PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA



LOCAL GOVERNMENT AUDIT OUTCOMES

AN ANALYSIS OF THE 2024/25 FINANCIAL YEAR

PARLIAMENTARY RESEARCH UNIT (PRU)

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1. INTRODUCTION

The importance of efficient governance is underscored by the proximity of local government to the people as the epicentre of service delivery. It is where the state engages with citizens primarily and frequently through the provision of services, as legislated by the Constitution, Act No 108 of 1996 as well as other pieces of legislation such as the Municipal Systems Act. However, local challenges persist such as poor state of finances, political instability, failure of the political administrative interface that prevents meaningful progress for municipalities to deliver on their mandates regarding financial governance, institutional capability, financial health and service delivery. [1]

The role of oversight in the accountability ecosystem becomes integral in ensuring that municipalities attend to issues raised by the Auditor-General (AG). The responsibility of provincial legislatures and Parliament in holding the Minister and Members of Executive (MECs) of COGTA in provinces are prescribed in the Municipal Finance Management Act (MFMA) making these bodies essential in ensuring that municipalities attend to issues raised by the AG in audit reports in financial statements for municipalities and municipal entities. The repeat findings of the AG raises concerns on whether this takes place and if implementation of commitments made is monitored.

The purpose of this brief is to report on the Local Government audit outcomes for the 2024/25 financial year. The brief will provide a summary of the audit outcomes for 2024/25 compared to the previous financial year, the mismanagement of public funds, key material audit findings for 2024/25, and conclude with the status of identified material irregularities.

2. OVERVIEW OF THE 2024/25 AUDIT OUTCOMES

Table 1 below shows the audit outcomes for Local Government in 2024/25 compared with those in 2023/24.

Table 1: Local Government Audit Outcomes for 2024/25

Audit Opinion	Number of Municipalities		Improved	Regressed
	2023/24	2024/25		
Unqualified with no findings	41	39		
Unqualified with findings	99	116		
Qualified with findings	90	87		
Adverse	6	5		
Disclaimer	11	8		
Audit not finalised at legislated date	10	2		
Total	**257**	**257**		

Source: Auditor-General of South Africa (2025a and 2026a)

There is a regression in the 2024/25 audit outcomes of Local Government; however, there is an improvement in the number of municipalities receiving disclaimed audit opinions and a significant improvement in the number of outstanding audits as the following is observed:

[1] National Treasury. 2023. State of local government finances and financial management.

- The number of municipalities with clean audits (i.e., an unqualified audit opinion with no findings) decreased from 41 municipalities in 2023/24 to 39 municipalities in 2024/25;
- The number of municipalities with unqualified audit opinions with findings increased from 99 municipalities in 2023/24 to 116 municipalities in 2024/25;
- The number of municipalities with qualified audit opinions with findings decreased from 90 municipalities in 2023/24 to 87 municipalities in 2024/25, which is an improvement;
- The number of municipalities with an adverse audit opinion decreased by one from 6 municipalities in 2023/24 to 5 municipalities in 2024/25, which is an improvement;
- The number of municipalities with a disclaimed audit opinion decreased from 11 municipalities in 2023/24 to 8 municipalities in 2024/25, which is an improvement; and
- The number of municipalities whose audit is outstanding (i.e., audit not finalised by legislated date) decreased from 10 municipalities in 2023/24 to 2 municipalities in 2024/25.

Note: Concern over municipalities receiving unqualified with findings with no improvements.

The AG raised concern about 44 municipalities that are complacent and that have been receiving unqualified audit opinion with findings for more than 5 years with no improvement towards a clean audit.

The final cut-off date for inclusion of the audits in the 2024/25 Municipal Financial Management Act (MFMA) Consolidated General Report was 30 April 2026.[2] The two municipalities are:

- Nala Local Municipality in the Free State Province- the audit was outstanding by the cut-off date, due to the late submission of financial statements. The audit was subsequently finalised on 31 May 2026. Nala Municipality received a qualified audit opinion with findings for the 2024/25 financial year.
- Maluti-A-Phofung Local Municipality in the Free State Province, the audit was outstanding by the cut-off date, due to the non-submission of financial statements.

Note: Legislated date for submission of financial statements

The Municipal Financial Management Act (MFMA), (No. 56 of 2003), Section 126 (1)(a) states that: "The Accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing".

The municipal financial year-end falls on 30 June of each year and therefore the cut-off date for submission to the Auditor-General is **31 August of each year**. A municipality that has an entity/ies are required to prepare consolidated financial statements, and the cut-off date for submission to the Auditor-General is **30 September of each year**.

[2] Auditor-General of South Africa (2026a), p. 5.

Table 2 below provides a provincial perspective of the 2024/25 outcomes of municipalities per Province.

Table 2: Provincial breakdown of Local Government Audit Outcomes for 2024/25

Audit Opinion	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
Unqualified with no findings	8	0	2	4	2	1	1	0	21
Unqualified with findings	12	7	4	42	18	12	11	6	4
Qualified with findings	17	11	5	7	7	7	18	12	3
Adverse	0	0	0	1	0	0	0	3	1
Disclaimer	2	3	0	0	0	0	1	1	1
Audit not finalised at legislated date	0	2	0	0	0	0	0	0	0

Source: Auditor-General of South Africa (2026a)

The Western Cape Province leads with 21 municipalities that received clean audit outcomes for 2024/25, followed by the Eastern Cape Province with 8 and KwaZulu-Natal Province with 4. Gauteng Province and Limpopo Province each have two municipalities with clean audits, and Mpumalanga Province and the Northern Cape Province each have one municipality with clean audits. None of the municipalities in the Free State Province and North West Province received a clean audit opinion.

The Free State Province accounts for the largest number of municipalities that either received an adverse or disclaimed audit opinion or failed to submit their annual financial statements for audit by the legislated date, followed by the North West Province, the Eastern Cape Province, and the Western Cape Province.

When comparing year-on-year audit outcomes across the Provinces, it is clear that municipalities are seemingly unable to overcome the challenges of progressing from unqualified and qualified audit opinions with findings towards a clean audit opinion. However, there is progress, as evidenced by municipalities in Gauteng, Limpopo, and Mpumalanga Provinces; none of the municipalities in these three provinces have any adverse, disclaimed, or outstanding audit opinions.

2.1. Clean Audits

A clean audit opinion means that the municipality's financial statements and performance report give a transparent and credible account of its finances and its performance against set targets. Stated differently, these accountability reports present a reliable picture of that municipality's performance – whether good or bad.[3]

[3] Auditor-General of South Africa (2026a), p. 31.

Table 3: Clean Audit Outcomes for 2024/25

Number	Municipality	Province	Type	2023/24	2024/25	Change in audit opinion
1	Cape Winelands District	WC	DM	Unqualified with no findings	Unqualified with no findings	Retained
2	Ehlanzeni District	MP	DM	Unqualified with no findings	Unqualified with no findings	Retained
3	Frances Baard District	NC	DM	Unqualified with no findings	Unqualified with no findings	Retained
4	Garden Route District	WC	DM	Unqualified with no findings	Unqualified with no findings	Retained
5	Joe Gqabi District	EC	DM	Unqualified with no findings	Unqualified with no findings	Retained
6	King Cetshwayo District	KZN	DM	Unqualified with no findings	Unqualified with no findings	Retained
7	Overberg District	WC	DM	Unqualified with no findings	Unqualified with no findings	Retained
8	West Coast District	WC	DM	Unqualified with no findings	Unqualified with no findings	Retained
9	Bergriver	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
10	Breede Valley	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
11	Cape Agulhas	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
12	Drakenstein	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
13	George	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
14	Hessequa	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
15	Langeberg	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
16	Midvaal	GP	LM	Unqualified with no findings	Unqualified with no findings	Retained
17	Mossel Bay	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
18	Overstrand	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
19	Saldanha Bay	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
20	Stellenbosch	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
21	Swartland	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
22	uMhlathuze	KZN	LM	Unqualified with no findings	Unqualified with no findings	Retained
23	Witzenberg	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
24	Mnquma	EC	LM	Unqualified with no findings	Unqualified with no findings	Retained
25	Senqu	EC	LM	Unqualified with no findings	Unqualified with no findings	Retained
26	Umlalazi	KZN	LM	Unqualified with no findings	Unqualified with no findings	Retained
27	Waterberg District	LP	DM	Unqualified with no findings	Unqualified with no findings	Retained
28	Swellendam	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
29	Capricorn District	LP	DM	Unqualified with no findings	Unqualified with no findings	Retained
30	Matzikama	WC	LM	Unqualified with no findings	Unqualified with no findings	Retained
31	West Rand District	GP	DM	Unqualified with no findings	Unqualified with no findings	Retained
32	Kouga	EC	LM	Unqualified with no findings	Unqualified with no findings	Retained
33	Richmond	KZN	LM	Unqualified with no findings	Unqualified with no findings	Retained
34	Umzimvubu	EC	LM	Unqualified with no findings	Unqualified with no findings	Retained
35	Oudtshoorn	WC	LM	Unqualified with findings	Unqualified with no findings	**Improved**
36	Cederberg	WC	LM	Unqualified with findings	Unqualified with no findings	**Improved**
37	Sarah Baartman District	EC	DM	Unqualified with findings	Unqualified with no findings	**Improved**
38	Great Kei	EC	LM	Unqualified with findings	Unqualified with no findings	**Improved**
39	Ntabankulu	EC	LM	Unqualified with findings	Unqualified with no findings	**Improved**

Source: Auditor-General of South Africa (2026a)

As mentioned above, only 39 of the 257 municipalities received a clean audit. Those municipalities comprise of 12 district municipalities (DM) and 17 local municipalities (LM). None of the eight metropolitan municipalities (Metros) achieved a clean audit in 2024/25.

Five of the 39 municipalities that received a clean audit opinion for 2024/25 **improved** from an unqualified audit opinion with findings in 2023/24 (see Table 3 above). The other 34 municipalities **retained** their clean audit status in 2024/25.

Six municipalities lost their clean audit status of 2023/24 and regressed to an unqualified audit opinion with findings for 2024/25. These include:

- Namakwa District Municipality;
- Nkangala District Municipality;
- City of Cape Town Metro Municipality;
- Msinga Local Municipality;
- Umvoti Local Municipality; and
- uMshwathi Local Municipality.

The Auditor-General (AG) states that a municipality will often find it difficult to sustain a clean audit if it lacks the institutional capability to maintain and consistently apply its good practices, and if there is instability in key positions.[4]

Municipalities that have sustained a clean audit opinion have enacted practices such as institutionalising and monitoring key controls (including preventative controls) as well as implementing and monitoring action plans to address deficiencies. These municipalities were also generally characterised by stability in key positions such as the Accounting officer and Chief Financial Officer (CFO). Furthermore, Senior management: the Accounting officer, the Mayor and the Council, supported by the Internal Audit Unit and the Audit Committee, were committed to fulfilling their monitoring, governance, and oversight roles.[5]

2.2. Disclaimer of audit opinion

A disclaimer of audit opinion means that a municipality could not provide the AG with evidence for most of the information in its financial statements. Therefore, the AG could not express an opinion on whether the financial statements were credible or determine what the municipality did with the funds it received during the year.

Municipalities that receive a disclaimer of audit opinion are typically unable to provide supporting documentation for the achievements reported in the performance reports and do not comply with key legislation.[6]

Eight of the 257 municipalities received a disclaimed audit opinion for 2024/25, as shown in Table 4 below.

Table 4: Disclaimer of Audit Outcomes for 2024/25

Number	Municipality	Province	Type	2020/21	2021/22	2022/23	2023/24	2024/25
1	Kamiesberg	NC	LM	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Disclaimer
2	Mohokare	FS	LM	Qualified with findings	Qualified with findings	Disclaimer	Disclaimer	Disclaimer
3	Kannaland	WC	LM	Qualified with findings	Disclaimer	Disclaimer	Disclaimer	Disclaimer
4	Ditsobotla	NW	LM	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer
5	Makana	EC	LM	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer
6	Masilonyana	FS	LM	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer
7	Nketoana	FS	LM	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer
8	Sundays River Valley	EC	LM	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer

Source: Auditor-General of South Africa (2026c)

Seven of the eight municipalities with disclaimed audit opinions for 2024/25 have consistently received them. Of these seven, five municipalities have repeatedly received disclaimed audit opinions in the last five financial years with no improvement. This is concerning as it might show lack of corrective action to address issues raised by the AG.

[4] Auditor-General of South Africa (2026a), p. 32.
[5] Auditor-General of South Africa (2026a), p. 34.
[6] Auditor-General of South Africa (2026a), p. 112.

The seven municipalities are:

- Mohokare Local Municipality – disclaimed audit opinions for the last three years;
- Kannaland Local Municipality – disclaimed audit opinions for the last four years;
- Ditsobotla Local Municipality – disclaimed audit opinions for the last five years;
- Makana Local Municipality – disclaimed audit opinions for the last five years;
- Masilonyana Local Municipality – disclaimed audit opinions for the last five years;
- Nketoana Local Municipality – disclaimed audit opinions for the last five years; and
- Sundays River Valley Local Municipality – disclaimed audit opinions for the last five years.

Kamiesberg Local Municipality regressed from a qualified audit opinion with findings in 2023/24 to receive a disclaimed audit opinion in 2024/25. The regression was due to:[7]

- The implementation of a new financial system was poorly managed, leading to inaccurate and incomplete data being transferred from the old system.
- The Municipality was unable to produce key information, such as bank reconciliations, and its financial statements contained multiple errors due to the incorrect and incomplete data extracted from the new system.
- Consultants were used to migrate financial data and map the trial balance, but inadequate direction and oversight led to an unsuccessful migration to the new system.
- Inadequate controls and training of staff for the implementation process further contributed to the failures.
- Deep-rooted governance and institutional weaknesses left the Municipality vulnerable to a regression in its audit outcome.
- Poor internal controls, inadequate technical capability, and a culture of poor responsiveness to audit findings reflect the failure of the Mayor, Council, and the Accounting officer to establish a leadership tone that promotes performance, accountability, transparency, and integrity.

Municipalities in KwaZulu-Natal, Limpopo, and Mpumalanga Provinces have successfully eradicated disclaimed audit opinions. Were it not for the regression of Kamiesberg Local Municipality, the Northern Cape Province would have also achieved this milestone.[8]

3. MISMANAGEMENT OF PUBLIC FUNDS

This section reports on the mismanagement of public funds, specifically:

- *Unauthorised Expenditure* refers to spending that is over budget or not used for the intended purpose.
- *Irregular Expenditure* refers to spending that is not compliant with applicable legislation and procedures.
- *Fruitless and Wasteful Expenditure* refers to pointless spending that could have been avoided, such as incurring penalty payments.

Note:

The figures quoted in this section refer to amounts that were disclosed in the 2024/25 audit process and therefore excludes outstanding audits and amounts yet to be uncovered.

[7] Auditor-General of South Africa (2026a), p. 115.
[8] Auditor-General of South Africa (2026a), p. 114.

3.1. Unauthorised Expenditure

In 2024/25, municipalities incurred a total of R35.5 billion in unauthorised expenditure, compared with R30.6 billion in 2023/24. This constitutes an increase of R4.9 billion or 15.9 per cent in unauthorised expenditure from the R30.6 billion reported in 2023/24.

Table 5 below shows the ten municipalities that incurred the largest Rand value in unauthorised expenditure.

Table 5: Unauthorised Expenditure for 2024/25

Number	Municipality	Province	Type	2023/24	2024/25	
				Unauthorised Exp (R'm)	Unauthorised Exp (R'm)	Percentage share of Total for all municipalities
1	Emfuleni	GP	LM	1 650.4	3 043.0	8.6%
2	City of Johannesburg Metro	GP	MET	2 755.0	2 376.0	6.7%
3	Emalahleni	MP	LM	1 036.6	1 801.4	5.1%
4	Nelson Mandela Bay Metro	EC	MET	1 441.7	1 649.2	4.6%
5	City of Tshwane Metro	GP	MET	2 146.0	1 298.0	3.7%
6	Mangaung Metro	FS	MET	1 343.1	1 125.8	3.2%
7	Merafong City	GP	LM	1 030.1	1 065.0	3.0%
8	Ugu District	KZN	DM	1 099.4	1 031.7	2.9%
9	Matjhabeng	FS	LM		946.3	2.7%
10	Govan Mbeki	MP	LM	911.1	888.9	2.5%
Total for top ten municipalities				**13 413.4**	**15 225.3**	**42.9%**
Total for all municipalities				**30 602.8**	**35 471.5**	**100.0%**

Source: Auditor-General of South Africa (2025b and 2026b)

The ten municipalities collectively incurred R15.2 billion in unauthorised expenditure, which accounts for 42.9 per cent of the total R35.5 billion uncovered and disclosed thus far in 2024/25. The largest Rand value amount was incurred by the Emfuleni Local Municipality at R3.0 billion, accounting for 8.6 per cent of the total R35.5 billion in unauthorised expenditure incurred in 2024/25. This is an increase of R1.4 billion in unauthorised expenditure incurred by Emfuleni Local Municipality in the previous financial year. The City of Johannesburg Metro, with R2.4 billion, and Emalahleni Local Municipality (i.e., Mpumalanga Province), with R1.8 billion, account for the top three municipalities in terms of the largest Rand value of unauthorised expenditure in 2024/25.

The green-shaded blocks in the sixth column indicate an improvement, that is, the Rand value of unauthorised expenditure incurred by the municipality declined in 2024/25 compared with the previous financial year. For example, the City of Johannesburg Metro incurred unauthorised expenditure of R2.4 billion in 2024/25, which is R379.0 million less than the R2.8 billion incurred in 2023/24, despite recording the second-largest Rand value amount in unauthorised expenditure in 2024/25.

3.2. Irregular Expenditure

Municipalities incurred a total of R31.2 billion in irregular expenditure in 2024/25, compared with R28.5 billion in 2023/24. This constitutes an increase of R2.7 billion or 9.5 per cent in irregular expenditure from the R28.5 billion reported in the previous financial year.

Table 6 below shows the ten municipalities that incurred the largest Rand value in irregular expenditure.

Table 6: Irregular Expenditure for 2024/25

Number	Municipality	Province	Type	2023/24	2024/25	
				Irregular Exp (R'm)	Irregular Exp (R'm)	Percentage share of Total for all municipalities
1	eThekwini Metro	KZN	MET	1 612.0	4 482.0	14.4%
2	City of Tshwane Metro	GP	MET	2 411.2	3 240.8	10.4%
3	City of Johannesburg Metro	GP	MET	1 982.2	2 369.4	7.6%
4	Nelson Mandela Bay Metro	EC	MET	1 951.2	2 078.6	6.7%
5	Buffalo City Metro	EC	MET	1 317.7	1 139.6	3.6%
6	Madibeng	NW	LM	213.2	1 048.7	3.4%
7	Ngaka Modiri Molema District	NW	DM	581.7	1 025.6	3.3%
8	City of Cape Town Metro	WC	MET	634.3	905.5	2.9%
9	Lekwa	MP	LM	54.2	873.9	2.8%
10	Dr Ruth S Mompati District	NW	DM	308.8	842.7	2.7%
Total for top ten municipalities				**11 066.5**	**18 006.8**	**57.7%**
Total for all municipalities				**28 522.4**	**31 226.9**	**100.0%**

Source: Auditor-General of South Africa (2025b and 2026b)

The ten municipalities collectively incurred R18.0 billion in irregular expenditure, which accounts for 57.7 per cent of the total R31.2 billion uncovered and disclosed thus far in 2023/24. The largest Rand value was incurred by the eThekwini Metro at R4.5 billion, accounting for 14.4 per cent of the total R31.2 billion in irregular expenditure incurred by all municipalities audited to date. The City of Tshwane Metro, with R3.2 billion in irregular expenditure, and the City of Johannesburg Metro, with R2.4 billion, round out the top three municipalities in terms of the largest Rand value of irregular expenditure in 2024/25.

The green-shaded blocks in the sixth column indicate an improvement, that is, the Rand value of irregular expenditure incurred by the municipality declined in 2024/25 compared with the previous financial year. Buffalo City Metro incurred irregular expenditure of R1.1 billion in 2024/25, which is R178.1 million less than the R1.3 billion incurred in the previous financial year. It is also the only municipality in the top ten to report an improvement in the total Rand value in irregular expenditure in 2024/25. The other municipalities show increases in irregular expenditure compared to 2023/24 financial year.

3.3. Fruitless and Wasteful Expenditure

Municipalities incurred a total of R5.98 billion in fruitless and wasteful expenditure in 2024/25, up from R4.5 billion in the previous financial year. This constitutes an increase of R1.5 billion or 32.4 per cent in fruitless and wasteful expenditure from the R4.5 billion reported in 2024/25.

Table 7 below shows the ten municipalities that incurred the largest Rand value in fruitless and wasteful expenditure.

Table 7: Fruitless and Wasteful Expenditure for 2024/25

Number	Municipality	Province	Type	2022/23	2023/24	
				Fruitless & Wasteful Exp (R'm)	Fruitless & Wasteful Exp (R'm)	Percentage share of Total for all municipalities
1	City of Tshwane Metro	GP	MET	793.0	614.0	10.3%
2	Emfuleni	GP	LM	208.5	455.5	7.6%
3	Matlosana	NW	LM	104.9	284.5	4.8%
4	Emalahleni	MP	LM	384.0	271.3	4.5%
5	Govan Mbeki	MP	LM	295.7	250.2	4.2%
6	Merafong City	GP	LM	157.8	207.3	3.5%
7	Msunduzi	KZN	LM		160.2	2.7%
8	Matjhabeng	FS	LM		151.7	2.5%
9	Lekwa	MP	LM	189.9	147.5	2.5%
10	Rand West City	GP	LM	71.1	146.2	2.4%
Total for top ten municipalities				**2 204.9**	**2 688.4**	**45.0%**
Total for all municipalities				**4 516.6**	**5 979.5**	**100.0%**

Source: Auditor-General of South Africa (2025b and 2026b)

The ten municipalities collectively incurred R2.7 billion in fruitless and wasteful expenditure, which accounts for 45.0 per cent of the total R5.98 billion uncovered and disclosed thus far in 2024/25. The largest Rand value was incurred by the City of Tshwane Metro at R614.0 million, accounting for 10.3 per cent of the total R5.98 billion in fruitless and wasteful expenditure incurred by all municipalities audited to date. Emfuleni Local Municipality, with R455.5 million, and the Matlosana Local Municipality, at R284.5 million, round out the top three municipalities in terms of the largest Rand value of fruitless and wasteful expenditure in 2024/25.

The green-shaded blocks in the sixth column indicate an improvement, that is, the Rand value of fruitless and wasteful expenditure incurred by the municipality declined in 2023/24 compared to the previous financial year. For example, the City of Tshwane Metro incurred fruitless and wasteful expenditure of R613.0 million in 2024/25, which is R179.0 million less than the R793.0 million incurred in 2023/24, despite incurring the largest Rand value amount in fruitless and wasteful expenditure in 2024/25.

4. KEY MATERIAL FINDINGS

This section highlights the key material findings for the 255 municipalities' audits that were finalised by the cut-off date of 30 April 2026, for inclusion in the Consolidated Audit Report, as follows:

4.1. Financial Management and Non-compliance with Procurement Legislation

The AG reported the following challenges, concerns, and qualification areas in the 2024/25 audit:

- **Poor-quality financial statements** – municipalities continue to rely on the audit process to achieve unqualified audit opinions. 195 (76%) municipalities submitted financial statements with material misstatements. If municipalities were not allowed to correct material misstatements in their financial statements, only 60 municipalities (i.e., down from 64 municipalities in 2023/24) would have received unqualified audit opinions in 2024/25, compared to the 156 municipalities that eventually did.[9] Despite the number of municipalities with unqualified audit opinions increasing since 2020/21, there has been little improvement in the quality of financial statements submitted for auditing.

- **Material misstatements in poor-quality financial statements are often found in the following two important areas:**

    1. **Fixed and movable assets – 129 (51%) municipalities materially misstated the value of fixed and movable** assets. Of which, 120 municipalities stated incorrect amounts due to incorrectly determining and calculating the value of the asset (valuation), all assets were not included (completeness), and/or assets were included under the incorrect asset classification type. While 48 of the 129 municipalities could not provide evidence to substantiate the values disclosed in the financial statements.[10]

    2. **Revenue and receivables** – 121 municipalities had material misstatements regarding their revenue (i.e., monies earned from municipal services, and monies received through grants and equitable share allocation). In comparison, 129 municipalities have material misstatements regarding receivables (i.e., debt owed to the municipality). 150 municipalities disclosed incorrect amounts due to errors such as failing to account for all revenue billed, or that should have been billed, or including revenue that was incorrectly billed, while incorrect amounts related to receivables were due to including debt unlikely to be recovered or to incorrect calculations. 79 municipalities could not provide supporting evidence to substantiate the value of the revenue and receivables they disclosed in their financial statements.[11]

[9] Auditor-General of South Africa (2026a), p. 39.
[10] Auditor-General of South Africa (2026a), p. 43.
[11] Auditor-General of South Africa (2026a), p. 44.

Causes of poor-quality financial statements

Local government does not have the institutional capability to consistently produce transparent and credible financial statements and reports.

Poor quality financial statements have been attributed to the following challenges:

- **Vacancies and a lack of skills in Finance Units** – the Finance Units of municipalities that submitted financial statements with material misstatements for auditing had an average vacancy rate of 20 per cent, and the chief financial officer (CFO) position was vacant at 38 municipalities (i.e., 19 per cent).

  Vacancies and a lack of critical financial skills lead to greater reliance on the use of consultants to bridge this gap. In 2024/25, 225 municipalities used financial reporting consultants at a cost of R1.61 billion (2020/21: R1.44 billion). At 119 (53%) of these municipalities, consultants were used to provide skills that the Finance Units did not have. At 93 municipalities (41%), consultants were hired to bridge a skills and vacancy gap (2020/21: 33%), while 13 municipalities (6%) used consultants purely to compensate for vacancies (2020-21: 6%).

  The AG found that these municipalities appoint consultants year after year without ensuring that these skills are transferred to municipal staff.

- **Internal control deficiencies** – basic financial management processes and controls in municipalities are not working effectively. The AG reported that of the 195 municipalities that submitted financial statements with material misstatements, 74 municipalities had poor record-keeping practices, 87 municipalities had poor daily and monthly controls, 112 municipalities had poor in-year, and year-end reporting processes and 121 municipalities had poor review and monitoring compliance practices. While the **AG raised concern** regarding the record-keeping practices of 96 municipalities, the daily and monthly controls of 95 municipalities, the in-year and year-end reporting processes of 79 municipalities and the review and monitoring compliance practices of 64 municipalities.

  Audit Action Plans are either not implemented or implementation is inadequate – municipalities often do not ensure that *Audit Action Plans* address the root causes of the misstatements and focus on strengthening the control environment. 188 (96%) of the 195 municipalities that submitted financial statements with material misstatements, did not have adequate Audit Action Plans or had not fully implemented their Action Plans.

- **Deficiencies in Information Technology (IT) controls** – IT controls are an integral part of a municipality's control environment because, if implemented correctly, they ensure the integrity, accuracy, reliability and security of financial systems. Of the 195 municipalities with material misstatements in their submitted financial statements, only 68 (35%) municipalities had effective governance processes and only 53 (27%) municipalities had sound information systems

- **Limited impact of Internal Audit Units and Audit Committees** – Internal Audit Units must prepare risk-based *Audit Plans* and report to the Accounting officer, while Audit Committees must report on the execution of the plans and their findings. These plans include reviews of accounting practices and internal controls. Of the 195 municipalities with material misstatements in their submitted financial statements, 12 (6%) municipalities did not have an Audit Committee or an Internal Audit Unit, or both. The Internal Audit Units at 120 (72%) municipalities and the Audit Committees at 115 (69%) municipalities were not effective as a governance control in the area of financial management. At 22 (12%) municipalities, the Internal Audit Unit or Audit Committee or both did not evaluate the reliability of financial information. The Internal Audit Units at 23 (13%) municipalities were not effective in tracking the implementation of their recommendations, as they did not have a tracking plan or did not provide evidence that they had one.

Source: Auditor-General of South Africa (2026a), pp. 46-48

- **Unfunded budgets** – 116 (45%) municipalities adopted unfunded budgets in 2024/25 (2023/24: 113 municipalities).[12] Of these, 77 (66%) municipalities had adopted unfunded adjustments budgets in each of the four years of the administration, with no signs of improvement.[13]

  An unfunded budget is an indicator that a municipality is struggling to balance its expenses with its expected revenue, often overestimating the amount of property rates and service charges it will collect from residents. Fixed costs (e.g., salaries), non-implementation of cost-containment measures (e.g., reducing consultant use), and a reluctance to scale down on or reprioritise projects promised to communities further contribute to unfunded budgets.

  Of the 116 municipalities that adopted unfunded budgets in 2024/25, 99 (85%) incurred unauthorised expenditure, and 72 (63%) incurred deficits.[14]

  In 2024/25, the prevalence of municipalities with unfunded budgets was highest in Gauteng (82%), followed by North West (77%) and the Northern Cape (71%) Provinces. The municipalities in three provinces accounted for more than 75% of the total unfunded expenditure budget: Gauteng (57%), North West (11%), and Mpumalanga (8%).[15]

- **Revenue management** – 76 (30%) municipalities did not have adequate evidence to support the revenue amounts disclosed in financial statements, did not disclose all the revenue that they should have, or incorrectly recorded the amounts billed for services rendered (2023/24: 60 municipalities).[16]

  In 2024/25, municipalities took an average of 129 days (2023/24: 73 days) to collect amounts owed to them and wrote off R62.12 billion (2023/24: R53.37 billion) in unpaid debt. The collection period for consumer debtors in 132 (55%) municipalities exceeded 90 days. In 98 (41%) municipalities, more than 80% of their total debt was considered irrecoverable, with the highest prevalence in municipalities in the Free State, Limpopo, and North West Provinces.

  The problem with revenue management is not only limited to incorrect consumer billing and debt not being collected, but also includes revenue lost through water and electricity distribution losses and households receiving free basic services they are not entitled to.

  In 2024/25, municipalities disclosed water losses of R14.73 billion and electricity losses of R21.63 billion. The losses are likely to be higher, as 17 municipalities did not disclose water and/or electricity losses, and the losses reported by 29 municipalities were materially misstated (incomplete, incorrect, or unsupported by evidence).[17] In all provinces except the North West and Western Cape, at least half of the water service providers that disclosed losses had water losses above the 30% norm. In all provinces except the Western Cape, most electricity service providers had electricity losses above the 10% norm.[18]

[12] Auditor-General of South Africa (2026a), p. 6 and Auditor-General of South Africa (2025), p.9.
[13] Auditor-General of South Africa (2026a), p. 70.
[14] Auditor-General of South Africa (2026a), p. 72.
[15] Auditor-General of South Africa (2026a), p. 72.
[16] Auditor-General of South Africa (2026a), p. 57.
[17] Auditor-General of South Africa (2026a), p. 55.
[18] Auditor-General of South Africa (2026a), p. 55.

Regarding the challenge of households receiving free basic services that they are not entitled to, the AG assessed 231 municipalities that provide basic services and found that registered indigents were deceased at 112 (48%) municipalities and registered indigents and/or their spouse(s) who were employed by the State or had an interest in business with the government at 106 municipalities (46%).[19]

- **Expenditure management** – The total deficit in 2024/25 was R17.41 billion, with 98 municipalities (41%) spending more than what is generated in revenue (2023/24: R12.52 billion deficit with 91 (38%) municipalities).[20] In 2024/25, 70 (29%) municipalities recorded deficits that exceeded 5 per cent of total revenue, while 68 (28%) municipalities reported deficits for two or more consecutive years. The provinces of the Free State, Gauteng, and Mpumalanga had the highest prevalence of municipalities with deficits.[21]

  Spending is of poor quality, with municipalities prioritising salaries and remuneration of Councillors. This expense is equivalent to 75% of the municipalities' equitable share allocation and municipalities' estimated recoverable own revenue.

  Payment practices are also poor; in 2024/25, 136 (53%) municipalities did not pay their creditors on time. Although municipalities are required by law to pay their creditors within 30 days of receiving an invoice or statement, widespread non-compliance with this requirement continued as follows:

  1. A total of 129 (54%) municipalities had creditors outstanding for more than 90 days, with the highest prevalence in municipalities of the Free State, Gauteng, Mpumalanga, and Northern Cape Provinces.[22]
  2. By the 2024/25 year-end, municipalities owed interest of R3.40 billion to Eskom and R1.21 billion to Water Boards. The municipalities are in Gauteng, Mpumalanga, and North West and account for 65% of the total interest owed to Eskom and Water Boards.[23]
  3. Late payments also extended to payments of contributions and third-party deductions. A total of 48 (20%) municipalities had third-party deductions overdue for more than one month. This included pension fund, medical aid, pay-as-you-earn, and Unemployment Insurance Fund contributions. This was most prevalent in municipalities in Free State, Mpumalanga, and North West.[24]

  Payments were not always made in accordance with contract requirements or were made for goods and services that were not received or that were of poor quality. Payments were also made to employees who were not eligible to receive the salaries or wages.[25]

  Given the constrained fiscal resources available, municipalities are required to ensure optimal value for money in all expenditure decisions. However, instances persist where municipalities procure goods or services that they either did not use or partially used, or do not yield commensurate value relative to the expenditure incurred (i.e., the use of consultants in preparing financial statements is an example of this, as the AG has found material

[19] Auditor-General of South Africa (2026a), p. 57.
[20] Auditor-General of South Africa (2026a), p. 59.
[21] Auditor-General of South Africa (2026a), p. 59.
[22] Auditor-General of South Africa (2026a), p. 60.
[23] Auditor-General of South Africa (2026a), p. 60.
[24] Auditor-General of South Africa (2026a), p. 60.
[25] Auditor-General of South Africa (2026a), p. 61.

misstatements in the financial statements prepared by consultants), which resulted in (or are likely to result in) financial losses.[26]

Withholding of Local Government Equitable Share Allocation

Poor financial management and poor audit outcomes leading to poor services has become synonymous with the Local Government sector. Municipalities continue to contravene the *Municipal Financial Management Act No. 56 of 2003* (MFMA) by adopting unfunded budgets, incurring unauthorised, irregular, fruitless and wasteful expenditure (UIFW), failing to pay creditors on time and not collecting all debt owed to them.

The adoption of unfunded budgets, together with poor revenue and expenditure management may and can result in financial distress, affecting the status of a municipality as a "going concern", which ultimately leads to a lack or no service delivery, when a municipality cannot pay for certain services.

Section 216(2) of the South African Constitution permits the National Treasury to stop the transfer of funds (equitable share or grants) to any organ of state – including municipalities – that commits a serious or persistent material breach of financial management measures, such as failing to submit financial statements or mismanaging public funds.

According to the 2026 Budget Review, the National Treasury invoked section 216(2) of the Constitution against 75 municipalities that have persistently failed to meet financial standards. In 2025, the focus was on withholding funds from municipalities owing money to Water Boards, with municipalities in the provinces of the North West, Free State, and Gauteng being impacted.

Section 216 is typically only used when a municipality has repeatedly failed to address the following issues:

- **Unfunded budgets** (passing a budget it cannot actually afford).
- **Failure to pay creditors**, such as Eskom, Water Boards, or SARS, within the required timeframes.
- **Persistent audit failures**, such as not submitting annual financial statements.

This intervention is a measure to restore good financial governance and financial integrity, protect public resources and ensure sustainable service delivery against persistently non-compliant municipalities. The intervention is not solely punitive; it often follows, or serves as, a warning to compel municipalities to improve financial management practices and avoid further action, as shown in 2015 when many avoided the penalty by committing to change.

The withholding of a municipality's equitable share allocation has devastating consequences in the short term and might lead to labour unrest (i.e., municipalities are unable to pay salaries) and social unrest (i.e., the lack of funds/cash flow may cause disruptions in service delivery). However, the withholding of funds is not permanent and is aimed at corrective action. Funds are released once the municipality complies with the National Treasury requirements, such as establishing financial improvement plans.

Source: Parliamentary Research Unit (2026).

[26] Auditor-General of South Africa (2026a), p. 62.

- **Non-compliance with Legislation** – most municipalities continue to materially not comply with key legislation, with 199 (78%) municipalities having received material findings on compliance in all four years of the current administration.[27] Persistent high levels of material non-compliance by municipalities were prevalent across all provinces, except the Western Cape Province.[28] All municipalities in the Free State and North West Provinces continue to have material findings on compliance. These provinces also recorded the highest average number of findings.[29]

  Persistent and material non-compliance are predominantly found in these five areas:

  1. **Financial statements** are non-compliant with legislative requirements to be prepared in accordance with the applicable accounting framework. 195 (76%) of the 255 audited municipalities had material misstatements or limitations in submitted financial statements (2023/24: 184 municipalities).[30]

  2. **Prevention of unauthorised, irregular, and/or fruitless and wasteful expenditure** – 184 (72%) municipalities have material findings related to procurement and contract management (2023/24: 185 municipalities).[31]

     High levels of irregular expenditure are recorded each year and arise from non-compliance with prescribed legal frameworks, particularly legislation governing procurement. Non-compliance with procurement and contract management legislation accounted for 87% of the irregular expenditure over the administration.[32]

     Based on the amounts disclosed in the financial statements, irregular expenditure totalling R145.21 billion has been incurred since 2021/22: R120.02 billion by municipalities (83%) and R25.19 billion by municipal entities (17%). The total figure could be higher, as 40% of auditees were either qualified on the completeness of irregular expenditure disclosed in their financial statements or disclosed that they were still investigating these amounts to determine whether they had been spent irregularly. The provinces with the highest prevalence of auditees with incomplete irregular expenditure disclosures were North West (95%), Gauteng (75%), and Mpumalanga (65%).[33]

  3. **Procurement and contract management** – 152 (60%) municipalities have material findings related to procurement and contract management (2023/24: 155 municipalities).[34] At the provincial level, the highest prevalence of municipalities with material findings on procurement was in the Free State, Northern Cape, and North West.[35]

[27] Auditor-General of South Africa (2026a), p. 90.
[28] Auditor-General of South Africa (2026a), p. 91.
[29] Auditor-General of South Africa (2026a), p. 92.
[30] Auditor-General of South Africa (2026a), p. 93 and Auditor-General of South Africa (2025), p.53.
[31] Auditor-General of South Africa (2026a), p. 93 and Auditor-General of South Africa (2025), p.53.
[32] Auditor-General of South Africa (2026a), p. 98.
[33] Auditor-General of South Africa (2026a), p. 96.
[34] Auditor-General of South Africa (2026a), p. 93 and Auditor-General of South Africa (2025), p.53.
[35] Auditor-General of South Africa (2026a), p. 98.

4. **Expenditure management** – The AG assessed whether expenditure is appropriate, promptly paid, and adequately recorded. 138 (54%) municipalities have material findings related to expenditure management (2023/24: 125 municipalities).[36]

   The AG also assessed the utilisation and expenditure of conditional grants in relation to compliance with the requirements of the Division of Revenue Act (DoRA). 50 municipalities had material findings on compliance, as follows:

   - 25 (11%) municipalities did not spend the allocated funds in accordance with the conditions of the grant.
   - 40 (17%) municipalities did not evaluate and report to the transferring officer on the performance of the projects, programmes, or functions that the grant funded.
   - 16 (7%) municipalities had both material findings.[37]

5. **Consequence management** – 131 (51%) municipalities have material findings related to consequence management (2023/24: 124 municipalities).[38]

4.2. Quality of Performance Reports

The AG reports that in 2024/25, all municipalities prepared performance reports, marking a significant milestone for Local Government.[39]

The AG's audit of municipal performance reports is not an audit, evaluation, or conclusion on a municipality's performance, but an assurance to oversight role-players and the public that the information they use to evaluate performance is useful and reliable.[40]

A total of 132 (52%) municipalities' performance reports were deemed credible in 2024/25, compared with 127 in the previous financial year.[41] A total of 103 (40%) municipalities had material findings on compliance with legislation on strategic planning and performance management.[42] The most common finding was that *Performance Management Systems* and related controls were not maintained or were inadequate at 84 (33%) municipalities.[43]

Material findings are as follows:[44]

- **Not useful** [at 95 (37%) municipalities, an increase from the 93 municipalities in 2023/24] – usefulness of performance information provided is determined by its relevance, reliability, and measurability.
- **Not reliable** [at 86 (34%) municipalities, an increase from the 91 municipalities in 2023/24] – reported achievements against planned targets were not reliable due to a lack of evidence, or the AG had proof that the reported achievements were not correct.
- **Not measurable** [at 69 (27%) municipalities, an increase from the 61 municipalities in 2023/24] – performance indicators are not well defined, that is, no clear indication of what the indicator measures, performance targets did not meet SMART criteria (that is, it was not specific,

[36] Auditor-General of South Africa (2026a), p. 93 and Auditor-General of South Africa (2025), p.53.
[37] Auditor-General of South Africa (2026a), p. 94.
[38] Auditor-General of South Africa (2026a), p. 93 and Auditor-General of South Africa (2025), p.53.
[39] Auditor-General of South Africa (2026a), p. 75.
[40] Auditor-General of South Africa (2026a), p. 75.
[41] Auditor-General of South Africa (2026a), p. 77 and Auditor-General of South Africa (2025), p. 43.
[42] Auditor-General of South Africa (2026), sl. 10.
[43] Auditor-General of South Africa (2026), sl. 10.
[44] Auditor-General of South Africa (2026a), pp. 78 - 82.

measurable and/or time bound), as well as verifiable processes and methods were not in place to measure achievements.

- **Not relevant** [at 33 (13%) municipalities, a decrease from the 36 municipalities in 2023/24] – reported on performance indicators that measure an achievement that is not related to the municipality's mandate or what the planned objective is intended to achieve, and performance targets that are unrelated to what the performance indicators are measuring.
- **Missing indicators** [at 13 (5%) municipalities, a decrease from the 21 municipalities in 2023/24] – performance documents excluded key indicators that measure performance against mandatory functions relating to basic services. A failure to measure key service delivery achievements implies that these achievements were not planned or budgeted for and, therefore, were most likely not delivered.
- **Not consistent** [at 31 (12%) municipalities, a decrease from the 40 municipalities in 2023/24] – performance indicators or targets reported in the performance report differed from those committed to in the performance plan, changes to indicators and/or targets were made without obtaining approval, and the reported achievement differed from the achievement defined by the performance indicator and target.
- **Not correctly presented** [at 40 (16%) municipalities, an increase from the 37 municipalities in 2023/24] – the presentation of the performance did not include a year-on-year comparison, did not report on measures taken or planned to improve performance where a target was underachieved. The manner in which performance was presented did not facilitate understanding or comparison with the *Performance Plan*.

Causes of poor-quality performance reports

- **Internal control deficiencies –** municipalities do not have adequate systems, processes and controls to collate, record, measure and report on their performance. Moreover, processes are manual and prone to error.

- **Vacancies and a lack of skills –** Officials, Senior Management and Accounting officers do not properly apply performance management and reporting requirements because they do not properly understand or appreciate them, pointing to a lack of appropriate skills and capacity. Furthermore, vacancies in core service delivery units impacted municipalities' ability to plan, monitor and report performance in areas critical to service delivery. A number of municipalities had critical vacancy level of 30% or higher.

- **Limited impact of Internal Audit Units and Audit Committees –** At municipalities that submitted performance reports with material misstatements, 97% had established Internal Audit Units and 96% had established Performance Audit Committees; however, they did not operate effectively. Internal Audit Units and Audit Committees of 24 (14%) municipalities did not evaluate the reliability of performance information and 66% of Internal Audit Units and 65% of Audit Committees were not effective as governance controls in the area of performance information.

- **Ineffective oversight by Mayors and Council –** Mayors and Council members do not thoroughly review performance plans to ensure that they cover all the key functions of the municipality, that they are aligned to the *Integrated Development Plan* and that the performance indicators and targets are relevant and measurable to achieve the desired results.

- **Lack of accountability and consequences** – there is no incentive to commit and report on different indicators and targets when planning, while the setting of low targets and not reporting on important performance information is often done to avoid accountability. Accounting officers and officials also face limited consequences when they provide unreliable information in their performance reports or underachieve on their targets.

Causes of poor-quality performance reports continued

- **No universal adoption of standardised targets** – Due to differences in indicators, municipal performance is also not directly comparable across different municipalities and the ability of national government to monitor critical delivery areas such as water provision is reduced. The *National Treasury* and the *Department of Cooperative Governance* developed standardised indicators, which aimed to streamline planning and reporting, while improving the completeness, measurability and relevance of indicators and targets. This reform was piloted with metros over a number of years and fully implemented from 2018/19, resulting in improvements in the consistency and usefulness of their reported performance information.

  The *Department of Cooperative Governance* is now working on amendments to the *Municipal Planning and Performance Management Regulations*, which will make implementation of the standardised indicators by all municipalities a legal requirement. It is expected to be finalised and promulgated in 2027. Until the standardised indicators are fully implemented, the usefulness of performance information is unlikely to improve.

Source: Auditor-General of South Africa (2026a), pp. 87-89.

The impact of municipal performance reports deemed not credible includes undermining oversight and accountability, compromising proper planning and decision-making, and a lack of transparency and/or unreliable information to the Council and public on service delivery.[45]

5. NATURE AND STATUS OF IDENTIFIED MATERIAL IRREGULARITIES

This section reports on how the AG has implemented its expanded mandate as per the Amendment to the Public Audit Act (No. 5 of 2018) (PAA) and the progress made to date. The amendment to the PAA introduced the concept of Material Irregularity (MI). The MI refers to any non-compliance with, or contravention of, legislation, fraud, theft, or a breach of fiduciary duty identified during an audit performed 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.

A **total of 516 MIs** have been identified from 1 April 2019 to 31 December 2025, an increase of 73 MIs from the 443 MIs carried forward from 2023/24 (i.e., a total of 446 MIs were reported in 2023/24, of which 3 MIs were subsequently closed). [46]

Table 8: Impact of MI process

Monetary Impact made by MI process (R' million)	2023/24	2024/25
Financial loss recovered	709.26	710.00
Financial loss in process of being recovered	370.24	730.00
Financial loss prevented	244.12	250.00

Source: Auditor-General of South Africa (2025 and 2026a)

[45] Auditor-General of South Africa (2026), sl. 10.
[46] Auditor-General of South Africa (2026a), p. 217.

Accounting officers, through the MI process, have been able to take action to prevent or recover financial losses estimated at **R1.69 billion** since 2019 (an **increase of R37.0 million** from the R1.32 billion reported last year**),** of which:[47]

- R710.0 million in financial loss has been recovered;
- R730.0 million in financial loss is in the process of being recovered; and
- R250.0 million in financial loss has been prevented.

Actions taken to prevent and recover financial losses include:[48]

- 68 fraud/ criminal investigations were instituted.
- 13 supplier contracts were terminated where money was being lost.
- 99 municipalities have addressed internal controls deficiencies to prevent recurrence in response to MIs.
- 216 officials who were identified as being responsible for the financial loss have been subjected to a disciplinary process.

5.1. Nature of Material Irregularities

The **516 MIs** fall broadly under the following categories, as shown in Table 9 below:[49]

Table 9: Nature of identified MIs

Material Irregularities (MIs)		2023/24	2024/25	Increase
Type	**Nature**	**Number**	**Number**	**/decrease**
Procurement of payment	Non-compliance in procurement processes resulting in overpricing of goods and services procured or appointed supplier not delivering.	8	8	↔
	Uneconomical procurement resulting in overpricing of goods and services procured.	12	14	↑
	Payments for goods and services not received, or of poor quality, or not in line with contract , and provided to ineligible beneficiaries.	72	77	↑
Resource Management	Assets not safeguarded or maintained resulting in financial loss.	20	20	↔
	Loss of investments.	15	15	↔
	Inefficient use of resources resulting in no or limited benefit derived for money spent.	40	44	↑
	Employees on prolonged suspension.	0	3	↑
Revenue Management	Revenue losses due to unbilled revnue , debt not recovered or unrecorded receipts.	39	42	↑
	Revenue lost due to water and electricity losses.	0	4	↑
Interests and penalties	Eskom, Water Boards, Lenders and Suppliers not paid on time resulting in interest.	56	55	↓
	Payroll and value-added tax returns not paid on time or incorrectly calculated resulting in South African Revenue Service (SARS) interest and penalties.	19	19	↔
Fraud and compliance	Suspected fraud resulting in financial loss.	3	3	↔
	Non-compliance resulting in penalties.	1	1	↔
Harm to general public	Non-compliance with environmental legislation resulting in pollution of water resources.	56	69	↑
	Landfill site mismanagement resulting in harm to the public.	20	29	↑
	Pension fund contributions deducted, but not paid over to pension fund.	3	6	↑
	Assets not safeguarded or maintained resulting in harm to the public.	1	1	↑
	Non-compliance with national standards on water quality resulting in unsafe drinking water.	0	4	↑
	Project delays resulting in beneficiaries living in unsafe and unhygienic conditions.	0	1	↑
Harm to public sector institution	Non-submission of financial statements.	35	39	↑
	Repeat disclaimed audit opinion.	28	28	↔
	Lack of proper performance information records and systems.	8	11	↑
	Non-submission of performance report.	5	5	↔
	Poor financial, performance or project management	2	3	↑
	Assets not safeguarded or maintained resulting in harm to the municipality.	1	1	↔
	Repeat adverse audit opinion resulting in compromised transparency and accountability.	0	1	↑
	Bank and creditor's reconcilliation not performed resulting in compromised transparency and accountability on the bank and creditors balance.	0	8	↑
Misuse of public resources due to under-utlisation	Municipal Infrastructure - Distribution centre building, office building, bus station, reservior and a sport field.	2	5	↑
Total MIs		**446**	**516**	↑

Source: Auditor-General of South Africa (2025 and 2026a)

[47] Auditor-General of South Africa (2026a), p. 228.
[48] Auditor-General of South Africa (2026a), p. 229 & p. 231.
[49] Auditor-General of South Africa (2026a), p. 218.

- **305** of the identified MIs are related to matters **that resulted in material financial loss,** and these are comprised of:
  - 99 of the identified MIs are related to matters of **procurement and payment**;
  - 82 of the identified MIs are related to matters of **resource management**;
  - 46 of the identified MIs are related to matters of **revenue management**;
  - 74 of the identified MIs are related to **penalties and interests**; and
  - 4 of the identified MIs are related to matters of **fraud and compliance**.

- **110** of the identified MIs are related to matters that caused **harm to the public**.
- **96** of the identified MIs are related to matters that caused **harm to the public sector institution**.
- **5** of the identified MIs are related to the **misuse of public resources due to under-utilisation**.

5.2. Status of Material Irregularities

The current status of the 516 MIs identified is as follows:[50]

- **261 MIs in total have been resolved**, which equates to 50.6 per cent of the 516 MIs identified since 1 April 2019.

  - An MI is resolved when all possible steps have been taken to recover financial losses or remove or address any harm caused, as well as actions taken to implement consequences against those involved; and to prevent any further losses and harm.

- **55 MIs are in the process of being resolved**; that is, Accounting officers have made some progress in implementing their proposed actions.

- **127 MIs require the invocation of the AG's** powers/ expanded mandate due to the failure of the Accounting Authority to take appropriate action to address and resolve the identified MIs.

  The AG may use the expanded mandate to include recommendations in the audit report, or invoke additional powers of referral and remedial action, including referring a matter to a public body for further investigation, and, as a last resort, issuing a certificate of debt. Further action taken regarding the 127 MIs includes:[51]

  - 19 MIs – recommendations were included in the audit report, as the Accounting officer took little or no action to address the MI, which is a **decrease of 1 MI** when compared to the 20 MIs reported in 2023/24.
  - 2 MIs – recommendations were included in the audit report and were referred to public bodies.
  - 14 MIs – remedial action[52] taken by the AG, as recommendations were not implemented, resulting in **an increase of 1 MI** compared to the 13 MIs reported in 2023/24.
  - 10 MIs – further action taken by the AG, as remedial action was not implemented, which is **an increase of 1 MI** when compared to the 9 MIs reported in 2023/24.
  - 76 MIs – was referred to public bodies for further investigation, which is an **increase of 15 MIs** when compared to the 61 MIs reported in 2023/24.
  - 1 MI – Mohokare Local Municipality in the Free State Province received a referral and remedial action.

[50] Auditor-General of South Africa (2026a), pp. 219 - 224.
[51] Auditor-General of South Africa (2026a), p. 220.
[52] Remedial actions are binding instruction by the AG that outlines the action the auditee must take to address the MI.

- 1 MI – City of Matlosana Local Municipality in the North West received a referral, notice of debt process, and remedial action not implemented for further action.
- 1 MI – Mangaung Metropolitan Municipality in the Free State Province. received a referral and remedial action not implemented for further action.
- 2 MI – a notice of certificate of debt process was issued to Mangaung Metropolitan Municipality and Mohokare Local Municipality in the Free State Province, which is **an increase of 1 MI** when compared to the 1 MIs reported in 2023/24.
- 1 MI – a certificate of debt was issued to Ngaka Modiri Molema District Municipality in the North West Province.

- **31 MIs are awaiting a decision as to whether the AG will invoke powers** of referral and remedial action.

- **17 MIs are not being further pursued based on AG's assessment** – the decision not to pursue is based on the AG's assessment of the likelihood of quantifying and recovering the financial loss, as well as advice from the MI Advisory Committee and information that came to the AG's attention during the MI process.[53]

- **10 MIs responses are being assessed** – that is, the subsequent actions taken by Accounting officers were in the process of being evaluated.

- **15 MIs responses were not due** at the time of reporting.

Table 10: Status of 516 MIs

Status of MIs	Number	Percentage
Resolved*	261	50.6%
Appropriate action being taken to resolve MI	55	10.7%
No appropriate action taken - invoke AG powers	127	24.6%
No appropriate action taken - decision on invoking AG powers in process	31	6.0%
Notification response received - in process of assessing actions	10	3.3%
Notified and awaiting response	15	1.9%
Not pursued further	17	2.9%
Total MIs	**516**	**100.0%**

Source: Auditor-General of South Africa (2026a)

6. CONCLUSION

The AG's Report of the 2024/25 Local Government Audit Outcomes shows that there is a slight regression (i.e., a decrease in the number of clean audits and an increase in the number of unqualified audits with findings) in audit outcomes compared to 2023/24. However, there is positive progress; the number of adverse and disclaimed audit opinions is declining, including the number of outstanding audits.

Nonetheless, poor audit outcomes remain rooted in governance failures, inadequate institutional capability, and a lack of accountability and consequences. The identified root causes are not new but require greater commitment from each role player in the accountability ecosystem to address them appropriately and effectively, and these are:

[53] Auditor-General of South Africa (2025), p. 137.

- Ensure the proper and adequate implementation of internal controls for effective financial and performance reporting.
- Invest and apply adequate IT governance controls and systems that support the integrity, accuracy, reliability, and security of financial systems and performance reporting systems.
- Manage vacancies and procure the correct skill sets in critical Service Delivery Units, the Finance Unit, and the Performance Management Unit.
- Ensure the effectiveness of Internal Audit Units and Audit Committees by monitoring and reviewing the work of these units/committees regularly and following up on the implementation of the recommendations of these units/committees.
- Strengthen consequence management policies and procedures for effective implementation to deter under-performance and fraud.
- Mayors and Council members must uphold their accountability to the public by ensuring that they review financial planning and reporting systems, service delivery implementation systems, including performance reporting systems, regularly to ensure service delivery and implement consequence management to deter under-performance and fraud.

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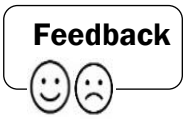
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