



AUDITOR - GENERAL
SOUTH AFRICA

LOCAL GOVERNMENT AUDIT OUTCOMES

2023-24 MFMA

Audit outcomes for financial year ended 30 June 2024

Status of material irregularities at 31 January 2025

April 2025

top
EMPLOYER

South Africa
2025

FOR A BETTER WORLD OF WORK



SAi20

SOUTH
AFRICA
2025



Our mission is to advocate for an effective local government culture

2

MISSION

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

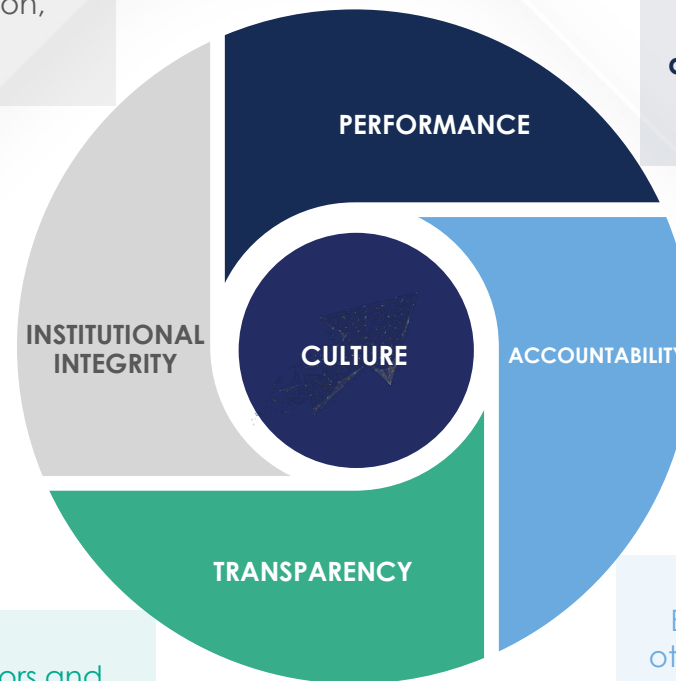


AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Implement and maintain **institutionalised controls** to ensure leadership and officials **behave ethically, comply with legislation and act in best interest** of institution, **avoiding conflicts of interest**

Demonstrate commitment to improving lived realities of South Africans by **delivering on legislated mandate and strategic objectives aligned to people's needs**, being **financially sustainable**, and **avoiding harm to public and public sector institutions**



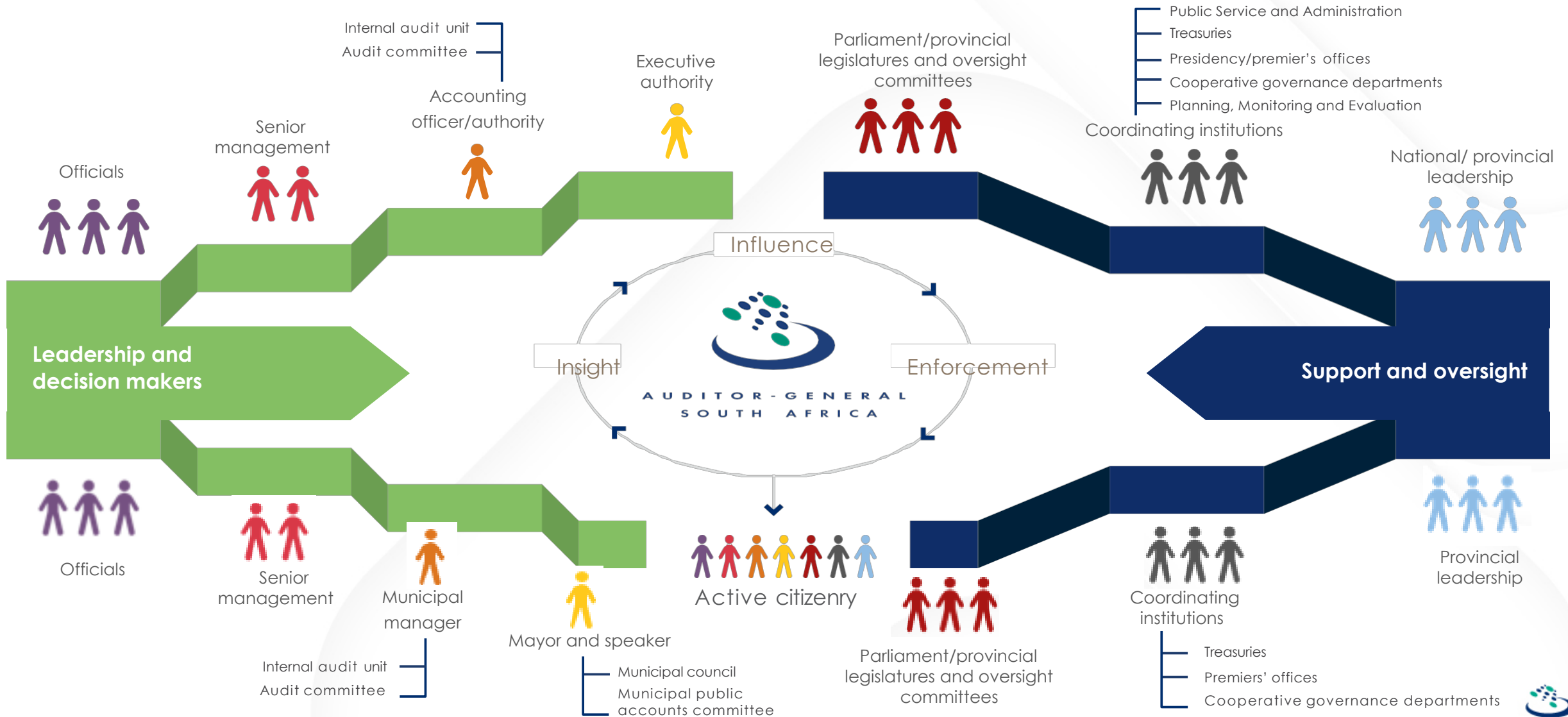
Provide public, oversight, auditors and other stakeholders with **timely, relevant and reliable information on institution's finances, performance, use of resources and compliance with legislation**

Be responsive to public, oversight and other stakeholders through **reporting and providing answers on mandated responsibilities fulfilled, actions taken and decisions made**; ensure **swift consequences** for transgressions and poor performance



All have a role to play in accountability ecosystem

3



Overall audit outcomes

4


2020-21	41	100	83	4	28	1	257
Last year of previous administration							
2022-23	34	110	91	6	15	1	257
2023-24	41	99	90	6	11	10	257

	16%	39%	35%	2%	4%	4%	Non-submission of financial statements – 1 Late submission of financial statements – 7 Delays during audit process – 2
2023-24	41	99	92	7	14	4	

Including audits subsequently finalised by 11 April 2025

Late or non-submission rate of financial statements remains high at 5%

Movement from previous year

31  25 

Movement from 2020-21

59  40 

Audit outcomes – metros

5

2020-21

1

5

2

0

0

0

8

Last year of previous administration

2022-23

1

4

3

0

0

0

8

2023-24

1

3

4

0

0

0

8

Cut-off date:
31 January 2025

12%

38%

50%

0%

0%

0%

City of Cape Town ▲

City of Ekurhuleni ▼

Buffalo City Metro ►

City of Johannesburg ►

City of Tshwane Metro ▼

eThekwin Metro ►

Mangaung Metro ▼

Nelson Mandela Bay Metro ►

Movement from previous year

0



1



Movement from 2020-21

1



3



Metros are responsible for:

- Expenditure budget: R295,27 bn (53%)
- Households: 8,9 m

◆ Unqualified with no findings (clean)

◆ Unqualified with findings

◆ Qualified with findings

◆ Adverse with findings

◆ Disclaimed with findings

◆ Outstanding audit

▲ Improvement

► Unchanged

▼ Regression

Municipalities that repeatedly submit financial statements and performance reports late

6

Failure in transparency and accountability for funds used and services delivery

Municipalities: 7
Budget: R6,86bn
Households: 332 172
Equitable share: R1,85bn
Conditional grants: R1,21bn

Northern Cape			
Municipality	2023-24	2022-23	2021-22
Ubuntu LM	x	x	✓

Limpopo			
Municipality	2023-24	2022-23	2021-22
Makhado LM	x	x	✓

Free State			
Municipality	2023-24	2022-23	2021-22
Mafube LM	x	x	x
Kopanong LM	x	✓	x
Mohokare LM	x	✓	x
Masilonyana LM	x	✓	x
Maluti A Phofung LM (consol)	x	x	x

Municipalities with disclaimed audit opinions

7

4 Eastern Cape

- ◆ Makana LM (6 years) ⓘ
- ◆ Sundays River Valley LM (6 years) ⓘ
- ◆ Chris Hani DM ▲ (2021-22)
- ◆ Walter Sisulu LM ▲ (2021-22)

4 Free State

- ◆ Nketoana LM (6 years) ⓘ
- ◆ Kopanong LM ⓘ
- ◆ Masilonyana LM ⓘ
- ◆ Maluti-a-Phofung LM # ⓘ

4 KwaZulu-Natal

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

3 Limpopo

- ◆ Thabazimbi LM
- ◆ Bela-Bela LM ▲ (2021-22)
- ◆ Mopani DM ▲ (2022-23)

3 Mpumalanga

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

6 Northern Cape

- ◆ Kareeberg LM
- ◆ Tsantsabane LM
- ◆ Joe Morolong LM ▲ (2023-24) ⓘ
- ◆ Renosterberg LM ▲ (2022-23) ⓘ
- ◆ Kgatelopele LM ▲ (2022-23) ⓘ
- ◆ !Kheis LM ⓘ

10 North West

- ◆ Lekwa Teemane LM (3 years) ⓘ
- ◆ Ditsobotla LM (8 years) ⓘ
- ◆ Ratlou LM (6 years) ⓘ
- ◆ Greater Taung LM ▲ (2021-22) ⓘ
- ◆ Kgetlengriver LM ▲ (2022-23) ⓘ
- ◆ Madibeng LM ▲ (2022-23) ⓘ
- ◆ Mamusa LM ▲ (2023-24) ⓘ
- ◆ Maquassi Hills LM ▲ (2023-24) ⓘ
- ◆ Naledi LM ▲ (2022-23) ⓘ
- ◆ Ramotshere Moiloa LM ▲ (2021-22) ⓘ

1 Western Cape

- ◆ Kannaland LM (3 years) ⓘ

◆ 7
Repeat disclaimed
audit opinions

◆ 4
Regressed to
disclaimed audit
opinion in 2023-24

◆ 4
Outstanding in 2023-24
Outstanding for 4 years










◆ 20
Improved from
disclaimed audit
opinion in 2020-21

Improved in
2021-22 – 9
2022-23 – 8
2023-24 – 3

ⓘ Material irregularity
issued

Audit outcomes – per province

8

	EASTERN CAPE	2020-21	4	16	14	1	4	0	
		2023-24	6	14	16	1	2	0	13 ▲ 8 ▼
	FREE STATE	2020-21	0	6	13	0	3	1	
		2023-24	0	6	10	0	1	6	1 ▲ 1 ▼
	GAUTENG	2020-21	2	7	1	1	0	0	
		2023-24	2	6	3	0	0	0	3 ▲ 3 ▼
	KWAZULU-NATAL	2020-21	3	35	13	0	3	0	
		2023-24	7	36	7	2	1	1	15 ▲ 6 ▼
	LIMPOPO	2020-21	1	16	8	0	2	0	
		2023-24	2	14	10	0	1	0	6 ▲ 5 ▼
	MPUMALANGA	2020-21	4	7	5	1	3	0	
		2023-24	2	8	9	0	0	1	6 ▲ 3 ▼
	NORTHERN CAPE	2020-21	5	5	17	0	4	0	
		2023-24	2	6	20	0	2	1	5 ▲ 7 ▼
	NORTH WEST	2020-21	0	3	9	1	9	0	
		2023-24	0	3	13	2	3	1	9 ▲ 2 ▼
	WESTERN CAPE	2020-21	22	5	3	0	0	0	
		2023-24	20	6	2	1	1	0	1 ▲ 5 ▼

◆ Unqualified with no findings (clean)

◆ Unqualified with findings

◆ Qualified with findings

◆ Adverse with findings

◆ Disclaimed with findings

◆ Outstanding audit

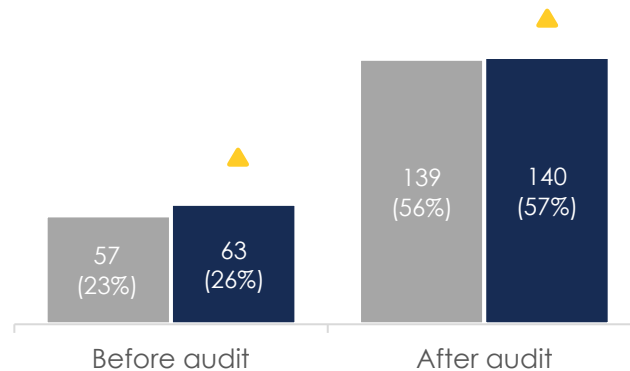
Movement from 2020-21 ▲ Improvement ▼ Regression

Financial statements – accounting for financial performance

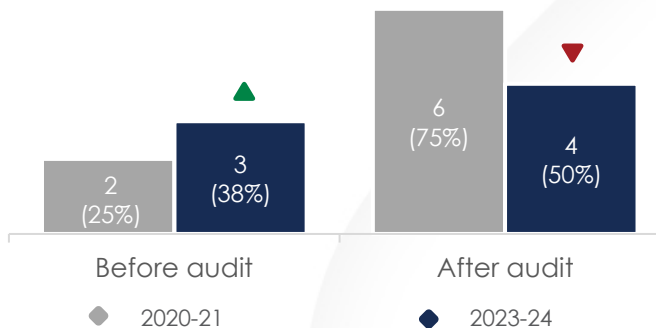
9

Quality of financial statements

Overall – no material misstatements



Metros – no material misstatements



Key observations

- Quality of financial reporting not improving
- Continued reliance on audit process and consultants
- In-year reports used for monitoring and decision-making not reliable

Main qualification areas (materially misstated)

- Receivables – 25% ▲
- Property, infrastructure, plant and equipment – 25% ▲
- Irregular expenditure – 24% ▲
- Revenue from services provided – 24% ▲
- Expenditure – 21% ▲

Findings caused by

- Lack of institutional capability for credible financial reporting
- Basic financial management processes (accounting practices, record keeping, independent reviews and reporting) not functioning as they should
- Action plans do not address the root causes of misstatements
- Internal audit units and audit committees do not provide required assurance

Movement from 2020-21



Improvement



Slight improvement



Regression

Ineffective use of consultants for financial reporting

10

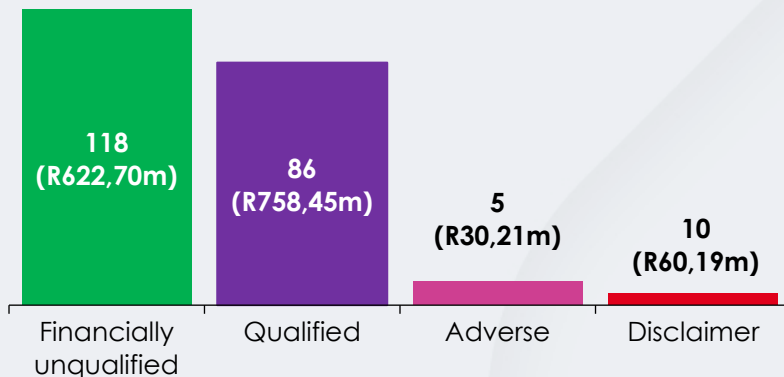
**Total cost = R1,47bn at 219 municipalities
(2022-23: R1,37bn at 222 municipalities)**

- Paid by 215 municipalities = R1,44bn
- Paid by province at 30 municipalities = R0,03bn

Consultant cost constitutes 12% of total financial reporting cost of R12,57bn

59% (130) of financial statements submitted for auditing included material misstatements in area of consultant work

Outcomes: financial statements after correction



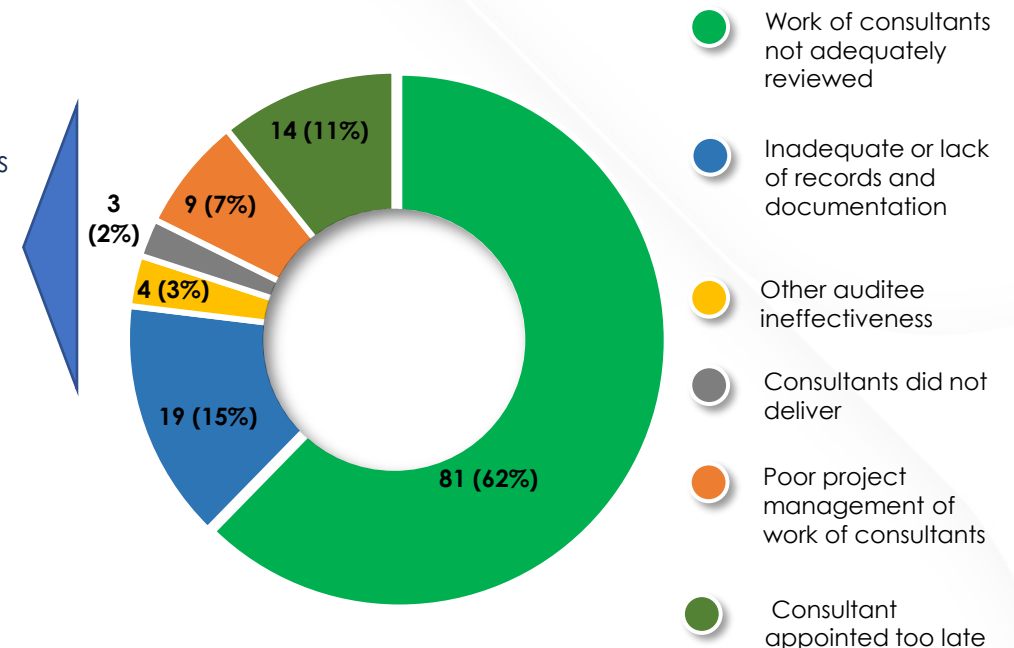
Reasons for appointing consultants

- Lack of skills – 111 (51%) municipalities
- Vacancies – 16 (7%) municipalities
- Combination of lack of skills and vacancies – 92 (42%) municipalities

Recurring appointment at 191 (87%)

Nature of consultant work at municipalities

- **Preparation/review of financial statements** = R0,48bn (32%)
- **Asset management** = R0,50bn (34%)
- **Tax services** = R0,29bn (20%)
- **Accounting services** = R0,11bn (7%)
- **Other services** = R0,09bn (6%)



Risk – financial management

11

What we found



Unfunded budgets – 113 municipalities (44%)
For 3 consecutive years – 86 municipalities (76%)



Unauthorised expenditure – R31,79bn
99% related to overspending



Total deficit – R11,29 bn, 90 municipalities (39%)



Revenue losses – consumers **not billed**, debt **not collected**, **distribution losses** and **inadequate indigent management processes**



123 days to collect amounts due



Wrote off / impaired **R50,96bn** in debt due to them



Arrears (including interest) owed to Eskom and water boards R55,4bn and R21,24bn



Not complying with conditions of **Eskom debt-relief programme** – 84% of participating municipalities



Grants not spent in accordance with Dora – 19 municipalities

Financial losses due to:

1

Poor payment practices

2

Unfair/uncompetitive procurement processes

3

No/limited benefit received from money spent

4

Weaknesses in management of projects

5

Fraud committed by officials

6

Water losses (R14,93 billion) and electricity losses (R22,36 billion)

R5,27bn

fruitless and wasteful expenditure
(2022-23: **R7,47bn**)

Impact

- Indicators of **financial strain** – **78%** of municipalities assessed
- Going concern uncertainties** at 20% of municipalities – **73%** of these for **3 or more years**
- Average of **286 days to pay creditors**
- Interest and penalties of R14,58 billion** incurred since 2021-22
- Insufficient spending on **repairs and maintenance** resulting in **infrastructure deterioration**



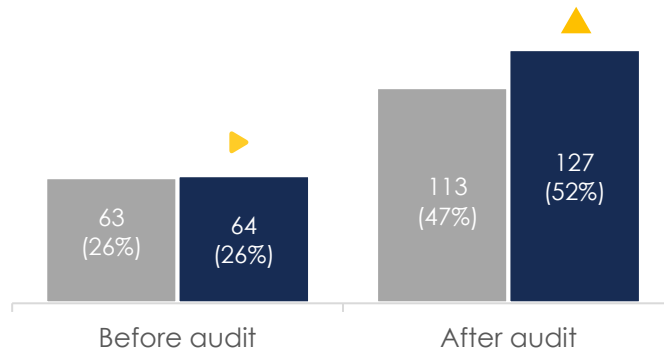
Performance planning and reporting for service delivery

12

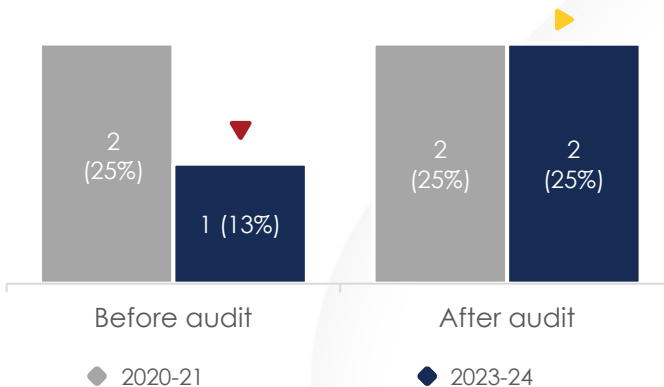
Useful and reliable performance reporting enables transparency on service delivery, accountability and effective decision-making

Quality of performance reports

Overall – no material findings



Metros – no material findings



Key observations

- Continued reliance on audit process
- 45% had material findings on compliance with legislation on strategic planning and performance management

Material findings on performance reports

- 36% Reported achievements **not reliable** ▲
- 24% Indicators and targets **not well defined, verifiable or measurable** ▲
- 9% **Excluded indicators** that measure performance on core mandated functions ▲

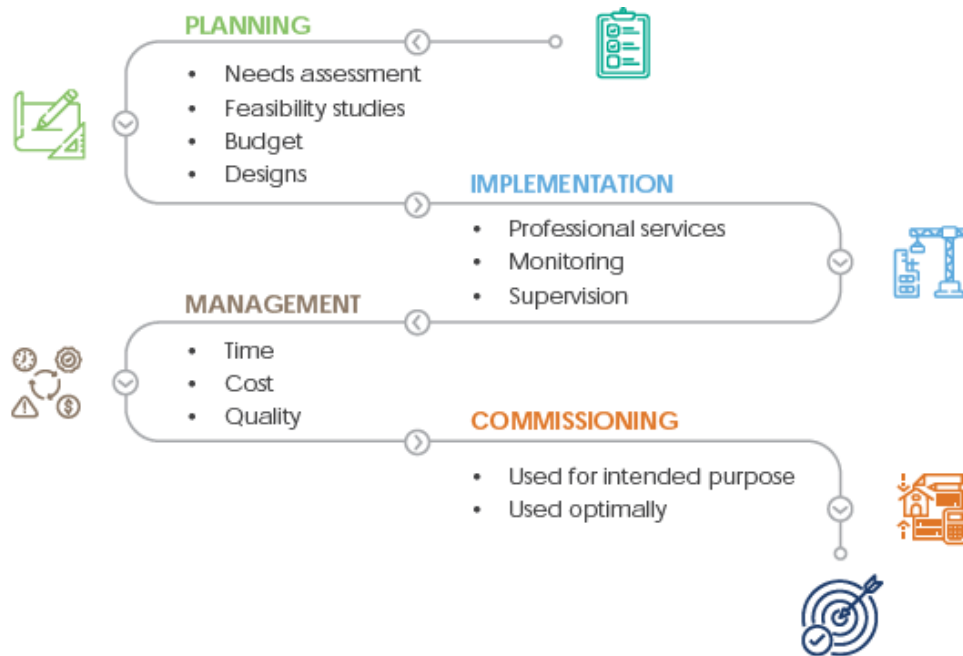
Findings caused by

- Inadequate systems, processes and controls for recording and measuring performance
- Ineffective in-year monitoring with unreliable information
- Lack of standardisation for planning and reporting
- Lack of institutional capability for credible performance reporting
- Internal audit units and audit committees do not provide required assurance
- Unreliable or incomplete reporting and underachievement tolerated by council

Risk – infrastructure delivery and maintenance

13

Infrastructure project delivery process



What we found

Findings on infrastructure projects – 87(77%) of 113 audited

- Nature of findings:
 - Project **delays** – 59(52%)
 - **Poor-quality** construction work – 19(17%)
 - Significant **overspending** – 9(8%)
 - Not put into use for **intended purpose** / not used **optimally** – 7(6%)

Inadequate maintenance of municipal infrastructure

What caused this?

- **Inadequate monitoring** of infrastructure projects by project management units
- Significant **vacancies** in key infrastructure positions
- **Ineffective procurement processes** and lack of due diligence to ensure appointment of contractors with proven track record
- Limited **accountability for non-performance** by contractors and professional service providers
- **Inadequate budgeting and prioritisation of** preventive maintenance
- Lack of **performance agreements** and **standard operating procedures** for staff in project management unit

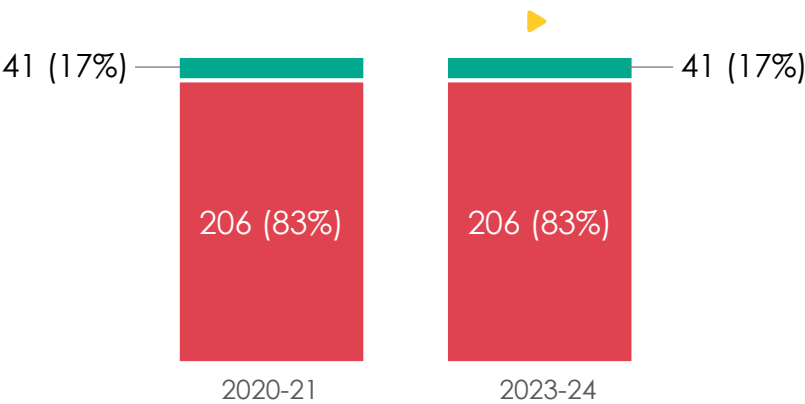
Impact

- Delayed delivery of basic services to residents
- Increased costs and financial losses due to poor quality of spend
- Harm to public

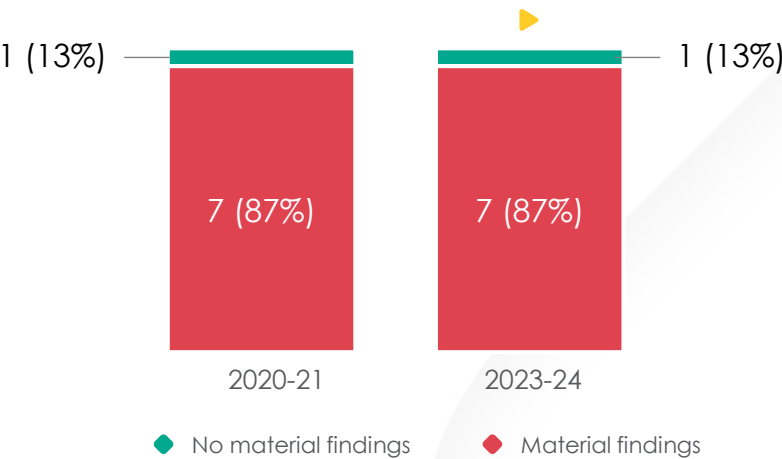
Material findings on compliance with key legislation

Material compliance findings

Overall

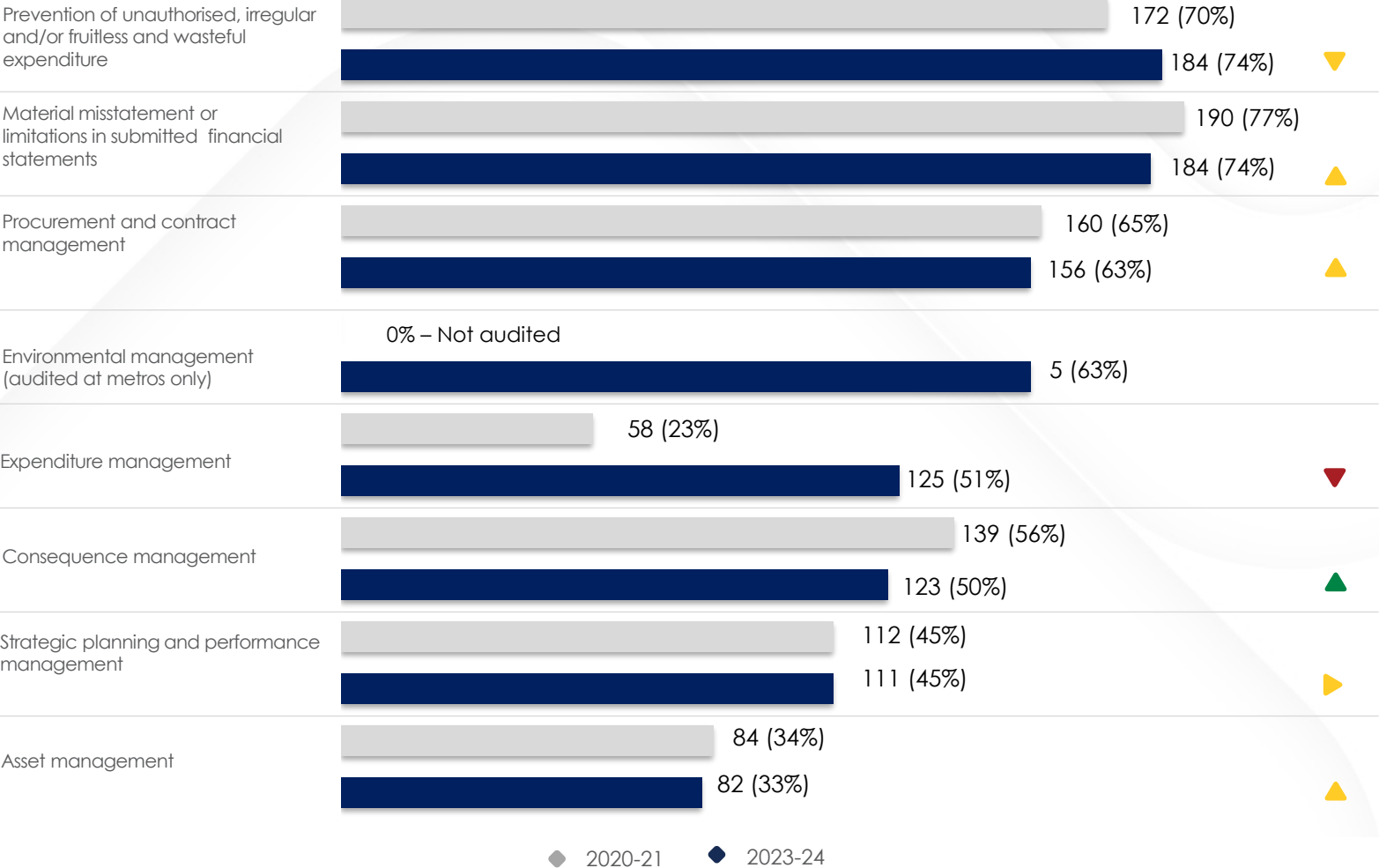


Metros



◆ No material findings ◆ Material findings

Most common areas of material compliance findings in 2023-24

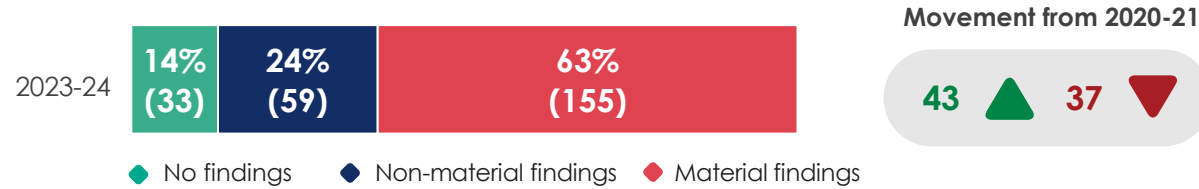


◆ 2020-21 ◆ 2023-24

Risk – weaknesses in procurement and contract management

15

Findings on compliance with legislation on procurement and contract management



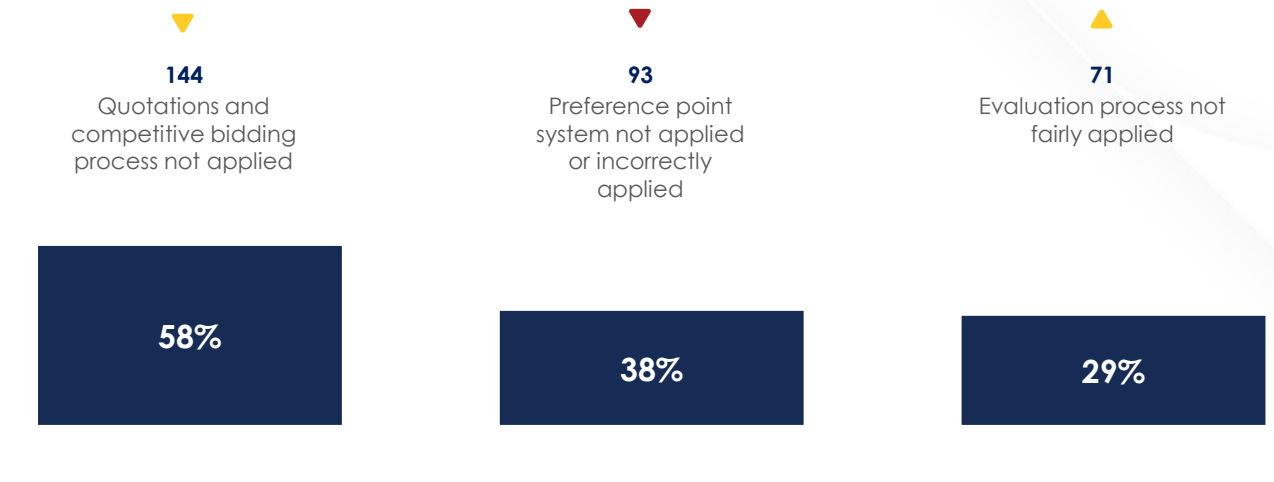
2023-24 areas of findings

Uncompetitive and unfair procurement processes	187 municipalities (76%)	▲
Contract management non-compliance	128 municipalities (52%)	▼
Limitation of scope	33 municipalities (13%)	▲
Awards to suppliers owned or managed by close family members / associates of employees / councillors	67 municipalities (27%) 423 awards R1,33 billion (R12,94 million not disclosed in financial statements - 9 municipalities)	▼
Prohibited awards to providers who are in service of other state institutions	73 municipalities (30%) 462 awards R285,36 million	▼
Prohibited awards to suppliers owned or managed by employees / councillors	12 municipalities (5%) 40 awards R1,68 million	▲
Irregular expenditure related to SCM	R28,59 billion	▼

Impact

- Financial losses which reduce funds for service delivery
 - Market prices not tested adequately → higher prices paid
 - Contractors not monitored adequately → increased costs
 - Unfair procurement resulting in litigations → increased costs
- Contractors appointed that cannot deliver → delayed projects, quality issues and increased costs
- Negative impact on suppliers and government socio-economic objectives
- Reduced transparency and accountability (limitations)

Top findings – uncompetitive and unfair procurement process



Movement from 2020-21 ▲ Improvement ▲ Slight improvement ▼ Slight regression ▼ Regression

Risk – lack of accountability and consequences

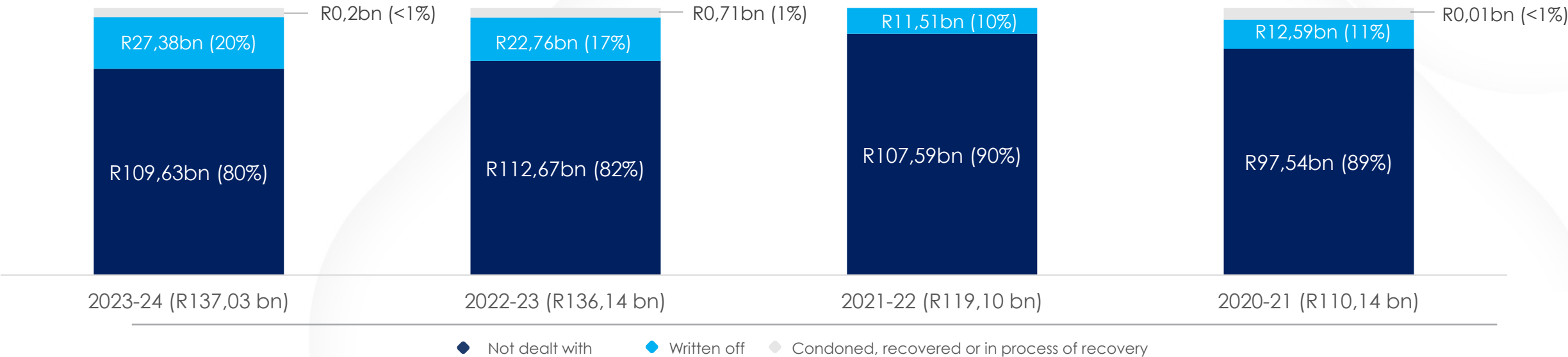
Status of compliance with legislation on consequence management

132 **(53%) did not comply with legislation** relating to steps accounting officer should take in response to unauthorised, irregular and/or fruitless and wasteful expenditure, allegations of financial misconduct, fraud and improper conduct –
 124 **(50%) material non-compliance**

Status of investigations into fraud and improper conduct in supply chain management processes we reported in previous year



How have auditees dealt with prior-year irregular expenditure since 2020-21



Material irregularities – not having desired impact due to unresponsiveness 17

446 MIs identified on **non-compliance and suspected fraud**, resulting in:

- 285** Material **financial loss** (estimated R8,74bn)
 - 72 **Payments** for goods and services not received / of poor quality / not in line with contract / to ineligible beneficiaries
 - 20 Unfair, uncompetitive or uneconomical **procurement**
 - 75 **Interest and penalties**
 - 40 **Inefficient use of resources** resulting in no/limited benefit derived for money spent
 - 39 **Revenue** not billed/recovered
 - 20 **Asset not safeguarded/maintained** resulting in financial loss
 - 15 **Loss of investment**
 - 4 **Suspected fraud and non-compliance**
- 79** Substantial **harm to public sector institutions**
 - 35 **Non-submission** of financial statements
 - 28 **Repeat disclaimed audit opinion**
 - 8 Lack of proper **performance information records**
 - 5 **Non-submission** of performance report
 - 3 Poor **financial and performance management**
- 80** Substantial **harm to general public**
 - 56 Non-compliance with environmental legislation resulting in **pollution of water resources**
 - 20 **Landfill site mismanagement** resulting in harm to public
 - 3 **Pension fund contributions** deducted and not paid over
 - 1 **Assets not safeguarded/maintained** resulting in harm to public
- 2** **Misuse** of material public resource
 - 2 Under-utilisation of **municipal infrastructure**

Impact made

R1,32bn – Financial loss **recovered, prevented or being recovered**

R709,26m	Financial loss recovered
R244,12m	Financial loss prevented
R370,24m	Financial loss in process of being recovered

- 187** **Internal controls improved** to prevent recurrence
- 95** **Responsible officials identified** and disciplinary process completed/in process
- 32** Submitted overdue financial statements
- 29** Fraud/criminal investigations instituted
- 13** Repeat disclaimed opinions prevented
- 12** **Supplier contracts stopped** where money was being lost
- 4** Submitted overdue performance reports

Status of MIs

-  **216** **Resolved**
- 70** **Appropriate action** being taken to resolve MI
- 7** **Not pursued further**

119



- 11** **Decision-making in process**
- 21** **Recommendations** included in audit report
- 61** **Referral** to other investigating bodies
- 15** **Remedial action taken**
- 7** **Remedial action not implemented – further actions**
- 2** **Referral and recommendation**
- 1** **Referral and remedial action**
- 1** **Notice of certificate-of-debt process**

- 12** **Response received on notification** – in process of assessing action

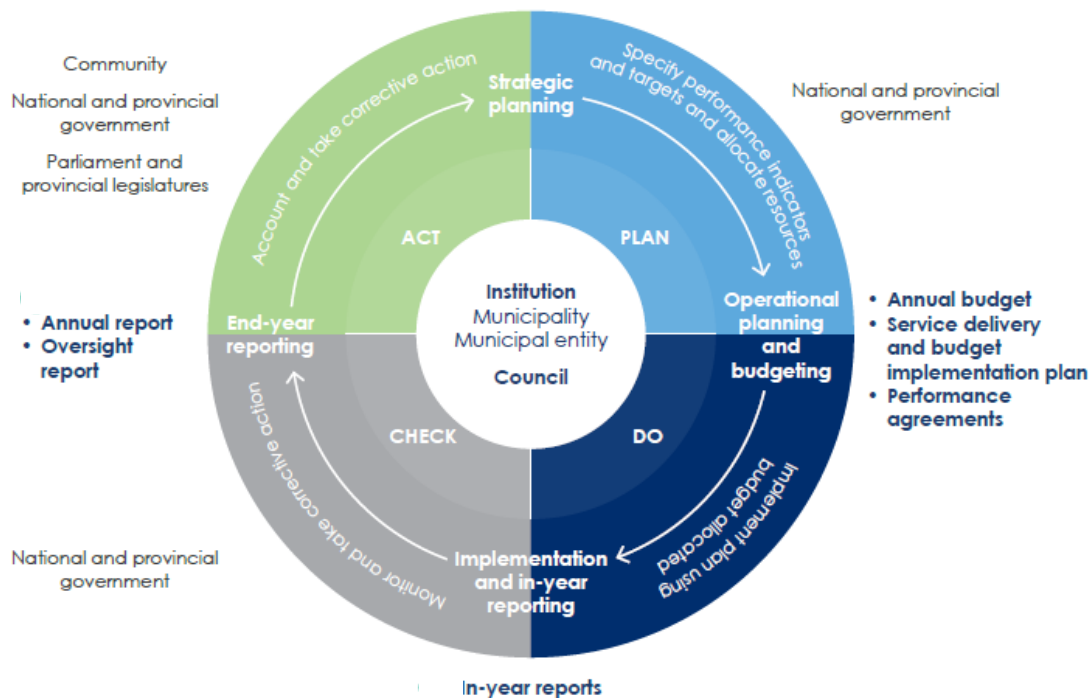
- 22** **Recently notified**



Legislated role of minister and MEC for local government

18

Legal obligations

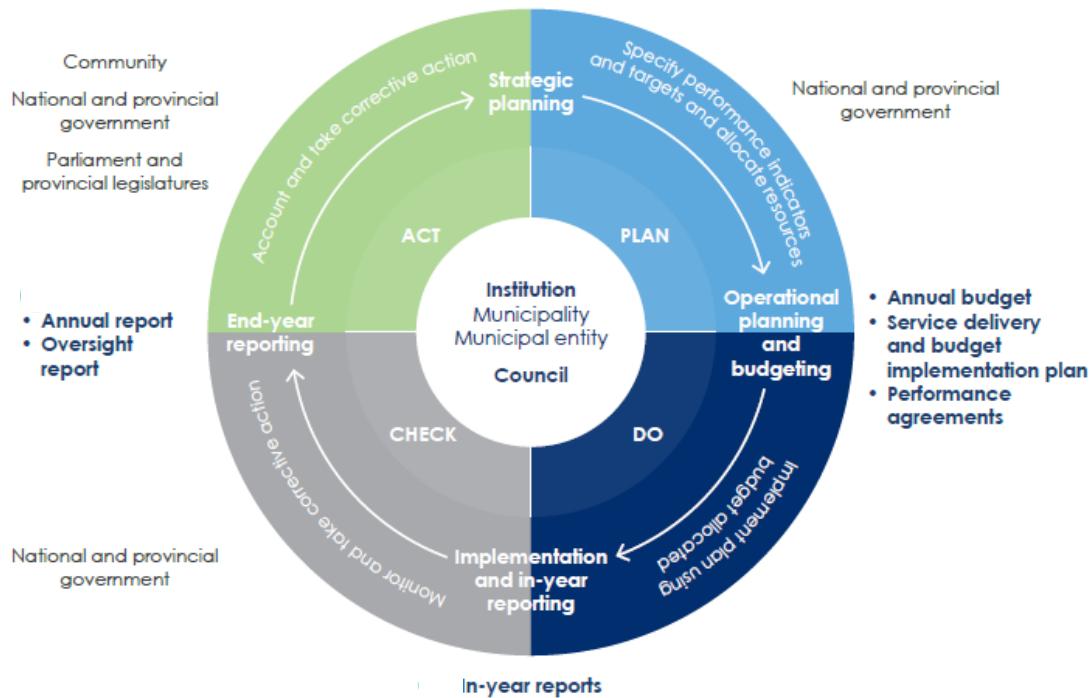


- MEC for local government **monitors submissions of annual reports and oversight reports** by municipal managers to provincial legislature (MFMA S132(3))
 - Non-compliance by municipalities – 2022-23 reports
- Provincial legislature may **deal with submitted annual and oversight report** of municipalities (MFMA S132(4))
 - Reports not dealt with by all legislatures
- MEC for local government **assesses all financial statements of municipalities** in province, the **AGSA audit reports and any responses** by municipalities thereto and **determines if municipalities adequately addressed issues** raised in report; a report is submitted to the provincial legislature on any omissions by municipalities to adequately address those issues (MFMA S131(2)), and
- MEC for local government **compiles and submits consolidated report of municipal performance** in province which **identifies municipalities that underperformed and proposes remedial actions** to be taken to provincial legislature and National Council of Provinces (MSA S47)
 - 2022-23 reports not tabled in all provinces
- Minister for local government **annually compiles and submits to Parliament a consolidated report on local government performance**, which includes a report on **actions taken by MECs of local government to address issues raised by the AGSA** on financial statements in audit reports (MSA S48 and MFMA S134)
 - Last report tabled was for 2020-21

Legislated role of mayor

19

Legal obligations



- Mayor **approves the service delivery and budget implementation plan (SDBIP)** (MFMA S 69(3)(a)) after council approval of budget (MFMA S 53(1)(c)(ii))
 - Unfunded budgets adopted; performance indicators not clear on what is being measured; processes not in place to measure performance and missing indicators
- Mayor uses monthly budget statements and the mid-year performance to check **implementation of budget and SDBIP and identify any financial problems** and submits mid-year report to council (MFMA S 54(1))
 - Unauthorised expenditure not prevented, debt relief programme and financial recovery plans not complied with
- Mayor **tables annual report** in council (MFMA S 127(2))
 - Not all mayors tabled the annual report in council
- Mayor ensures municipality **address any issues raised in AGSA audit report** (MFMA S 131(1))
 - Not all mayors ensured that the audit report findings were addressed

Call to action

20

Improved service delivery enabled by capable, cooperative, accountable and responsive institutions delivering on their mandates

Activate the accountability ecosystem to address root causes

1

**Inadequate
institutional capability**

2

Governance failures

3

**Lack of accountability and
consequences**

National and provincial executive authorities and oversight should prioritise:

1

Institutional capability and effective governance of municipalities for credible reporting and impactful accountability processes

2

Responsiveness to material irregularity process as an accountability and oversight tool

Mayors and councils should diligently perform their legislated responsibilities for oversight, decision-making and accountability to their constituents



THANK YOU

Stay in touch with the AGSA



Auditor-General South Africa



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SAi20 SOUTH AFRICA 2025