



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Enquiries: Communications Unit • Email: media@treasury.gov.za • Tel: (012) 315 5046 • 40 Church Square, PRETORIA, 0002 • www.treasury.gov.za

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STRENGTHENING MUNICIPAL FINANCIAL MANAGEMENT - MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) COMPLIANCE REPORT 2024/2025

National Treasury today releases the Municipal Finance Management Act (MFMA) compliance report for the 2024/25 year. The report assesses the compliance of municipalities with the Municipal Finance Management Act (MFMA).

Sections of the MFMA requires the National Treasury, in conjunction with Provincial Treasuries (PTs), to monitor and assess compliance by municipalities with the provisions of the Act. To give effect to this legislative responsibility in the Act, the National Treasury has compiled and issued a report titled “Strengthening Municipal Financial Management, MFMA Compliance Report” which provides the consolidated status of MFMA compliance and implementation by municipalities for the 2024/2025 financial year (01 July 2024 to 30 June 2025). The report is based on information submitted by municipalities through National Treasury’s compliance monitoring systems.

Key highlights reflected in the report include the following:

- **127 municipalities (49%)** have **systems of delegations (SODs)** in place in the 2024/2025 financial year, **signed** by both the delegator and delegate, **which is a decrease from 130 municipalities in 2023/2024**. SODs are crucial for maintaining good governance, financial accountability, and effective service delivery.
- **84%** (82% in 2023/2024) of the critical senior management positions were **filled**. The highest number of vacancies nationally pertained to the positions of Chief Risk Officers, Chief Audit Executives and Chief Financial Officers.
- **Non-compliance with SCM regulations remains a challenge** in municipalities. Municipalities either fail to update their SCM policies to ensure compliance with the latest regulations or have not developed them at all. Although municipalities are required to review their SCM processes and implement corrective measures to resolve issues identified by the AGSA in audits, many fail to do so effectively. This has resulted in recurring irregularities, including irregular and wasteful expenditures.
- **The national Unauthorised Irregular Fruitless and Wasteful Expenditure (UIFWE) balance increased from R264.10 billion in 2023/2024 to R268.13 billion in 2024/2025**, driven by systemic failures in internal controls and weak consequence management. Irregular expenditure remains the most significant contributor to the UIFWE balances, reflecting widespread non-compliance with procurement and financial regulations. Many municipalities lack robust systems to ensure the timely implementation of council resolutions on the recoverability or write-off of UIFWE. National Treasury has also observed high levels of write-offs rather than recoveries of the UIFWE across municipalities, which is indicative of the failure by municipalities to hold individuals accountable for financial misconduct.
- The number of municipalities across the country with **established disciplinary boards increased to 178 municipalities in the 2024/2025 financial year**, as required by the Municipal



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Regulations on Financial Misconduct Procedures and Criminal Proceedings. However, of concern is the decline in the reporting of financial misconduct allegations in municipalities, the number of financial misconduct cases investigated and the number of officials whom disciplinary actions were taken against in relation to financial misconducts. The regressions may be an indication of various negative factors including delays in instituting and or in proceeding with disciplinary cases, weak enforcement of policies within municipalities and possibly a lack of understanding of disciplinary processes by municipalities.

- The number of **municipalities with updated cost containment policies increased from 161 municipalities in 2023/2024 to 170 municipalities in 2024/2025**. Municipalities **collectively achieved R5.06 billion in cost containment savings during 2024/2025**, primarily through reductions in consultancy and other related expenditure. However, overspending on overtime poses a significant fiscal risk and highlights weaknesses in payroll management and internal controls. There are still a significant number of municipalities that are heavily reliant on consultants, particularly in the areas of asset management, AFS preparation, audit support and estimates of landfill site provisions.

Further information relating to the implementation of the Asset Management function, the development and implementation of Audit Action Plans, existence and functionality of Internal Audit units, existence and functionality of Audit Committees and the submission of Annual Financial Statements (AFS) are also contained in the report. The report is available on the National Treasury's website.

Notes to Editors:

- The primary source of the data in this report was extracted from the Muni eMonitor and Audit Action Plan system based on information submitted directly by municipalities on the system. Municipalities were requested to verify the data before submission; however, the data is based on pre-audited information. The data submitted in the report is still subject to audit by the Auditor General of South Africa and information may differ in comparison to actual audited results. Therefore, any queries on the data contained in the report should be referred to the relevant municipality.
- Page 8 of the report contains further information relating to the limitations of the reported data.

For media enquiries, please email Media@treasury.gov.za

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