AUDITOR-GENERAL
SOUTH AFRICA

LOCAL GOVERNMENT AUDIT OUTCOMES: NCOP BRIEFING

2023-24 MFMA

KZN General Report tagline message: Lack of accountability and poor financial management impede service delivery

18 November 2025

SAi20 SOUTH AFRICA 2025

top EMPLOYER South Africa 2025 FOR A BETTER WORLD OF WORK

Mission and vision

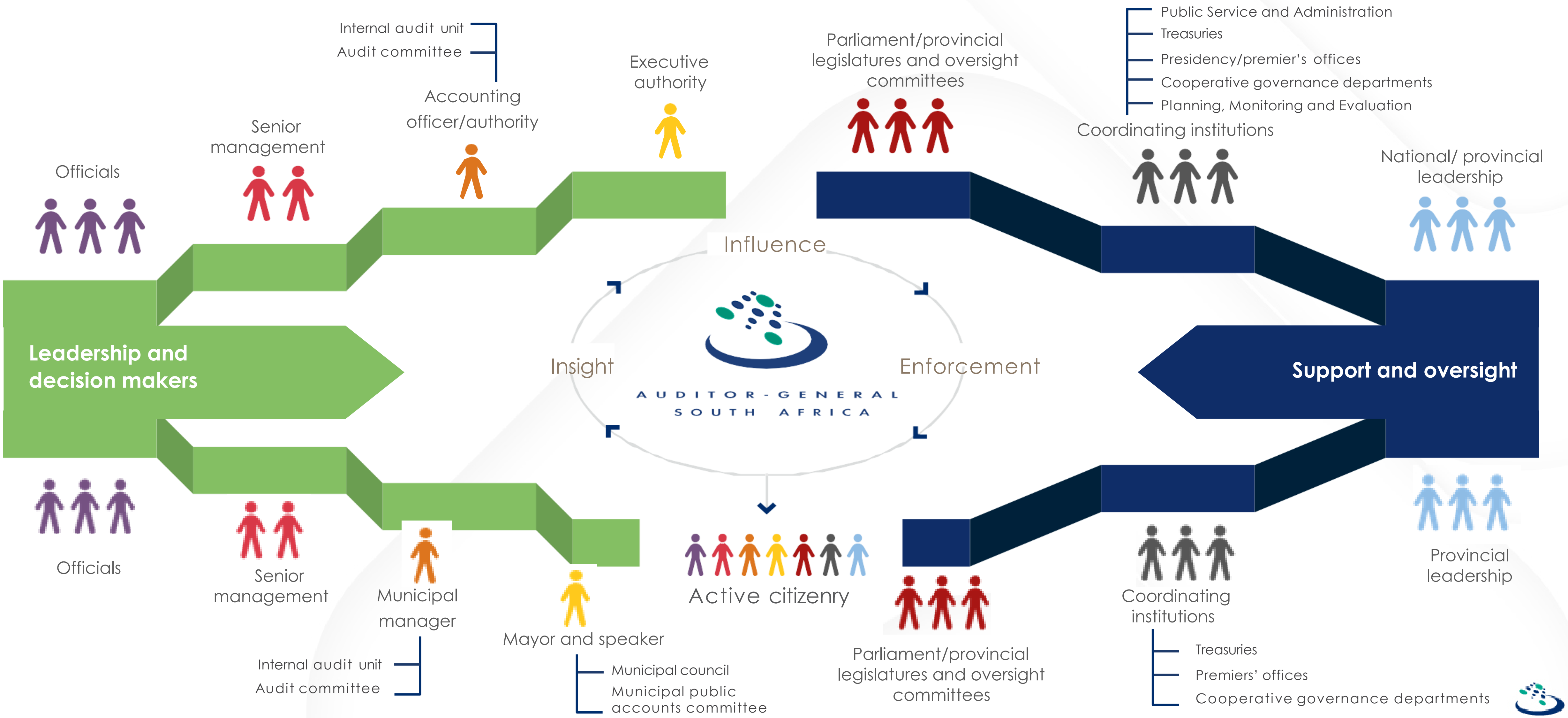
MISSION

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

All have a role to play in accountability ecosystem



Leadership and decision makers

Officials

Senior management

Accounting officer/authority
- Internal audit unit
- Audit committee

Executive authority

Officials

Senior management

Municipal manager
- Internal audit unit
- Audit committee

Mayor and speaker
- Municipal council
- Municipal public accounts committee

Influence

Insight

Enforcement

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Active citizenry

Support and oversight

Parliament/provincial legislatures and oversight committees

Coordinating institutions
- Public Service and Administration
- Treasuries
- Presidency/premier's offices
- Cooperative governance departments
- Planning, Monitoring and Evaluation

National/ provincial leadership

Parliament/provincial legislatures and oversight committees

Coordinating institutions
- Treasuries
- Premiers' offices
- Cooperative governance departments

Provincial leadership

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Insights from the 2023-24 audits - The state of local government in KwaZulu-Natal

Audit outcomes gradually improving, yet a lack of accountability and poor financial management impede service delivery

2020-21 Last year of previous administration	3	36	13	0	3	0	55
2022-23	4	40	10	1	0	0	55
2023-24 Cut-off date: 31 January 2025	7 13%	37 66%	7 13%	2 4%	1 2%	1 2%	55
2023-24 Expenditure budget: R116,24 billion	8%	79%	4%	2%	1%	7%	

Although Msunduzi was subsequently signed off on 12 February 2025 and had received a qualified audit opinion. The audit is reflected as delayed as it was signed after the cut off date for inclusion of 31 January 2025 as a result of an audit dispute.

Movement from 2020-21

15 ▲ 6 ▼

Movement from previous year

6 ▲ 5 ▼

Submission of financial statements by legislated date is **100%**, similar to the prior year.

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

Improvement ▲

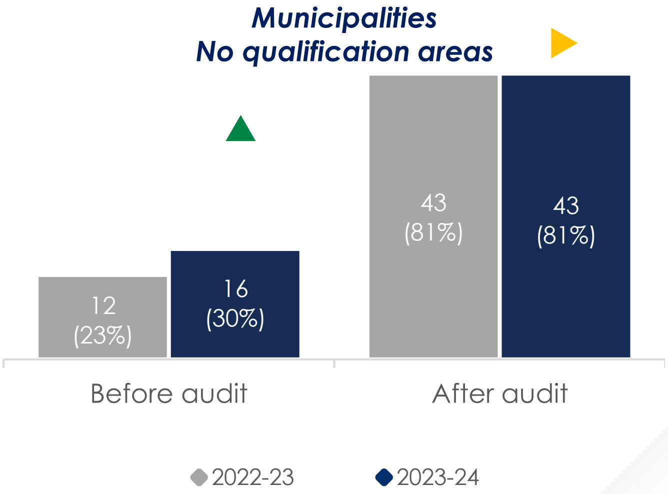
Regression ▼

Movement in audit outcomes from previous year – GR applicable auditees

Movement Audit outcome	Improved 6	Unchanged 43	Regressed 5	Outstanding 1
Unqualified with no findings = 7	Msinga uMshwathi Umvoti Richmond	Umlalazi City of Umhlatuze King Cetshwayo District		
Unqualified with findings = 37	Jozini Mpofana	eThekwini Metropolitan Mkhambathini Harry Gwala District Uthukela Water (Pty) Ltd uMhlabuyalingana Dannhauser Newcastle Mandeni uMuziwabantu eMadlangeni Maphumulo Ray Nkonyeni Ubuhlebezwe Umgungundlovu District uPhongolo Nquthu KwaDukuza Ulundi Big 5 Hlabisa Mfolozi Ilembe District Ndwedwe Dr. Nkosazana Dlamini Ugu District Zululand District Greater Kokstad Mthonjaneni Umzimkhulu Umngeni Impendle eDumbe Abaqulusi Nkandla Alfred Duma	Okhahlamba	
Qualified with findings = 7		Uthukela District Amajuba District Umkhanyakude District Mtubatuba Inkosi Langalibalele	Umdoni Nongoma	Msunduzi
Adverse with findings = 2		Umzinyathi District	Umzumbe	
Disclaimed with findings = 1			Endumeni	

Financial statements - accounting for financial performance

Credible financial statements are crucial to enable accountability and transparency



Key observations since previous year

- The number of auditees who submitted financial statements with no material adjustments improved.
- The eThekwini metro continued to produce financial statements with no material misstatements.
- Some auditees had no material misstatements in submitted financial statements for many years.

Main qualification areas

- Receivables
- Irregular expenditure
- Revenue from exchange transactions
- Property, plant and equipment
- Payables, accruals and borrowings

What caused improvement at those auditees who had no material misstatements in their submitted financial statements?

- Senior management followed through on previous year recommendations to improve on the quality of their reviews of the financial statements through proper reconciliation to supporting schedules/evidence.
- Effective financial record keeping, financial statement preparation and business controls were implemented.
- Commitment by municipal managers to fill key finance unit division posts and chief financial officer positions also contributed to the improvement at some auditees.

Movement from 2022-23

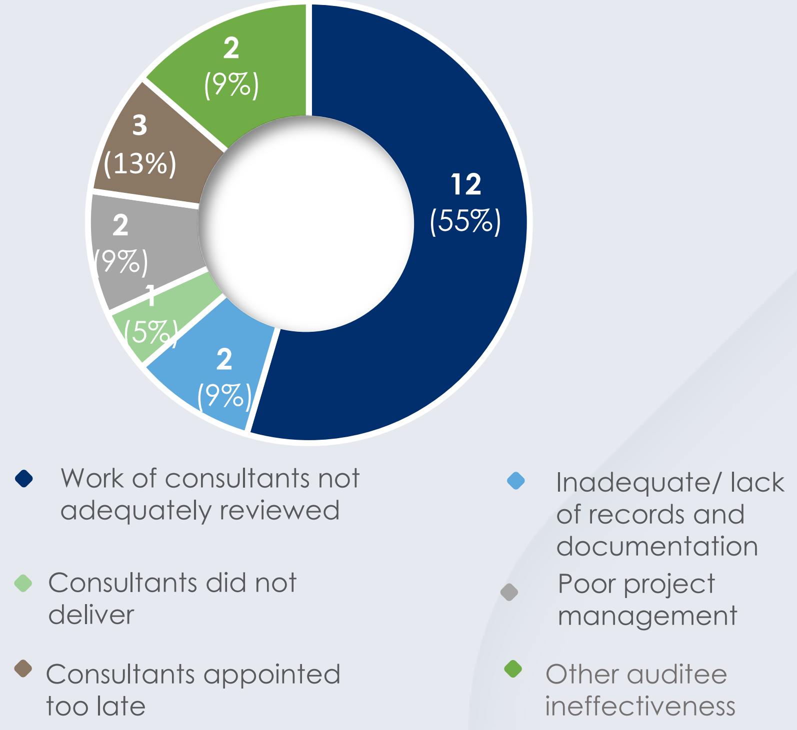
▲ Improvement ▶ Unchanged ▲ Slight improvement ▼ Slight regression ▼ unauthorized

Ineffective use of consultants for financial reporting

What we found - Cost of financial reporting consultants in the province

- **R220 million** (2022-23: R240 million) – total cost of financial reporting consultants
- **47 municipalities** (87%) (2023: 45 municipalities (83%)) used financial reporting consultants every year

Factors contributing to consultant ineffectiveness and the failure to prevent financial statement misstatements



Consultants were mostly used for the preparation or review of

- Asset management – R85m (2023 – R56m)
- Preparation or review of financial statements – R39m (2023 – R44m)
- Tax services cost – R69m (2023- R88m)

Reasons for appointing consultants

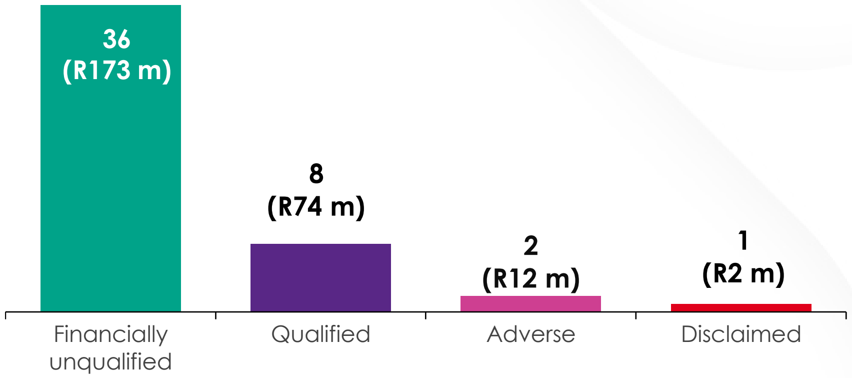
- Lack of skills – 28 (60%) municipalities (2023 – 27 (60%))
- Vacancies – 2 (4%) municipalities (2023 – 4 (9%))
- Combination of lack of skills and vacancies – 17 (36%) municipalities (2023 – 14 (31%))
- Recurring appointment at 40 (85%) municipalities – (2023 – 32(71%))

Additional insights

- Consultants were mostly used due to lack of skills and vacancies at the municipalities.
- At some municipalities there was no evidence that skills transfer, or training programmes took place.
- No consultancy reduction plan in place at some municipalities.

Consultants were not used effectively, as **22 municipalities (47%)** had material misstatements in the areas where consultants were used.

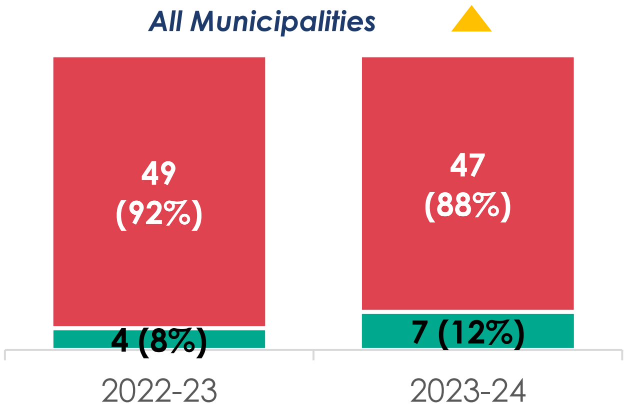
Consultant cost per audit outcome: financial statements after corrections



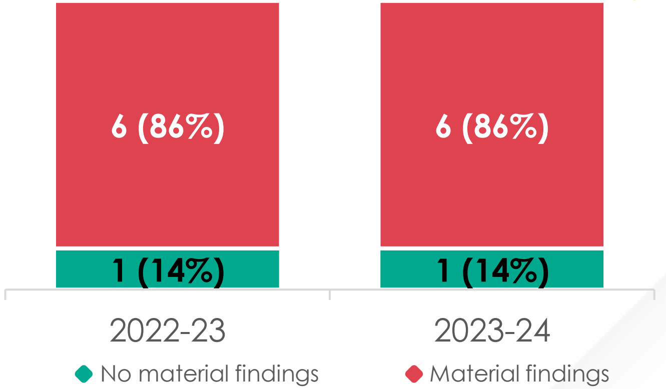
High levels of material findings on compliance with key legislation

Material compliance findings

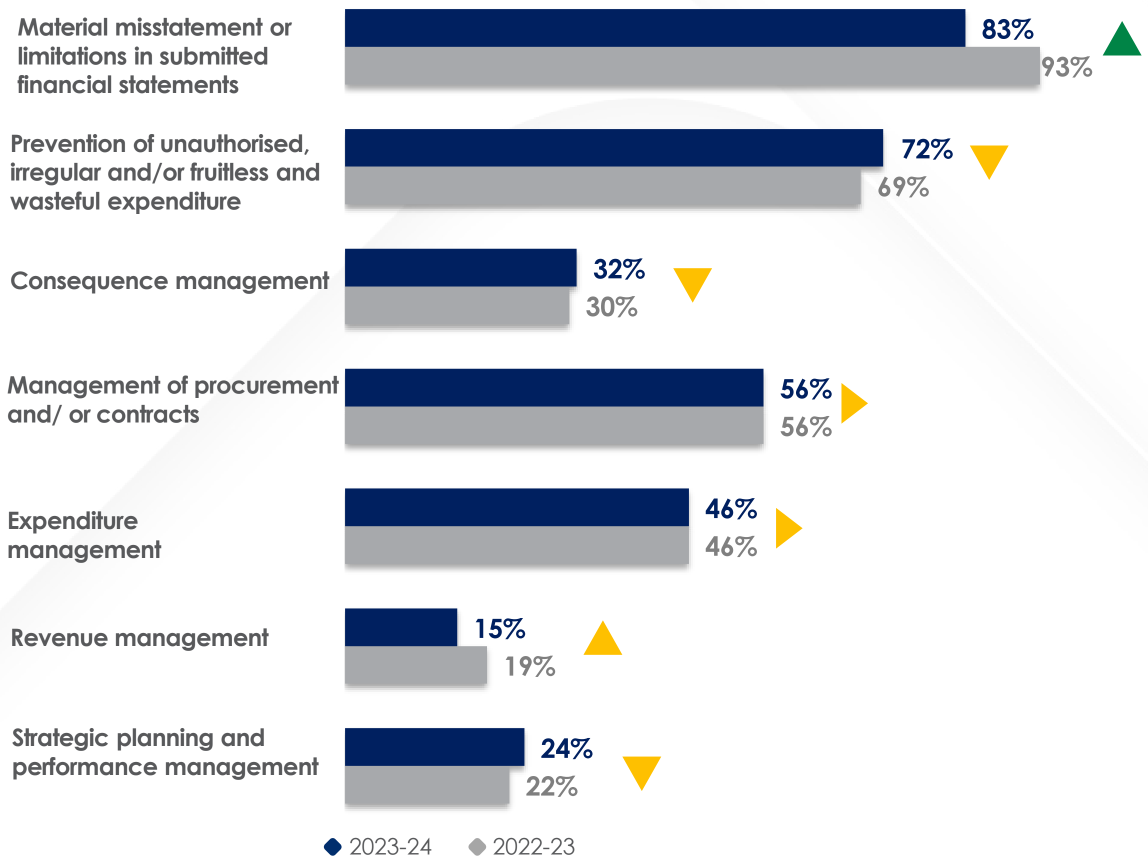
All Municipalities ▲



Metro/ secondary cities/ municipal entities ▶



Most common areas of material findings in 2023-24



Root cause

Audit action plans in place to address compliance, but inadequate action on root causes and **lack of enforcement in implementing solutions.**

Impact

Overall, **compliance with legislation** has not improved in the province and a continued culture of disregard for good governance and compliance.

Movement from 2022-23

Improvement ▲ Slight improvement ▲ Slight regression ▼ Stagnation ▶

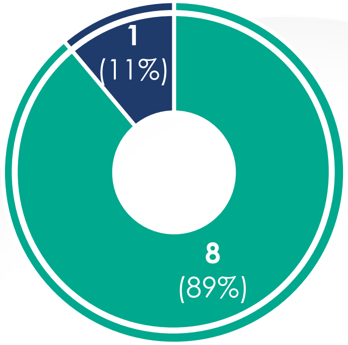
Consequence management: investigations into transgressions improving but appropriate action against officials still a concern

Status of compliance with legislation on consequence management

- 18 **(34%) did not comply with legislation** relating to steps AO/ AA should take in response to UIFW, allegations of financial misconduct, fraud and improper conduct – at 17 **(32%) material non-compliance**

Although there was a large portion of UIFW dealt with, in some instances the investigations were not done properly or commissioned at the correct levels.

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



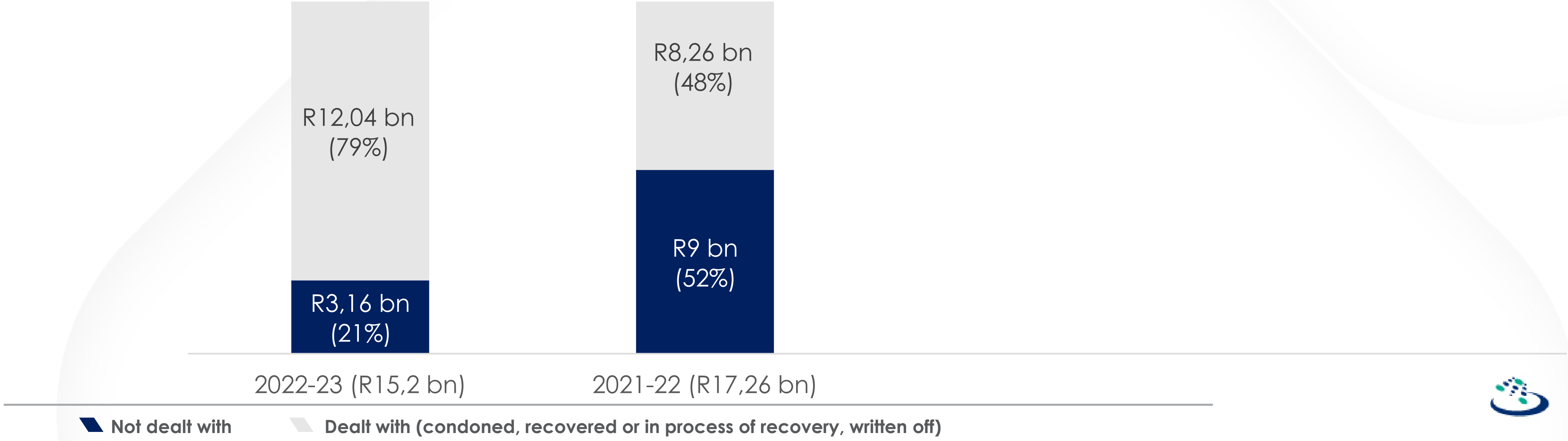
8 Municipalities investigated all findings reported

1 Municipalities investigated some findings reported

9

- **8 (89%)** satisfactorily resolved findings
- while **1 (11%)** resolved some findings (e.g. municipality did not implement recommendation to cancel contracts in which employees failed to declare interest)

How did auditees deal with prior-year irregular expenditure over the current administration

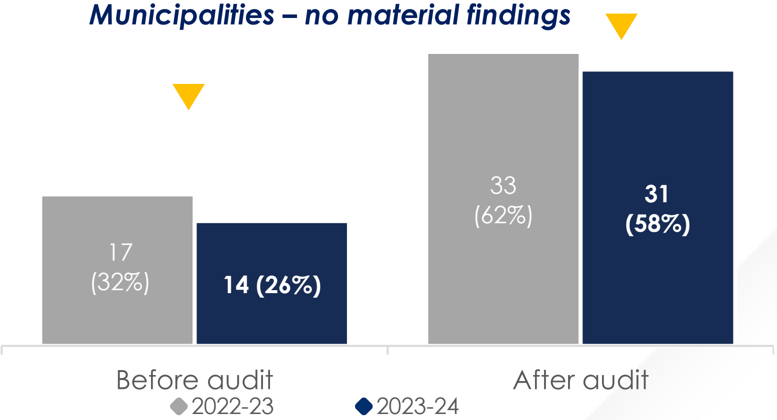


Performance planning and reporting for service delivery

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

- The quality of performance reports before and after the audit has slightly declined from the prior year.
- Seventeen municipalities (32%) avoided material findings only by correcting misstatements during the audit.
- Not all performance targets were met despite most of the budgets being spent

Material findings on performance reports – municipalities

- 26% (14) - Reported achievements not **reliable**
- 28% (15) - Indicators and targets not **well defined, verifiable or measurable**
- 6% (3) - **Excluded** indicators that measure performance on core mandated functions. specifically, at Abaqulusi, Nquthu and Impendle municipality

Root causes of findings

- A lack of understanding of the performance management framework has led to poorly defined and irrelevant performance indicators / targets that were included in the planning documents.
- Insufficient oversight exercised by management to ensure that indicators were properly defined and related targets were measurable.
- Adequate processes were not established to consistently measure and reliably report on key performance indicators.
- Lack of reviews and reconciliations between the underlying records and reported achievement resulting in the reported achievement not being credible.

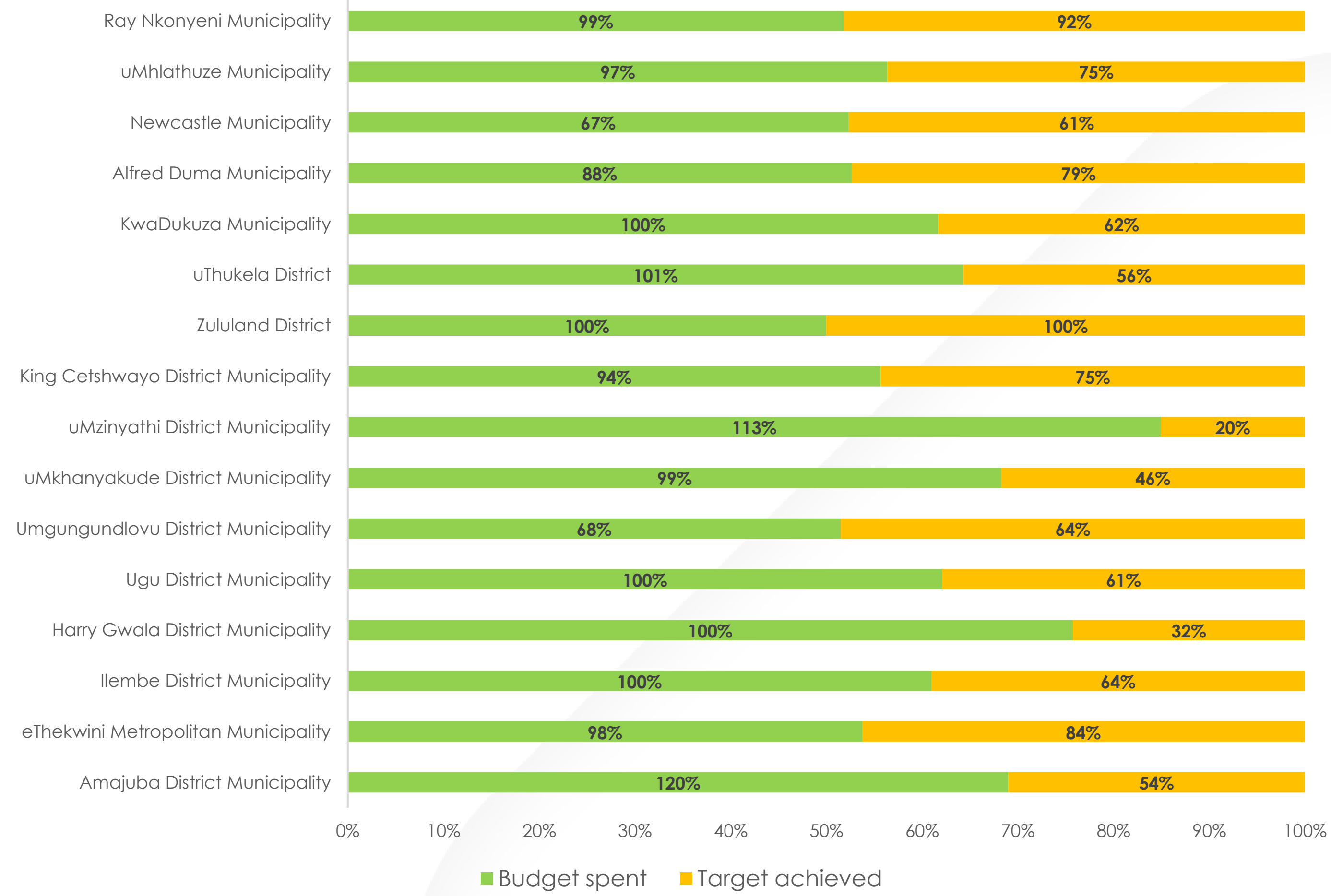
Movement from 2022-23

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

Budget versus achievement of performance targets at key municipalities – basic service delivery key performance area

1

Budget spent versus targets achieved



2 Insights and root cause

- Despite spending majority of the budgets , key service delivery targets were not achieved except for Zululand district that achieved 100% of its targets.
- At the Metro an improvement has been noted on the percentage targets achieved from 74,58% to 83,93% in the current performance period. The non-correlation of targets achieved and budget spent remain a concern as fiscal pressures require a more efficient approach to service delivery.
- Reason for non-achievement of targets include delays in supply chain management process, poor performance from contractors, poor project management, weak financial controls as well as inadequate resource planning.

3 Impact of non-achievement of targets

- The non achievement of key service delivery targets pose significant risks relating to insufficient access to water, sanitation, electricity, and waste management services leading to deteriorating living conditions.
- Residents/communities may lose trust in local government, leading to protests, service delivery strikes, and civil unrest.
- Lack of consequences for officials who fail to achieve key service delivery targets.

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Service delivery risks

Risk – financial management

What we found

26% (2023: 27%) of municipalities **ended the year in deficit (expenditure more than revenue)**

Next year's budget will pay for expenditure of previous year(s) – at 28% (2023:25%) **municipalities it will be more than half of their budgets**

At 17 (2023:16) municipalities **more than 80% of debt cannot be recovered** – debt-collection period at 16 (2023: 22) municipalities was more than 90 days

5 (9%) (2023: 11 (21%)) **municipalities disclosed significant doubt** in financial statements about their **ability to continue operating as a going concern in the foreseeable future**

4 municipalities (8%) **disclosed emphasis of matters related to close calls with going concern.** While these were not significant, they indicated a potential risk of financial instability (Newcastle, Emadlangeni, Umngeni and Impendle).

Unauthorised expenditure – R3,79bn related to overspending (2022-23: R3,09bn)

Financial losses due to:

1. Poor payment practices resulting in interest and penalties
2. Unfair/uncompetitive procurement processes breaching the 5 pillars of procurement resulting in irregular expenditure
3. Poor debt collection practices
4. Poor management of services provided to indigents
5. Electricity and water distribution losses above acceptable norms

R272,89 mil
fruitless and wasteful expenditure
(2022-23: **R348,98 mil**)

Impact

- Results in municipalities having going-concern challenges

Going concern uncertainties at 5 municipalities

- ☐ Mpofana (>5 years)
- ☐ Ugu District (>5 years)
- ☐ uThukela District (>5 years)
- ☐ uMzinyathi District (3 years)
- ☐ Endumeni (2 years)

- Insufficient spending on **repairs and maintenance** resulting in **infrastructure deterioration**
- Weakened **transparency and ability of users**

Risk - infrastructure delivery and maintenance

Infrastructure project life cycle

PLANNING
- Needs assessment
- Feasibility studies
- Budget
- Designs

IMPLEMENTATION
- Professional services
- Monitoring
- Supervision

MANAGEMENT
- Time
- Cost
- Quality

COMMISSIONING
- Used for intended purpose
- Used optimally

Audit focus

We audited **infrastructure delivery life-cycle**, and **condition**. Audits were conducted on 15 infrastructure projects across eThekwini Metro, Msunduzi, uMhlathuze, KwaDukuza, Okhahlamba, and uMkhanyakude Municipalities. These included both new (5 projects) and 10 follow-up projects covering water and sanitation, human settlements, electricity, roads, and solid waste infrastructure.

What we found

- **Findings on infrastructure projects:** 15 infrastructure projects audited (All 15 projects had findings)
- **Findings on maintenance of existing infrastructure:** 8 of 9 projects
- **Key systematic challenges identified:**
  - Inadequate needs assessment and project planning.
  - Contractors and consultant underperformance.
  - Ineffective monitoring of project milestones and quality of work performed.
  - Environmental and safety concerns, particularly those related to water and sanitation.
  - Delays in project completion and escalating costs.
  - Capacity and governance weaknesses.

What caused this?

- Lack of comprehensive planning, with inadequate needs assessments and risk analysis.
- A lack of robust project monitoring and milestone tracking.
- Lack of accountability for non-performance by contractors and professional service providers.
- Inadequate financial management such as delayed payments, overpayments, a lack of stringent controls over variation orders and insufficient maintenance budgeting.
- Environmental oversight: Projects such as wastewater treatment works located in environmentally sensitive areas, such as wetlands and flood zones.

Implications for service delivery

- Communities continue to experience service backlogs due to incomplete or defective infrastructure.
- Health and environmental risks persist where sanitation and waste systems are non-compliant.
- Inefficient use of public funds undermines public confidence and developmental outcomes.

Key recommendations – Strategic actions for leadership

- Strengthening planning, oversight, and accountability, alongside targeted capacity support, is essential to accelerate the realization of basic services for all communities.
- Prioritize compliance with environmental, safety, and regulatory requirements.

Examples of continuing weaknesses in infrastructure project delivery and infrastructure maintenance

Water and Sanitation

- **KwaNqetho Reservoir (eThekwini):** Poor project execution, vandalism, and misuse of funds caused severe delays.
- **Mkhizwana Water Treatment Works (eThekwini)**: Delayed 221 days; poor designs, environmental degradation, and R600k unverified payment.
- **Nondabuya Water Scheme (uMkhanyakude):** Ongoing legal dispute; only 726 of 1,811 households connected.
- **Wastewater Treatment Works (e.g., Umdloti, Hammarsdale):** Non-operational equipment, expired licenses, and non-compliant effluent discharge into rivers.
- **Positive case – Mtubatuba WWTW (uMkhanyakude):** Audit recommendations implemented, resulting in full compliance and improved performance.

Housing

- **Namibia Stop 8 (eThekwini):** In May 2019, eThekwini Metro (KwaZulu-Natal) commenced with the R100 million Namibia housing project in Inanda to provide 343 new housing units to qualifying beneficiaries by May 2021; project cost escalated from R100 million to R143.7 million; our site visit in September 2024 found that only 29 units (8%)of completed, with R107,7 million already spent; some beneficiaries still living in transit camps without adequate access to water and sanitation.
- **Msunduzi Woodlands OSS:** Implementing Agent was appointed for an amount of R18 792 000; CIDB and environmental non-compliance; vandalism of partially built houses; beneficiaries still living in unsafe informal settlements in the Transnet Railway Reserve with no access to water and electricity.

Electricity

- **Austerville Substation (eThekwini):** 15-year planning delay; contractor terminated with 63.97% completion; project inactive for 17 months(from January 2023 to June 2024).

Roads

- **Vusi Mzimela & Harry Gwala Roads (eThekwini):** Defects unaddressed; poor maintenance; missing condition assessment reports; fragmented planning.
- Retention funds released prematurely, with no penalties imposed for poor performance.

Solid Waste and Landfill Sites

- **eThekwini Landfill Site:** Fairly managed but need fire safety and maintenance improvements.
- **Msunduzi Landfill Site:** Ongoing non-compliance with license conditions, fire hazards, and poor leachate management.

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Material Irregularities

Material irregularity (MI) definition and process

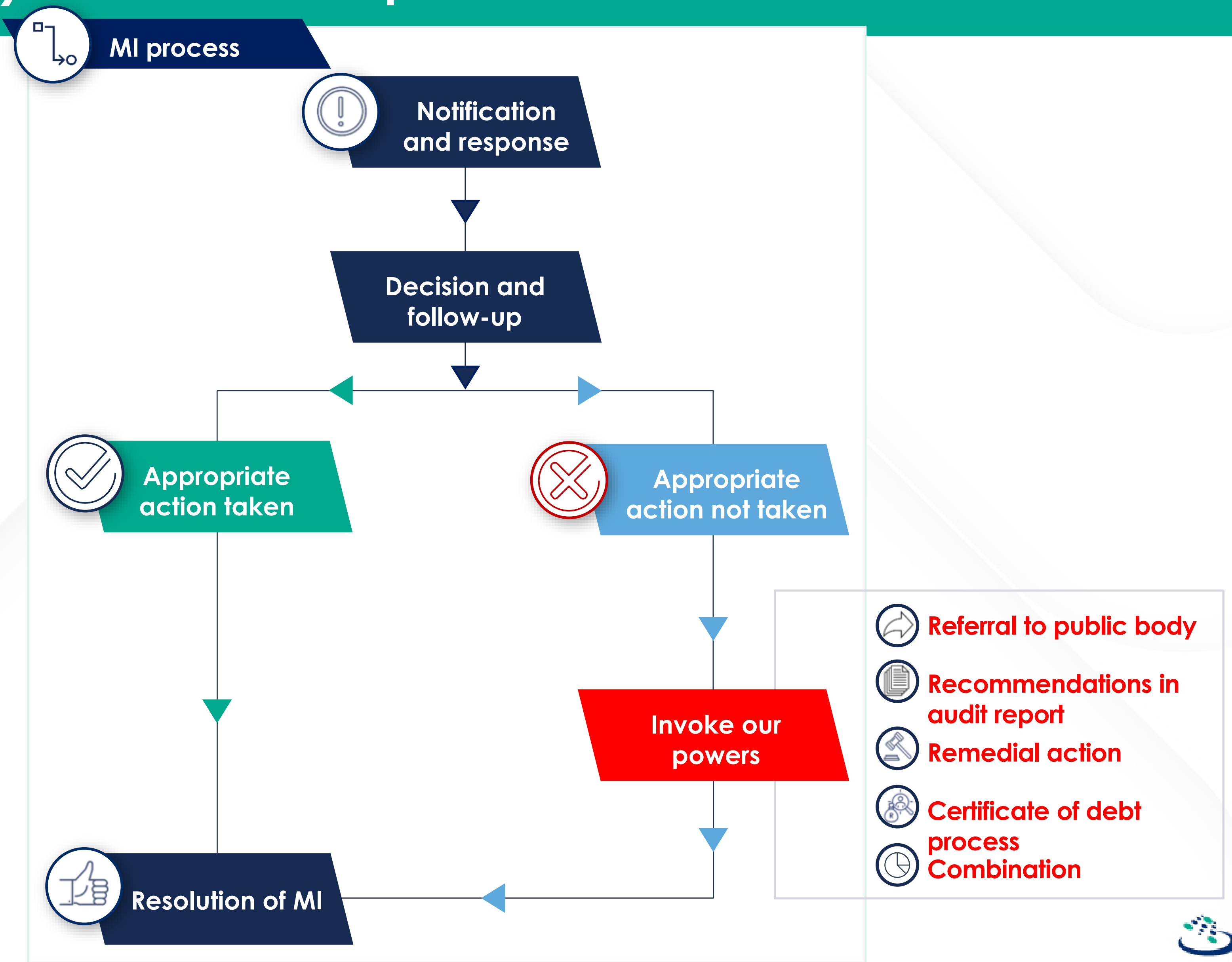
MI definition

Any **non-compliance** with, or **contravention** of, legislation, **fraud**, **theft** or a **breach of a fiduciary duty** identified during an audit performed under the Public Audit Act that **resulted in or is likely** to result in a **material financial loss**, the **misuse or loss** of a **material public resource**, or **substantial harm** to a **public sector institution** or the **general public**

Objective

- Instil a culture of **accountability**
- Improve the **protection of resources**
- Enhance public **sector performance** and encourage an **ethical culture**
- Strengthen public sector institutions to **better serve the people of South Africa**

MI process



Notification and response

Decision and follow-up

Appropriate action taken

Appropriate action not taken

Invoke our powers

Referral to public body

Recommendations in audit report

Remedial action

Certificate of debt process

Combination

Resolution of MI

Material irregularities (MIs) identified and status

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

54 Material **financial loss** (estimated R1,15bn)

- **Payments** for goods and services not received
- Unfair, uncompetitive or uneconomical **procurement**
- Ineffective use of financial reporting **consultants**
- **Value for money** not received relating to poor project management and inefficient use of resources
- **Revenue** not billed or not recovered
- Interest and penalties **on late or non-payments**
- **Asset** management related to assets not safeguarded

2 Substantial **harm to public sector institutions**

- Repeated **disclaimer**
- **Non-submission** of financial statements

4 Substantial **harm to general public**

- **Pollution** of water resources
- Poor **landfill site management**

Status of MIs

40 **Resolved MIs**

13 **Appropriate action** being taken to resolve MIs

0 **Appropriate action not taken** – decision on invoking our powers in process

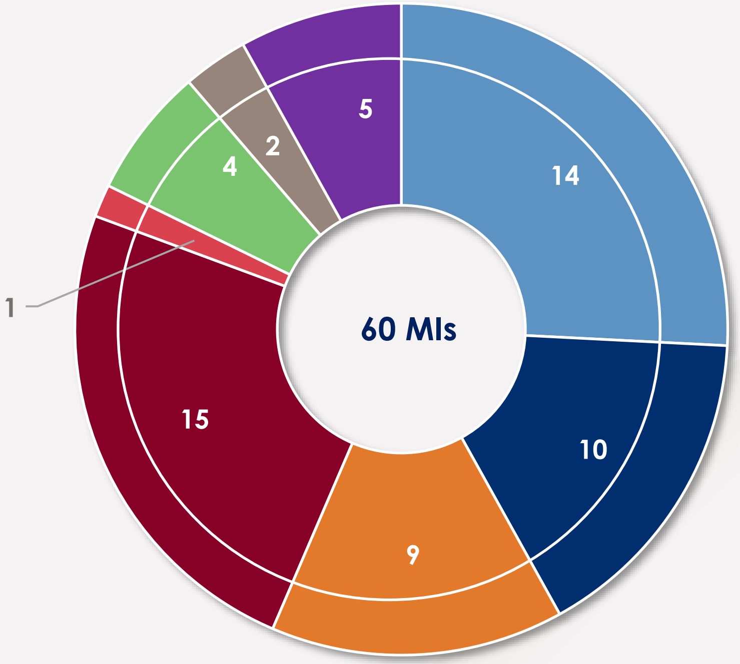
1	**Recommendations** included in audit report
4	**Referral** to other investigating bodies
0	**Referral and recommendations**
1	**Remedial action**

1 **Response received on notification** – in process of assessing action

0 **Recently notified**

Material irregularities (MIs): nature and impact

Nature of MIs



- ◆ Procurement and payment
- ◆ Resource management
- ◆ Revenue management
- ◆ Interest and penalties
- ◆ Investment and assets
- ◆ Fraud and compliance
- ◆ Harm to general public
- ◆ Harm to public sector institution

Impact of MIs

R1,52 million	Financial loss **recovered**
R9,41 million	Financial loss **prevented**
R883,40 million	Financial loss **in process of being recovered**

47	**Internal controls improved** to prevent recurrence
28	**Responsible officials identified** and disciplinary process completed / in process
1	**Fraud / criminal investigations** instituted
1	**Supplier contracts stopped** where money was being lost

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Metropolitan Municipality

eThekwini Metropolitan Municipality – 2023-24

Five-year audit outcomes	2023-24	2022-23	2021-22	2020-21
Audit outcome	◆	◆	◆	◆
Material findings – compliance with legislation	Yes	Yes	Yes	Yes
Material findings – performance report	Yes	Yes	Yes	Yes

◆ Unqualified with findings

Financial statements – Unqualified

- **Material misstatement:** No material misstatements were identified in the financial statements.
- **Financial reporting consultant costs:** No financial reporting consultants were used in the current financial year.

Performance planning, reporting and achievement

✓ Targets were not set for some indicators prescribed for the Metro or, if they were, they were set at zero rendering them not useful.

- **Material findings on the usefulness of key indicators and targets:**

✓ Some indicators/targets did not relate logically or directly to the mandate and were not well-defined – **Relevance & measurability.**

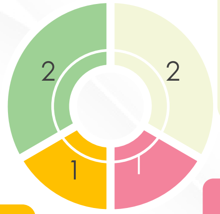
- **Material findings on reliability:**

✓ Some performance information/ indicators were not accurate, valid and complete – **Reliability.**

- **Reporting on achievements for the selected programme:**

✓ **84%** of service delivery targets were achieved with a spending of **96%** of the available budget.

6 material irregularities – **R28,5 m** estimated financial loss (30 June 2024)



Resolved
- Fraud, resulting in loss (1)
- Payment not made or not made in time, resulting in interest/standing time/penalties (1)

Appropriate action not taken – decision to invoke powers in process
- Pollution of water sources, resulting in harm to public (2)

Notified - awaiting response:
- Payment to ineligible beneficiaries(1)

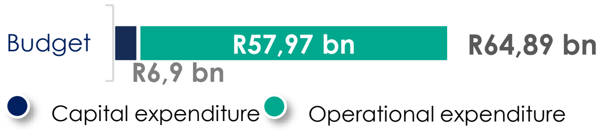
Recommendation
- Payment to ineligible beneficiaries(1)

Compliance and irregular expenditure

- **Material non-compliance areas:** Prevention of irregular expenditure; expenditure management; consequence management; strategic planning and performance management; environmental management; procurement and contract management.
- **Procurement not audited**: **R35 m** (*limitation on audit – contracts files misplaced*)
- **Irregular expenditure incurred :** (2024: **R1,6 bn**)(2023: **R2,4 bn**)

eThekwini Metropolitan Municipality – 2023-24

Financial planning and performance



Unfunded budget	**No**
Budget/spending for capital expenditure within norm	**10,9%**
Budget/spending for maintenance below norm	**4,9%**
Unauthorised expenditure – overspending	**N/A**

Credit rating (30 June 2024)	**GCR**	**AA- (long term)**	**Downgraded**
	GCR	**A1+ (short-term**	**Downgraded**

Going concern uncertainty	**No**
Debt-collection period (days)	**109 days**
Eskom and water boards expenditure	**R0,18 bn**
Water losses (above norm)	**53,4% (R2 bn)**
Fruitless and wasteful expenditure	**R6,7 m**

Status of key positions – 30 June 2024

Mayor: Fairly stable – Provides some assurance*(appointed after year-end with 2 audit interactions)*

Municipal manager: Fairly stable – Provides some assurance *(21 months in position)*

Chief financial officer: Stable – (*35 months in position)*

Infrastructure projects and environmental management

- **Infrastructure projects:**
  - ➢ Significant vacancies in key infrastructure positions. Significant delays in project – poor project management, Poor quality goods and services delivered on projects.
- **Environmental management**:
  - ➢ Some wastewater treatment works did not have valid operating licences. (MI raised)

Root causes

- ➢ Inadequate reconciliations & reviews of performance information – no proper record-keeping to ensure accurate, valid & complete information.
- ➢ Lack of proper implementation & monitoring of applicable legislation.

Accountability and consequences

Closing balances	Irregular expenditure	Unauthorised expenditure	Fruitless and wasteful expenditure
	R1,26 bn	R0,00 bn	R0,017 bn

Compliance findings on consequence management

- Appropriate actions not taken against officials where investigations proved financial misconduct.
- Thresholds for local content were not properly applied.
- Persons in service of the municipality failed to disclose interest in contracts.

Key commitments

- Regular monitoring of action plans.
- Implementing consequence management.
- Improving financial health through revenue-enhancement strategies and eliminating UIFW.

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MFMA oversight mandates- Enhance governance through impactful reporting and effective oversight to ensure service delivery

Legislated role of Mayor and Municipal Manager

Overall

Reporting – (Legislature and Parliament) - MSA

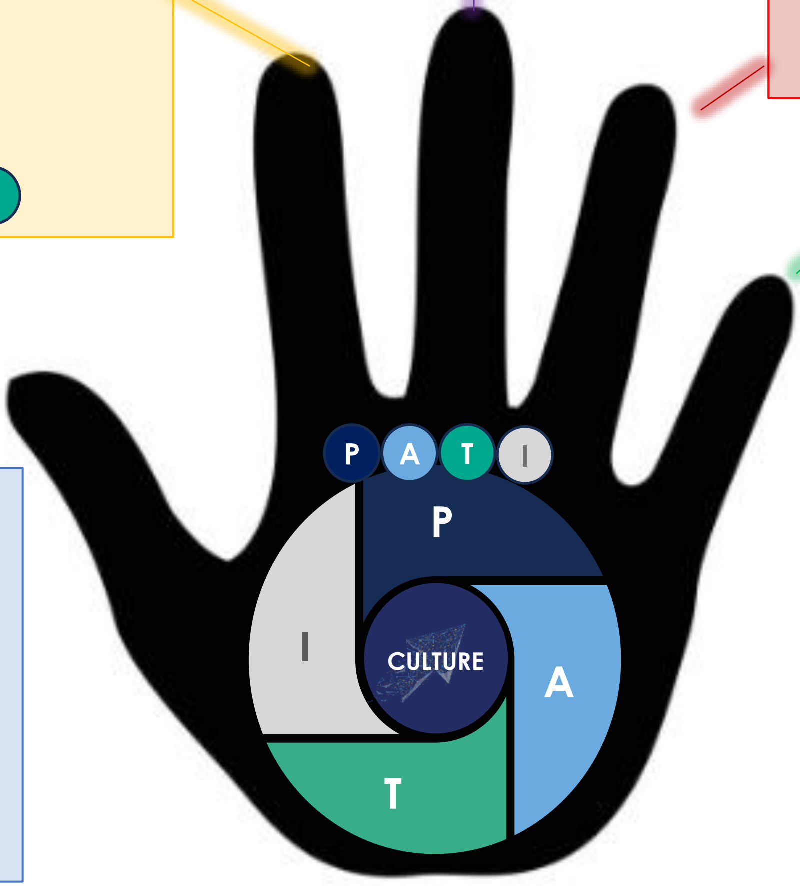
Assessed at the oversight level

Oversight - MFMA

- Mayor
  - S131 – **Issues raised by the Auditor-General in audit reports** A
- Municipal Manager
  - S132 – **Submissions to Provincial Legislatures on the annual report and oversight report** A T

Intervention – MFMA and Constitution

- Mayor & Council
  - S133 – **Consequence of non-compliance with certain provisions (fail to table the annual report in council)** A I



Other (E.g. Performance agreements and appointments)

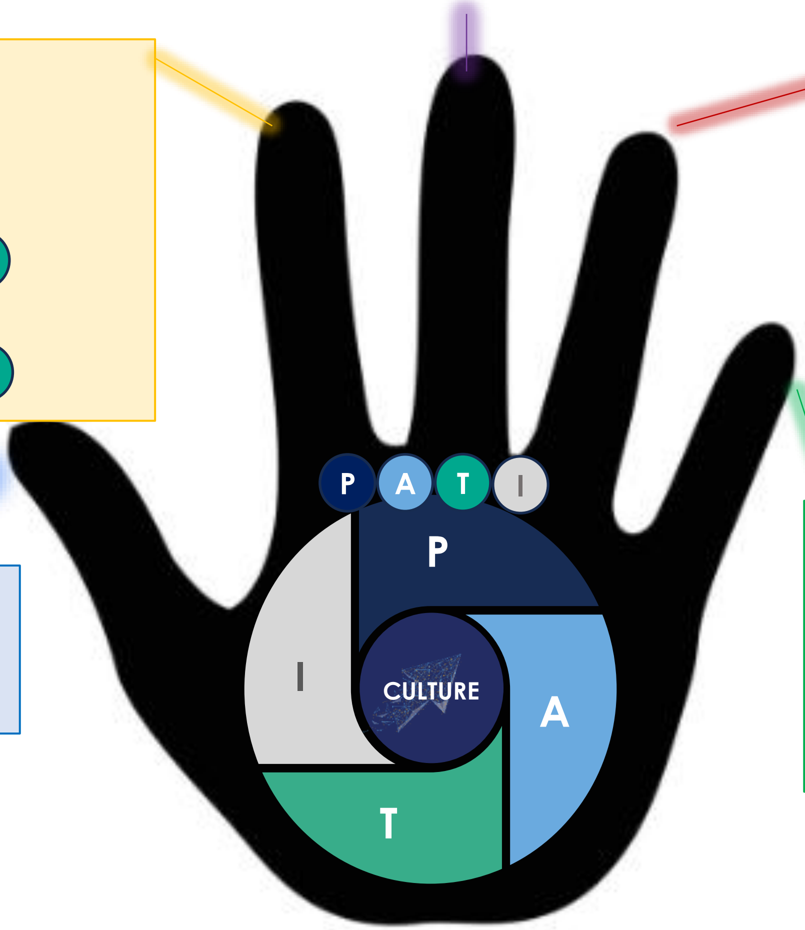
- Mayor
  - **S53(3)(b) of the MFMA** requires that the performance agreements of the AO and sec 56 managers be made public, and copies be submitted to Council and MEC Cogta. P A T I

Reporting (Municipal Manager and Mayor) -MFMA

- Mayor
  - S54 – **Budget controls and early identification of financial problems** A T
  - S52(d) – **Quarterly report to council on budget and the financial state** P T
- Municipal Manager
  - S71 – **Monthly budget statements** A T
  - S72 – **Mid-year budget and performance assessment/** A T

Legislated role of Minister and MEC for local government

Overall



Reporting – (Legislature and Parliament) - MSA

- MEC of local government (P) (A)
  - S47 – **Report by MEC**
- Minister of Cogta (P) (A)
  - S48 – **Report by Minister** ***(Only the 2020-21 report has been tabled)***

Intervention – MFMA and Constitution

- Auditor-General, Premier, National Treasury and Provincial Treasury
  - S133 – **Consequence of non-compliance with certain provisions** (A) (I)
- Provincial Executive (Premier)
  - S139 of Constitution (may) – **Provincial intervention in local government** (A) (I)
- Provincial or National Treasury
  - S139 of MFMA (must) – **Financial recovery plans (financial crisis)** (A) (I)

AG formally reports on the non-submission of AFS to Parliament and provincial legislatures and copies MEC finance and MEC Cogta. Parliament/committees act on these reports by calling munis to account or visits the munis to strengthen accountability

Oversight - MFMA

- MEC of local government (A)
  - S131 – **Issues raised by the Auditor-General in audit reports**
- MEC local government, provincial legislature & national treasury (A) (T)
  - S132 – **monitor compliance with S132(2)**
- Minister of Cogta (A) (T)
  - S134 – **Annual report to Parliament**

Reporting (Municipal Manager & Mayor) –MFMA

Assessed at the municipal level

Other (E.g. Performance agreements and appointments)

- **Provincial Cogta** to perform reviews of recruitment processes relative to the appointment of section 56 and 57 managers. (P) (A) (T) (I)

Summary of what we found in the province

Reporting (municipal manager and mayor) – MFMA

What we found

- 100% **compliance** with Section 54(1) effective budget controls and early identification of financial issues.
- Accounting Officers submit reports as required by Sections 71 & 72 of the MFMA but fail to implement corrective actions.
- While there was **compliance** with Section 72 mid-year assessments, audit findings uncovered misstatements, raising doubts about the credibility of the financial and performance reports.
- 98% **compliance** with Section 52(d) quarterly reports, except for Nongoma, which delayed one quarter due to leadership instability.

Oversight – MFMA

What we found

- Mayors and MEC of Cogta addressed AGSA audit findings, although implementation of corrective actions was inconsistent. Repeat findings persisted due to inadequate monitoring by mayors.
- Endumeni's mayor failed to oversee the accounting system, contributing to a disclaimer of opinion in the audit report, reflecting poor oversight.
- **Water losses:** King Cetshwayo District Municipality continues to experience significant water losses despite active monitoring, highlighting the need for stronger intervention.
- **UIFW investigations:** The MEC for Cogta has facilitated timely investigations into UIFW expenditure, enhancing accountability and transparency.

Reporting (legislature and Parliament) – MSA

What we found

- The MEC of Cogta tabled the s47 report with remedial actions, demonstrating a commitment to improving performance and accountability.
- **Implementation Progress:** Improving on deficiencies in monitoring and oversight.
- The MEC of Cogta and PT provided financial, revenue, performance, and infrastructure management training, as well as UIFW investigations.
- Specific support was given to municipalities with negative audit outcomes, including Mpofana, Msunduzi, Uthukela District, Inkosi Langalibalele, Amajuba, and others.
- **Audit Outcome Improvements:** Mpofana, Emadlangeni, and Jozini improved from qualified to unqualified audit outcomes, while several other municipalities reduced the number of findings, reflecting progress in addressing AGSA-identified issues.

Intervention – MFMA and Constitution

What we found

- **Municipal Support Improvement Plans (MSIP):** Designed, but inconsistent implementation undermined accountability and institutional integrity. No MSIP was prepared or tracked for Uthukela District as well as a failed FRP under the section 139 interventions.
- **Municipalities under administration:** Mpofana, Inkosi Langalibalele, Umzumbe, uMhlathuze, Msunduzi, Umzinyathi District, Umkhanyakude District, Zululand District, Mtubatuba and Uthukela District were placed under administration due to severe financial and performance issues.
- **Challenges in section 139 interventions:** Minimal progress was made due to frequent administrator changes, delays in appointments and general ineffectiveness, preventing sustained improvements in governance and financial stability.

Performance agreements, appointments

What we found

- Most MMs and senior management **performance agreements were made public** and submitted to the council and MEC Cogta. However, delays in publication and submission persisted, with repeated failures in consequence management.
- The Council and Cogta should **assess performance agreements** to ensure objectives are met.
- Cogta reviewed the **recruitment processes for section 56 and 57** managers in most cases, ensuring compliance with appointment procedures.

AUDITOR-GENERAL
SOUTH AFRICA

Our call to action

Call to action - Municipalities

Lack of accountability and poor financial management impede service delivery

Activate the accountability ecosystem to address the below root causes

1. **Inadequate financial and performance management culture**
2. **Governance failures**
3. **Lack of accountability and consequences**

Our recommendations

Recommendations to MMs

Municipal managers must cultivate a **strong financial and performance management culture** that includes the diligent collection of all revenue owed, responsible spending and the prompt prevention and recovery of financial losses and waste, all aimed at enhancing service delivery.

Municipal managers should **expedite critical infrastructure projects** and ensure that the **budget adequately covers the repair and maintenance** of existing service delivery infrastructure.

Recommendations to Councils

Council to **effectively monitor performance against service delivery targets and transparency over budget utilisation** to effectively have a meaningful impact on its residents.

Municipal leadership together with the assistance of Cogta/Provincial Treasury **must prioritise implementation of effective disaster management.**

Recommendations to Mayors

Mayors should **actively monitor the implementation of municipal action plans,** ensuring that issues raised in prior AGSA audit reports are addressed. Strengthening this oversight will be critical to improving audit outcomes and overall municipal performance.

Mayors to ensure they effectively exercise their **oversight** over municipal **service delivery targets** to ensure targets are met and budgets are optimally utilized.

Recommendations to IA, AC and MPAC

Internal audit should **assess the adequacy of the action plans** developed to ensure that they are addressing the root causes of the audit findings raised.

Audit committee should **monitor the implementation** of audit action plans.

MPACs should continue instilling culture of good governance **through timeous investigation of unauthorised, irregular and fruitless and wasteful expenditure**. This requires the support of functional and effective disciplinary boards to enable accountability and enforce consequence management.

Call to action – Coordinating departments

Risks identified for coordinating departments to prioritise

1. **Slow trend in improvements in audit outcomes, given that a growing number of auditees are settling for unqualified audit outcomes, becoming complacent with their achievements. These auditees still face difficulties in producing high-quality performance reports and complying with key legislation, risking further setbacks if they do not aim for clean audits.**
2. **Infrastructure projects are delayed, costing more than they are planned and of poor quality, and that new infrastructure is not put into use as soon as it is ready. Existing infrastructure continues to deteriorate because it is not properly maintained and safeguarded.**
3. **Poor financial management remains prevalent. Municipalities lost revenue because they were not billing and collecting revenue and experiencing financial losses. They are also not careful with their spending practices.**
4. **Outdated IT infrastructure, affecting key financial and performance reporting systems and cybersecurity.**
5. **A continued culture of no accountability and consequences.**

Roleplayer/s

1. Premier
2. MEC for Finance
3. MEC for Cooperative Governance and Traditional Affairs

Call to action

1. **Strengthening Municipal Turnaround Plans:** Cogta and provincial treasury should intensify collaboration to help municipalities adopt sound financial and performance management practices, ensuring compliance and progress towards clean audits.
2. **Enhanced Infrastructure Oversight:** Cogta should refine project planning, monitoring and grant spending tracking, implement a standardised framework for project milestones, and deploy MISA engineers proactively. Training municipal personnel in infrastructure management best practices is also essential.
3. **Financial Management Support:** Provincial treasury must continue and intensify interventions to assist financially distressed municipalities, ensuring effective management and long-term financial stability.
4. **IT Infrastructure Review:** Cogta should conduct a comprehensive assessment of municipal IT infrastructure, prioritising necessary upgrades to align technology with operational needs and improve service delivery.
5. **Accountability through MPACs and Disciplinary Boards:** Cogta should strengthen MPACs and disciplinary boards to enhance consequence management, address UIFW expenditure and improve financial oversight. Active monitoring of material irregularities and a tracking system for their resolution should be implemented.

Call to action – Legislature

1. Legislature to strengthen the **utilisation** of the MEC of COGTA **S47 reports** to exercise **oversight** over the municipalities, with emphasis on **poor performing** municipalities, through the Portfolio Committee on COGTA .

2. Legislature to **effectively** utilise the consolidated statements on the state of municipalities budgets that is submitted by the MEC of Finance 45 days after each quarter to **enable greater oversight** over municipalities state of finances.

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