecting corrective measures taken to close the matters. Over the past three years, the metro has shown improvement, with a downward trend in new MIs issued and, notable, no new irregularities raised during the 2024/25 financial year audit. Overall, the metro has adequately addressed 12 matters, continues to actively implement three, and monitors five others being handled by external stakeholders such as the courts, ensuring comprehensive oversight and accountability.

5.10 Water losses and water tankers

The AGSA reported that the municipality incurred material water losses of R1.699 billion in the 2024/25 financial year (2023/24: R1.331 billion), which represents 39.1% of water purchased. Technical losses of R1.359 billion (2023/24: R1.063 billion) were due to physical loss of water through the water distribution network. Non-technical losses of R339.953 million (2023/24: R266.213 million) were due to inaccurate metering, water leaks, pipe burst, and water theft.

In the meeting on 12 May 2026, the municipality acknowledged that historic expenditure on emergency water tankers represented a major governance failure and formed part of a R777

million scandal that could not be justified. Water tankers and wastewater services and waste management were highlighted as high-cost line items that heavily contributed to the municipality's irregular expenditure. In response, the municipality reported that it has implemented strategic interventions by cutting its water tanker expenditure by half in the current year financial year and transitioning toward using its own internal fleet, which was built by acquiring new vehicles and converting existing municipal resources. Furthermore, the municipality engaged the SIU to investigate historical transactions to determine whether past amount spent were justifiable and to enforce consequence management.

5.11 Electricity losses

According to the AGSA's 2024/25 audit report, the municipality incurred material electricity losses of R1.873 billion (2023/24: R1.632 billion), which represents 21% (2023/24: 19%) of the total electricity purchased. Technical losses of R610.437 million (2023/24: R598.625 million) were due to electricity lost while being distributed from the source of generation through the transmission and distribution network to the final consumer. Non-technical losses of R1.262 billion (2023/24: R1.033 billion) were due to administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumptions and faulty meters.

5.12 SIU investigations

The SIU has undertaken several proclamations into the municipality, both completed and ongoing investigations. The ongoing investigations under Proclamation R138 of 2023 focuses on procurement irregularities at the Rooiwal Wastewater Treatment Works, where fraudulent misrepresentations, irregular clarification of records, contraventions of CIBD regulations, and under-declaration of income by the contractor resulted in irregular expenditure of approximately R147.8 million. The outcome to date includes 13 disciplinary referrals, 6 criminal referrals to the NPA and DPCI, and administrative referrals to SARS, CIBD, National Treasury, and CIPC.

The completed investigations include Proclamation R212 of 2024, which examined the procurement of tender CB227/2013 for macro surveillance CCTV infrastructure. This revealed irregular contract extensions after expiry, ex-post facto payments without valid contracts, and payments by the contractor to municipal officials unrelated to the contract, leading to systemic recommendations, one disciplinary referral, and a final presidential report under review.

Furthermore, Proclamation R23 of 2020, conducted jointly with Johannesburg, found inflated prices and failures to comply with procurement policies, resulting in six NPA referrals, eight disciplinary referrals, and four administrative action referrals. Collectively, these investigations highlight systemic weaknesses in Tshwane's procurement processes, recurring irregular expenditure, and entrenched corruption risks that undermine governance and service delivery.

5.13 Consequence management

The municipality reported on the actions taken to enforce consequence management, which include dismissing two officials, one Divisional Head and one Director for misrepresentation and procurement irregularities. Disciplinary hearings remain active for numerous staff members across several departments, including two Group Heads, two Divisional Heads, two Deputy Directors, three Directors, three Storekeepers, two Senior Storekeepers, three Revenue Agents, an Examiner, a Senior Admin Officer, and a General Worker for charges ranging from qualification fraud and procurement irregularities to stock theft and corruption. Additionally, charges are currently being prepared or considered against multiple officials, including a General Worker for the fraudulent sale of land, as well as other staff implicated in recruitment irregularities, illegal utility connections, and conflict of interest. Meanwhile, one Project Manager was cleared of charges, several implicated officials resigned before proceedings concluded, and one official passed away.

6. City of eThekweni Metropolitan Municipality

The City of eThekweni Metropolitan Municipality appeared before the joint committees on 20 May 2026, to account on its latest audit outcomes (2024/25) and investigations.

6.1 Audit outcomes

Over the past three financial years (2022/23 – 2024/25), the City of eThekweni has consistently maintained an unqualified audit opinion with findings. The number of audit findings consistently dropped over the three financial years from 25 matters in 2022/23, to 20 in 2023/24, and 13 in 2024/25. This steady decline in audit findings highlights progressive improvements in internal controls, oversight, and compliance governance over the years.

However, the municipality continues to grapple with recurring non-compliance findings, particularly in areas of supply chain management, procurement and contract management, and expenditure controls. Although the municipality has demonstrated gradual progress in reducing the overall audit findings and refining performance reporting, unresolved internal control weaknesses and slow progress in consequence management have prevented it from transitioning to a fully unqualified audit opinion with no findings (clean audit).

6.2 Achievement of performance targets

For the 2024/25 financial year, the municipality achieved 87.27% of its key targets while spending 96% of its budget, though several critical water and sanitation indicators were missed. Non-revenue water loss rose to 58.70% (target: 53.20%) and the infrastructure leakage index reached 11.3 (target: 8.2), with both failures driven by aging infrastructure, pipe leaks, and widespread illegal connections. In addition, new water connections fell short at 88.21% (target: 100%) due to a 50% initial budget cut that halted production for four months until adjustment funding was secured in March 2025. Finally, unused wastewater treatment capacity missed its target of 30% or less by reaching 56.12%. Audit findings further highlighted compliance issues across these failures, noting inaccurate underlying records for the leakage index and unverified or missing supporting evidence for plant capacities.

In some indicators, the AGSA reported that they could not obtain sufficient evidence to support the achievement of targets. For example, regarding the number of fully subsidised housing units allocated, an achievement of 1 985 was reported against a target of 1 977. However, the audit evidence failed to support this claim, leading auditors to estimate that actual performance was materially less and likely below the set target.

Similarly, regarding the percentage of reported pothole complaints resolved within the standard municipal response time, where an achievement of 54% was reported against a target of 40%. However, audit evidence did not support this figure, with auditors estimating that actual performance was materially less than reported and likely below the target.

6.3 Procurement and contract management

The municipality's procurement processes in the 2024/25 financial year revealed extensive irregularities and non-compliance with SCM regulations. Uncompetitive and unfair procurement deviations amounted to R1.540 billion where competitive bids were bypassed

despite being practical, contravening SCM Regulations 19(a) and 36(1). In addition, prohibited awards to employees' spouses or business partners totalled R6.16 million (three cases), while prohibited awards to other state officials reached R3.630 million (18 cases). Further irregular expenditure of R311.760 million was linked to other SCM non-compliance. Furthermore, municipal officials failed to disclose close family members' business interests in awarded contracts, and SCM role players actively participated in procurement processes involving their family and associates' interests, violating SCM Regulation 46(2) and the Municipal Systems Act code of conduct. Collectively, these lapses highlight systemic weaknesses in procurement governance, poor oversight, and disregard for ethical standards, exposing the municipality to significant irregular expenditure, and accountability risks.

6.4 Irregular expenditure

The municipality recorded irregular expenditure of R4.480 billion for the 2024/25 financial year (2023/24: R1.162 billion). The irregular expenditure for the financial year under review consists of R3.702 billion for the current year and R736.44 million irregular expenditure for the prior year but identified in the current year.

The main reason for irregular expenditure in the municipality during 2024/25 were linked to systemic weaknesses in supply chain and procurement compliance. The largest contributor was non-compliance with Preferential Procurement Regulations (PPR 2017) on local content, amounting to R1.937 billion, followed by the inappropriate use of Regulation 36 (R1.306 billion) for emergency or sole provider procurement. Other significant drivers included splitting of orders (R326 million), payments under MFMA Section 115 (R799 million), and non-compliance with MFMA Section 116 (R61 million). Smaller but notable cases involved awards to entities connected to municipal employees, business partners, or close family members, as well as irregularities in tender advertising and quotation processes. In total, these issues reflect persistent weaknesses in procurement planning, contract management, and conflict of interest controls, which collectively drove the sharp increase in irregular expenditure balances.

During the financial year under review, the accumulated irregular expenditure was referred to council for adjudication, resulting in council certifying a total of R2.49 billion as irrecoverable and writing off the balance. Specifically, council resolved to write off R1.336 billion during the financial period, with an additional R1.156 billion approved for write-off post year-end. No

amounts were condoned or recovered, leaving a remaining closing balance of R3.246 billion awaiting final investigation and resolution.

The Auditor-General reported that reasonable steps were not taken to prevent irregular expenditure amounting to R4.481 billion as disclosed in note 51 to the separate financial statements, as required by section 62(1)(d) of the MFMA.

The joint committees expressed concerns on the substantial value of irregular expenditure written off over two financial years and whether adequate investigations, accountability measures and value-for-money assessments had been undertaken before such write-offs were approved.

6.5 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure increased to R67.353 million in the 2024/25 financial year, reflecting a sharp increase from R6.723 million in 2023/24 and R579,000 in 2022/23. The primary drivers behind these losses included interest accrued on late payments, legal court orders, penalties for unrenewed licenses, and payments made to contractors for work that failed to meet required specifications. The closing balance at end of 2024/25 financial year end was R81.463 million (2023/24: R17.217 million). The fruitless and wasteful expenditure was referred to council for further investigation and R3.106 million was written off by council as irreconcilable.

The AGSA reported that there were delays in resolving outstanding fruitless and wasteful expenditure primarily due to administrative backlogs in submitting cases to the Municipal Public Accounts Committee (MPAC) for formal investigation, as well as several investigations still actively in progress.

6.6 Infrastructure projects

The AGSA reported audit findings on the municipality's infrastructure projects. The overall findings reveal systemic vulnerabilities across its major sectors, highlighted by significant project management failures in seven key capital projects worth R682 million spanning electricity, housing, water, sanitation, and roads. These projects suffered from deficiencies across their entire life cycle, including poor planning, contractor underperformance, inadequate monitoring of budgets and progress, and facilities remaining unserviceable after

commissioning. Beyond specific capital projects, the municipality faced widespread operational challenges; road management remained overly reliant on reactive fixes instead of proactive maintenance, while the water and sanitation sector is plagued by severe non-revenue water losses driven by leaks, pipe bursts, illegal connections, and aging systems. Furthermore, persistent delays and breakdowns at wastewater treatment facilities have forced a dependence on costly water tankers and reactive measures.

6.6.1 Electricity (Austerville Substation 132/11kV)

Intended to replace outdated infrastructure. Faced additional scope on initial appointment, contract termination, and a replacement contractor, resulting in a 4-year delay.

6.6.2 Housing (Etafuleni Phase 1)

Aimed at delivering 2 500 RDP houses. Project costs expanded from R119 million to R299 million due to delays and annual subsidy quantum increases, running 11 years delayed.

6.6.3 Water (Ntuzuma Reservoir 2 & 5 Pump Station)

Rehabilitation/replacement of mechanical and electrical equipment delayed by 8 months to date.

6.6.4 Water (Mkhizwana WTW)

Project to expand capacity to 4 ML/day. Experienced an 8-month delay and cost increase from R39.2 million to R64.3 million due to variation orders and extensions.

6.6.5 Sanitation (Mahatma Gandhi Wastewater Emergency Work)

Rehabilitation of mechanical/electrical equipment. Delayed by 5 months.

6.6.6 Sanitation (Isibaya Nodes 2 & 5)

Construction and upgrade of sewer pump stations completed with a 3-year delay.

6.6.7 Roads (Solomon Mahlangu Drive / M7 Phase 1)

Road widening expanded from R49.4 million to R96.6 million due to contract expansion/scope changes and delayed by 28 months.

6.7 Namibia Stop 8 Housing Project

The Namibia Stop 8 Housing Project, situated within Ward 55 and 56 is an in-situ informal settlement upgrade managed by the eThekweni Metropolitan Municipality to deliver basic services and sustainable housing to the community. The initial strategy for Phase 1 targeted 343 serviced site and housing opportunities, with the contractor appointed in May 2019, with a 24-month execution timeline to build 289 serviced sites and top structure. To execute this seamlessly, the implementation methodology required construction of 68 temporary transit units by November 2019, allowing the families to be relocated in phases while constructing main roads, sewer, and stormwater infrastructure, and progressively move beneficiaries into permanent homes.

The municipality reported progress to the joint committees in May 2026 in that 73 of the 289 planned top structures have been completed, with delivery ramping up from 3 units in 2022/23 to 26 in 2023/24 and 44 in 2024/25. Additionally, 68 transit camp units were actively supported with security, potable water, maintenance, ablution facilities, and relocation assistance. Significant headway has also been made on foundational infrastructure, including waterborne sewerage for 229 units, roads built to formation level for 200 units, semi-pressure water reticulation for 156 units, and piped stormwater drainage for 123 units.

The project faced severe setbacks due to rapid population growth driven by its proximity to the KwaMashu Bridge City Economic Node during a 14-year planning and land assembly period, leaving the site heavily oversubscribed by the time final approvals were granted in March 2021. Further compounded by COVID-19 pandemic restrictions and the devastating April 2022 storm disaster, these disruptions created significant operational challenges, including heavy pressure on transit camps, forced construction redesigns, delayed sequencing, and severe strain on bulk municipal services. The AGSA identified a MI regarding unsatisfactory living conditions at the transit camp.

6.8 Material irregularities

During the 2024/25 financial year, the AGSA identified and reported one new MI relating to water meters that were not repaired, maintained, or replaced, in violation of section 63(1)(a) of the MFMA. Physical verification revealed non-functional meters at consumer properties, which led to consumers being billed zero for water consumption, resulting in a material financial loss and exposing the municipality to further losses since it cannot legally and

accurately bill for water services without functioning meters. The accounting officer was formally notified on 8 July 2025 and responded on 5 August 2025 with proposed remedial action, including repairs or replacement of meters and the approval of a water turnaround strategy. The AGSA has indicated that the implementation of these planned actions will be followed up during the next audit to assess progress.

The previously reported MIs, include the pollution of water resource not prevented – Umbilo wastewater treatment works; the Expanded Public Works Programme payments made for expenses not incurred; and the dilapidated state of community ablution blocks – KwaDabeka Transit Camp. Of these, two have been resolved, while two are in the process of being addressed. The irregularities caused material financial losses of R21.6 million, including payments for goods and services not received, interest and penalties, and unbilled revenue. In addition, several cases led to substantial harm to the environment and the public, such as wastewater treatment works pollution, inadequate sanitation at transit camps, and housing delays.

6.9 Water management and water tankers

The AGSA reported that the eThekweni Metropolitan Municipality continues to face excessive non-revenue water losses, which have remained above 50% for the past three years, amounting to R2.92 billion (58.7%) in 2024/25, R1.99 billion (53.8%) in 2023/24, and R2.03 billion (58.0%) in 2022/23. While bulk water purchased from Umngeni-uThukela Water met all quality standards, the municipality's weak metering and infrastructure maintenance has undermined revenue recovery. Instead of proactive interventions, the municipality has largely relied on reactive maintenance and water tankers to manage supply disruptions, with limited monitoring or reporting on its water turnaround strategies. The Auditor-General stressed that the municipality must ensure its capital and operating budgets for water and sanitation are adequately funded to meet growing demand and stabilise the water network.

At the meeting on 18 May 2026, the joint committees expressed concerns on the municipality's reliance on water tankers as a stop-gap measure for service delivery, highlighting both financial and governance risks. Expenditure on water tanker services had escalated dramatically from R102.6 million in 2020/21 to a peak of R814.8 million in 2024/25. This spike was largely driven by emergency contract extensions during the transition to insourcing, which contributed to significant irregular expenditure balances, including R657 million linked to inappropriate

use of procurement regulations. The joint committees' view is that while water tankers have been used to mitigate supply disruptions, their procurement has exposed the municipality to financial loss and repeated audit findings.

6.10 Human resource management

The joint committees raised HR concerns within the City of eThekweni, highlighting persistent vulnerabilities in governance and personnel management. The joint committees questioned allegations of nepotism, where internal promotions and salary adjustments involved relatives of senior executives, creating perceptions of bias despite existing policies. They also flagged unprocedural appointments and disputes over minimum qualifications, noting litigation linked to contested posts. Serious concern was expressed about the municipality's failure to act on misconduct, particularly delays in suspending a senior manager facing sexual harassment claims. Questions were raised about the City Manager's role in appointments, with Members warning that his involvement in recruitment and disciplinary processes could compromise segregation of duties. Finally, the joint committees pressed for stronger consequence management, emphasising that disciplinary registers and referrals must translate into visible accountability outcomes to restore public confidence.

6.11 Investigations

The SIU has undertaken several proclamations into the municipality, with 4 completed proclamations and 1 active proclamation.

Proclamation 248 of 2025 (Ongoing)

- **Focus Area:** Maladministration, procurement irregularities, and non-performance regarding water and sanitation services to human settlements and schools under Project Y6525AZ (covering 7 contracts).
- **Findings:** SCM procurement irregularities involving 5 Bid Evaluation Committee (BEC) officials and 4 Quality Evaluation Team (QET) officials on contract WS6688; SCM irregularities involving 6 BEC officials and 3 QET officials on contract WS6766.
- **Outcomes & Status:** The investigation is active; a progress report was submitted to the President on 2 December 2025.
- **Referrals:** 18 Disciplinary Action referrals against officials (currently under review by the Municipal Financial Misconduct Board).

Proclamation R26 of 2018 (Completed)

- **Focus Area:** Procurement irregularities regarding Tender No. WS-6656 and WS-6749 for the supply of refuse bags.
- **Findings:** Misrepresentation of manufacturing experience, sub-contracting requirements, BBBEE status, EME status, and directorship; payment of gratification (corruption) to a municipal official.
- **Outcomes:** Final report submitted to the President on 26 March 2020. The municipality initiated its own administrative processes to cancel the contract and blacklist the service provider (Persian Star) prior to the SIU investigation.
- **Referrals:**
 - 10 Criminal referrals submitted to the NPA (SCCU Ref: 10/3/5-569/22).
 - The SIU did not submit a disciplinary referral as the municipality had already instituted disciplinary action against the official.

Proclamation R23 of 2020 (Completed)

- **Focus Area:** Procurement irregularities in appointing service providers for PPE, catering, and shelter during the COVID-19 pandemic.
- **Findings:** Official misconduct, contraventions of the Municipal Code of Conduct, overpricing of PPE, fraud, and forgery by service providers.
- **Outcomes:** 7 Acknowledgements of Debt (AOD) signed with service providers to the value of R337 137.50. Interim and Final Reports submitted to the President.
- **Referrals:**
 - 111 Disciplinary referrals against 9 officials (the Municipal Financial Misconduct Board decided not to discipline in 94 matters; 17 resulted in employment termination).
 - 29 Criminal referrals submitted to the NPA (22 resulted in *nolle prosequi*; 7 were withdrawn in court following SAHPRA licensing clarifications).
 - 25 Administrative Action referrals.
 - 5 Referrals to SARS.

Proclamation R09 of 2021 (Completed)

- **Focus Area:** Disposal or alienation of municipal immovable property for housing via the Infill Housing Programme (IHP), and improper transfer/sale of vacant properties by appointed developers.

- **Findings:** Income Tax Act contraventions, Section 173(3) MFMA financial misconduct by officials, PACOCAA contraventions, and improper payments made to an official.
- **Outcomes:** Civil litigation instituted in the Special Tribunal on 28 March 2024 to the value of R28 141 376.
- **Referrals:**
 - 4 Disciplinary referrals (2 officials resigned, 1 terminated, 1 insufficient evidence).
 - 20 Criminal referrals to the NPA (CAS 488/02/2023, 489/02/2023, 490/02/2023).
 - 1 Referral to SARS.
 - 11 Administrative Action referrals (to place entities and directors on National Treasury's Database of Restricted Suppliers).
 - 1 Systemic Recommendation to the municipality.

Proclamation 226 of 2024 (Completed)

- **Focus Area:** Procurement of or contracting for security services and VIP protection services under contract CMS 0031.
- **Findings:** No evidence to substantiate whistleblower allegations; lack of documentation.
- **Outcomes & Referrals:** 1 Systemic Recommendation submitted to the municipality.

The joint committees enquired on the progress made by the municipality in enforcing SIU recommendations and referrals specifically under Proclamation R09 of 2021 regarding the Phoenix infilling housing policy, but eThekweni city officials denied having received the final report. The City Manager maintained that the Phoenix investigation remained incomplete and that the municipality was still awaiting the final document, confirming with his team that the city did not possess it despite a committee member raising specific SIU findings and recommendations to blacklist implicated contractors. Supporting this position, Human Settlements Director stated that his understanding of the matter centred on fast-tracking residents' ownership and title deeds rather than any reports recommending contractor blacklisting.

Concerns were raised over the lack of progress on the SIU's actual findings, which included four disciplinary referrals made to the municipality and other matters referred for administrative action, including the blacklisting of implicated entities.

The joint committees expressed severe concern and sharp criticism regarding the municipality's approach to write-offs for irregular and fruitless and wasteful expenditure, characterising it as a failure of consequence management. Some of the matters raised were:

- **Write-offs used to bypass accountability:** Committees strongly cautioned that writing off irregular and fruitless and wasteful expenditure does not erase the unlawful nature of the acts, nor does it relieve the municipality of its statutory obligation to hold responsible individuals accountable.
- **Absence of action against transgressors:** The municipal leadership was criticised for prioritising administrative write-offs on financial statements over enforcing disciplinary action, recovering lost funds, or initiating criminal referrals against officials responsible for financial mismanagement.
- **Demand for detailed breakdown:** The joint committees demanded a full accounting of all write-offs, insisting on a line-item breakdown detailing whether financial losses were incurred, whether value for money was achieved, what formal disciplinary steps were taken, and which cases were referred for criminal prosecution.
- **Lack of Institutional Will:** Frustration was expressed at a culture of impunity, noting that relying on regularisations without enforcing blacklisting or consequence management effectively protects corrupt entities and negligent staff at the expense of public funds.

7. City of Johannesburg Metropolitan Municipality

The joint committees met on 09 June 2026 with the delegation from the City of Johannesburg Metropolitan Municipality to discuss the latest audit outcomes for the 2024/25 financial year, financial accountability, and management, performance management, governance, as well as consequence management, including SIU investigations.

7.1 Audit outcomes

The City of Johannesburg's core municipality regressed to a qualified audit opinion in the 2024/25 financial year from unqualified audit opinion with findings in the previous two financial years. The consolidated financial statements (group) maintained an unqualified audit opinion with findings for the past three years financial years. All the entities within the group received unqualified audit opinions with findings for the financial year under review, and the past three financial years, with the exception of Johannesburg Market which received unqualified audit opinion without findings (clean audit).

The main audit findings identified by the AGSA were:

- **Material misstatements:** Persistent weaknesses in internal controls and reporting escalated into material misstatements, causing the core municipality to regress to a qualified audit opinion.
- **Receivables from exchange transactions (sundry debtors):** The AGSA could not obtain adequate supporting documentation to confirm the existence, accuracy, valuation, or allocation of sundry debtors.
- **General expenses:** certain general expense transactions from 2023/24 were incorrectly recognised in 2024/25, contrary to GRAP 1 requirements for recognition in the correct reporting period.
- **Leadership and governance deficiencies:** Unresolved failures in executive leadership, oversight, and internal review processes hindered sustained operational improvement and compromised compliance.
- **Critical staffing instability:** Severe vacancies and high turnover in key positions including the City Manager, Chief Audit Executive, and senior roles in finance, SCM, and technical units critically weakened the internal control environment.
- **Lapses in compliance and financial discipline:** Municipal leadership failed to consistently enforce accountability, regulatory compliance, and disciplined financial management across departments.
- **Inadequate quality control in reporting:** The municipality continuously relied on the external audit process, rather than its own internal systems, to correct and refine the quality of its financial statements and annual performance reports.

There were delays in finalising and tabling the City of Johannesburg's 2024/25 annual report primarily caused by formal technical disputes lodged by the municipality regarding specific AGSA audit findings. The audit report could not be finalised until these disputes, which focused on receivables and debtor balances, expenditure cut-off procedures, asset valuations, and the completeness of irregular expenditure disclosure were independently evaluated through AGSA's internal dispute-resolution process.

Following this review, AGSA upheld its position on debtor balances and expenditure cut-off, which led to the finalisation of the audit and contributed directly to the city's regression to a qualified audit opinion.

7.2 Electricity and water losses

The AGSA reported that in the year under review, the municipality incurred R3.9 billion in non-technical electricity losses, which were primarily driven by illegal activities and system deficiencies, and R1.7 billion for technical electricity losses, pushing the total electricity losses R5.670 billion. Key contributing factors included power theft and meter tampering, such as meter bypassing, illegal calibration, and meter damage. Additionally, the losses were compounded by technical and operational issues, including faulty transformers and voltage supply, alongside pervasive billing errors.

Furthermore, the municipality incurred substantial water losses totalling nearly R2.8 billion (32.9%) (2023/24: R2.9 billion and 34.5%), driven by infrastructural, technical, and operational failures. The majority of this loss, R2 billion was caused by physical leaks throughout the water network infrastructure, while an additional R790 million was lost due to illegal connections, metering inaccuracies, and billing errors.

7.3 Unfunded budget

The AGSA reported that the City of Johannesburg's 2024/25 budget was unfunded, both at the municipality and group level. Overspending resulted in R2.370 billion in unauthorised expenditure at the municipal level and R2.38 billion at the consolidated level, alongside arrears owed to Eskom and water boards. Although the report noted no going-concern uncertainty, the unfunded budget status highlights serious weaknesses in financial planning, expenditure management, and sustainability, raising concerns about the city's ability to maintain infrastructure and deliver services effectively.

7.4 Unauthorised, irregular, fruitless and wasteful expenditure

7.4.1 Unauthorised expenditure

During the 2024/25 financial year, the City of Johannesburg recorded significant levels of unauthorised expenditure. At the core municipality level, unauthorised expenditure amounted to R2.38 billion, while approved write-offs totalled R6.42 billion. At the group level, unauthorised expenditure confirmed during the year was far higher, reaching R9.12 billion,

largely driven by overspending on bulk purchases of R3.22 billion. In addition, the municipality wrote off R18.459 billion in unauthorised expenditure during the review period. The closing balance for unauthorised expenditure at the end of 2024/25 financial year was R3.681 billion for the group (2023/24: R12.937 billion) and R350.153 million for the core municipality.

The AGSA reported that reasonable steps were not taken to prevent unauthorised expenditure, in contravention of section 62(1)(d) of the MFMA.

7.4.2 Irregular expenditure

The core municipality confirmed R2.369 billion irregular expenditure during the 2024/25 financial year (2023/24: R1.982 billion), and R2.897 billion irregular expenditure was written off during the financial year under review. At a group level, R3.689 billion of irregular expenditure was confirmed in the 2024/25 financial year (2023/24: R3.722 billion). The bulk of this irregular expenditure related to expenditure in respect of a prior year contract amounting to R1.67 billion which was identified as irregular. The group wrote off R4.65 billion in the 2024/25 financial year. The majority of the irregular expenditure was caused by non-compliance with regulation 36. The group's closing balance for irregular expenditure at the end of the 2024/25 financial year was R9.280 billion (2023/24: R10.051 billion), and for the core municipality was R7.395 billion (2023/24: R7.923 billion).

The AGSA reported that reasonable steps were not taken to prevent irregular expenditure, in contravention of section 62(1)(d) of the MFMA.

7.4.3 Fruitless and wasteful expenditure

In the 2024/25 financial year, the group incurred fruitless and wasteful expenditure amounting to R943.80 million (2023/24: R325.844 million), and the core entity R42.148 million (2023/24: R1.479 million). The main drivers for fruitless and wasteful expenditure were interest and penalties on late payments, mainly attributable to City Power. During the financial year under review, council approved write off amounting to R1.350 billion. The closing balance for fruitless and wasteful expenditure at the end of 2024/25 financial year at group level was R317.175 million (2023/24: R734.815 million) and core municipality R112.628 million (2023/24: R81.980 million)

The AGSA reported that reasonable steps were not taken to prevent fruitless and wasteful expenditure in contravention of section 62(1)(d) of the MFMA.

7.5 Status of ICT control environment

The AGSA reported on the status of ICT environment which showed a regression from the previous audit outcomes in the prior period, which requires urgent intervention. The key findings identified in the 2024/25 financial year were:

- **Project Governance:** Weak IT project governance leading to delayed and failing strategic system implementations.
- **Contract & SLA management:** Ineffective contract and Service Level Agreement (SLA) management, characterised by unverified deliverables, unsupported payments, overlapping contracts, and excessive reliance on service providers without proper performance monitoring.
- **Basic IT controls:** Inadequate baseline IT controls compromising data integrity, including weak system integration, poor segregation of duties, ineffective user access controls, and weak change management.
- **System security and configuration:** Outdated legacy systems and insecure system configurations that increase exposure to operational and cybersecurity risks.
- **Continuity and service delivery:** Inconsistent implementation of core IT continuity controls (such as backup monitoring) and SLA breaches across resident query resolutions, resulting in IT systems that fail to strategically support core service delivery and performance reporting.

The overall root causes for weakness in the ICT environment were attributable to the leadership's ongoing failure to enforce internal controls, combined with capacity shortages, poor project oversight, and an overreliance on legacy systems and contractor. This has deeply entrenched recurring ICT vulnerabilities across the municipality. If these challenges remain unresolved it could compromise financial and performance data integrity, expose the administration to severe cybersecurity and operational disruption risks, and cause revenue leakages that directly impair frontline service delivery to residents.

7.6 Debt arrears and liquidity

The municipality reported that arrear debt management remained a significant financial pressure, highlighting that arrears to Eskom and water boards remain a challenge, reflecting ongoing liquidity constraints and weak revenue collection. These arrears, among other factors were flagged by National Treasury as a major risk to the municipality's financial sustainability, undermining budget credibility and creditor confidence. The municipality explained that interventions were underway to stabilise finances, including improved billing accuracy, debt recovery initiatives, and stricter expenditure controls. It also noted that long-term concessional borrowing had been secured to support infrastructure investment and ease cashflow pressures. However, the joint committees emphasised that arrears to Eskom and other creditors illustrate systemic weaknesses in financial discipline and accountability, insisting that oversight should focus on measurable outcomes and strengthening cashflow management, the Eskom and water board arrears remain a critical risk, directly linked to poor collection rates and structural budget pressures requiring urgent correction actions to restore fiscal stability.

The committees noted and welcomed the settlement of arrear Eskom debt by the municipality amounting to R5.255 billion, as publicly reported on 21 August by the City of Johannesburg, the Department of Electricity, and Eskom. This development marks the full settlement of overdue and is a positive milestone in stabilising the municipality's finances and restoring credit confidence. While acknowledging this positive milestone, it was emphasised that accountability must still be demonstrated and internal controls must be strengthened to prevent future arrears.

7.7 Infrastructure projects

The AGSA reported on the status of selected audited infrastructure projects in the municipality. The status of infrastructure projects reflects widespread operational breakdowns, weak oversight, and significant environmental and financial risks across key municipal sectors. The root causes behind these failures stem from weak and inconsistent contract management combined with flawed project planning, risk management, and quality control. These issues are compounded by severe municipal cashflow constraints that delay contractor payments, alongside inadequate document management, poor record-keeping, and an ongoing neglect of essential infrastructure maintenance.

Key audit findings on audited projects:

- **Water and Sanitation:** Projects (Nancefield outfall sewer, Randburg depot, Diepsloot sewer pipeline, Woodmead reservoir) suffered severe delays due to Johannesburg Water's cashflow constraints and late contractor payments. Wastewater sites like Northern WWTW show heavy non-compliance, poor maintenance, non-operational equipment, and raw sewerage spilling into the Jukskei River.
- **Electricity:** Project execution (e.g., Hospital Hills) lacked detailed, updated design documents and proper engineering calculations, creating severe safety and asset risks.
- **Solid waste management:** Sites like the Ennerdale landfill face environmental and safety non-compliance, including improper waste picking operational hazards, unstable slopes, and silt-choked leachate ponds contaminating soil and groundwater.
- **Human settlements:** Projects such as Drieziek Extension 4 exhibited weak project monitoring, missing performance guarantees/insurance, improper coverage of contractor liabilities, and an avoidable financial loss.

Infrastructure delays and failures have increased operational expenditure (such as long-term reliance on leased premises), caused project cost overruns, exposed the municipality to financial losses, and severely heightened public health and environmental hazards through persistent water and soil pollution. Overall, contractor underperformance and under-maintenance directly impaired basic service delivery outcomes for residents.

The municipality only allocated only 1% of its core budget and 4% of its consolidated group budget for repairs and maintenance, which is far less than the 8% benchmark. This significantly contributed to the deterioration of infrastructure and water and electricity distribution losses.

7.8 Deviations

The municipality reported deviations from SCM regulations amounting to R1.381 billion for the 2024/25 financial year, which is a decline from R5.886 billion in 2023/24. The reasons provided included emergency procurement, sole suppliers, impracticality cases, ratification of minor breaches, and other deviations. The AGSA reported that these deviations were approved by the accounting officer even though in some cases competitive bidding could have been invited, which is a direct contravention of SCM regulation 36(1). This practice directly contravened section 217(1) of the Constitution of the Republic of South Africa, 1996, which

requires state institutions to contract for goods or services in a fair, equitable, transparent, competitive, and cost-effective manner.

7.9 Material irregularities

The AGSA identified and reported 21 active MIs across the municipality and its municipal entities, all stemming from non-compliance with applicable legislation and regulations. The breakdown of the MIs was as follows:

- Material finance loss - 17 MIs were identified and reported, 9 of these MIs directly relate to the CoJ core municipality;
- Misuse of public resources - 2 MIs relating to the CoJ core; and
- Substantial harm to the general public - 2 MIs issued for Pikitup and Johannesburg Water.

According to the AGSA's report, appropriate actions have been taken by management to address and fully resolve 14 MIs, with 5 MIs having been fully resolved through appropriate remedial actions, and 2 MIs are currently under assessment.

Notable MIs included:

- The unutilised Bus Rapid Transit (BRT) stations;
- Unutilised metro centre buildings;
- Poor refurbished Park Chambers buildings;
- The Johannesburg Water unprevented water resource pollution at Goudkoppies WWTW and lack of proactive maintenance on water infrastructure;
- The City Power poor maintenance of the Hopefield substation; and
- The Pikitup's poor management of the Marie Louise landfill site.

7.10 Consequence management

The municipality outlined its approach to consequence management and referrals. The presentation to the joint committees stated that the disciplinary board was fully operational, with 34 matters under investigation, 6 criminal matters referred to law enforcement agencies, 16 matters approved by council for disciplinary board referrals. The municipality indicated that UIFW expenditure is being separated into accounting treatment, control correction, consequence management, and criminal referral where there is evidence.

The joint committees expressed strong concern that the municipality's approach to UIFW expenditure write-offs was inadequate and undermined accountability. The reduction in UIFW balance due to write-offs by the council does not make unlawful expenditure lawful and can't be presented as evidence of improved internal controls and governance. The committees insisted that accountability must be demonstrated through completed investigations, sanctions against responsible officials and recovery of losses, as well as criminal referrals in cases where misconduct is proven.

The committees highlighted delays in disciplinary processes, backlogs dating back to more than a decade, missing documentation, and unresolved cases involving former employees, and warned that these must not justify indefinite action. Concerns were also raised that some matters may have been handled through ordinary labour relations processes instead of the financial misconduct framework required by the MFMA.

The committees further linked the lack of consequences to the group's complex entity structure, where accountability is diffused across the City Manager, MMCs, boards, and CEOs of municipal entities. The committees questioned whether political and administrative leadership could exercise proper control over these entities, given recurring audit findings, procurement failures, and financial mismanagement. Ultimately, the City of Johannesburg's recovery would be measured not by the size of UIFW write-offs, but by completed investigations.

7.11 Complex group structure

During engagements with the City of Johannesburg, the joint oversight committees expressed concerns on the municipality's complex group entity structure. It was identified that this institutional model might be the root cause of weak governance, poor administration, and a lack of consequence management. The primary concerns raised include:

- **Accountability:** The municipality operates through a core municipal administration alongside 13 separate municipal entities (such as Johannesburg Water, City Power, Pikitup, among others), each maintaining its own board, executive management, audit committee, and reporting frameworks.
- **Lines of responsibility:** It is frequently unclear where final authority and operational accountability lie, whether with the City Manager, the relevant boards, and what role does

the member of the Mayoral Committee (MMC), group governance, or the entity's CEO play, and this leads to the evasion of responsibilities and finger-pointing.

The joint committees directly linked this to lack of consequence management for misconduct and UIFW expenditure to this fragmented structure. The separation of core municipal administration and municipal entities has created administrative bottlenecks resulting in decade long delays in investigations and disciplinary actions.

Furthermore, concerns were raised over the high overhead cost of maintaining this multi-tiered governance structure. The committees requested a comprehensive cost breakdown detailing executive remuneration, board fees, and administrative support structures across all 13 entities to evaluate whether they deliver value for money.

7.12 SIU investigations

The SIU conducted two investigations into the municipality, under proclamation R12 of 2020 and R23 of 2020. The SIU reported to SCOPA on 29 April 2026 that both these investigations have been completed.

Proclamation R12 of 2020

- **Allegations/focus areas:** Procurement investigation into vehicles and vehicle maintenance services and repairs and maintenance work at fire stations.
- **Findings:** The tender process for the closed-bid process to appoint fire raiders for the purchase of the 29 fire engines was irregular. Related investigations into vehicle maintenance, fire station repairs, and CCTV contracts also revealed irregularities, duplicate invoices, and inflated prices.
- **Outcomes:** 12 NPA referrals, 11 disciplinary actions referrals, civil litigation to have CCTV contract set aside in the Special Tribunal. The final Presidential report was submitted on 10 September 2024.

Proclamation R23 of 2020

- **Allegations/focus areas:** Irregular procurement process
- **Findings:** The service provider was found to have inflated the prices and the municipality failed to comply with applicable policies and regulations.

- **Outcomes:** 6 NPA referrals, 8 disciplinary referrals, and 4 administrative referrals.

8. Recommendations

The Committee recommends the following:

8.1 Handover reports (within 30 days)

- All metropolitan municipalities must submit to SCOPA detailed handover reports on the status of infrastructure projects (wastewater, water treatment, housing and infrastructure schemes) flagged in this report and any infrastructure projects identified by the AGSA on its audit and the SIU.
- The handover and close-out reports must contain clear sections detailing active investigations, disciplinary proceedings, and referrals to law enforcement agencies to prevent accountability gaps between administrations.

8.2 Immediate Deadlines (Within 30 days of adoption of the report)

- **Initiate backlogged UIFW investigations:** Accounting Officers across the metropolitan municipalities must table comprehensive schedules of all outstanding unauthorised, irregular, fruitless and wasteful expenditure to council and commit to completing active investigations within 60 days.
- **Functional oversight bodies:** Municipal councils must ensure that disciplinary boards and MPACs conduct regular meetings to ensure that all pending financial misconduct cases are logged and processed timeously.
- **Governance structure:** The metropolitan municipalities must evaluate whether municipal governance bodies (such as Audit Committees and Internal Audit functions) possess the necessary resources, independence, and technical expertise to effectively scrutinise operations.

8.3 Short-Term Deadlines (Within 60–90 days)

- **Performance Contract Alignments (60 days):** Accounting Officers must complete the revision of delegation frameworks and amend performance contracts for all Heads of

Departments (HoDs), explicitly incorporating financial compliance, audit action plan targets, and internal control management.

- **Monthly financial certification framework (60 days):** Establish mandatory, monthly close-out protocols for key financial reconciliations (billing, creditors, and asset registers) certified directly by CFOs to avoid year-end accounting adjustments.
- **Curb SCM deviations (90 days):** Implement pre-approval checklists and quarterly reporting mechanisms for Regulation 36 deviations, emergency procurement, and sole-provider appointments to limit non-essential emergency spending.
- **IT Access control and system Audits (90 days):** Resolve top-tier access management, user-privilege vulnerabilities, and system log monitoring gaps on critical municipal revenue engines and billing databases.
- **Blacklisting of suppliers:** The metropolitan municipalities should audit all defaulting suppliers and initiate processes of blacklist the companies and their directors submit fast-tracked restriction records to National Treasury to block them on the Central Supplier Database (CSD).

8.4 Medium-Term Deadlines (180 Days / 6 Months)

- **Referrals to law enforcement agencies:** MPACs and Disciplinary Boards must complete final referrals of all confirmed instances of procurement fraud, corruption, or statutory non-compliance to external agencies (such as the SIU and DPCI).
- **Vendor and IT SLA Audits:** Review all existing third-party IT and critical service provider contracts, establishing enforced key performance metrics and executing contractual penalties for breach of service levels.
- **Capital infrastructure project review:** Conduct a life-cycle audit of all active and delayed infrastructure projects to address cost overruns, rectify unauthorised scope variations, and enforce penalties on defaulting contractors.

8.5 Twelve (12) Months / Financial Year-End

- **Preventative maintenance budget targets:** Reallocate a minimum mandatory threshold (target 8%) of the municipal budget toward proactive preventative maintenance for key water, sanitation, and electrical infrastructure.
- **Financial Recovery Plan (FRP) milestones:** Metropolitan municipalities under intervention (e.g., Mangaung) must submit progress reports to SCOPA, Provincial and

National Treasuries, demonstrating quantifiable achievements on FRP activities and phases.

- **Vetting and HR skills audits:** Complete formal security vetting (via SSA) for law enforcement officers (e.g., EMPD), immediately review officers facing violent criminal charges.
- **Overtime policy:** Mangaung Metropolitan Municipality must urgently strengthen its internal controls by developing, formally adopting, and implementing an updated and comprehensive overtime policy within 30 to 60 days. This updated policy must strictly align with the Basic Conditions of Employment Act, and local government bargaining frameworks. Furthermore, the metro must introduce mandatory written pre-approval mechanisms from departmental head and establish verification processes. Thresholds should be clearly defined and communicated to all municipal officials and there should be strict consequence management for any officials who do not adhere to the overtime policy.
- **Reduce Distribution Losses:** All metropolitan municipalities must have targeted infrastructure repairs to curb severe technical and non-technical water losses.
- **Improve revenue and collection rates:** All metropolitan municipalities should conduct targeted audits and reconciliations on non-paying accounts, especially commercial and business debtors who have long overdue accounts for outstanding rates and municipal services, strict penalties and actions should be imposed on those debtors.
- **Recruitment processes:** To address critical vacancy rates that severely impact operations, governance and service delivery, all metropolitan municipalities must prioritise filling all critical vacant positions. Municipal leadership must strictly enforce the municipal regulations and competency frameworks, and strict turnaround times for recruitment to limit acting arrangements.

The committee recommends that detailed lifestyle audits be conducted by the SIU across the metropolitan municipalities, specifically targeting senior municipal leadership, heads of procurement departments, and officials within the SCM units.

The primary objective of these audits is to uncover unexplained wealth or asset accumulation that fails to align with declared legitimate income, thereby curbing corrupt practices, financial mismanagement, and illicit enrichment linked to municipal procurement.

To achieve this, the SIU must conduct comprehensive financial analyses cross-referencing official remuneration records against personal assets, real estate holdings, and business interests. Where severe discrepancies are identified, cases must be referred to relevant law enforcement agencies for criminal prosecution, civil litigation and asset forfeiture to recover stolen public funds.

To ensure continuous accountability and seamless intergovernmental tracking, the committee further recommends that the five metropolitan municipalities must formally notify the provincial MECs for COGTA, the national Minister of Finance, and the Minister of COGTA regarding their specific plans and progress in implementing the committee's recommendations within 30 days of the adoption of this report. This notification should include structured, time-bound action plans detailing how each municipality intends to address flagged compliance failures in procurement and expenditure management, consequence management directives, and persistent weaknesses in internal controls.

9. Conclusion

The committee was generally disappointed by the extent to which the municipal management has not addressed the financial management weaknesses identified in the audit reports, especially as some of these matters had been raised in the previous audits and addressing matters related to the SIU findings.

In the light of the above, the committee resolves that the AGSA should conduct follow-up audits on infrastructure projects identified in the report

The Committee recommends that the Executive Authorities submit a quarterly progress report on the implementation of the above recommendations to the National Assembly within 60 days after the adoption of this report by the National Assembly.

Following the adoption of this report by the National Assembly, it should be forwarded to the Portfolio Committee on Cooperative Governance and Traditional Affairs for its information and further oversight. The metropolitan municipalities must submit quarterly progress reports to the committee on the implementation of these recommendations until the committee is satisfied that the identified matters have been adequately addressed.

Report to be considered.