7.3 Gauteng

Lack of urgency and inadequate accountability continue to weaken financial health and erode service delivery

Audit outcomes – municipalities and municipal entities

2020-21	3	18	2	1	0	0
2023-24	5	16	3	0	0	0
2024-25	4	16	4	0	0	0

Movement from previous year and related budget	0 ▲	22 ▶ (R170,02bn)	2 ▼ (R60,20bn)
Movement over administration and related budget	5 ▲ (R7,74bn)	16 ▶ (R66,22bn)	3 ▼ (R118,07bn)

Municipality outcomes with movement over administration

Improved	West Rand DM; Joburg Market; Rand West City LM; Metropolitan Trading Company; Merafong City LM
Unchanged	Germiston Phase II Housing Company (t/a Ekurhuleni Housing Company); Midvaal LM; City of Johannesburg MM*; City Power Johannesburg; East Rand Water Care Company; Joburg Property Company; Johannesburg City Parks; Johannesburg Development Agency; Johannesburg Metropolitan Bus Services; Johannesburg Roads Agency; Johannesburg Social Housing Company; Johannesburg Water; Lesedi LM; Mogale City LM; Pikitup Johannesburg; Sedibeng DM
Regressed	City of Ekhurhuleni MM; City of Tshwane MM; Emfuleni LM

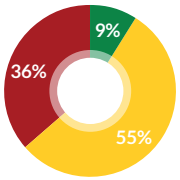
** CoJ financial audit was qualified*

Clean audit | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audit

DM: District Municipality LM: Local Municipality MM: Metropolitan Municipality

Financial health with movement over administration – municipalities

Overall assessment



- Good: 1
- Concerning: 6
- Unfavourable: 4

- Municipalities with going concern uncertainty (years in position): ▶
  - City of Ekurhuleni (1 year)
  - Emfuleni (1 year)
  - Rand West City (8 years)
  - West Rand (8 years)
- Unfunded budget: 9 (82%) ▼
- Unauthorised expenditure: R8,46bn – 6 (55%) ▲
- Deficit (expenditure exceeded revenue): 7 (64%) ▼
- Fruitless and wasteful expenditure: R1,50bn – 7 (64%) ▲
- Creditor-payment period exceeded 120 days: 8 (73%) ▼
- More than 80% of debt irrecoverable: 4 (36%) ▲
- Current liabilities more than current assets: 8 (73%) ▲
- Total liabilities more than total assets: 2 (18%) ▲
- Cash coverage less than one month: 0 (0%)
- Water losses by 9 water providers: ▲
  - Amount: R4,43bn
  - Above 30% norm: 6 (67%)
  - Not disclosed: 1 (11%)
- Electricity losses by 9 electricity providers:
  - Amount: R8,06bn
  - Above 10% norm: 7 (78%)
  - Not disclosed: 1 (11%)

▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Regression

Material irregularities – 15 municipalities and municipal entities (63% of provincial auditees)

Status



- 38 Resolved
- 3 Under assessment/awaiting response
- 16 Unresolved
  - 14
  - 2

Nature

43	Material financial loss (R1,41bn)
3	Misuse of material public resource
10	Substantial harm to general public
1	Substantial harm to public sector institution

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

Last year, we reported that audit outcomes had stagnated over the term of the 6th administration and that failures to address weaknesses in service delivery, financial health and compliance continued.

Financial management

The 2024-25 expenditure budget of the auditees was R211,23 billion. Municipalities received R20,71 billion in equitable share grants and R12,70 billion in other grants from the national government.

Auditees continued to experience significant financial health challenges, driven mainly by weaknesses in credit-control processes for consumer debtors and significant water and electricity losses of R20,98 billion. This resulted in auditees spending more than what they could recover. Poor fiscal discipline further resulted in fruitless and wasteful expenditure of R2,40 billion. Weak budgeting processes remained prevalent and the adjustments budgets of nine of the 11 municipalities (82%) were unfunded due to budgets being based on revenue assumptions that were not achievable. In addition, six municipalities (55%) overspent their approved adjustments budgets by R8,46 billion and 16 auditees reported a combined deficit of R6,92 billion, which compounded the existing financial health pressure.

Going concern uncertainty continued year on year, and the number of affected municipalities has remained unchanged since 2020-21. However, the pressure points have shifted, with an increased prevalence of going concern uncertainty within the Johannesburg metro entities in 2024-25. Of concern is that financial recovery plans and national and provincial interventions are not yielding the desired impact.

By year-end, auditees owed arrears (including interest) of R13,79 billion to Eskom and R5 billion to water boards.

Audit outcomes

Gauteng metros continue to experience weak governance, leadership instability and poor accountability, which have resulted in weak control environments, persistent non-compliance and slow implementation of corrective actions. This has contributed to pressure on financial sustainability, while service delivery remains constrained by delays in infrastructure delivery, inadequate maintenance and weak project management, ultimately negatively impacting the lived experiences of residents.

The overall audit outcomes of municipalities have regressed since 2020-21 and from the previous year, as two additional metros were qualified since 2020-21. Audit outcomes of municipal entities have remained stagnant since 2020-21 due to complacency in the unqualified opinion category and a regression from the previous year. The regressions were driven by leadership's failure to enforce and institutionalise key controls; to correct unreliable IT environments that necessitate manual adjustments; to fast-track the implementation of audit action plans at key municipalities; to drive effective accountability, including consequence management; and to address continued reliance on the audit process to identify and correct errors.

The municipalities that regressed over the administrative term accounted for 68% of the municipal expenditure budget and served a large number of communities. Weak controls increased the risk of not implementing financial and service delivery plans, as well as council and oversight structures not receiving reliable information to act on risks in real time.

The two municipalities that achieved clean audits managed only 1% of the province's municipal expenditure budget.

We include a detailed analysis of the outcomes of the three metros in the province in section 4.

Financial reporting

The number of unqualified audit opinions on the financial statements decreased from 21 (88%) to 19 (79%) from the previous year for both municipalities and municipal entities (auditees). However, if auditees had not made corrections based on our findings, the financial statements of only 10 (42%) would have been unqualified.

Most of the material misstatements in the financal statements submitted for auditing related to revenue, expenditure, assets, liabilities, cash-flow statements and disclosure notes. Five municipalities (21%) that received qualified audit opinions could not adequately make the corrections due to poor underlying records and system information for key line items such as revenue, expenditure, consumer debtors and non-current assets.

Twelve auditees (50%) used financial reporting consultants to address the lack of skills and vacancies in their finance units at a cost of R85,47 million (2023-24: R70,13 million). These consultant fees were spent in addition to the R2,39 billion that auditees spent on their finance units. These fees decreased over the administrative period, mainly due to City of Tshwane Metro reducing its consultant spending on asset management from R121 million in 2020-21 to R12,02 million in 2024-25. Despite this investment, two auditees (17%) submitted financial statements with material misstatements in the areas on which the consultants worked due to the late appointment of consultants or the inadequate review of their work.

The decline in the quality of financial statements reflects weak institutionalised financial controls, a lack of adequate reviews at the right level as well as reliance on the audit process to identify and correct errors. Poor-quality financial statements result in unreliable financial reporting, weakened accountability arrangements and an increased risk to auditees' financial sustainability and service delivery outcomes.

Performance reporting

Auditees without material findings on their performance reports have increased from 12 (50%) to 13 (54%) since 2020-21. Auditees that submitted good-quality performance reports for auditing remained at 10 (42%) from the previous year. The most common material findings on performance reporting were due to information not being reliable at nine auditees (38%) and reported information not being simple, clear and easy to understand at six (25%).

The findings were caused by the inadequate review of supporting documentation by management, weak record-keeping, a lack of reconciliations as well as insufficient assessments of performance indicators and targets to confirm that they are simple and clear to report on. In addition, internal audit findings on performance information were not adequately addressed. Consequently, the reported performance information was unreliable, limiting transparency, weakening informed decision-making and delaying corrective action, which negatively impacted service delivery to communities.

Compliance with key legislation

Auditees with material findings on compliance with key legislation have decreased from 21 (88%) to 20 (83%) since 2020-21 and increased from the previous year's 19 (79%). The most common areas of non-compliance related to expenditure management at 17 auditees (71%), the prevention of unauthorised, irregular, and fruitless and wasteful expenditure at 16 (67%), material misstatements in the submitted financial statements at 13 (54%), procurement management at nine (38%) and consequence management at six (25%).

Irregular expenditure of municipalities and entities increased from the R6,61 billion reported in 2020-21 to R14,44 billion in 2024-25. Overall, 14% of the annual municipal expenditure budget (excluding employee costs and bulk purchases) was irregularly spent. In total, irregular expenditure of R45,92 billion was incurred over the period of the current administration. The extent of non-compliance and the value of the irregular expenditure disclosed are not complete and could be higher, as we qualified the completeness of the irregular expenditure amount disclosed by Merafong City (Carletonville).

Procurement and contract management

Non-compliance with legislation on procurement and contract management was the reason for R7,55 billion (52%) of the irregular expenditure incurred in 2024-25. The procurement and contract management processes of 16 auditees (67%) did not comply with legislation. The non-compliance was reported as material at 10 auditees (42%). Common procurement and contract management findings were due to non-competitive bidding, procurement requirements that were not followed and weak contract management. The continuing disregard for legislation, weak tone at the top and a lack of consequences for non-compliance can be seen in the recurring findings we raise year after year.

Persistent findings increase the risk of not deriving benefits from expenditure, enable opportunities for fraud and undermine public confidence in how municipal funds are spent.

Unqualified audit opinions with findings

Ten (67%) of the auditees with unqualified audit opinions with findings have been in this category for more than five years. Nine auditees (60%) only obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings. The weaknesses in the control environments of the auditees in this outcome category also affected their performance reporting and compliance: seven (47%) of the auditees had material findings on their performance reports and all 15 (100%) had material findings on compliance. These auditees were responsible for R8,53 billion (59%) of the irregular expenditure.

An unqualified audit opinion with findings does not equate to good governance. While the published financial statements may be free from material misstatements, persistent weaknesses in internal controls over performance reporting and compliance with legislation remain unresolved, often leading to complacency among auditees that remain in this category for long. This outcome limits assurance to the provincial legislature and the public on whether public funds are used lawfully and effectively to achieve intended service delivery outcomes. It further increases the risk of irregular as well as fruitless and wasteful expenditure, and reflects a culture of year-end compliance rather than sustainable controls, resulting in slow consequence management and constrained progress towards clean administration.

Infrastructure and grant management

We again identified shortcomings in infrastructure maintenance, with condition assessments of selected roads and wastewater treatment works confirming ongoing deterioration and maintenance backlogs. These shortcomings were mainly due to continuing underinvestment in infrastructure upkeep (with most auditees spending less than the required 8% on repairs and maintenance) as well as ageing assets, weak maintenance planning, capacity constraints and poor quality of spending. The low level of maintenance spending has contributed directly to high electricity and water losses and accelerated infrastructure deterioration, increasing risks to service delivery, health and safety, environmental compliance and long-term sustainability.

Of the main infrastructure-related conditional grants of R7,55 billion received in 2024-25, intended for infrastructure development and maintenance, 99% was spent. We reported material weaknesses at 18 (72%) of the 25 projects that we audited relating to water, sanitation, housing, electricity and roads infrastructure. Infrastructure projects continued to experience delays, cost overruns and quality defects due to weak planning, inadequate funding readiness and ineffective procurement and contract management. Limited oversight and technical capacity has resulted in poor contractor performance, incomplete projects and work having to be redone to fix defects, while weaknesses in asset management have led to infrastructure assets not being recorded accurately, resulting in misstatements. These failures undermine service delivery planning and reporting, weaken accountability and negatively impact service delivery outcomes and infrastructure sustainability.

We identified governance weaknesses in land acquisition and beneficiary management at both City of Johannesburg and City of Tshwane metros. The weaknesses included non-compliance with valuation requirements, ineffective enforcement of land occupation by-laws, prolonged housing waiting lists and the provision of interim housing that did not meet acceptable living standards. These deficiencies are rooted in inadequate oversight and monitoring across grant management, land acquisition and housing allocation processes.

Information technology management

The provincial IT control environment remained weak, with deficiencies in IT governance, fragmented oversight of IT projects and contracts as well as persistent capacity constraints. Weak IT project and contract management, gaps in operational resilience and unreliable automated controls within revenue-critical systems undermine the value derived from IT investments. This exposes auditees to service disruptions, revenue leakage and potential financial misstatements. Cybersecurity risks are further heightened by obsolete infrastructure and ineffective vulnerability management. These issues are primarily driven by capacity constraints, overreliance on inadequately monitored service providers, procurement delays and limited IT oversight. Addressing these systemic weaknesses will require coordinated leadership action, strengthened accountability mechanisms and decisive consequence management to improve control effectiveness and safeguard service delivery.

Consequence management

We reported material non-compliance with legislation on consequence management at six auditees (25%) as they did not consistently investigate and deal with unauthorised, irregular, and fruitless and wasteful expenditure due to MPACs not being effective in dealing with the historical balances of these expenditures.

Failure to timeously investigate instances of unauthorised, irregular, and fruitless and wasteful expenditure reinforces a culture of impunity. Although some investigations are undertaken by MPACs, they do not identify persons liable for the expenditure, resulting in write-offs, unresolved balances and avoidable repeat findings, which show that accountability is not firmly enforced, thereby promoting the culture of impunity.

The closing balance of irregular expenditure was R32,96 billion, while that of fruitless and wasteful expenditure was R3,17 billion and that of unauthorised expenditure was R12,63 billion. Irregular expenditure of R19,57 billion was written off, mainly at City Power (R9,20 billion), City of Johannesburg Metro (R2,90 billion), Johannesburg Water (R1,74 billion), Pikitup (R1,03 billion) and City of Tshwane Metro (R1,65 billion), while only R479,21 million was recovered or is in the process of being recovered. However, R18,53 billion (48%) of prior-year irregular expenditure remains unresolved. Unauthorised expenditure of R9,82 billion was written off, with R4,17 billion (30%) from prior years not dealt with. Fruitless and wasteful expenditure of R6,37 billion was also written off, with recoveries of only R52,97 million.

Material irregularities

MIs with an estimated financial loss of R1,41 billion were mainly due to the inefficient use of resources, payment for goods or services not received and unbilled revenue, while MIs relating to substantial harm to the general public reflect that reasonable steps are not being taken to prevent pollution and the degradation of the environment and water sources. Many MIs that are behind schedule relate to wastewater treatment plants, where delays in refurbishment increase the risk of ongoing pollution and service delivery failures.

In general, accounting officers are responding to the MI process by taking action; however, limitations in finalising investigations have delayed corrective action. At Emfuleni (Vereeniging), long-outstanding disciplinary processes were finalised, resulting in the dismissal of implicated employees. At City of Ekurhuleni Metro, action is being taken to resolve the MI relating to the underutilisation of the Ekurhuleni Fruit Market, as a formal process has been initiated to lease the facility. To address the non-utilisation of bus rapid transit stations, City of Johannesburg Metro has advanced with the construction of the Sandton and Gandhi stations. As at October 2025, 48 buses had been delivered and operational readiness achieved.

Councils, mayors, members of mayoral committees and MPACs have demonstrated strong support for the MI process by consistently monitoring commitments made by accounting officers. The premier continued to urge mayors to monitor accounting officers to apply lessons from existing MIs to strengthen internal controls and safeguard public resources through effective preventative measures, though this has not resulted in positive change, as MIs are still being raised in these areas. We acknowledge the work done, but more is still required.

Conclusion and call to action

Overall, local government in Gauteng is not yet demonstrating the level of performance, accountability, transparency and institutional integrity required to improve the lived realities of citizens. Performance is weak, as planned targets are not consistently achieved; infrastructure backlogs and maintenance failures persist; and financial sustainability is under pressure due to weak billing and collection, distribution losses, unmanaged unauthorised, irregular, and fruitless and wasteful expenditure; as well as unfunded adjustments budgets. Accountability is not enforced, as governance structures such as councils and MPACs do not exercise adequate oversight of municipalities, as evidenced by the large balances of unauthorised, irregular, and fruitless and wasteful expenditure remaining unresolved. Transparency is compromised by poor-quality financial and performance reporting and delayed implementation of audit recommendations, limiting effective oversight and timely corrective action. As a result, institutional integrity is weakened: basic controls are not institutionalised; fraud risk indicators persist without preventative measures; and governance failures continue to result in financial losses, infrastructure deterioration and harm to communities and the environment. In short, the accountability ecosystem is present but not yet effective in practice.

Councils and MPACs do not consistently ensure that audit action plans, investigations, recoveries and disciplinary processes are implemented and concluded. The MEC for local government undertook engagements and support initiatives with municipalities; however, these did not result in consistently functional councils and MPACs. The MEC for finance conducted budget assessments and monitored financial recovery initiatives, including unfunded adjustments budgets and financial recovery plans. Despite these actions, most municipalities remained unfunded, long-standing financial recovery plans did not deliver meaningful improvement and fiscal stress indicators persisted. The provincial legislature, through its oversight processes, received reports and engaged on audit outcomes; however, follow-through was weak. Section 47 reports and related oversight engagements were not consistently converted into time-bound actions tracked to closure. As a result, repeat audit findings, governance failures and unauthorised, irregular, and fruitless and wasteful expenditure backlogs continued across municipalities, reflecting the limited impact of legislative oversight on changing outcomes.

In the previous year, commitments were made by the provincial leadership to strengthen service delivery monitoring, enforce funded budgets, improve financial governance, build municipal capacity and strengthen consequence management. However, the current year's outcomes indicate that implementation is still lacking and has not resulted in sustained improvements in reliable reporting, infrastructure delivery, financial recovery or accountability. Several commitments remain in progress, while others lack sufficient specificity and enforcement to drive change.

Based on the insights obtained through our audits, we make the following recommendations to the premier, the MECs for finance and local government and the speaker of the provincial legislature:

- The premier through the MECs for finance and local government needs to reset and recommit much more forcefully and must diligently execute functions per the accountability ecosystem to improve the levels of financial management, resource protection and delivery. The premier must further ensure investment in capabilities within municipalities as well as stable financial management, embedded controls and disciplined execution of plans in respect of service delivery. The premier should also put in place measures to support better financial management and strengthen procurement and contract management processes within local government.

- The portfolio committees on finance and local government and the premier's office should exercise rigorous oversight by systematically tracking and monitoring the implementation of remedial action plans by identified municipalities. This includes joint oversight of financial recovery plans developed and executed by the provincial treasury and the respective municipalities.

- The provincial legislature should develop and implement a consolidated, ongoing oversight plan that brings together monitoring of National Assembly resolutions; commitments and recommendations from the provincial treasury, the South African Local Government Association (Salga), provincial cooperative governance department and premier's office; and information and communication technology functions in local government.

Without decisive leadership action in the form of the premier, councils, mayors and accounting officers recommitting and resetting to drive better governance and restore accountability, transparency and integrity through institutionalised controls and applying swift consequences, municipalities remain exposed to recurring oversight and accountability failures, poor financial performance, weakened public trust and continued poor service delivery.