Executive Summary

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

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

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

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

Persistent poor audit outcomes with concerning regressions

In 2024-25, 145 municipalities (57%) obtained the same audit outcome as in 2020-21, the final year of the 5th administration. Regressions in audit outcomes should be a rare occurrence, particularly in the absence of significant changes to legislation or reporting requirements.

Nevertheless, 38 municipalities (15%) representing 24% of the total local government expenditure budget have **regressed** since 2020-21, including municipalities that previously achieved clean audits and three metros.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Weak revenue management and spending practices continued to place pressure on municipal finances.

Municipalities took an average of 129 days to collect amounts owed and wrote off R62,12 billion in debt that could not be recovered. Infrastructure neglect and poor management resulted in water distribution losses of R14,73 billion and electricity losses of R21,63 billion.

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

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

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

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

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

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

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

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

Disregard for legislation and a lack of consequences

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Call to action

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

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

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

The following are the main areas that need attention:

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

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

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

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

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

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

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

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

Again, we recommend prioritising the following:

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

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

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

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

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