CITY OF JOHANNESBURG

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PRESS STATEMENT
14 AUGUST 2025
BY THE EXECUTIVE MAYOR OF THE CITY OF JOHANNESBURG CLLR SELLO DADA MORERO

Good afternoon and thank you for attending this media briefing.

On 30 July 2025, I received a letter from the Minister of Finance, the Honourable Enoch Godongwana. In his letter, the Honourable Minister expressed significant concerns regarding the City of Johannesburg's ongoing non-compliance with the Municipal Finance Management Act, 2003 (MFMA), specifically in relation to the failure to prevent and address Unauthorised, Irregular, Fruitless, and Wasteful Expenditure (UIFWe).

The Honourable Minister requested that I respond to his office within 14 days of receiving his letter. Today, I am here to confirm that, on behalf of the City of Johannesburg, I have submitted a comprehensive response to the Ministry of Finance. This response included a complete account of the challenges that contributed to the R23.6 billion balance of UIFWe, as reported in the City's financial statements for the 2023/24 financial year. Additionally, my response provided a detailed update on the progress we have made in addressing this non-compliance.

I want to clearly state, as I publicly did when I assumed office during my first term as Executive Mayor in 2022, that our beloved City has endured a period of mismanagement and poor leadership from previous administrations, particularly during the DA-led coalition.

The R23.6 billion in unauthorised, irregular, and fruitless expenditure is a cumulative figure that has progressively increased in the City's financial statements over the years. During this time, these expenditures were largely unaddressed and not regularised as required by the MFMA.

The R23.6 billion comprises R13 billion (55%) in unauthorised expenditure, R9.9 billion (42%) in irregular expenditure, and R735 million (3%) in fruitless and wasteful expenditure.

Most of the unauthorised expenditure is due to bulk purchases of electricity and water that exceeded the approved budget. These bulk purchases are primarily driven by the consumption of these services by residents, alongside both technical and non-technical losses that occur during service delivery.

The irregular expenditure is mainly due to the City acquiring goods and services without fully complying with supply chain regulations. It is essential to note that non-compliance leading to irregular or unauthorised expenditure does not imply that the City did not receive the services or goods purchased; it indicates that there was non-compliance in the procurement process.

To address this non-compliance, accelerate service delivery, and improve the City's financial position, decisive actions were required. I implemented the following key interventions:

1. Enhanced the UIFWe reduction strategy, focusing on timely investigations, consequence management, and regularising non-compliant expenditure as outlined by the MFMA, section 32(2).

2. Re-established and operationalised the Disciplinary Board in accordance with the MFMA Regulations for Financial Misconduct Procedures and Criminal Proceedings.

3. In February 2025, I reached out to President Ramaphosa for technical support in the form of a Presidential Working Group. To further enhance service delivery and the achievement of the City's turnaround plan, the Bomb Squad was also introduced.

4. Established a War Room focusing on the City's finances, which meets weekly to monitor progress on the implementation of the City's turnaround strategy that I announced during the 2025 State-of-the-City address. This initiative is already yielding positive results, bringing us closer to achieving a sustainable minimum average revenue collection of R200 million a day.

I am encouraged by the progress made through these key initiatives, and I am pleased to share the following updates:

1. Unauthorised, Irregular, Fruitless, and Wasteful Expenditure (UIFWe):

a. Of the R23.6 billion reported in the City's 2023/24 financial statements, R12.9 billion has been regularised in accordance with the MFMA.

b. As of 30 June 2025, only R6.7 billion remains under investigation, while the rest has been fully investigated and is being processed by the relevant municipal committees.

c. Based on the progress noted above, I expect the City's UIFWe balance to have reduced significantly when the FY2024/25 annual financial statements are presented to the Auditor General.

2. Operationalisation of the Disciplinary Board:

a. The Disciplinary Board has already concluded preliminary investigations on six matters totalling R535 million and will report the outcomes to the Council at its next ordinary meeting.

b. On 31 July 2025, the Council approved 12 additional matters, amounting to R2.5 billion, for preliminary investigations by the Disciplinary Board.

c. These matters pertain to alleged acts of financial misconduct and historical unresolved UIFWe issues that will lead to consequence management.

3. War-room Initiative

a. The revenue collection improvement is visible from actions taken through the war-room. The City's performance in July 2025 demonstrates that the minimum average daily collection of R200 million is achievable. The City's collection rate for April to June 2025 is 87%, representing a 2.7% increase from the 85% rate recorded during the same period last year.

4. Presidential Working Group

a. The impact of the Presidential Working Group and the Bomb Squad has begun to be visible to the residents of this City through accelerated service delivery.

To maintain the momentum on all these key initiatives, a robust action plan has been developed and includes, amongst others:

1. The appointment of new Board members in the Entities to strengthen governance and focus on the prevention of unauthorised and irregular expenditure.

2. Overhaul governance oversight through the Group Audit Committee and Mayoral Committee.
3. The reduction of UIFWe is one of the key performance indicators in the performance scorecards of the Senior Managers who report directly to the Accounting Officer.
4. Disciplinary Board to expedite investigations of financial misconduct allegations.
5. Timeous implementation of recovery procedures through Group Legal and Contracts department and monthly progress report submitted to the Mayoral Committee.

We will also strengthen our engagement and reporting to National Treasury through the section 71 monthly reports which will serve to as a robust monitoring tool on the City's performance. The intergovernmental relations (IGR) should also be further strengthened to activate collaborative engagements and necessary support from other spheres of government towards the City.

Thank you for your attention.