# CORRUPTION RISK ASSESSMENT REPORT:

## NELSON MANDELA BAY MUNICIPALITY

December 2025

**Author**
Anelitha Tukela

**Reviewers**

- **Shingirai Nyakabawu**
- **Nontobeko Gcabashe** (Corruption Watch)

**Editor**
Janine Erasmus

## EXECUTIVE SUMMARY

This report presents the findings of a targeted corruption risk assessment for the Nelson Mandela Bay Metropolitan Municipality (NMBM), focusing on identifying structural vulnerabilities within financial management, public procurement, and human resource recruitment systems. Centred in Gqeberha in the Eastern Cape province, NMBM serves as a critical industrial corridor and maritime trade engine. However, successive governance failures, political instability, and recurring audit regressions have severely exposed the municipality to administrative manipulation and an erosion of public trust.

Primary qualitative insights were gathered through focus group discussions (FGDs) with local civil society stakeholders, community representatives, and advice office networks. These findings were systematically corroborated with secondary source documentation, including statutory reports from the Auditor-General of South Africa (AGSA), municipal anti-corruption strategies, provincial oversight reports, and investigative journalism.

The diagnostic assessment reveals that while formal anti-fraud policies and statutory compliance protocols exist on paper, extensive operational loopholes weaken the internal control environment. In financial management, unrealistic revenue forecasting and political pressure on budget office staff undermine fiscal sustainability and lead to massive irregular expenditure. Supply chain management (SCM) systems remain highly vulnerable to non-competitive "emergency" deviations, tender specification tailoring, and unverified payments. Human Resource (HR) recruitment mechanisms suffer from a reliance on temporary acting appointments, political bias, and weak background vetting. This report maps these specific operational vulnerabilities, analyses their cross-cutting systemic drivers, and delivers targeted multi-stakeholder recommendations designed to restore compliance, service delivery, and public integrity.

# 1. INTRODUCTION AND MUNICIPAL OVERVIEW

## 1.1 Municipal profile

The Nelson Mandela Bay Metropolitan Municipality (NMBM) is a Category A metropolitan municipality positioned along the coastline of the Eastern Cape province, South Africa. Centered around Gqeberha, the metro holds direct legislative and executive authority over critical municipal competencies, including financial planning, electricity distribution, infrastructure development, water and sanitation provision, and integrated development planning (IDP).

The metropolitan economy is a strategically significant industrial and manufacturing corridor, relying heavily on national ports, automotive manufacturing, and maritime trade. Structurally, NMBM's governance framework is composed of an elected municipal council led by political office-bearers, including the speaker and an executive mayor. The executive is supported by a mayoral committee, while the administrative arm headed by the municipal manager oversees day-to-day operations through several specialised directorates.

## 1.2 Governance challenges and context

NMBM has experienced severe, ongoing institutional challenges characterised by acute political instability, frequent changes in mayoral leadership, and fragile coalition agreements since 2016. This persistent instability has translated into administrative uncertainty, high senior leadership turnover, and a structural weakening of internal oversight frameworks. Over the past five years, the Auditor-General has repeatedly issued qualified and adverse audit opinions, noting only a single exception with an unqualified audit outcome in the 2022/23 financial cycle.

To mitigate these vulnerabilities and secure public accountability, NMBM formally adopted an Anti-Fraud and Anti-Corruption Strategy, supported by localised internal policies. This framework commits the administration to prevent, detect, and respond to unethical conduct through mechanisms such as:

- **Annual fraud risk assessments:** Geared toward mapping internal systemic exposures and evaluating control deficiencies.
- **Fraud awareness campaigns:** Disseminating anti-fraud material across municipal workspaces and service desks.

- **Independent whistle-blowing platform:** An anonymous, third-party managed reporting facility intended to shield employees, suppliers, and contractors from operational victimisation.

However, an immense disconnect persists between these formalised policy commitments and the lived operational realities of municipal administration.

## 2. CORRUPTION RISKS IN FINANCIAL MANAGEMENT: KEY FINDINGS

### 2.1 Overview of framework

Financial management within NMBM is statutory governed by the Municipal Finance Management Act (MFMA) No. 56 of 2003, National Treasury guidelines, and localised municipal fiscal controls. The primary objective of these statutory standards is to ensure long-term financial sustainability, robust expenditure verification, and equitable public service delivery.

Despite these statutory guardrails, the municipal financial control environment remains deeply compromised. In its 2023/2024 audit report, AGSA issued a qualified audit opinion on NMBM's financial statements, flagging 'weak internal financial controls, a lack of accountability, and leadership instability'.

### 2.2 Corruption risks in budget formulation and public participation

The budget formulation process is structurally overseen by administrative leadership, but severe risks emerge during the design and public consultation phases. Focus group participants characterised public consultation as a tokenistic 'tick-box exercise' where actual needs are secondary to political alignments:

- **Political manipulation of meetings:** Focus group data revealed that public consultation spaces are captured to serve personal political interests. Dissenting community voices are sidelined, and allocations are funnelled based on factional political configurations.
- **Information asymmetries:** The strategic and highly technical language of municipal budget summaries alienates ordinary citizens, making community-led budget tracking impossible.
- **Unrealistic budget balancing:** To project paper-based stability, budget offices face political pressure to balance the books with overly optimistic revenue forecasting and artificial charge assumptions, despite clear financial warnings.

### 2.3 Corruption risks in spending authorisation and financial reporting

High-level corruption risks plague NMBM's spending authorisation and financial reporting phases, resulting in systemic losses and unreliable compliance data:

- **Massive irregular and wasteful expenditure:** Weak spending controls and internal control failures lead to ongoing irregular and unauthorised transaction approvals without proper verification.
- **Omission of prior misstatements:** The municipality fails to correct previous years' misstatements proactively, shifting the task of error discovery onto the external audit process, thereby masking potential financial manipulation.
- **Diversion of capital assets:** Irregular transactions and non-competitive contract awards result in millions being lost or diverted away from core public infrastructure maintenance including water, electricity, and sanitation.

### 2.4 Corruption risks in payroll management

Weak transactional controls expose NMBM's high-frequency payroll environment to ongoing manipulation. Stakeholders and media reports highlight specific vulnerabilities:

- **Fictitious appointments (ghost workers):** The lack of consistent personnel register audits makes NMBM highly vulnerable to unverified or phantom employees on the payroll.
- **Historical allowance exploitation:** Acting allowances and unearned salary increments are processed without rigorous background validation, inflating the municipal wage bill.

### 2.5 Factors driving or enabling financial risks

- **Opaque reporting formats:** The presentation of highly technical financial statements prevents external civil society structures from tracing fund flows, shielding officials from citizen-led social accountability.
- **Normalised impunity:** Oversight structures within the municipal council fail to implement consequence management, meaning officials can execute irregular transactions or overspend budgets without facing administrative sanctions or criminal referrals.

## 3. CORRUPTION RISKS IN PROCUREMENT: KEY FINDINGS

### 3.1 Overview of framework

Public procurement within NMBM represents the primary financial interface between municipal funds and private market entities. It is structurally governed by South African public finance legislation, most notably the MFMA, and the municipality's SCM policy which mandates that all acquisitions be fair, equitable, transparent, competitive, and cost-effective. Despite these statutory guardrails, deep operational loopholes compromise every stage of the SCM lifecycle.

### 3.2 Risks across the procurement lifecycle

- **Needs assessment:** Manipulation occurs at the very genesis of procurement planning. Rather than aligning acquisitions with genuine community priorities, needs are frequently manufactured to favour specific political factions or commercial syndicates, leading to bloated contracts.
- **Tender advertisement:** The advertising process is regularly compromised. While tenders are formally published on regional and internal portals, invitations are often delayed or tailored. Preferred bidders are covertly provided with privileged, advantageous technical details regarding specification design before public release.
- **Shortlisting and evaluation:** Bid evaluation committees face significant capture. Stakeholders reported that committee members are heavily dominated by individuals selected for political alignment, routinely influencing scores. Single-individual control points (often centralised under the city manager) bypass collective committee checks, severely undermining fairness.
- **Tender award:** The final contract award phase is highly vulnerable to political patronage networks, bribes, and financial kickbacks. Loopholes within the central supplier database cross-referencing system allow officials to award major service delivery contracts to front companies or unqualified close associates, completely undermining competitive market principles.
- **Contract management and implementation:** This phase represents an area of maximum vulnerability and loss. A near-total absence of performance monitoring allows contractors to deliver substandard infrastructure or abandon project sites entirely while continuing to receive full payouts. Recent investigations flagged millions wasted on street and floodlight maintenance contracts with unverified stock, resulting in severe budgetary inflation with missing or completely unusable equipment.

### 3.3 Factors driving procurement risks

- **Strategic opacity:** SCM evaluation registers, procurement plans, and definitive scoring sheets are actively withheld from public view, preventing civil society from monitoring the legality of awards.
- **Erosion of internal controls:** Factional political relationships insulate non-performing contractors from financial accountability or blacklisting, completely neutralising internal SCM compliance checks.

## 4. CORRUPTION RISKS IN RECRUITMENT: KEY FINDINGS

### 4.1 Overview of framework

NMBM does not maintain a fully standardised, modern 2025 HR recruitment master policy. Instead, its hiring practices are guided fragmentally by the Employment Equity Act, standard public service protocols, and affirmative action measures. Structurally, final hiring decisions for senior management (Section 56/57 executives) rest with the municipal council, leaving roles vulnerable to systemic politicisation.

### 4.2 Risks across recruitment stages

- **Job advertisement and vacancy mapping:** Critical technical vacancies are frequently delayed from official publication, creating prolonged operational gaps that are filled with temporary acting appointments. Conversely, specialised qualification matrices are sometimes tailored to align with pre-selected political favourites.
- **Candidate shortlisting:** The shortlisting process operates in complete opacity, with no public disclosure of evaluation rationales or rejection criteria. Qualified external applicants are routinely eliminated without objective justification, allowing political alignment to function as the primary filter.
- **Interview process:** Interview panels lack independent oversight or external, trained observers, severely increasing the risk of subjective evaluation and score manipulation. There are no publicly verifiable or standardised scoring frameworks, meaning personal networks routinely override objective candidate performance.
- **Background checks and vetting:** Background and qualification verification are consistently bypassed, enabling qualification fraud. The persistent reliance on 'cadre deployment' means technical capabilities are ignored during hiring, as documented in

several municipal utility department probes where unqualified candidates were placed in technical roles.

- **Hiring decisions:** The final appointment stage is highly compromised. Senior officials deliberately select unqualified candidates who lack the technical capacity to challenge irregular administrative directives, thereby entrenching patronage systems.

### 4.3 Factors driving recruitment risks

- **Broad discretionary powers:** HR personnel and selection committee members exercise excessive unchecked discretion, allowing them to disregard eligibility criteria or waive background vetting without penalty.
- **Acute capacity constraints:** The near-total absence of independent external observers or digital verification infrastructure leaves the entire employment registry open to nepotistic capture.

## 5. CROSS-CUTTING ISSUES AND SYSTEMIC DRIVERS

- **Systemic lack of institutional transparency:** Across all reviewed directorates, critical administrative information including detailed budget formulations, complete tender evaluation sheets, and interview score charts are systematically hidden from public scrutiny. This severe information asymmetry completely neutralises public oversight and fosters a deep-seated culture of mistrust.
- **Failure of monitoring and evaluation systems:** A massive divide exists between compliance mechanisms on paper and their actual execution. NMBM has failed to implement robust performance tracking systems mandated by the Municipal Systems Act 32 of 2000. This has resulted in a complete collapse of internal accountability, allowing substandard infrastructural delivery, extensive irregular spending, and unqualified hiring to go completely unchecked by internal risk management structures.
- **Political interference and collapsed consequence management:** Contrary to the Municipal Systems Act, NMBM is defined by severe, regular clashes between administrative managers and local political leaders. Procurement and recruitment outcomes are heavily captured by patronage networks. Because the municipal council and the municipal public accounts committee are politically aligned with the executive leadership, management has effectively dissolved, creating a culture of total administrative impunity.

## 6. RECOMMENDATIONS AND MITIGATION STRATEGIES

### 6.1 For provincial government (COGTA and provincial treasury)

- **Enforce section 106 investigations:** Move swiftly to conclude all outstanding SIU and Hawks investigations into qualification fraud, blacklisting non-compliant officials across all provincial databases.
- **Mandated independent vetting:** Standardise recruitment oversight by mandating that all senior municipal appointments (Section 56/57) use independent, external selection panels and direct SAQA verification tools before any contract is finalised.
- **Sanction repeated control failures:** Implement fiscal penalties and withhold discretionary allocations from departments that fail to resolve AGSA qualified audit findings or continue to accumulate irregular expenditure.

### 6.2 For Nelson Mandela Bay Municipality (administrative and council levels)

- **Establish digital transparency portals:** Mandate the immediate public disclosure of all municipal procurement plans, upcoming tender specifications, final bid award evaluation registries, and interview scoring matrices on an open online vendor portal.
- **Reconstruct the internal control environment:** Institutionalise a rigorous combined assurance model, introducing layered oversight across the financial reporting and SCM lifecycles to separate duties and prevent conflicts of interest.
- **Revitalise public participation:** Restructure the IDP and budgeting notification framework to guarantee local community forums and civil society actors a minimum 30-day review period with accessible, non-technical financial documentation.
- **Enforce strict consequence management:** Initiate immediate disciplinary and payroll recovery processes against any official who authorises irregular expenditure, overruns a departmental budget line, or fails to declare a commercial conflict of interest.

### 6.3 For civil society, community-based organisations (CBOs), and residents

- **Deploy social accountability audits:** Form local civic coalitions to actively monitor capital infrastructure project sites, documenting contract delays and reporting substandard implementation directly to the AGSA and SCOPA.

- **Use PAIA mechanisms:** Systematically request access to hidden municipal financial records and recruitment scoring sheets using the Promotion of Access to Information Act (PAIA) where administrative disclosure remains blocked.
- **Mobilise via whistle-blowing facilities:** Actively report suspected instances of nepotism, ghost workers, bid-rigging, and political kickbacks through the independent, anonymous whistle-blowing platform.

## 7. REFERENCES


Auditor-General of South Africa (AGSA). (2024). MFMA 2022/23 Audit Outcomes: Nelson Mandela Bay Metropolitan Municipality.

Auditor-General of South Africa (AGSA). (2025). MFMA 2023/24 Audit Outcomes: Nelson Mandela Bay Metropolitan Municipality.

The Herald. (2024). Audit Findings Expose Nelson Mandela Bay's Financial and Performance Reporting Vulnerabilities.

The Herald. (2025). Electricity Turnaround Strategy Exposes Leadership Crisis and Unqualified Hiring in NMBM.