Local government audit outcomes 2024-25 MFMA

Strengthening Financial Reporting and Transparency

2026 July 07

top EMPLOYER South Africa 2026 FOR A BETTER WORLD OF WORK

AUDITOR-GENERAL SOUTH AFRICA

115 YEARS

Advocating for an effective government culture

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.

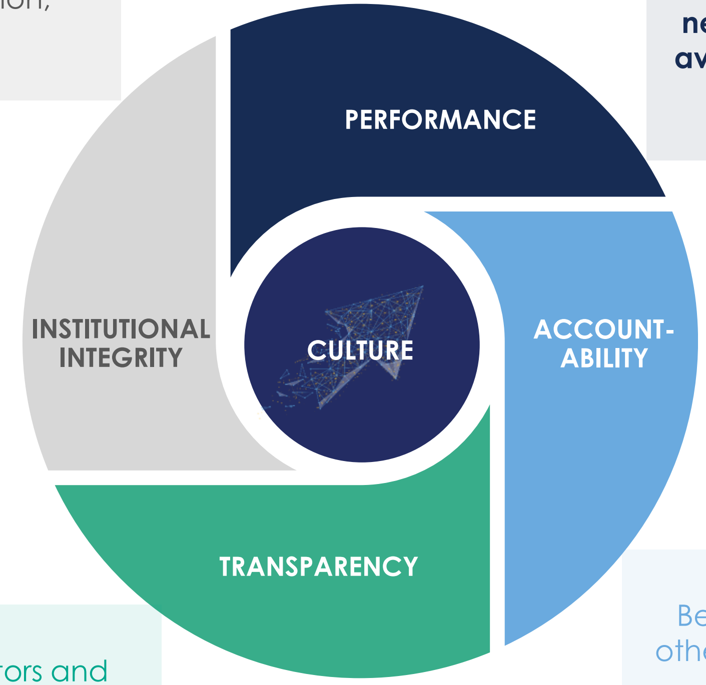
VISION

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

Legislative role of the CFO, IA and CRO

CFO:

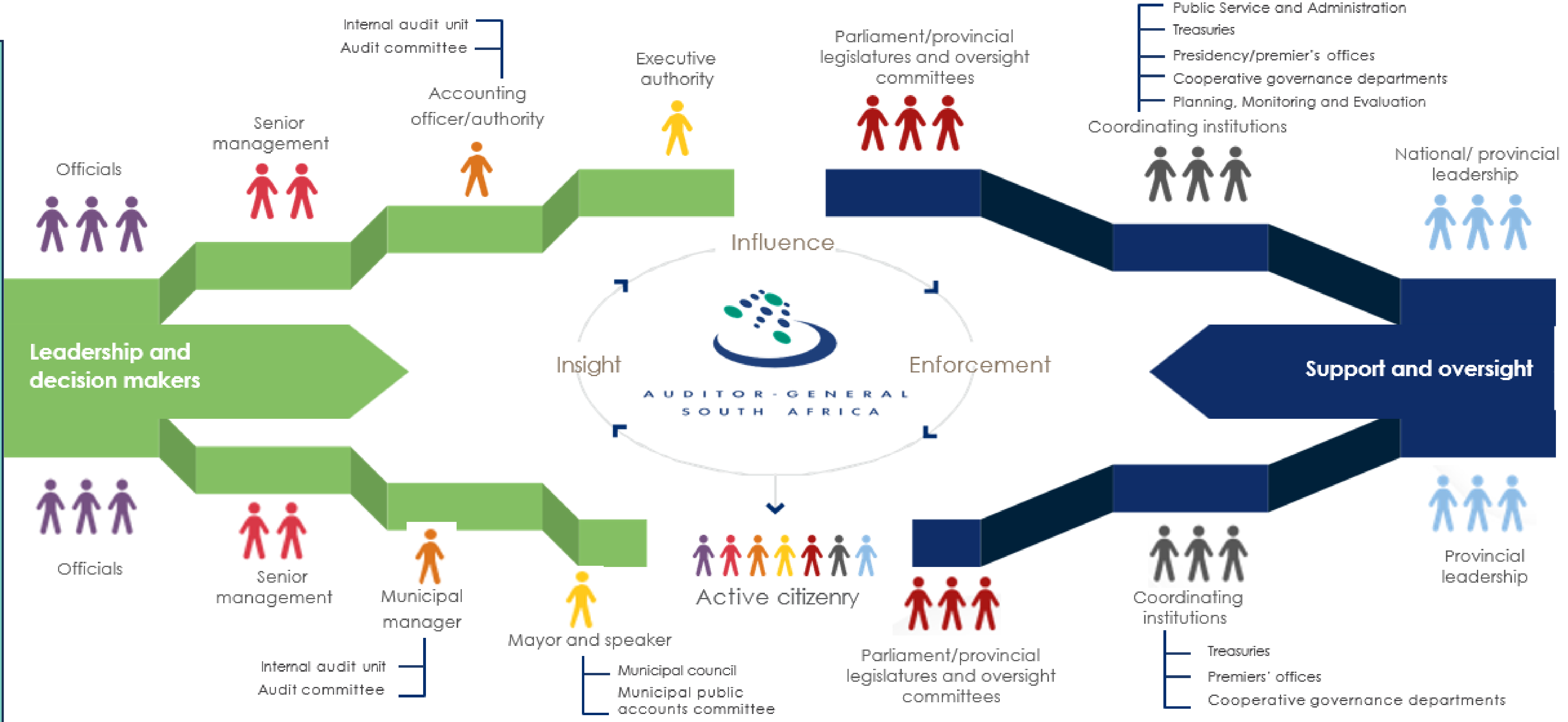
- Advises the Accounting Officer on financial management.
- Manages budgeting, financial reporting and expenditure control.
- Ensures compliance with the MFMA and Treasury requirements.
- Maintains effective financial and supply chain management systems.
- Supports accountability through accurate financial information.

Internal Audit:

- Provides independent assurance on governance and controls.
- Evaluates risk management and internal controls.
- Reviews financial and performance information.
- Recommends improvements to governance and compliance.
- Supports the Audit Committee.

Chief Risk Officer:

- Leads enterprise risk management. Identifies and assesses strategic and operational risks.
- Monitors implementation of risk mitigation measures.
- Promotes a risk-aware culture.
- Supports informed decision-making and good governance



Audit outcomes

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit	
2020-21	41	100	83	4	29	0	257
Last year of previous administration **2023-24**	41	99	95	7	15	0	257
2024-25	39	117	86	5	8	2	257
Cut-off date: 30 April 2026	15%	46%	33%	2%	3%	1%	

Non-submission of consolidated financial statements – Maluti-A-Phofung Local Municipality (Free State)

Late submission of financial statements – Nala Local Municipality (Free State)

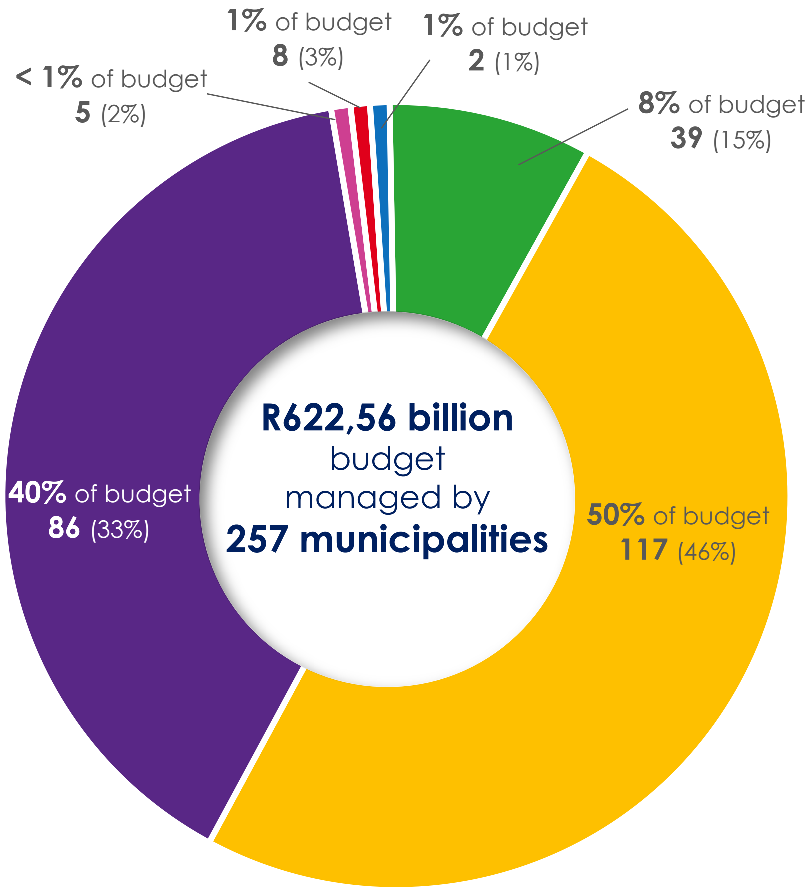
Movement from previous year and related budget	39 ▲ (R37,01bn)	201 ▶ (R439,04bn)	15 ▼ (R143,17bn)
Movement from 2020-21 and related budget	72 ▲ (R82,35bn)	145 ▶ (R387,36bn)	38 ▼ (R149,51bn)

Submission of financial statements by legislated date

2020-21	2021-22	2022-23	2023-24	2024-25
82%	92%	94%	95%	98%

Budget managed by auditees per outcome; complacency in yellow zone

Audit outcomes



(Budget based on estimated expenditure budget for 2024-25)

117 municipalities with unqualified audit opinion with findings

High levels of non-compliance
- **110 (94%)** repeat material non-compliance with key legislation
- **R14,06bn** irregular expenditure

Reporting that is not credible
- **96 (82%)** material misstatements in financial statements submitted for auditing
- **88 (75%)** material misstatements in performance reports submitted for auditing

Poor financial health
- **R13,24bn** unauthorised expenditure
- **R1,90bn** fruitless and wasteful expenditure
- **56** with concerning or unfavourable financial health assessments
- **16** with going concern uncertainties

Lack of consequences
- **34 (29%)** repeat material non-compliance with legislation on consequence management
- **R18,15bn** unauthorised, irregular and fruitless and wasteful expenditure not dealt with

162 material irregularities – 31% of all MIs
- **R5,45bn** estimated financial loss
- **32** on substantial harm to general public

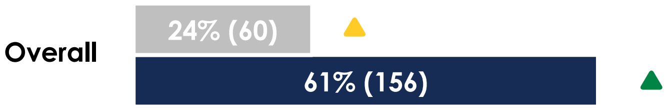
Complacency evident from stagnation in category

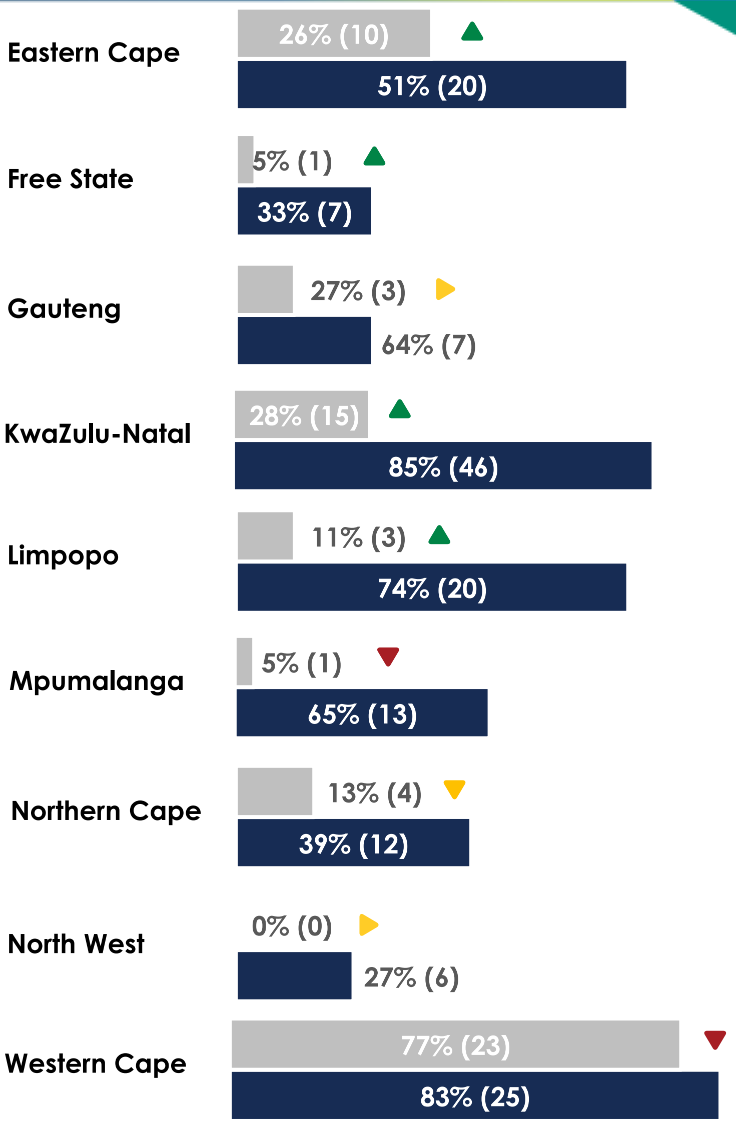
- Unqualified with no findings (clean)
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimed with findings
- Outstanding audit

Quality of financial reporting in 2024-25

Quality of financial statements

– before and after audit





Common misstatements in submitted financial statements and reasons

1 Revenue and receivables:

Material misstatements before audit: 64% (162 municipalities)
Material misstatements after audit (qualifications): 31% (80 municipalities)

Incomplete or incorrect billing, unsupported revenue recognised, misclassification of revenue, and overstated or poorly disclosed receivables due to weak debt-management and impairment processes

Impact: Inability to accurately assess own-revenue and budget effectively. Reduced capacity to fund service delivery, manage and sustain cash flow and maintain financial stability.

2 Fixed and movable assets

Material misstatements before audit: 51% (129 municipalities)
Material misstatements after audit (qualifications): 21% (54 municipalities)

Poor asset record-keeping, supporting schedules for assets not maintained or updated timeously, delays in asset verification, and inadequate reviews done

Impact: Inability to verify existence or value of assets, which misstates the financial position, impacts maintenance and renewal planning and increases risk of asset loss or misuse.

Number of quality AFS | Before audit | After audit | Movement from 2020-21 | Improvement | Slight improvement | Unchanged | Regression | Slight regression

Financial reporting consultants – cost, nature of work and prevalence

Number of municipalities that used consultants and consultant costs	179 – R586,20m	230 – R1 444,65m	225 – R1 520,42m	225 – R1 606,72m
	2014-15	2020-21	2023-24	2024-25

2024-25 use of financial reporting consultants

Consultant cost is ***10% of total financial reporting cost*** of R15,43bn

Recurring appointment at 153 municipalities (68%) (2020-21: 53%)

Reasons for appointment of consultants

- Skills and vacancies – 93 municipalities (41%) (2020-21: 33%)
- Skills – 119 municipalities (53%) (2020-21: 61%)
- Vacancies – 13 municipalities (6%) (2020-21: 6%)

Common findings on consultants

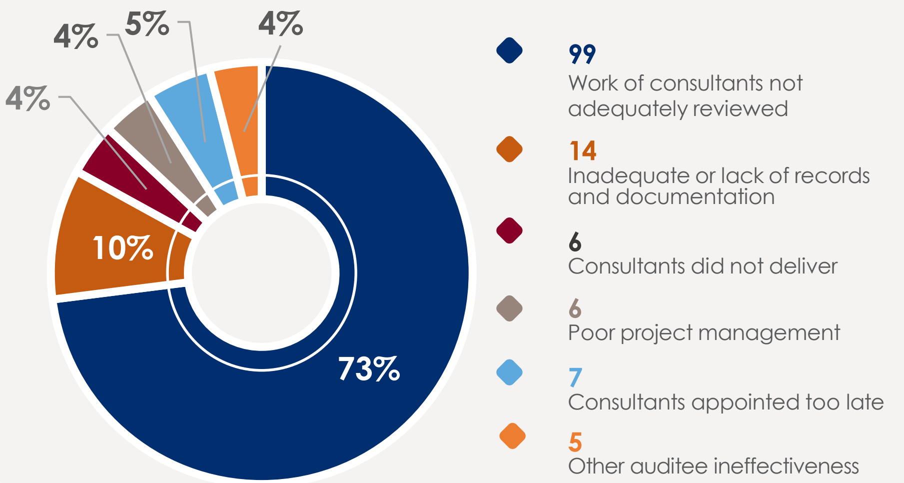
- No consultancy reduction plan in place – 44 (20%)
- Conditions or clauses relating to transfer of skills not included in contract – 24 (11%)
- No evidence that skills transfer or training programmes took place – 51 (23%)
- Consultants appointed without conducting needs assessment/ gap analysis and project plan – 43 (19%)
- Measures to monitor transfer of skills not implemented – 32 (14%)

Consultant cost by type – 2024-25

- **Preparation/review of financial statements –** R0,53bn (33%) (2020-21: 28%)
- **Asset management –** R0,51bn (32%) (2020-21: 34%)
- **Accounting services –** R0,13bn (8%) (2020-21: 5%)
- **Tax services –** R0,34bn (21%) (2020-21: 26%)
- **Other services –** R0,10bn (6%) (2020-21: 7%)

61% (137) of financial statements submitted for auditing included material misstatements in area of consultant work

Reasons misstatements in area of consultant work were not prevented

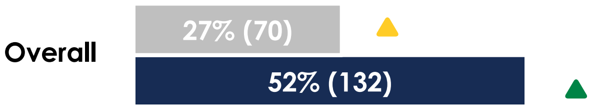


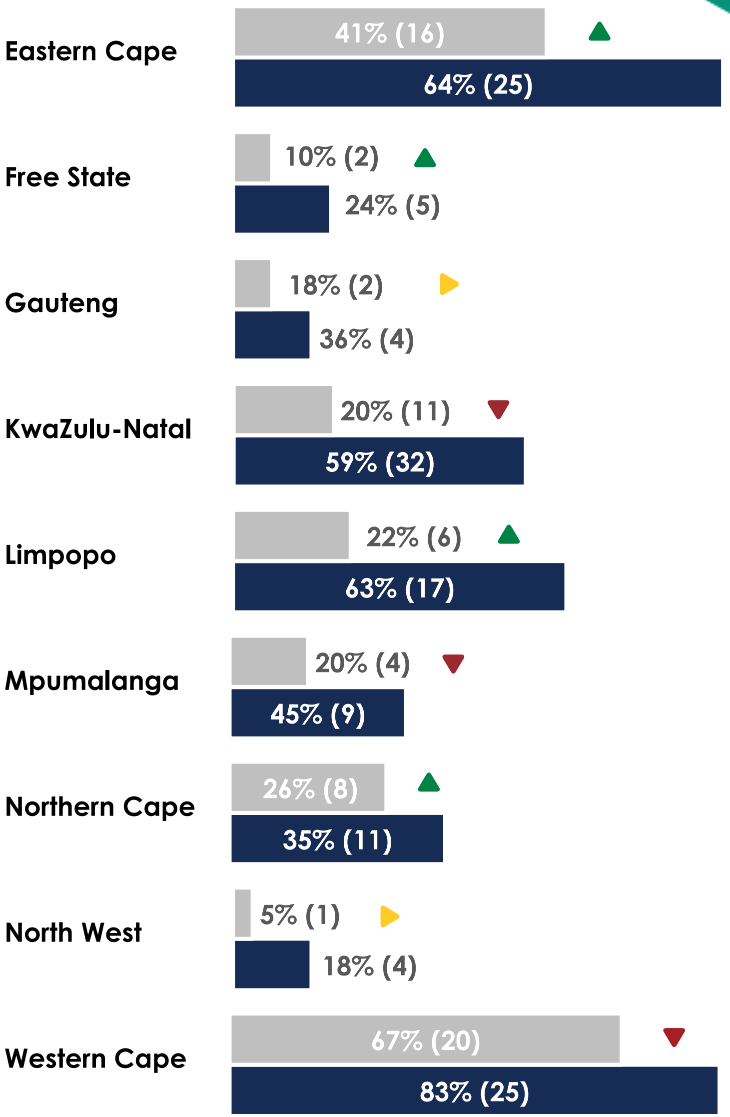
33 MIs on ineffective or inefficient use of consultants per province at 31 municipalities

Performance planning and reporting for service delivery

Quality of performance reports

– before and after audit





Material findings on performance planning, management and reports

Compliance findings

103 (40%) had material findings on **compliance with legislation on strategic planning and performance management**

Most common finding: Performance management systems and related controls were not maintained or were inadequate at 84 municipalities (33%)

Material findings on performance reports

86 (34%) Reported achievements **not reliable**

95 (37%) Indicators and targets not **useful**

13 (5%) **Excluded indicators** that measure performance on core mandated functions

Impact: Hinders oversight and accountability, compromises proper planning and decision-making, lack of transparency and/ or unreliable information to council and public on service delivery

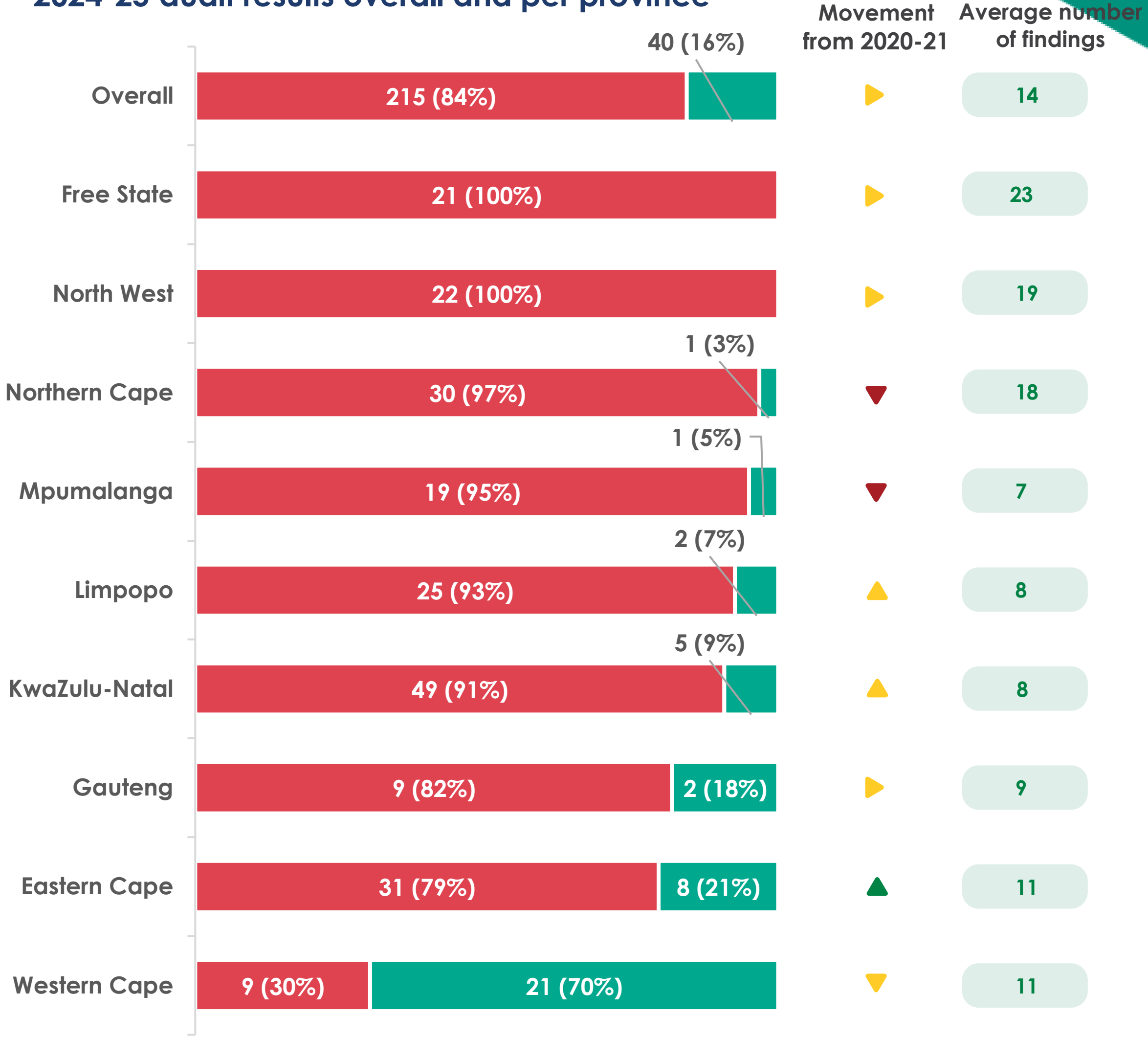
Number of quality performance reports | Before audit | After audit | Movement from 2020-21 | Improvement | Slight improvement | Unchanged | Regression

Material findings on compliance with key legislation

High levels of material non-compliance in all areas we audit

Compliance area	Municipalities with material non-compliance – 2024-25
Material misstatements or limitations in submitted financial statements	194 (76%)
Prevention of unauthorised, irregular and/or fruitless and wasteful expenditure	184 (72%)
Procurement and contract management	152 (60%)
Expenditure management	138 (54%)
Consequence management	131 (51%)
Environmental management (audited at metros)	4 (50%)
Strategic planning and performance management	103 (40%)
Human resource management	82 (32%)
Revenue management	80 (31%)
Asset management	69 (27%)
Utilisation of conditional grants	50 (21%)
Internal audit	41 (16%)
Audit committees	37 (15%)
Financial statements and annual report	31 (12%)

2024-25 audit results overall and per province

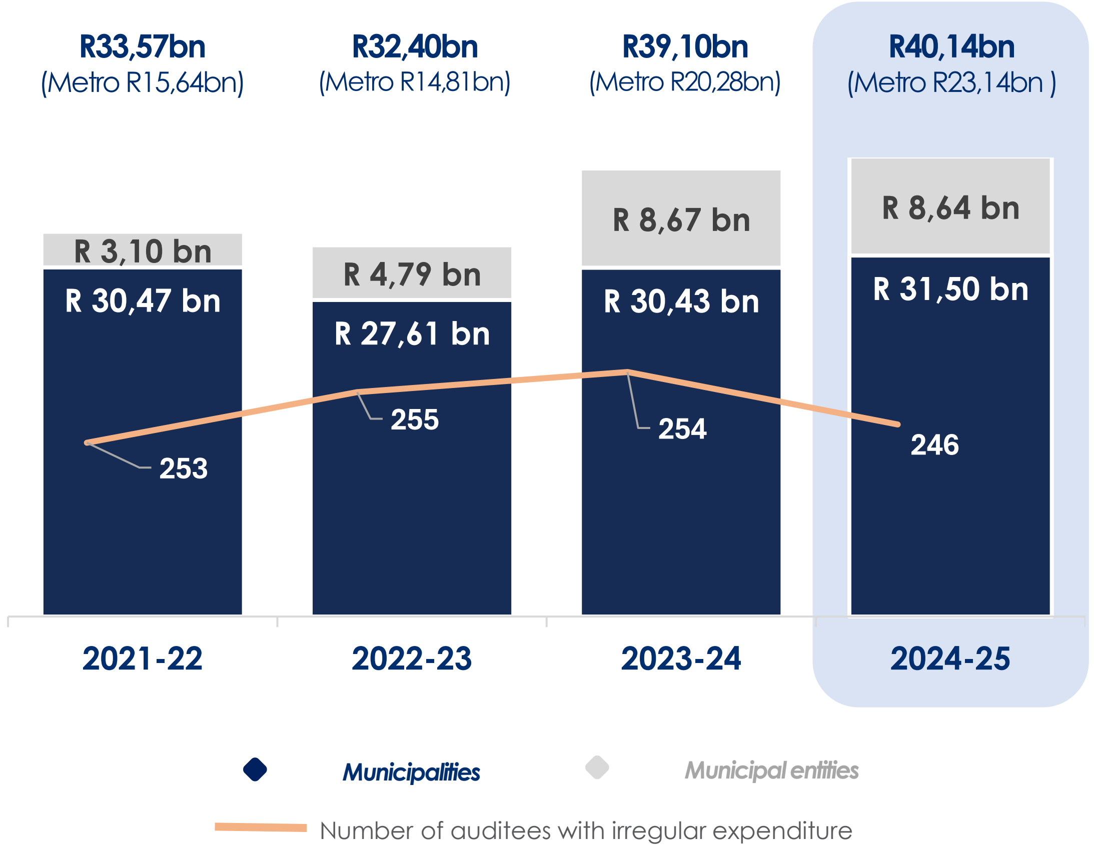


Movement from 2020-21 ▲ Improvement ▶ Unchanged ▲ Slight improvement ▼ Slight regression ▼ Regression

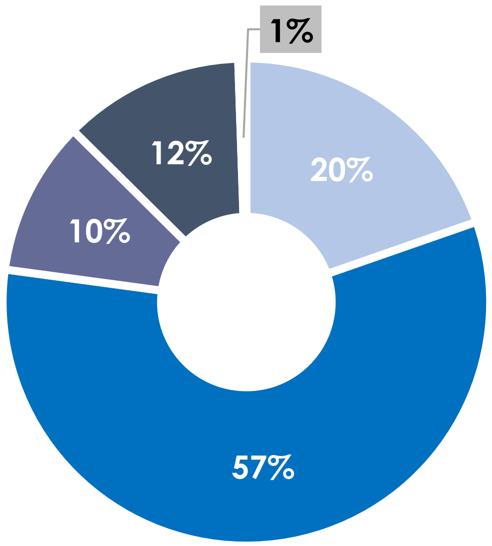
High levels of irregular expenditure over administration

Irregular expenditure incurred

(R145,21 billion over four years)



Nature of irregular expenditure over administration



- **R0,78 billion (1%)** Other irregular expenditure (e.g. non-compliance with legislation on employee cost)
- **R17,47 billion (12%)** Budget overspending

R126,96 billion Procurement and contract management-related irregular expenditure

- **R28,55 billion (20%)** Procurement without competitive bidding or quotation process
- **R83,46 billion (57%)** Non-compliance with procurement process requirements
- **R14,95 billion (10%)** Non-compliance with legislation on contract management

Metro amount Includes municipal entities of metros

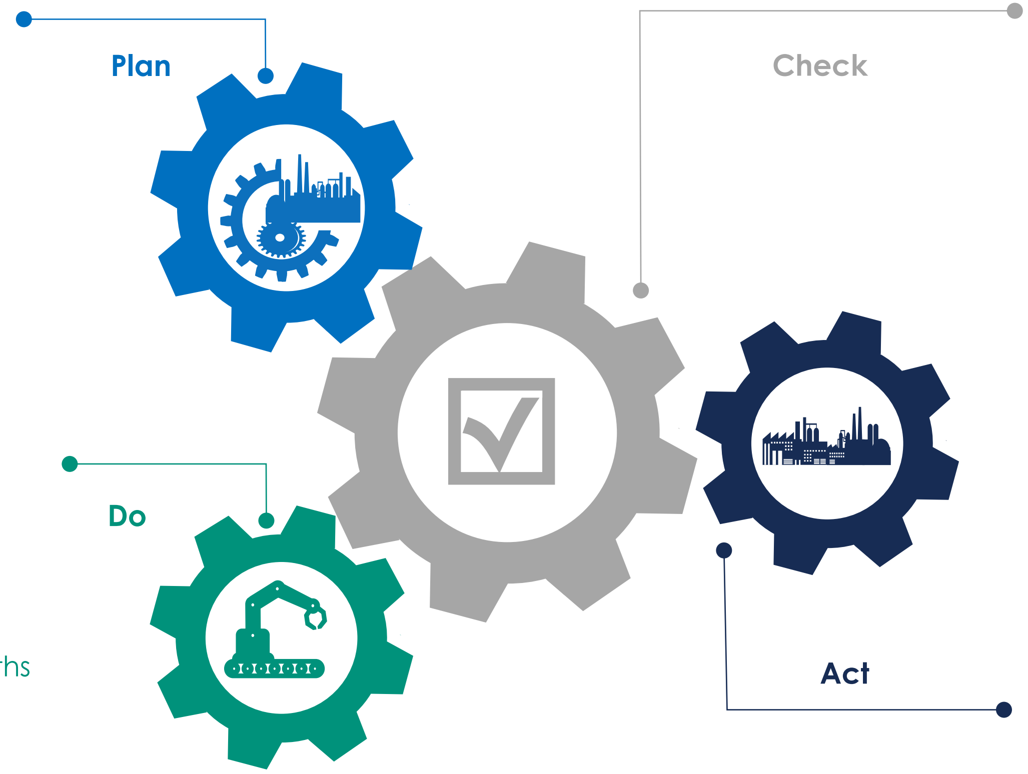
Infrastructure project failures and impact

Planning, funding and contractor appointments

- **Findings on procurement of contractors - 18 (86%)** of 21 projects audited
- **Weak financial controls and grant management** to ensure effective grant spending on infrastructure projects. Material non-compliance on grant spending - 21 municipalities
- **Inadequate institutional capability** to manage infrastructure projects

Monitoring and oversight

- Poor maintenance and Inconsistent monitoring of wastewater treatment works to **protect public health**
- **Contract management** not done or not effective
- **Late payments** to contractors and **contractual conditions** not complied with
- Insufficient oversight by **departments transferring** grants



Implementation of projects

Projects with **findings**: 101 (78%) including:

- **Delays:** 72 (56%) with average delays of 25 months
- **Cost management** and losses: 70 (54%)
- **Poor-quality** work: 30 (23%)
- Not put to use / **underutilised: 8** (6%)

Corrective action and consequences

- **Lack of consequences** for poor performance and project failures – contractors and professional service providers
- Delays **in appointing replacement contractors** after termination of contracts
- **Follow-up audits of projects** show little improvement in weaknesses previously reported

Local government financial health

What we found

Unfunded budgets – 116 municipalities (45%)
For 4 consecutive years – 77 municipalities (66%)

Unauthorised expenditure – R36,05 bn – 177 municipalities (69%), 99% related to overspending

Total deficit – R17,41 bn, 98 municipalities (41%)

Of the 116 municipalities with **unfunded budgets:**

- 99 (85%) incurred **unauthorised expenditure**
- 72 municipalities assessed incurred **deficits**

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

Wrote off **R62,12bn** in debt due to them

Not complying with conditions of **Eskom debt-relief programme** – 72% of participating municipalities

Impact

- **Going concern uncertainties** at 62 municipalities (24%)
  >> 33 municipalities for four or more years in position
- 123 municipalities (51%)
  – **net current liabilities** > net current assets
- 174 municipalities (72%)
  – short-term debts > **available cash**
- **Average time to pay creditors** – 113 days
- Insufficient spending on **repairs and maintenance** resulting in **infrastructure deterioration**
  >> Average of 3% of value of assets 238 municipalities (93%) spent < norm
- **Arrears (including interest) owed to Eskom** (R70,07bn) **and water boards** (R25,85bn)

Overall financial health assessment

Good	Concerning	Unfavourable
89 (35%)	102 (40%)	64 (25%)

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 (R14,73bn) and electricity losses (R21,63bn)

R6,36bn
fruitless and wasteful expenditure (2023-24: **R5,37bn**)

Material irregularities – nature, status and impact

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

- **305** — Material **financial loss** (estimated R10,23bn)
- **96** — Substantial **harm to public sector institutions**
- **110** — Substantial **harm to general public**
- **5** — **Misuse** of material public resources due to under-utilisation

Status

- **261** — **Resolved MI**
- **55** — **Appropriate action** being taken to resolve MI
- **17** — **Not pursued further**
- **10** — **Response received on notification** – in process of assessing action
- **15** — **Recently notified**
- **31** — **Appropriate action not taken** – decision on invoking our powers in process
- **127*** — **Appropriate action not taken** – invoked our powers
  - 21 — **Recommendations** included in audit report
  - 15 — **Remedial action** taken
  - 12 — **Remedial action not implemented-further actions**
  - 81 — **Referral** to public bodies for further investigation
  - 3 — **Certificate of debt process** commenced
  - 1 — **Certificate of debt** issued

* More than one action taken at some MIs

Impact made

R1,69bn – *Financial loss* ***recovered, prevented*** *or* ***being recovered***

R0,71 bn (32 MIs)	Financial loss **recovered**
R0,25 bn (16 MIs)	Financial loss **prevented**
R0,73 bn (48 MIs)	Financial loss **in process of being recovered**

- **221 MIs** — **Internal controls improved**
- **71 MIs** — **216 responsible officials identified** and **disciplinary process completed/in process**
- **13 MIs** — **Supplier contracts stopped** where money was being lost
- **68 MIs** — **Fraud / criminal investigations** instituted
- **5 MIs** — **Addressed harm to general public**
- **61 MIs** — **Addressed harm to public sector institution**

Call to action

Address persistent accountability ecosystem failures at multiple levels

1. Municipal administration
2. Governance failures - Mayor and council
3. Provincial government and legislature

Mayors, councils, national and provincial executive authorities and legislatures should prioritise:

1. **Build capable institutions with coordinated intergovernmental support** that strengthens governance, stabilises municipalities, and ensures effective use of internal audit and audit committees
2. **Professionalise and capacitate** local government by supporting and implementing local government professionalisation initiatives through compliant appointments, targeted skills development and retention of scarce skills
3. Instil a **culture of ethics and accountability** through a shared vision of **responsiveness and consequence management** and **support for the material irregularity process** which will contribute to the protection of resources and strengthening of institutional integrity

Accountable governance that plans and prioritizes the needs of all citizens

1. **CFO:** Drive sound financial management, compliance and accountability through pro-active financial leadership. This includes the development, implementation and monitoring of credible action plans to evaluate the entire internal control environment, identify deficiencies and improve controls where deficiencies are identified
2. **Internal Audit:** Provide independent assurance that governance, risk management and internal controls are effective. This includes the assessment of the adequacy of action plans developed to ensure that they are addressing the root causes of the audit findings raised and recommendations including in the infrastructure division.
3. **Chief Risk Officer:** Anticipate, manage and mitigate risks to enable informed decision-making and organisational resilience particularly in supply chain, infrastructure development and service delivery objectives.

THANK YOU

Stay in touch with the AGSA

Auditor-General South Africa

www.agsa.co.za

Illuminating insights for a better South Africa.

top EMPLOYER South Africa 2026 FOR A BETTER WORLD OF WORK

AUDITOR-GENERAL SOUTH AFRICA

115 YEARS 1911 - 2026