EASTERN CAPE
2024-25 MFMA OUTCOMES

10 June 2026

AUDITOR-GENERAL SOUTH AFRICA

Our mission to advocate for an effective national and provincial government cultures

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.

VISION

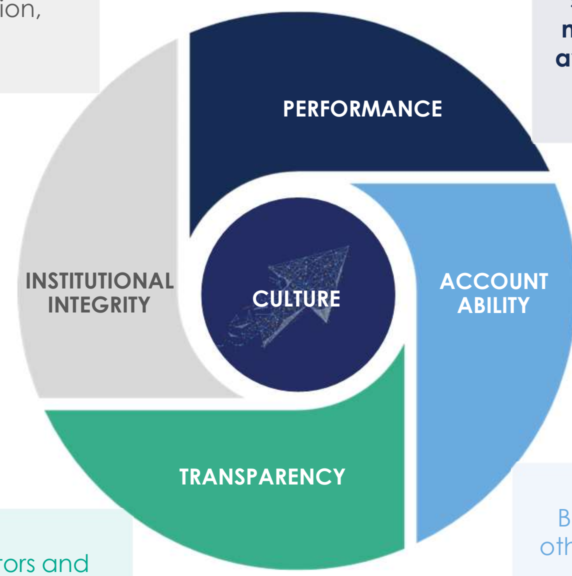
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability

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**

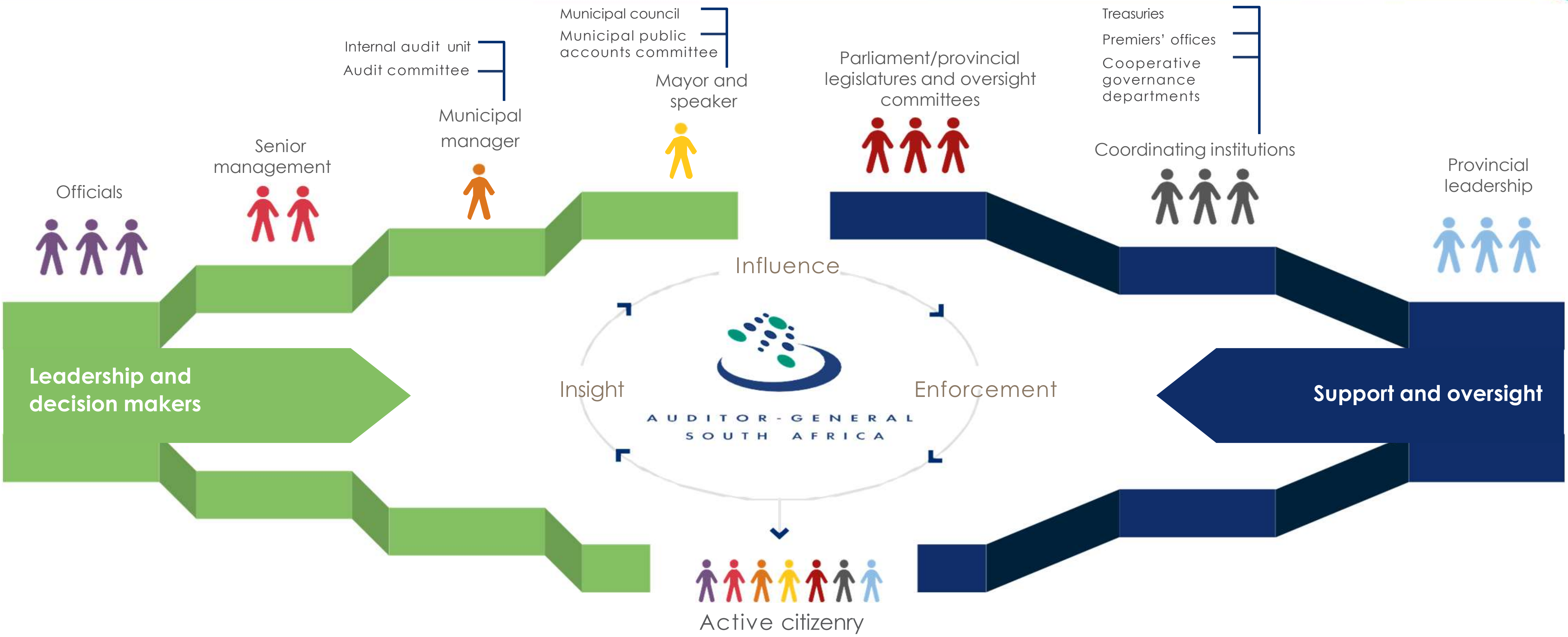
Demonstrate commitment to improving lived realities of South Africans by **delivering on legislated mandate and strategic objectives aligned to people's needs**, being **financially sustainable**, and **avoiding harm to public and public sector institutions**



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



Overall audit outcomes

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit	Total
2022-23	4	19	13	0	3	0	39
2023-24	6	14	16	1	2	0	39
2024-25	8	12	17	0	2	0	39
	21%	31%	43%	0%	5%	0%	
Budget allocation	10%	15%	73%	0%	2%	0%	

Expenditure budget R64,2 billion

Movement from previous year

7 ▲ 3 ▼

Unqualified with no findings (clean) | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit | Improvement ▲ | Regression ▼

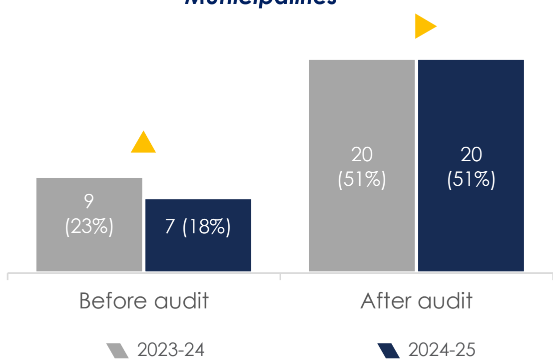
Movements on audit outcomes from prior year

Movement → / Audit outcome ↓	7 Improved	29 Unchanged	3 Regressed
Unqualified with no findings = 8	Sarah Baartman District Great Kei Ntabankulu	Joe Gqabi District, Kouga, Mnquma, Senqu Umzimvubu	
Unqualified with findings = 12	Emalahleni Intsika Yethu Sakhisizwe	OR Tambo District, Amahlathi Dr A B Xuma, *Elundini* King Sabata Dalindyebo, *Mbhashe*, Ndlambe, *Nqgushwa,* *Winnie Madikizela Mandela*	
Qualified with findings = 17	Kou Kamma	*Buffalo City Metro*, Nelson Mandela Bay Metro, Amathole District, Chris Hani District, Blue Crane Route, Enoch Mgijima *Ingquza Hill*, *Matatiele* *Kumkani Mhlontlo*, *Nyandeni,* Port St Johns, Raymond Mhlaba, *Walter Sisulu*	*Alfred Nzo District* *Dr Beyers Naude* Inxuba Yethemba
Disclaimed with findings = 2		Makana Sundays River Valley	

Financial statements: accounting for financial performance

Quality of financial statements

Municipalities



Main qualification areas

- Noncurrent assets
- Current assets
- Disclosures
- Unauthorised, irregular, fruitless and wasteful expenditure
- Expenditure

Key observations – since previous year

- At least 33% of the submitted AFS required material adjustments to obtain and unqualified opinion.
- Continued reliance on the audit process to improve quality of financial statements.
- The over reliance on consultants to prepare financial statements and the absence of effective daily financial disciplines, has contributed to the undesirable outcomes.

What caused regression?

- The audit action plans were ineffective, evidenced by the recurrence of previously reported findings.
- Poor daily and monthly financial disciplines.
- Instability in key positions in some municipalities.

Movement from 2024-25

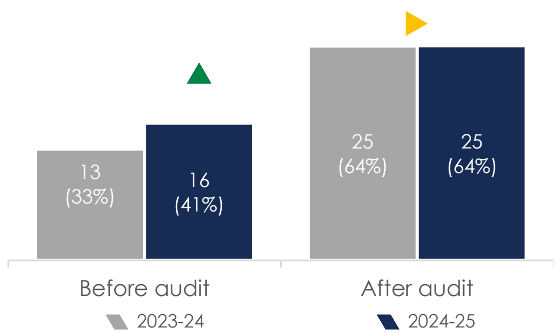
Improvement | Unchanged | Slight improvement | Slight regression | Regression

Performance planning and reporting for service delivery

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

Quality of performance reports

Municipalities – no material findings



Key observations – since previous year

- Improvement in number of municipalities submitting good quality annual performance reports.
- Continued reliance on audit process to improve quality of performance reporting.

Material findings on performance reports – municipalities

10(26%) - Reported achievements **not reliable**

12(31%) - Indicators and targets **not well defined, verifiable or measurable, or inadequately presented**

Findings caused by

- Inadequate performance management system for daily and monthly processing.
- The audit action plans were ineffective, evidenced by the recurrence of previously reported findings.
- Poor record keeping of the portfolio of evidence to support reported achievements.

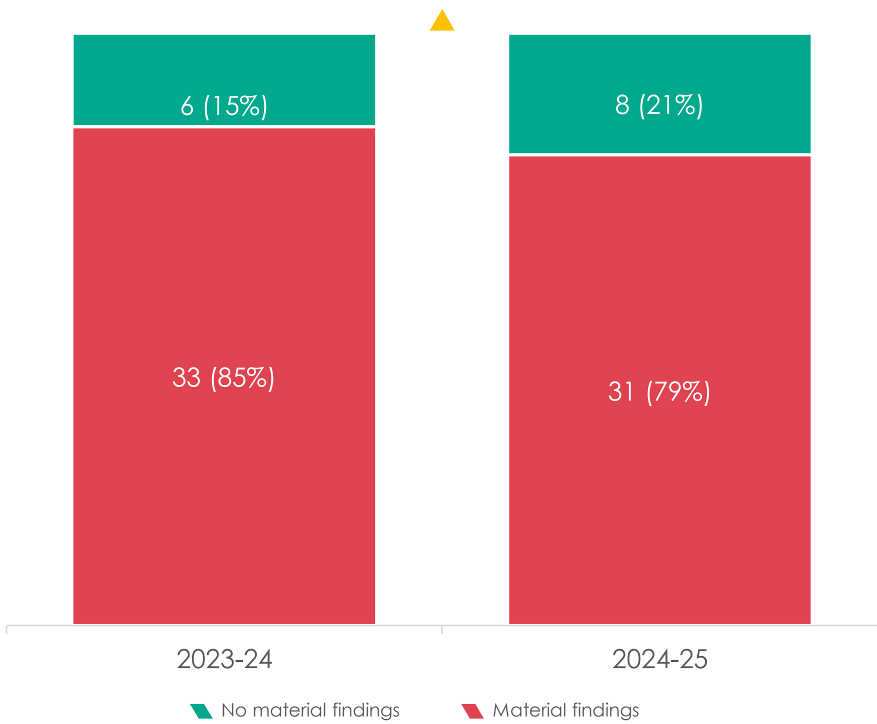
Movement from 2024-25

▲ Improvement ▶ Unchanged ▲ Slight improvement ▼ Slight regression ▼ Regression

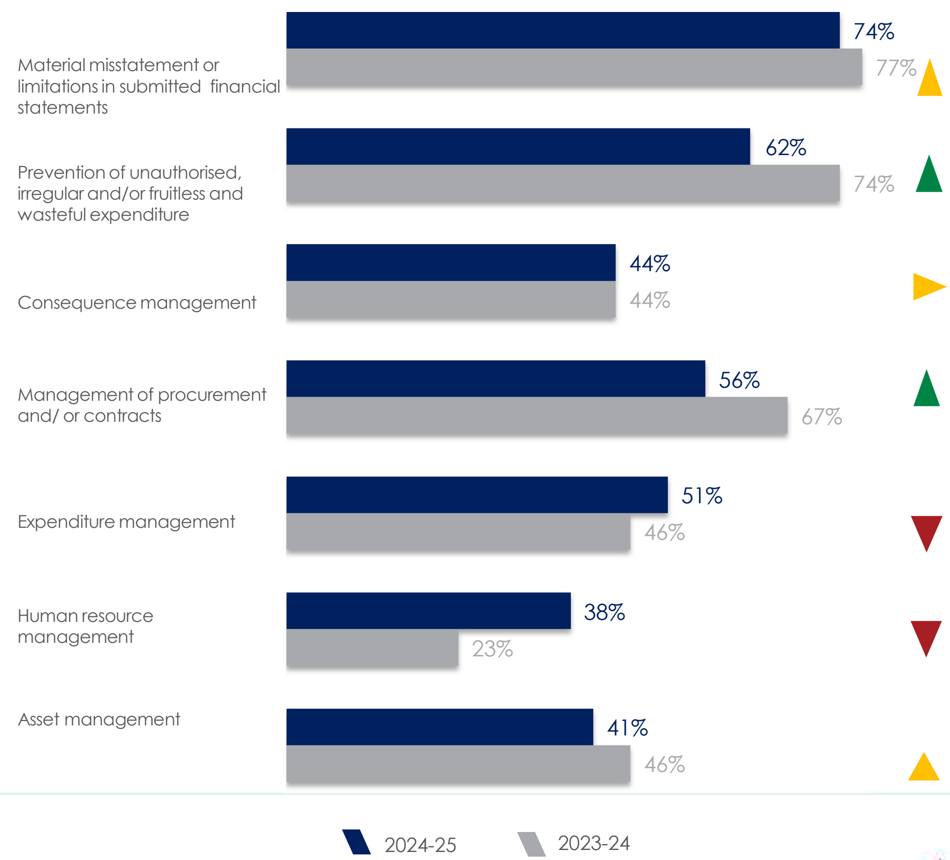
High levels of material findings on compliance with key legislation

Material compliance findings

Municipalities



Most common areas of material findings in 2024-25



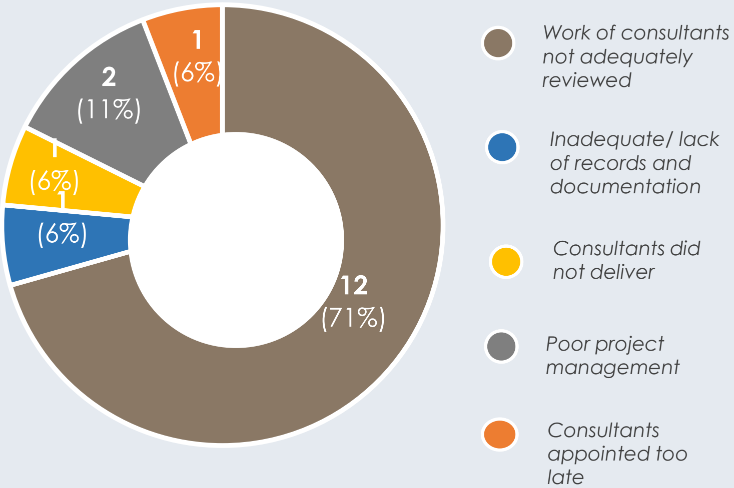
Improvement Unchanged Slight improvement Slight regression Regression

Use of consultants for financial reporting

WHAT WE FOUND

- **R182 million** (2023-24: R142 million) – cost of financial reporting consultants
- **30 municipalities** (77%) used financial reporting consultants every year

Reasons consultants were ineffective



Nature of consultant work

- AFS preparation –R61 mil
- Asset management – R76 mil
- Tax services – R34 mil
- Other services – R11 mil

Reasons for appointing consultants

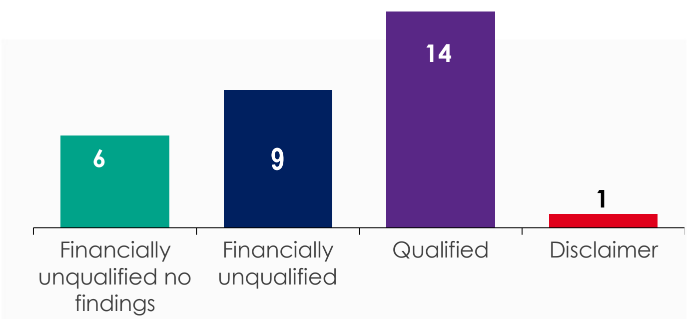
- Lack of skills – 17 (57%) municipalities
- Vacancies – 1 (3%) municipalities
- Combination of lack of skills and vacancies – 12 (40%) municipalities

Additional insights

- The total cost consultants for current year and comparative excludes consultant costs for Makana due to the client's inability to provide the amount spent in the current year the and related records.

17 (57%) of financial statements submitted for auditing included material misstatements in area of consultant work

Outcomes: financial statements



Risk: weaknesses in financial management

R372 m	Fruitless and wasteful expenditure	R5,5 bn	Unauthorised expenditure	R5,5 bn	Irregular expenditure

Financial losses due to:

1. *Poor payment practices*
2. *Unfair and uneconomical procurement practices*
3. *Inadequate needs analyses and project management*
4. *No/limited benefit received from money spent*

Financial health – 2024-25

1. *More than 50% of debt is irrecoverable at 35 municipalities.*
2. *Only Mbhashe and Mhlontlo spent 7% or more on their repairs and maintenance, this was due to the disaster grants funds used to fix damaged infrastructure.*
3. *Amahlati, Amathole, Blue Crane, Dr A B Xuma, King Sabata Dalindyebo, Makana, Elundini, Inxuba Yethemba, Kou kamma, Dr Beyers Naude, Ntabankulu, Sundays River, and Walter Sisulu had significant doubt regarding going.*

Material irregularities (MIs) identified and status

77 MIs on **non-compliance** resulting in:

- **55** Material **financial loss** (estimated R962,77 million)
- **2** **Misuse** of material public resource
- **14** Substantial **harm to general public**
- **6** Substantial **harm to public sector institutions**

MI is resolved only when all possible steps have been taken to:
- Recover financial losses or remove/address harm caused
- Effect consequences – for officials and third parties involved
- Prevent any further losses and harm – also through improved internal controls

No actions were taken to address **81%** of matters until we issued notifications

13 MIs in 8 municipalities have been issued since the previous general report.

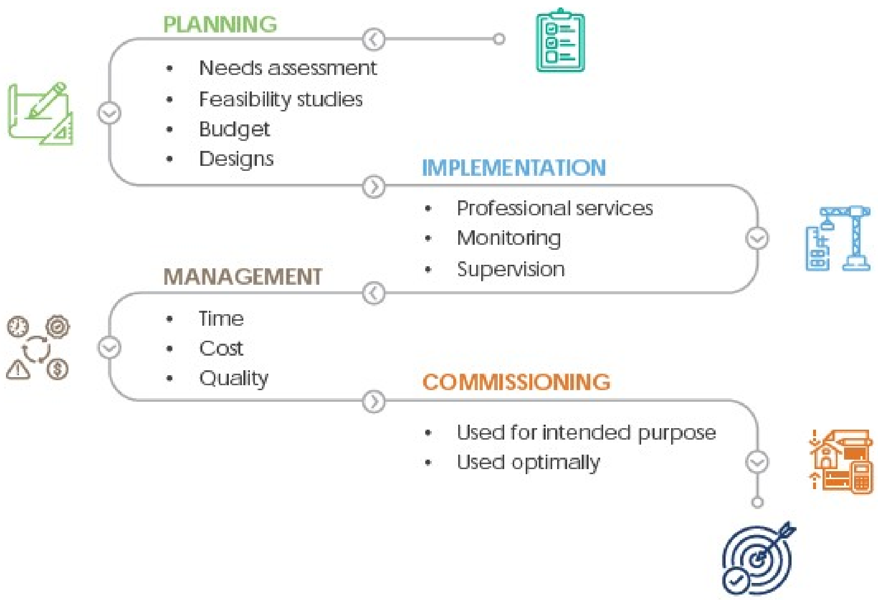
7 MIs in 6 municipalities have been resolved since the previous general report.

Status of MIs

- **38** **Resolved MI**
- **11** **Appropriate action** taken to resolve MI
- **9** **Appropriate action not taken** – decision on invoking our powers in process
  - **3** **Recommendations** included in audit report
  - **2** **Remedial action** approved
  - **5** **Referral** to other investigating bodies
  - **4** **Response received on notification** – in process of assessing action
- **5** **Recently notified**

Risk: infrastructure delivery and maintenance

Infrastructure project life cycle



What we found

Project Planning - Poor upfront planning, weak risk assessment, unrealistic cost and time estimates.

Project Implementation - Contractor non-performance, incomplete works, quality defects, and delayed projects.

Project Management - Poor monitoring of cost, quality and progress; over-certification and failure to enforce penalties and guarantees.

Project Commissioning - Infrastructure commissioned before being fit for use; facilities unusable due to defects or lack of services.

What caused this?

- Inadequate leadership oversight, overreliance on consultants, absence of SOPs.
- Weak contract enforcement, delayed municipal payments, failure to enforce standards and testing.
- Overreliance on consultants, lack of due diligence by PMUs, weak financial controls.
- Inadequate commissioning controls, lack of safeguarding and independent certification.

Impact

- Projects commenced without readiness, leading to delays, scope changes and funding shortfalls.
- Extended delays, vandalism of incomplete assets, remedial works, and financial losses.
- Fruitless and wasteful expenditure, unrecovered guarantees, litigation risk, and loss of grant funding
- Service delivery failure, regulatory non-compliance, social harm, and reputational damage

Call to action

Activate the accountability ecosystem to address the current realities

1 **Weak accountability and consequence management**

2 **Lack of financial discipline and vacancies in key positions**

3 **Ineffective systems, controls and performance management**

Our recommendations

Accounting officers and senior management must be held directly accountable for repeat findings. Clear timelines should be set for implementing corrective actions, with visible consequences for failure to address irregular expenditure, compliance breaches and MIs. Municipal councils and oversight structures should actively monitor implementation, rather than relying on the audit process to drive change.

Municipalities should prioritise stability in critical roles (MM, CFO, SCM leadership) and embed strong daily and monthly financial controls. Action plans must be practical, monitored continuously, and owned by management. The focus should shift from year-end corrections to producing credible financial statements before audit, reducing reliance on consultants and last-minute adjustments.

Municipalities need to modernise and standardise their control environments by improving performance management systems, record-keeping and audit evidence, while also addressing IT governance weaknesses. This includes approving ICT strategies, filling critical IT skills gaps, and reducing reliance on manual processes. Stronger systems will improve the reliability of financial and performance reporting and support better service delivery outcomes.

AUDITOR-GENERAL SOUTH AFRICA

2025-26 MFMA Key Focus Areas

MFMA Key Focus Areas

Focus Areas:

1. *Procurement and contract management*
2. *Consequence management*
3. *Grant management*
4. *Financial Health*
5. *Governance and oversight*
6. *Use of consultants*
7. *Human resource management*

Compliance themes:

1. Annual financial statements, performance reports and annual reports
2. Consequence management
3. Environmental management (metros and its related municipal entities and ICMs)
4. Expenditure management
5. Human resource management
6. Procurement and contract management (applicable to all MFMA auditees)
7. Revenue management
8. Strategic planning and performance management
9. Utilisation of conditional grants
10. Oversight and governance (excluding
11. Asset management

MYAP THEMES

Themes:

1. *Fiscal pressure*
2. *Infrastructure*
3. *Environmental Sustainability*
4. *Road and Transport*
5. *Metros*
6. *Coordinating Institutions(including professionalization)*

Acceptable standards on planned performance targets, indicators and reporting

Usefulness of performance information

Usefulness defined

- The usefulness aspects of the reported performance information includes representations by the entity relating to the consistency, measurability, relevance, presentation and disclosure of its planned information (i.e. the auditees' predetermined objectives) in the annual performance report

Consistency, measurability, relevance, presentation and disclosure

- Consistency in relation to the consistency of performance indicators and performance targets presented and disclosed in the annual performance report compared to the planned performance information, as per the entity's strategic /annual or performance plan, shareholder's compact/corporate plan.
- Measurability in relation to the measurability of performance indicators and their targets. Performance information is useful if, amongst others, it is measurable; i.e. the entity can be held accountable against measurable performance indicators and related measurable targets.
- Relevance: Performance information is useful if, amongst other, it communicates relevant information regarding the entity's performance; i.e. it actually says something about the entity's performance, since the matter/aspect in question is relevant to what is expected of the entity in terms of its mandate and the objectives it aims to achieve.
- The presentation and disclosure of the performance information of the programme/objective are in accordance with the criteria of the identified Performance Management and Reporting Framework (PMRF).
    - i) The reasons for variances between planned and actual performance have been disclosed in the annual performance report.
    - ii) The reasons for variances are corroborated by reliable source documentation.
    - The reasons for variances between planned and actual performance have to be disclosed in the annual performance report with the appropriate supporting evidence, reasons alone without evidence will not be acceptable.

Usefulness of performance information

Consistency, measurability, relevance, presentation and disclosure considerations

- The planned targets should be in line with planned performance information so that what was originally planned can be achieved. Any changes done should be approved to be a new indicator or an adjustment but not change, for new indicators revised mid-year, achievement of the old indicator are still required for the 2 quarters.
- Targets should be able to be measured or accounted for through some basis of measurement in units or percentage or value.
- Planned outputs should be relevant to what is expected of the entity mandate and its objectives that it seek to achieve. The relevance misstatement conditions relate to:
  - The indicator relates logically and directly to an aspect of the auditee's mandate, and the achievement of strategic goals.
  - The target relates directly to the indicator, and it expresses a specific level of performance that the programme/ development priority / objective is aiming to achieve within a given time period.

Example of a Target that does not relate directly to indicator

Development priority: KPA 1: Basic service delivery and infrastructure

Indicator 1: Number of new water connections provided

Target: 4 Quarterly reports

Audit impact:

- No logical link between the indicator and the target,

- The target is not relevant and will result in a relevance misstatement for the indicator

Consistency misstatement conditions

The consistency misstatement conditions relate to:

whether performance indicators and performance targets presented and disclosed in the annual performance report are consistent as compared to the planned performance information.

We test the following misstatement conditions for consistency

Consistency of performance indicators

i) Reported indicator not consistent or not complete when compared to planned indicator, and

ii) Changes to the planned indicator not approved

Consistency of performance targets

i) Reported target not consistent or not complete compared to planned target, and

ii) Changes to planned target not approved

iii) Reported achievement(s) is not consistent to planned and reported indicator and target.

For example: the planned and reported indicator was to build dams but the reported achievement referred to infrastructure plan completed OR multiple unrelated achievements reported against the planned indicator or target

Reported achievement not consistent with planned target

Actual target achievements represents how the entity actually performed against the approved targets set for the performance indicators of a specific subject matter. Information on the entity's performance will only be meaningful to the decision-making processes of intended users if it enables the users to evaluate whether, and the degree to which, the entity has actually performed / delivered compared to what was planned. Therefore, intended users can perform a meaningful evaluation if they are presented with reliable information regarding actual performance / target achievements compared to what was planned.

The reported performance (achievement) needs to be consistent with the planned target, to ensure consistent measurement and reporting that makes the information comparable and understandable.

Example:

Indicator: Number of houses built

Target: 10 000 houses built

Reported achievement: 80% of title deeds registered

Measurability misstatement conditions

The measurability misstatement conditions relate to:

- The performance indicator and related targets are well defined
- The performance indicator is verifiable

A performance indicator and its related targets are well defined

"Well defined" means that the indicator should have a definition that has a clear meaning to the user, and it should be easy to understand and use. Each target of the indicator gives meaning to the indicator as it specifies what level of performance the auditee will strive to achieve.

We test the following sub-conditions to determine whether the indicator and its targets are well-defined.
i) The performance indicator does not have a clear unambiguous definition
ii) The performance indicator is not defined so that data will be collected consistently
iii) A target is not specific: "Specific" means that the nature and required level of performance of the target is clearly identifiable.
iv) A target is not measurable: "Measurable" refers to whether the required performance can be measured.
v) A target is not time bound: "Time bound" refers to whether the timeframes for achievement of targets are indicated.

If ANY one of the sub-conditions is not met it will result in the indicator not being well-defined.

We assess the following core components for each indicator or target to understand what the indicator/target intends to measure and report:
- Source or collection of data (including source documentation required).
- Method of calculation or assessment.
- Means of verification / Type of output.

When testing usefulness, limitation misstatements relate to the following circumstances:
- **Measurability**: no documented TIDs, data definitions, systems and processes, SOPs not available and management is unable to explain or the auditor unable to corroborate the explanations by management necessary to understand how the indicator is measured
- **Relevance**: when no planning information is provided or no documents are available to corroborate management's explanations why they consider an indicator and target important and relevant to performance achievement and management of service delivery
- **Presentation and disclosure**: when no reporting information is provided or no documentation is available to corroborate the reason for variances or measures taken to improve performance.

Measurability misstatement conditions

A performance indicator is verifiable

Verifiable" refers to whether it is possible to verify the processes and systems that produce the indicator and whether the indicator is based on the planned performance and reporting management processes and systems

We test the following:
a. each indicator has a clearly defined measurement and reporting method and process for all activities /tasks
b. the process was predetermined and "complete" to enable consistent application by all role players
c. the process is complete in terms of each of the activities / tasks throughout the measurement process, e.g. the TIDs may include the initial source documentation and/or output but does not address the process and documentation required in the process.
d. the process includes collation, aggregation, validation and consolidation processes when measurement involves information obtained/ provided from various locations, provinces, within a group as well as the validation process of third party information.

For example: **Percentage of unplanned water interruptions restored in 24 hours.**

Although the TID may indicate that complaints/ cases are logged on the customer care centre website as original source and the report on cases resolved at the end of the process is the output document, the system is required to validate:
- the actual "interruption" cases logged as defined,
- the initiation of an action with the technical department,
- job completion / sign-off when completed by the technical department, and
- "restored" status as defined when updated on the system.

Without definitions and detail on what is defined as unplanned interruptions or restored services and what the policy is on determining start and completed time, it will not be possible to upfront determine and establish a verifiable measurement process for consistent application by all role-players.

If this information is available but the process only addresses certain parts of the process (e.g. excludes the technical department request and finalisation process), all activities in the measurement process are not verifiable.

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