Speaking notes by AG Tsakani Maluleke on the

local elections from a financial management and accountability perspective

Hosted by the FW de Klerk Foundation and KAS

DATE: 3 February 2026

TIME: 14h40 – 15h20

VENUE: The Radisson Collection Hotel, Waterfront, Cape Town

Theme: Local government elections 2026: chances and challenges for municipalities to fulfil their constitutional mandate

Programme director and executive director of the FW de Klerk Foundation – Mr Christo van der Rheede

Chair of the foundation – Mrs Elita De Klerk

Minister of Cogta – Honourable Velenkosini Hlabisa

Resident representative of the Konrad-Adenauer-Stiftung (KAS) – Gregor Jaecke

Executive deputy mayor of the Cederberg Municipality – Dr Ruben Richards

The members of the family of Dr Franklin Sonn, the worthy recipient of the 2025 FW de Klerk Goodwill Award

Esteemed ladies and gentlemen,

I am delighted to be a part of this important gathering that commemorates a significant event in the life of our young democracy. Opportunities like this highlight the importance of openness in the quest to achieve a just world. They also afford us a moment to pause and reflect on the past, engage on the present and share our aspirations for a better future. This commemoration reminds us of the North Stars of our democratic aspirations as a nation.

Today's conversation focuses on local government – given its significant role at the coalface of service delivery; the sphere of government that interacts with citizens directly. It is also opportune to focus on local government, as South Africans will once again be going to the polls to exercise their hard-fought right to choose who must represent and lead them.

The poor state of local government demands that all of us across society play our respective roles to improve our municipalities as key institutions of our democracy.

The commemoration today, among others, marks a moment that was instrumental in moving South Africa from a divisive past to a new dispensation that acknowledges human dignity.

The architects of our Constitution saw it fit to create chapter 9 institutions, like ours, whose objective is to support our country's constitutional democracy.

The Auditor-General of South Africa, the institution that I have the privilege to lead, is this year celebrating 115 years of public sector auditing, supporting our country's democracy by auditing and reporting on the financial statements, compliance with legislation and, most importantly, the performance information of all government departments and entities funded from the fiscus. Through this, we ensure that the stewards of scarce public resources demonstrate transparency and can be held accountable. We also share insights with those who run public institutions (the accounting and executive authorities) and make recommendations for improvement. Importantly, we publish all the insights that we have gained from our work, enabling citizens to hold public representatives accountable. That is our role in supporting our constitutional democracy so that it functions in the interest of the people.

Programme Director, the International Organisation of Supreme Audit Institutions (Intosai), of which we are a member, states that the mandate of a SAI is to "promote the efficiency, accountability, effectiveness and transparency of public administration. An independent, effective and credible SAI is therefore an essential component in a democratic system where accountability, transparency and integrity are indispensable parts of a stable democracy".[1]

The United Nations has also highlighted the importance of the role we play as a SAI in "promoting transparency, accountability and sustainable development" as well as being instrumental in "assessing the effectiveness of public spending, ensuring compliance with laws and regulations and providing insights into the strengths and weaknesses of government operations"[2].

The World Bank has ranked the AGSA as one of two truly independent SAIs in the world. This is a testament to the spirit of the Constitution of our republic and the provisions of the Public Audit Act (PAA). As Team AGSA, with a staff complement of just over 4 000 committed and dedicated employees, mostly young and female, we do not take this independence for granted and we remain committed to executing our mandate without fear, favour or prejudice.

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[1] file

[2] Thematic Areas in Anti-Corruption: Supreme Audit Institutions

SAIs are a critical component of measuring whether citizens derive benefits from the system of government they are part of and regularly vote into office. It means spotlighting the quality of government spending and questioning whether it impacts the lived realities of citizens in a demonstrable and positive way.

As you may be aware, lawmakers amended the PAA to provide the AG with powers to enforce accountability where it has failed. Where auditees are unresponsive to our recommendations and findings, the law allows the AG to escalate the matter by issuing material irregularities (MIs). The MI refers to non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the PAA, 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.

This legislation also enjoins us to escalate instances of possible fraud and a lack of corrective action to law enforcement agencies for them to take the necessary steps.

As a result, we have noted some encouraging shifts; accounting officers, executive authorities, Parliament, legislatures and municipal councils are becoming more attentive to their responsibility to prevent and deal with irregularities and their resulting impact.

At municipal level, we have used these powers to prevent loss or recover money that was lost (R1,32 billion). This money can now be applied towards providing better services to citizens.

As I said earlier, local government is the sphere of government that is closest to citizens and has the most significant impact on the lives of the citizens of our country. It reticulates energy into our homes, sets up a system to provide and distribute clean water and effective/reliable sanitation, creates and maintains roads that make performing our daily chores easier and more convenient, and sets up clinics where children and the elderly can receive the care they need. These are some of the critical functions that the Constitution imposes on local government.

In other words, it is deeply embedded in how we live and has a direct bearing on the quality of life. A local government that works has a positive impact on all of us and the functioning of our democracy. It is at this level that the citizenry experiences democracy not as an abstract idea but as a tangible and positive addition to their daily lives through direct access to services. When that access is compromised, the dividend of democracy becomes a poisoned fruit.

The reality is that local government is not delivering as expected, with service delivery failures, instability in councils and in the administrations, financial mismanagement and disregard for the law. These governance failures have widened the trust deficit between those who are elected and those who elect them. Local government now faces greater challenges to regain the trust of South Africans, amid the shrinking public resources and a rising demand for services.

The general report we publish each year does not tell an inspiring story. Overall, the trend of poor audit outcomes (2023-24 financial year) has continued, with only 41 of the country's 257 municipalities achieving a clean audit. While 59 municipalities have improved their audit outcomes since 2020-21, 40 have regressed.

Thirteen municipalities did not submit their financial statements and performance reports for auditing by the legislated date, and seven of these municipalities (five of which are in the Free State) disregard the legislated requirement and submit their financial statements and performance reports late every year – or do not submit them at all. In 2023-24, these seven municipalities managed a combined budget of R6,85 billion.

What is concerning is that 11 municipalities received a disclaimed audit opinion, which means we could not find evidence for most of the information in their financial statements. The lack of transparency in how these municipalities use public funds and deliver services significantly weakens accountability.

I am grateful that, to some extent, municipalities, as well as national and provincial governments, heeded our message over the years to work together to eradicate disclaimed audit opinions, which resulted in 17 municipalities moving out of this category in 2021-22 and 2022-23 – testament to the positive impact of intergovernmental cooperation. However, progress slowed in 2023-24, with only three municipalities improving, and four others regressing into this category. Seven municipalities in the Eastern Cape and North West provinces have repeatedly received disclaimed audit opinions – for three to eight consecutive years.

The most common outcome was an unqualified audit opinion with findings, which 99 municipalities (39%) received. This is not an outcome to celebrate or to stay in. While the opinion on these municipalities' financial statements may be unqualified, meaning that the published AFS are credible (often due to corrections made based on our findings), the material findings on performance information mean their performance reports are not credible, while the material findings on compliance signal a disregard for legislation or significant lapses in controls. We remain concerned that insufficient attention is being paid to the significant weaknesses in meeting performance and compliance obligations, and the resultant impact on the lives of South Africans.

Overall, the outcomes in the three areas we audit each year paint a picture of municipalities that lack the institutional capability to produce credible and useful financial and performance reports. They also do not have the institutional integrity to ensure that municipal leadership and officials consistently behave ethically, comply with legislation and act in the best interests of the municipalities and their residents.

What is also concerning is that municipalities continued to contract consultants to perform functions of finance units, and this is becoming a permanent solution, most notably in the provinces of Limpopo and the North West. But the hefty price tag of these consultants of R848,85 million in 2023-24 had little impact at the 101 municipalities (46%) where we identified material misstatements in the areas of the consultants' work. Little has changed over a 10-year period from our 2013-14 general report.

Behind every audit finding is a community experiencing interrupted water supply, malfunctioning infrastructure or stalled development.

For example, let us consider the 68 intended beneficiaries of a failed housing project in Inanda: these beneficiaries and their families have been left destitute in transit camps without adequate access to water, sanitation and electricity. In 2019, the Ethekwini Metropolitan Municipality had promised to build 343 new housing units for qualifying beneficiaries by May 2021, but by September 2024, only 29 units (8%) had been completed, while the project costs had increased by R43,74 million and the projected completion date had been revised to December 2024.

Or perhaps the Seshego community, served by the Polokwane Municipality, who have been waiting for proper sanitation since the municipality appointed a contractor in January 2018 to lay sewer pipelines as part of the regional wastewater treatment works. The project had a budget of R152,18 million and a planned completion date of February 2020. Poor performance by the contractor, who had already been paid R114,92 million, led to the council finding a replacement in February 2023 at an additional cost of R112,84 million and revising the completion date to February 2025.

These are just two examples out of a plethora we have found. Each of these instances leads to disengagement from democratic processes. They render the hopes and aspirations sparked by the 1990 announcement and subsequent work to change the lives of our citizens seem unachievable.

A working local government drives the economy by supporting local industry with services like water, sanitation services, roads and other amenities. Failure to do so results in disinvestment and capital flight, which increases unemployment – the single biggest problem the country is facing. Disinvestment further deprives the municipality of much-needed revenue to effectively and reliably render services.

This is the picture as the country inches towards the 2026 local government elections. The discourse around good governance, financial management and accountability remains of paramount importance; whether municipalities can meet the basic expectations of the communities they are constitutionally mandated to serve.

We have an exceptionally complex legislative and regulatory environment that does not lack laws or frameworks. What is lacking is the capacity to manage in a way that produces consistent and sustainable outcomes.

We must acknowledge that local government operates in a particularly difficult socioeconomic context characterised by high unemployment, inequality, ageing infrastructure, climate-related shocks and rising service demands.

At the same time, citizens are increasingly impatient with poor performance and unmet promises, which have consequences for health, economic opportunity and social cohesion and trust in the democratic system.

Managing the complexity of local government depends on people and systems working together. Capable political leadership, skilled municipal administration, reliable systems and clear processes must align to support a shared developmental vision. It is worth emphasising that systems alone cannot compensate for poor leadership choices, and governance structures cannot function where accountability is absent.

Mayors play a crucial and legislated role in the accountability ecosystem, which includes working with councils to ensure proper planning, budgeting, monitoring, reporting and accountability processes. Together with councillors, mayors are responsible for governance oversight, policy direction and holding administrations accountable. When this role is understood and executed effectively, municipalities stabilise and performance improves. When it is misunderstood or undermined, oversight weakens and communities bear the consequences.

Ultimately, sustainable improvement in local government begins with a choice; the choice to appoint capable people, to value competence and integrity and to create an enabling environment where systems and processes can function as intended. Governance reforms, financial controls and accountability mechanisms only succeed when leadership is committed to making them work.

If these choices are made, the outcomes are clear. Local government can deliver services more reliably, restore public trust, stimulate local economic growth, reduce wasteful expenditure and strengthen our democracy at its most immediate and visible level.

The 2026 local government elections, therefore, are not only about political contests; they are about whether municipalities can fulfil their constitutional mandate and improve the lived realities of the people they exist to serve.

Metros, for all their financial muscle, don’t seem to be able to attract the talent they need to turn their fortunes around, while they operate in parts of the country where talent is in abundance. Metros currently service 8,9 million households (46% of all households in the country) and manage R295,27 billion or 57% of the estimated local government expenditure budget (2023-24). They are characterised by instability in their councils and struggle to take the lead in ensuring service delivery to all their residents in a financially responsible manner.

Municipalities that have not managed to move out of the disclaimed space are characterised by the lack of transparency, accountability and institutional integrity, which invariably harms the people these municipalities are intended to serve. Little attention is paid to credible reporting on municipal performance, which is a key enabler of service delivery, transparency and accountability.

I look forward to a time when political leadership at local government level would exercise their powers for good – to further bestow the dignity of citizens as the Constitution exhorts. But it does not end with the local government only. National and provincial governments, including the premiers and the members of the executive council for local government and finance, have a mandate to support municipalities. We have seen that where that happens, there are improvements in audit outcomes and governance.

Programme director,

I have alluded to several things that we, as the national audit office, believe need to be done. We have consistently also said that the success of local government lies in:

- Building capable institutions with intergovernmental support that works in partnership with municipal leadership to promote strong governance within municipalities.
- Professionalising and capacitating local government by closing the skills and capacity gaps.
- Instilling a culture of ethics and accountability and ensuring consequence management, accountability and ethical behaviour.

Creating stable, capable, cooperative, accountable and responsive municipalities and delivering on their mandates are an achievable goal that requires the same mindset that saved this country from the precipice and led to a negotiated settlement.

I use this opportunity to encourage active citizenship and urge all roleplayers to play their part effectively in the accountability ecosystem. I equally encourage the roleplayers in the room to be part of the solution and take this dialogue further by assisting municipalities with support to enable them to fulfil their respective roles in the governance of our country.

I wish to conclude with this quote by Professor Will Kymlicka:

> [T]he health and stability of a modern democracy depends, not only on the justice of its basic institutions, but also on the qualities and attitudes of its citizens.[3]

The democratic promise can only be realised if we all take a stand as citizens who are committed to this country and want to have a better future.

Thank you.

[3] Full article: Amartya Sen as a social and political theorist – on personhood, democracy, and 'description as choice'