



**GREATER TZANEEN MUNICIPALITY  
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Tropical Paradise

**A 148 REPORT ON THE INVESTIGATION OF THE 2017/18 UNAUTHORISED,  
FRUITLESS AND WASTEFUL EXPENDITURE**

(EC 2019 06 27, C 2019 06 27)

(12/2/3/1/1)

**RESOLVED**

**a) Unauthorised Expenditure**

That Council condone all unauthorised expenditures of R111 909 226 for 2017/2018 however non-cash outflow expenditure in finance are journals for bad debts provision and depreciation expenditures process at year end during AFS preparation for AG.

**b) Fruitless and Wasteful Expenditure**

- i. That Council write off all fruitless and wasteful expenditure of R4 868 884,08 which arise from interest paid to Eskom for late payments due to financial constraints, SARS and other service providers.
- ii. That council write-off the fruitless expenditure of R342 556, 00 for GTEDA.

**c) Irregular Expenditure**

- i. That Council condone irregular expenditures of R12 252 916.03 as highlighted by the report.
- ii. That council condones the irregular expenditure of R76 658, 00 GTEDA

1. That the Accounting Officer institute processes to recover money from officials where there is transgression of the law;
2. That Unauthorized expenditure be condoned on the basis that they are non-cash items, no loss was incurred by the municipality;

3. That a letter be written to National Treasury for condonement of irregular in terms of Section 170 of the MFMA;

**1. RECOMMENDATIONS (to be implemented by management)**

- a) That the Accounting Officer institute processes to recover money from officials where there is transgression of the law;
- b) That the Accounting Officer institute corrective measures or disciplinary actions on any act of misconduct where identified;
- c) That Risk and Compliance Office be invited to observe SCM processes during Bid Specification and Evaluation Committee meetings. SCM Regulations no 41 states that *"a supply chain policy must provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system"*;
- d) That Budget and Treasury Office (SCMU) conducts awareness workshops to sensitise officials about SCM processes as per Regulations and policy;
- e) That contract management be strengthened (each municipal department to develop and manage their own contracts);
- f) Conduct SCM compliance checklist to supplement policies and procedures.

*Signed by the Speaker*

*Councillor DJ Mmetle*



**A 148 REPORT ON THE INVESTIGATION OF THE 2017/18 UNAUTHORISED, FRUITLESS AND WASTEFUL EXPENDITURE**

(EC 2018 06 27, C 2018 06 27)

(12/2/3/1/1)

**REPORT OF THE CHAIRPERSON OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE, CLLR DG MKHABELE****PURPOSE OF THE REPORT**

The purpose of this submission is to report to council on the results of the investigations conducted on the 2017/2018 Unauthorized, Irregular, Fruitless and Wasteful expenditure (UIF/W).

**BACKGROUND**

This report relates to the investigation of unauthorized expenditure of **R111 909 226**, irregular expenditure of **R12 252 916, 03** and fruitless and wasteful expenditure of **R13 524 312** which occurred in 2017/2018 financial year. On the 30 of August 2018 Council resolved that the 2017/18 register of unauthorised, irregular, fruitless and wasteful expenditure (UIF) be noted and be referred to MPAC for investigations as per Council Resolution No. A67 of 30 August 2018 and adjustments made in January 2019.

**1. Scope of the investigation**

The scope of the investigation will cover 2017/2018 unauthorised, irregular, fruitless or wasteful expenditure incurred by the municipality which are accumulated figures of unauthorized expenditure of **R111 909 226**, irregular expenditure of **R 5 648 668.29** which increased to **R12 252 916.03 due to AGSA audit findings**, fruitless and wasteful expenditure of **R4 868 884, 08**. And fruitless expenditure of GTEDA for **R 342 556, 00** and the irregular expenditure of **R76 658,00**. The scope of the UIF investigation was established by **the Council resolutions number A67 of 30 August 2018**. All relevant information from the opening balances was scrutinized which is covered by the investigation.

The council has referred the 2016/17 unauthorized, irregular, fruitless and wasteful expenditure report to the Municipal Public Account Committee for investigation on the 31 August 2017,(council resolution A70 C 2017 08 31) .

## DISCUSSIONS

In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as "MFMA"), the accounting officer is responsible for managing the financial affairs of Greater Tzaneen Municipality (GTM) and he must, for this purpose, inter alia:

- d). Take all reasonable steps to ensure that unauthorized, irregular, fruitless and wasteful expenditure and other losses are prevented; and
- e). Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or Councilor of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.

## SUMMARY OF THE KEY FINDINGS

### 1. UNAUTHORISED EXPENDITURE

Unauthorized expenditure occurs when the municipality exceeded their budget. The investigation revealed that the municipality incurred unauthorized expenditure amounting to R 111 909 226. The said expenditure can be broken down into Departments:

OVERSPENDING OF DEPARTMENTS	ORIGINAL BUDGET (R-Value)	ACTUAL JULY TO JUNE'17 (R-Value)	DIFFERENCE (R-Value)	% VARIANCE
Municipal Manager	15 103 988	11 637 117	-3 466 871	-22,95%
PED	28 806 841	222 070	222 070	0,77%
Financial Services	92 752 902	103 583 886	77 490 913	83,55%
Corporate Services	102 005 569	2 747 352	2 747 352	2,69%
Community Services	204 741 609	175 663 282	-29 078 327	-14,20%
Electrical Engineering Services	517 888 491	466 640 708	-51 247 783	-9,90%

Engineering Services	156 386 341	5 355 918	82 356 375	52,66%
<b>Total unauthorized Exp.</b>		<b>111 909 226</b>		

Unauthorised expenditures are non-cash outflow expenditure in finance such as journals for bad debts provision and depreciation expenditures process at year end during AFS preparation for AG. Unauthorised Expenditures are non-cash flow items where there is no transaction with any service provider or supplier. *Detailed report on the authorized expenditure are on **page 69** of the report.*

## 2. FRUITLESS AND WASTEFUL EXPENDITURE

The municipality incurred fruitless and wasteful expenditure amounting to R 13 524 312 In (Budget and Treasures Department and Engineering Services department) the detailed breakdown is on **page 5-22** of the report.

The root-causes of this expenditure are due to:

- a) interest on late payments;
- b) court orders

GTEDA incurred fruitless expenditure of R **342 556, 00** due to late payments to SARS due to cash flow constraints. Detailed breakdown is on page 23 of the report.

## 3. IRREGULAR EXPENDITURE

The municipality incurred irregular expenditure amounting to R12 252 916, 03. And irregular expenditure of R76 658, 00 FOR GTEDA

The breakdown of the said expenditure is on pages 24-71 of the report.

Summary of irregular expenditure per department

DEPARTMENT	AMOUNT PAID (R' Value)
Office of the MM	163 269,50
Council	384 799,82
Corporate Services	1 194 430,61
Community Services	9 327 211,51

Budget & Treasury	406 976,50
PED	0,00
Electrical Services	0,00
Engineering Services	776 228,09
	12 252
	<b>916,03</b>

And irregular expenditure on page 63 of the report

GTEDA	<b>76 658,00</b>
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The root-causes of this expenditure are as a result of:

- a) expired contracts;
- b) deviations made due to emergencies;
- c) variation orders not signed by accounting officer;
- d) supply chain processes not followed;
- e) court orders
- f) Poor contract management, departments not taking responsibility of their contracts. There are no dedicated personnel to manage the contract register on monthly basis. Contracts are not terminated on time, that is, service providers are not notified of the expiry of their contracts;

The investigation further revealed that:

Some of the irregular expenditures can be avoided if the internal controls can be strengthened and awareness be conducted on supply chain management processes, especial where payments for accommodations and conferences are made without invoices.

## **RECOMMENDATIONS**

### **2. RECOMMENDATIONS (for consideration by Council)**

#### **a) Unauthorised Expenditure**

That Council condone all unauthorised expenditures of **R111 909 226** for 2017/2018 however non-cash outflow expenditure in finance are journals for bad debts provision and depreciation expenditures process at year end during AFS preparation for AG.

#### **b) Fruitless and Wasteful Expenditure**

That Council write off all fruitless and wasteful expenditure of **R4 868 884, 08** which arise from interest paid to Eskom for late payments due to financial constraints, SARS and other service providers.

#### **c) Irregular Expenditure**

i) That Council condone irregular expenditures as highlighted by the report;

1. Irregular Expenditures: court orders:  
R99 748, 43
2. Engineering Services: R19 959,82
3. Corporate Services: R28 694,38
4. Community Services: R3 838 826,21
5. Budget & Treasury: R406 976,50
6. Municipal Manager: R163 269,50
7. Council: R101 349,00
8. GTEDA fruitless expenditure: R342 556,00
9. GTEDA irregular expenditure: R76 658,00
10. Irregular expenditure: disciplinary cases: R2 595 847,46

a) That the supply chain management awareness /workshop be conducted to relevant staff members before the end of September 2019.

1. That the Accounting Officer institute processes to recover money from officials where there is transgression of the law;

2. That Unauthorized expenditure be condoned on the basis that they are non-cash items, no loss was incurred by the municipality;
3. That a letter be written to National Treasury for condonement of irregular in terms of Section 170 of the MFMA;

**3. RECOMMENDATIONS (to be implemented by management)**

- a) That the Accounting Officer institute processes to recover money from officials where there is transgression of the law;
- b) That the Accounting Officer institute corrective measures or disciplinary actions on any act of misconduct where identified;
- c) That Risk and Compliance Office be invited to observe SCM processes during Bid Specification and Evaluation Committee meetings. SCM Regulations no 41 states that *"a supply chain policy must provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system"*;
- d) That Budget and Treasury Office (SCMU) conducts awareness workshops to sensitise officials about SCM processes as per Regulations and policy;
- e) That contract management be strengthened (each municipal department to develop and manage their own contracts);
- f) Conduct SCM compliance checklist to supplement policies and procedures.

**FOR CONSIDERATION**



# **GREATER TZANEEN MUNICIPALITY UIF REPORT**



## **UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (UIF) INVESTIGATION REPORT FOR 2017/2018 FY**

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## 1. Introduction

In terms of Section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as "MFMA"), the Accounting Officer is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure-

- a) that the resources of the municipality are used effectively, efficiently and economically;
- b) that the municipality has and maintains effective, efficient and transparent systems-
  - (i) of financial and risk management and internal control; and
  - (ii) of internal audit operating in accordance with any prescribed norms and standards
- c) that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;
- d) that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.

The Auditor-General also highlighted escalating trend in unauthorised, irregular, fruitless and wasteful expenditure (UIF) in municipalities over recent years which is evident in the audit reports and annual reports.

## 2. Background

This report relates to the investigation of unauthorized expenditure of **R111 909 226**, irregular expenditure of **R12 252 916, 03** and fruitless and wasteful expenditure of **R13 524 312** which occurred in 2017/2018 financial year. On the 30 of August 2018 Council resolved that the 2017/18 register of unauthorised, irregular, fruitless and wasteful expenditure (UIF) be noted and be referred to MPAC for investigations as per Council Resolution No. A67 of 30 August 2018 and adjustments made in January 2019.

**Section 32 (2)** of the Local Government Municipal Finance Management Act 56 of 2003 regarding unauthorised, irregular, fruitless and wasteful expenditure states that:

*“a Municipality must recover unauthorised, irregular, fruitless and wasteful expenditure from the person liable for such expenditure unless the expenditure-*

*(a) In case of unauthorized expenditure, is*

*(i) authorised in an adjustment budget; or*

*(ii) Certified by the municipal Council, after investigation by the council committee, as irrecoverable and written off by Council; and*

*(b) In case of Irregular or fruitless and wasteful expenditure, is, after investigation by a Council Committee, certified by the Council as irrecoverable and written off by the Council.”*

## 3. Scope of the investigation

The scope of the investigation will cover 2017/2018 unauthorised, irregular, fruitless or wasteful expenditure incurred by the municipality which are accumulated figures of unauthorized expenditure of **R111 909 226**, irregular expenditure of **R 5 648 668.29** which increased to **R12 252 916.03** due to AGSA audit findings, fruitless and wasteful expenditure of **R4 868 884, 08**. The scope of the UIF investigation was established by **the Council resolutions number A67 of 30 August 2018**. All relevant information from the opening balances was scrutinized which is covered by the investigation.

4. Unauthorised, Irregular Fruitless or Wasteful for 2017/18  
 4.1.FRUITLESS/WASTEFUL EXPENDITURE

NO	VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID	DISCUSSION	RECOMMENDATIONS
1.	Eskom-FBE	07/2017	1070550	216,29	<p>Eskom invoices were previously received by post which caused delays. Current arrangement is that the invoices are received via email. There are no clear controls (time taken to verify tokens collected from Eskom by beneficiaries on the indigent register to test whether the calculation is correct, is not clear).</p>	<p>Interest amount is uneconomical. The expenditure be written off.</p> <p>Proper controls be in place in order for the municipality to be able to trace delays should it occur (internal arrangements for audit purpose).</p>
		09/2017	1071202	R466,50		
		08/2017	1071131	R1 187,86		
		10/2017	1071937	R119,70		

NO	VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID	DISCUSSION	RECOMMENDATIONS
2.	Eskom (NTK)	07/2017	1070555	1 508,43	Interest levied on late payments by the municipality.	Interest amount is uneconomical. The expenditure be written off by Council.
3.	Eskom (DAN Pump Stations)	08/2017	1071131	70,43	Interest levied on late payment by the municipality for borehole at Dan pump station.	Interest amount is uneconomical. The expenditure be written off by Council.
4.	Telkom SA BPK	09/2017	1071395	R73,92	Interest levied on late payment by the municipality.	Interest amount is uneconomical. The expenditure be written off.
5.	Telkom lines (Cyber Trade Acc)	10/2017 11/2017	1072142 1072637	R4,83 (R9,11)	Interest levied on late payment by the municipality.	Interest amount is uneconomical. The expenditure be written off.

NO	VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID	DISCUSSION	RECOMMENDATIONS
6.	Eskom (for Apollo lights at Ga-Moroko Village High Mast)	12/2017	1073160	R231,66	Interest levied on late payment by the municipality.	Interest amount is uneconomical. The expenditure be written off.
7.	Eskom (for Lenyenye Comm. Hall)	12/2017	1073162	R3 868,63	Interest levied on late payment by the municipality.	Interest amount is uneconomical. The expenditure be written off.
8.	Eskom-Bulk Purchases	08/2017	1071131	R59 008,65	Interest was levied on the late payment to ESKOM by the municipality due to cash flow problems. Collections are less than the ESKOM debt. Current challenges regarding revenue collections are meter (water & electricity	The expenditure be written off.

NO	VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID	DISCUSSION	RECOMMENDATIONS
		12/2017	1073051	R681 596,17	losses), tariffs	
		01/2018	1073612	R480 250,18	restructuring, debt collection which is	
		04/2018	1075353	R381 357,22	currently outsourced but considering other	
		05/2018	1075931	R473 595,22	methods such as selling of debt book as a temporary measure. The municipal properties that are rented out. The municipality is currently reviewing credit control policy which will also guide on the matters of revenue collection.	
					Reviewed Credit Control policy will be adopted by Council as an annexure to	



NO	VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID	DISCUSSION	RECOMMENDATIONS
9.	Government Printing Works	11/09/2017	1071280	R1 000,00	<p>the final budget of the municipality.</p> <p>Fruitless and wasteful expenditure occurred due to duplication of proclamation notice in the Limpopo Gazette for rezoning of ERF 653, Tzaneen Ext.6. Two notices were erroneously issued by government printing for the same proclamation whereby one order was issued by the municipality. The error was made by government printing. The</p>	<p>The municipality paid whereas one order was issued to Government Printing. The municipality acknowledged the mistake by government printing but decided to pay twice. PED must be held accountable for double payment.</p>

NO	VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID	DISCUSSION	RECOMMENDATIONS
10.	Avispark Lodge	09/03/2018	1074876	R625,00	<p>municipality took the matter up with government printing works employees with no success. Double payment of R1000 was paid to Government Printing Works by the municipality.</p> <p>Facilitator for Municipal Finance Management Program training (MFMP) cancelled the training session on a short notice. Avis Lodge, where the training was supposed to held, penalised the</p>	<p>The expenditure be written off because it is uneconomical. The affected department indicated it will engage service for future proper communication.</p>

NO	VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID	DISCUSSION	RECOMMENDATIONS
11.	SARS	08/11/2017	24412	R187 865,04	<p>Interest paid on late payment of VAT due to SARS. Service provider who was appointed for VAT review filed a VAT return without attaching payments of amounts due by the municipality. He didn't notify the municipality about payments due to SARS. Service provider was appointed through SCM Regulation 32, Item 7 of</p>	<p>The expenditure be written off by Council.</p>

NO	VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID	DISCUSSION	RECOMMENDATIONS
					the SLA (drafted by the service provider) states that "the service provider, herein referring to PK Consulting, shall act as a faithful advisor to the municipality and, in so far as any of its duties are discretionary in the provisioning of services".	
<b>TOTAL FRUITLESS</b>				<b>R4 868 884,08</b>		

**ITEMS WRONGLY CLASSIFIED AS FRUITLESS EXPENDITURE FOR 2017/18 FY (Disciplinary cases)**

<b>NO</b>	<b>NAME OF THE VENDOR</b>	<b>PAYMENT DATE</b>	<b>PAYMENT NUMBER</b>	<b>AMOUNT PAID (R')</b>	<b>DISCUSSIONS</b>	<b>RECOMMENDATIONS</b>
1.	Stephan Van Rensburg Attorneys	08/2017	1071045	<b>R278 452,19</b>	Tax costs levied to the service provider because of warrant of execution which was issued out by the regional court because municipality lost a case against Eric Hide. To avoid execution the municipality opted to pay.	The expenditure be written off by Council.
2.	D.S Malaaji	05/2018		<b>R317 206,00</b>	Payment was made to former director of Engineering Services as a settlement agreement after her suspension period. The municipality Council entered into	Expenditure be written off by Council.

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	DISCUSSIONS	RECOMMENDATIONS
					<p>settlement agreement with former Director. (Council Resolution number A22 of the 31<sup>st</sup> March 2017). The matter was classified as fruitless expenditure because the incumbent was earning salary whilst not on duty (not in the place of employment) due to suspension. [this matter shouldn't be classified as a fruitless expenditure because there is a Council Resolution on the matter].</p>	

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R)	DISCUSSIONS	RECOMMENDATIONS
3.	Verveen Attorneys	05/2018	1063631	R487 631,58	<p>This service provider was appointed as a chairperson during disciplinary process of former Director Engineering Services. This service provider was not in the panel of attorneys because those in the panel former Engineering Services director was an adjudication member. This transaction was classified as fruitless expenditure because of legal fees paid during disciplinary hearing and that Council entered into</p>	<p>The expenditure be written off by Council</p>

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	DISCUSSIONS	RECOMMENDATIONS
4.	Ntuli Noble Incorporation	05/2018	1063627	R91 402,52	<p>a settlement agreement with the incumbent prior finalisation of disciplinary processes.</p> <p>This service provider was a presiding officer over former Director Engineering Services' case.</p> <p>This transaction was classified as fruitless expenditure because of legal fees paid during disciplinary hearing and that Council entered into a settlement agreement with the incumbent prior</p>	The expenditure be written off by Council



NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R)	DISCUSSIONS	RECOMMENDATIONS
		05/2018	1065072	R128 371,07	<p>finalisation of disciplinary processes.</p> <p>This service provider was a presiding officer of former Director Engineering Services' case.</p> <p>This transaction was classified as fruitless expenditure because of legal fees paid during disciplinary hearing and that Council entered into a settlement agreement with the incumbent prior finalisation of disciplinary processes.</p>	The expenditure be written off by Council

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	DISCUSSIONS	RECOMMENDATIONS
6.	Verveen Attorneys	05/2018	1065768	R322 078,50	<p>Service provider was appointed as a chairperson of former Director Engineering Services' hearing case. This service provider was not in the panel of attorneys. Former Director Engineering Services was in the adjudication committee as a member during appointment of pool of attorneys.</p> <p>This transaction was classified as fruitless expenditure because of legal fees paid during disciplinary hearing and</p>	The expenditure be written off

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	DISCUSSIONS	RECOMMENDATIONS
7.	Ntuli Noble Incorporation	05/2018	1066904	R115 349,10	<p>that Council entered into a settlement agreement with the incumbent prior finalisation of disciplinary processes.</p> <p>This service provider was appointed by the municipality as presiding officer over former Director Engineering Services 'case. This transaction was classified as fruitless expenditure as a result of legal fees paid during disciplinary hearing and that Council entered into a settlement agreement</p>	<p>The expenditure be written off</p>

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	DISCUSSIONS	RECOMMENDATIONS
8.	Settlement for Adv. M.S. Monyela (former Legal Services Manager)	05/2018		R265 004,88	<p>with the incumbent prior finalisation of disciplinary processes.</p> <p>The incumbent, former legal manager, was suspended by the municipality in October 2017.</p> <p>The matter was classified as fruitless expenditure because the incumbent was earning salary whilst not on duty (not in the place of employment) due to suspension).</p> <p>[this matter shouldn't be classified as a fruitless expenditure because</p>	The expenditure be written off by Council

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	DISCUSSIONS	RECOMMENDATIONS
9.	Legal Costs for Adv. M.S. Monyela's case (former Legal Services Manager)	05/2018	none	R590 351,62	there is a Council Resolution on the matter] There was a settlement agreement between the municipality and the employee as per Council Resolution A17.	
					Legal costs paid to Machaba and ML. Mateme for their appointment as a presiding Officer over disciplinary hearing of the former legal manager. Hearing of an employee started in November	The expenditure be written off by Council

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	DISCUSSIONS	RECOMMENDATIONS
					<p>2017 and was concluded in January 2018.</p> <p>The municipality agreed with the employee to settle the case.</p> <p>This transaction was classified as fruitless expenditure because of legal fees paid during disciplinary hearing and that Council entered into a settlement agreement with the incumbent prior to finalisation of disciplinary processes.</p>	

**GTEDA: FRUITLESS AND WASTEFUL EXPENDITURE: 2017/18**

NO	VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R)	DISCUSSION	RECOMMENDATIONS
1.	SARS (VAT)			274 531,00	Expenditure was incurred due to late payments to SARS due to cash flow constraints. GTEDA normally receives money from the municipality. VAT debt escalated from 2014 financial year to date because the municipality committed to settle the VAT outstanding debt which didn't happen	The fruitless expenditure be written off by Council.
2.	SARS (PAYE)			68 025,00	Expenditure was incurred due to late payments to SARS due to cash flow constraints	The fruitless expenditure be written off by Council.
	<b>TOTAL</b>			<b>342 556,00</b>		

4.2. IRREGULAR EXPENDITURE PER DEPARTMENT  
4.2.1. COUNCIL

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
1.	Udumo Trading	19/12/2017	1073319	38 500,00	SCM processes not followed; (Work done before order was issued)	The department didn't obtain three (3) written quotations from the supplier, only one quotation and an invoice were attached. SCM Reg no 18 states that goods and services above R30000 must be advertised for 7 days. In this case the department didn't follow supply chain processes.	Corrective measures must be taken against the department. The officials be sensitised with SCM processes through awareness workshops.



NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
2.	Tshipise A Forever Resort	21/09/2017	1071474	101 349,00	Supply Chain Processes Not Followed	MPAC strategic planning. SM processes were not followed. Venue was outside Tzaneen area.	That irregular expenditure be condoned by Council Officials should be sensitised on the SCM processes in accordance with the Regulations.
3.	Karibu Leisure Resort	25/10/2017	1072592	119 997,88	Supply Chain Processes Not Followed	The bid was not advertised for 7 days as required by SCM Regulations no 18. The service provider was appointed to host the municipality's strategic session which took place on the 1 <sup>st</sup> to 3 <sup>rd</sup> November 2017. It was a decision of a municipality to hold a strategic session outside	Corrective measures must be taken against the department. The officials be sensitised with SCM processes through awareness workshops.

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
						the office to avoid interruptions.	
		10/11/2017	1072592	52 002,94		Gala dinner during Agricultural Expo which took place on the 29 <sup>th</sup> September 2017. The bid was not advertised for 7 days as required by SCM Regulations. Deviation form from indicated that the matter was urgent and also due to time constraints.	
4.	Kalamazoo Transport CC	30/05/2018	1076245	32 950,00	Supply Chain Processes Not Followed	The bid was not advertised for 7 days as required by SCM Regulations no 18 Bus hire from Bulamahlo, Rummymede	Corrective measures must be taken against the department. The officials be sensisised with SCM processes

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
						<p>clusters including Traditional dancers from other areas cluster to Tzaneen showground to attend State of the Municipal Address (SONA) on the 25<sup>th</sup> May 2018.</p> <p>3 quotations and the order are in place but the bid was not advertised for 7 days in terms of SCM regulations (bid above R30 000.00 must be advertised for 7 days before it can be processed). SCM office should have advised mayor's Office about</p>	through awareness workshops.

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
6.	Sima Silver Lodge	20/06/2018	1076664	40,000,00	Supply Chain Processes Not Followed	Men indaba took place at SIMA Lodge without following SCM processes.	Corrective measures must be taken against the department. The officials be sensitised with SCM processes through awareness workshops.
			<b>TOTAL</b>	<b>384,799,82</b>			

4.2.2. MUNICIPAL MANAGER'S DEPARTMENT

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
1.	Tzaneen Country Lodge	19/12/2017	1076797	38 000,00	SCM processes not followed	The matter is about anti-fraud and corruption held Tzaneen Country lodge on the 7 <sup>th</sup> and 8 <sup>th</sup> June 2018. This services provider is located outside town whilst other service providers in the same price range are nearby. A deviation memo was approved by Accounting for this transaction. AGSA didn't agree with the reasons on the deviation memo on the basis that the nearby service	The irregular expenditure be condoned. SCM unit to sensitise staff about the processes to be followed if an order is above R30 000.00 and more.

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
2.	Ivory Tusk Lodge	19/04/2018	1075598	41,400.00	SCM processes not followed	providers were disadvantaged and that the municipality could have used them. Procurement of goods and services more than R30 000 (including Vat) must be advertised for 7 days. This office didn't follow SCM processes.	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes
3.	Baobab Trading	26/04/2018	1075900	83,869.50	SCM processes not followed	Procurement of goods and services more than R30 000 (including Vat) must be advertised for 7 days. This office didn't follow SCM processes.	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes
	<b>TOTAL</b>			<b>163 269,50</b>			

4.2.3. BUDGET AND TREASURY OFFICE

NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
Contour Technology (Pty) Ltd	18/07/2017	1070211	16 308,69	Contract Expired	Section 116 of MFMA (Contract Management) states that all contracts of the municipality must be within three (3) year period. This service provider was appointed for electricity prepaid vending for the municipality. The contract has long lapsed in 2005. Contour Technology has monitoring hardware and software for specific metres which also specialises in hindering ghost vending. A motivation for continuous deviation for SCM processes was approved by	Irregular expenditure be condoned by Council since the expenditure cannot be recovered, and that Council should take note that it is not easy to terminate contracts of this nature.
	30/08/2017	1071097	16 452,48			
	29/09/2017	1071796	16 735,85			
	18/12/2017	1073330	47 329,42			
	27/02/2018	1074647	32 657,40			
	28/03/2018	1075289	15 698,40			
	26/04/2018	1075713	16 954,59			
	29/06/2018	1076822	35 366,85			

NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
					Municipal Manager and CFO in October 2013. The municipality is currently reviewing the process of procuring services for prepaid vending.	
Focus Outsourcing Solutions CC	29/09/2017	1071798	27 849,19	Contract Expired	Service provider is one of the long-term contracts of the municipality. This service provider was appointed in 2005 through normal bid for bank reconciliations. Focus Solutions will be phased out through the implementation of mSCOA which the municipality and the service provider,	Irregular expenditure be condoned by Council since the expenditure cannot be recovered, and that Council should take note that it is not easy to terminate contracts of this nature.
	20/12/2017	1073481	24 519,27			
	31/01/2018	1073976	23 358,31			
	29/03/2018	1075341	11 511,88			
	30/04/2018	1075793	12 467,44			
	31/05/2018	1076278	12 638,73			



NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R)	REASON	DISCUSSIONS	RECOMMENDATIONS
ACTOM Properties	28/11/2017	1072828	91 200.00	Process to appoint was delayed	SEBATA, anticipate to "go live" on the 1 <sup>st</sup> of July 2019.  A request to extend a bid for 4 months was signed by the former municipal manager indicated that the SCM processes were delayed (between the service provider and the municipality). The requestor (the department) indicated that if the extension is not granted, service delivery will be affected since service provider is the supplier of electrical equipment's.	The irregular expenditure be condoned by Council.
<b>TOTAL</b>			<b>406 976,50</b>			

4.2.4. COMMUNITY SERVICES

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATION
1	Ingwe Waste Management	30/08/2017	1071094	429 033,68	Contract Expired	Community Services: Ingwe Waste Management was appointed by the municipality to render integrated waste removal services for a period of three (3) year from January 2014 to January 2018. The irregular expenditure occurred because of the delayed SCM processes to appoint a new service provider.	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes
		29/09/2017	1071875	429 033,68			
		31/10/2017	1072384	429 033,68			
		28/11/2017	1072872	439 033,68			
		27/12/2017	1073603	439 033,68			
		31/01/2018	1074051	429 033,68			
		28/02/2018	1074795	429 033,68			

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATION
						<p>The contract of current service provider, Ingwe Waste management was extended on month to month basis until a new service provider was appointed.</p> <p>In September, October and November 2017, service provider was not paid full amount of the services rendered because he failed to provide a skip truck, for non-compactible container, for a</p>	

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NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATION
2.	Mmatshope Theuwedi JV	31/08/2017 29/09/2017 31/10/2017 31/10/2017 13/12/2017	1071170 1071857 1072400 1072374 1073248	470 832,54 472 146,78 44 737,46 472 146,78 470 646,78	Contract Expired	month. R20 000 and R10000 was deducted from the invoice issued by him respectively, that is, September: R20 000 October: R20 000; November: R10 000; December: R10 000 January: R20 000 The municipality appointed a new service provider.  This service provider was appointed by the municipality in April 2014 to render treatment and	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATION
						disposal management services. The municipality extended his contract on three (3) months basis which came in to effect from August 2017 to October 2017 and was further extended by one month from October to November 2017. Thereafter again on the 07 <sup>th</sup> Dec 17 up until the 31 March 2018.	S
3.	Theuwedi Trading Enterprise	27/12/2017 31/01/2018	1073604 1074052	546 736,40 546 736,40	AGSA finding	This matter was treated as an	Irregular expenditure be condoned by Council.

Anti-fraud and corruption hotline: 0800 44 66 44

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R)	REASON	DISCUSSIONS	RECOMMENDATIONS
		28/02/2018	1074796	546 736,40	<p>irregular expenditure as a result of AGSA audit findings. There was a misalignment of the specification and the advert.</p> <p>The initial advert had a required grading of 6CE PE and it was later changed to 5CE PE. The reasons for the change were not stated and also not attached to the tender.</p> <p>*In terms CIDB regulation par 21 (3) and 25 (8) allows an organ of state to award a contract to an emerging contractor who is registered on a</p>	<p>irregular expenditure as a result of AGSA audit findings. There was a misalignment of the specification and the advert.</p> <p>The initial advert had a required grading of 6CE PE and it was later changed to 5CE PE. The reasons for the change were not stated and also not attached to the tender.</p> <p>*In terms CIDB regulation par 21 (3) and 25 (8) allows an organ of state to award a contract to an emerging contractor who is registered on a</p>	
		29/03/2018	1075329	541 736,40			
		08/05/2018	1075869	551 624,47			
		07/06/2018	1076338	552 128,07			
		28/06/2018	1076773	552 128,07			

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATION
						<p>grade which is one level lower than the required, provided that the organ of state notify CIDB on the nature of financial or management support that is provided to the contractor. This service provider was appointed by the municipality on the 1<sup>st</sup> of December 2017 for a period of three (3) years. Contract end date is 31<sup>st</sup> of December 2019. This matter will remain irregular till the expiry of the contract.</p>	S

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATION
5.	Limpopo Coaches	14/09/2017	1071320	93 000,00	Supply Chain processes not followed.	SCM Regulation 18 states that any procurement of goods and services of ore than R30 000 including VAT, the service must be advertised for 7 days. The service provider was appointed to transport municipal officials to attend SAIMSA games at Middleburg on the 24 <sup>th</sup> to 30 <sup>th</sup> September 2017. No deviation memo was done by the department. 3	S Corrective measures (disciplinary measures) be taken against the department for not following SCM processes



NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATION
6.	Lombards Outfitters	15/09/2017	1071424	249 717,00	Supply Chain processes not followed.	<p>quotations was requested from different suppliers and also the order was issued to the appointed service provider. Limpopo Coaches was the lowest but the bid should have been advertised as required by SCM Regulations.</p> <p>The municipal officials procured sports clothing from one service provider. This service provider has a long-standing relationship</p>	<p>Corrective measures (disciplinary measures) be taken against the department for not following SCM processes.</p>

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATION S
						with the municipality in terms of sports uniform. In terms of SCM Regulations no 19, any procurement of goods and services for more than R200 000 must be done through an open bid. SCM processes were not followed.	
<b>TOTAL</b>				9 327 211,51			

4.2.5. CORPORATE SERVICES

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
1.	Nyankwavhi Investments	30/08/2017	1071118	77 520,00	SCM processes not followed	Procurement of goods and services for more than R30 000.00 must be advertised for 7 days as per SCM Regulation no 18. Deviation form attached to the documents is not clear as to why SCM processes were not followed.	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes.
2.	Dedeya Trading	26/09/2017	1071647	3 600,00	SCM processes not followed- order not secured for service rendered, three quotations not attached.	Irregular expenditure occurred because only one quotation was requested for a service of more R2000 which is in contravention with SCM regulations.	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
3.	Dunka Training Enterprise	27/09/2017	1071749	16 300,00	SCM processes not followed- Order not secured for service rendered and no quotations are attached, only an invoice from one service provider.	Irregular expenditure occurred because SCM processes were not followed. The department didn't request three (3) quotations for various suppliers. The order was not issued to the appointed service provider. This is an internal control	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes. It is further recommended that the municipal employees be sensitised with SCM processes to prevent such expenditures from happening and also avoid negative audit
						The matter was regarding hiring of chairs and toilets during Mayoral Imbizo at Dan Village in September 2017.	

N O	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
4.	Nenungwi Holdings	08/09/2017	1071270	12 000,00	SCM processes not followed - order not secured for service rendered	Catering during job evaluation session held in Polokwane, at CoGHSTA offices. It was agreed in the job evaluation that all municipalities should	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes. It is further recommended that the municipal
						deficiency. Finance shouldn't have effected payment for the service provider if the required documents are not attached. Service rendered was hiring of tents, chairs and toilets during Mayoral Imbizo in September 2017.	findings by both internal and external audit (IA & AGSA).

N O	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R)	REASON	DISCUSSIONS	RECOMMENDATIONS
5.	Cleverone Trading & Projects	11/09/2017	1071278	5 950,00	SCM processes not followed. Order not secured for service rendered.	take turns in providing catering for the sessions; Request to provide catering at CoGHSTA was approved by the municipality. Irregular expenditure occurred because no order was issued to the service provider by the user department.  Service provider was appointed to provide the municipality with tents, chairs and toilets for a funeral in Ward 22 in September 2017. Irregular expenditure occurred because only	employees be sensitised with SCM processes.          Corrective measures (disciplinary measures) be taken against the department for not following SCM processes. that Council should take note the cost of recovery (amounts are

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
						<p>order to render a service was not secured. This is an internal control deficiency matter which was supposed to have been resolved by SCM office in advising the officials about the SCM processes and regulations. Payments were not supposed to have been processed if proper documentation is not attached.</p>	<p>uneconomical) will be higher than the actual irregular expenditure.</p> <p>It is further recommended that the municipal employees be sensitised with SCM processes to prevent such expenditures from happening and also avoid negative audit findings by both Internal and external audit (IA &amp; AGSA).</p> <p>Payment must in future not be effected without full documentation is attached to avoid irregular expenditure to occur.</p>

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
6.	Karibu Leisure Resort	19/09/2017	1071399	15 039,79	SCM processes not followed- order not secured for service rendered.	Catering for computer skills training for 20 delegates. -Supply chain processes were not properly followed. One quotation was requested. SCM policy and regulations requires that any service which is above R2000 should be accompanied by three (3) quotations from different service providers. The order should also be secured for the service. This is an internal control deficiency matter which was	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes and that the officials be sensitised with SCM processes through awareness workshops.



N O	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
7.	Tshipise A Forever Resort	21/09/2017	1071474	101 349,00	Supply Chain processes not followed.	Irregular expenditure occurred as a result of SCM processes not being followed during arrangements of MPAC strategic planning which took place at Tshipise A Forever. In terms of SCM regulations, a bid of more than R30 000,00 must be advertised for 7 days.	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes; and that the municipal employees be sensitised with SCM processes

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
8.	Theledi Beverages	26/09/2017	1071666/1	2 750,00	SCM processes not followed- Order not secured for services rendered.	<p>It should be noted that the strategic session took place outside Tzaneen area where there are no other service providers except the one appointed to host the session. It is also not possible to seek three (3) quotations.</p> <p>The matter is an internal control deficiency. Service provider was appointed to supply bottled water during Mayoral Imbizo at Dan Village.</p>	Irregular expenditure be condoned by Council and that Council should take note the cost of recovery (amounts are uneconomical) will be higher than the actual irregular expenditure.

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
9.	Mathed Trading	27/09/2017	107176	2 000,00	Order not secured for service rendered	Supply chain processes were not followed. No order was not secured by user department.	It is further recommended that the municipal employees be sensibilised with SCM processes to prevent such expenditures from happening and also avoid negative audit findings by both Internal and external audit (IA & AGSA). Payment must in future not be effected without full documentation is attached to avoid irregular expenditure to occur.
						Service provider was appointed to offer breakfast during	Irregular expenditure be condoned by Council and that Council should take note the cost of recovery

N O	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
						<p>Mayorah Imbizo at Khujwana.</p> <p>Supply chain processes were not followed by user department.</p> <p>In terms of municipal supply chain policy and Regulations, order was not secured for the service rendered.</p> <p>This is an internal control deficiency. The officials do not follow proper SCM processes.</p>	<p>(amounts are uneconomical) will be higher than the actual irregular expenditure.</p> <p>It is further recommended that the municipal employees be sensitised with SCM processes to prevent such expenditures from happening and also avoid negative audit findings by both Internal and external audit (IA &amp; AGSA).</p> <p>Payment must in future not be paid without full documentation is attached to avoid irregular expenditure to occur.</p>

N O	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
10.	Human Communication	29/09/2017	1071699	23 944,38	Supply Chain processes not followed	Irregular expenditure occurred due to SCM processes not followed. The municipality paid Sunday Times for the advertisement of 5 positions of senior management.	The irregular expenditure be condoned by Council. That the officials be sensitised with SCM processes to prevent such expenditures from happening.
15.	Shai Projects	19/12/2017	1073315	50 567,50	SCM processes not followed- work done before order was issued	The department requested to deviate from SCM processes due the time constraints. SCM Regulation no 18 states that any good and services more than R30 000 (including VAT) must be advertised for 7 days	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes It is further recommended that the municipal employees be sensitised with SCM processes to prevent such expenditures from happening and also

N O	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
16.	Baobob Promotions	09/02/2018	1074133	7 521,15	SCM processes not followed- work done before order being issued	This service provider was appointed to provide the municipality with printing services. Tax invoice was issued on the 23 <sup>rd</sup> November 2017 whereas the order was issued on the 29 January 2018. Work was done before the order	avoid negative audit findings by both Internal and external audit (IA & AGSA). Payment must in future not be effected without full documentation is attached to avoid irregular expenditure to occur.  Corrective measures (disciplinary measures) be taken against the department It is further recommended that the municipal employees be sensitised with SCM processes to prevent such expenditures from happening and also

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
17.	The Assessment Toolbox	28/02/2018	1074629	7 224,00	SCM processes not followed- work done before order being issued	<p>was issued (work done before the service provider was permitted to do the work).</p> <p>Three (3) quotations were not requested as required by SCM regulations. Any service is above R2000 must have three (3) quotations, an order accompanied by a tax invoice.</p> <p>Competency assessment for one (1) candidate for Director PED position conducted in February 2018 wherein SCM</p>	<p>avoid negative audit findings by both Internal and external audit (IA &amp; AGSA).</p> <p>Payment must in future not be effected without full documentation is attached to avoid irregular expenditure to occur.</p> <p>Corrective measures (disciplinary measures) be taken against the department and that the municipal employees be sensitised with SCM</p>

N O	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R)	REASON	DISCUSSIONS	RECOMMENDATIONS
18.	CHM Vuwani Computers	16/01/2018	1074579	69 105,61	Supply chain processes not followed	processes were not followed.  Twenty employees from Corporate Services, Community Services, Engineering and Finance attended a computer literacy training offered by this service provider. Due	processes to prevent such expenditures from happening and also avoid negative audit findings by both internal and external audit (IA & AGSA). Payment must in future not be effected without full documentation is attached to avoid irregular expenditure to occur.  Corrective measures (disciplinary measures) must be taken against the department for not following SCM processes.



NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
19.	Letaba Herald	28/06/2018	1076561	6 785,00	Tax Invoice issued before the order, before actual service was rendered (before publication)	SCM processes were not followed as the service is above R30 000. Any service above R30 000 must be advertised for 7 days as per SCM Regulations.  Publication done without following normal SCM processes.	Corrective measures (disciplinary measures) be taken against the department for not following SCM processes. Council should take note the cost of recovery (amounts are uneconomical) will be higher than the actual irregular expenditure.

N O	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
20.	Karibu Leisure Resort	27/03/2018	1075434	705 433,97	Supply Chain processes not followed.	Ward committees training at Karibu Resort. Deviation memo, signed by the	It is further recommended that the municipal employees be sensitised with SCM processes to prevent such expenditures from happening and also avoid negative audit findings by both internal and external audit (IA & AGSA). Payment must in future not be effected without full documentation is attached to avoid irregular expenditure to occur.  Corrective measures (disciplinary measures) must be taken against the department, Corporate

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
						<p>Manager and the Director, didn't clearly specify the reasons for deviation. The only reason stated on the memo is that the ward committees must attend the workshop before the end of each financial year.</p> <p>Any service of more than R200 000 must follow open, transparent and competitive bidding in terms of SCM regulations. This service was not subjected to normal SCM processes.</p>	<p>Services for not following SCM processes.</p> <p>Deviation memo indicated that the ward committees must have workshop annually. The department didn't plan on time.</p>
<b>TOTAL</b>				<b>1 194 430,61</b>			

4.2.6. ENGINEERING SERVICES (CIVIL)

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
1.	Speedrite	24/04/2018	1075617	19 959,82	work done before order being issued	Service provider was appointed for repairs and maintenance of municipal vehicles. SCM processes were not properly followed. Tax invoice was issued before the order.	The irregular expenditure be condoned since this is an internal control deficiency matter which can be corrected. Municipal staff must be sensitised with SCM processes and regulations through awareness workshops.
2.	Nkemankema Trading	20/12/2017	1072316/1072864/1073309	575,244.00	Supply Chain Processes Not Followed	Irregular expenditure occurred because SCM processes were not followed. In terms of SCM regulations. Goods and transactions above R200 000	Corrective measures (disciplinary measures) must be taken the department for not following SCM processes. Competitive bidding was not followed.

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
						<p>(VAT included) must be procured competitive bidding in terms SCM Regulations no 19. A deviation memo to request Accounting Officer to allow SCM processes not to be followed was not done by the department, Engineering Services. SCM office should also advise the departments either by workshops to sensitise officials</p>	<p>That the officials be sensitised with SCM processes.</p>

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NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
						about SCM processes.	
	<b>TOTAL</b>			776 228,09			

4.2.7. GTEDA: IRREGULAR EXPENDITURE

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATION
1.	Vodacom			76 658,00	SCM processes not followed.	CEO and the project manager have Vodacom cell phone contracts which are renewed bi-yearly (2 months contract). Monthly instalments for both cell phones are R2600,00 each (R5200,00 both). The contract was upgraded in 2017 financial year. Irregular expenditure occurred during cell phone upgrade with the current service provider (VODACOM) whereby 3 quotations where not	S Irregular expenditure be condoned.

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATION
						<p>sourced for this service.  The office continued with the same service provider.  Corrective measure: in the next upgrade the agency will advertise the service.</p>	S

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ITEMS/TRANSACTIONS INCORRECTLY CLASSIFIED AS IRREGULAR EXPENDITURES FOR 2017/18 FY (COURT CASES)

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
1.	H L M Mamabolo Attorneys	30/10/2017	1072269	45 315,67	Court order	Attorney: Tax cost for case of Mapheto versus GTM	The irregular expenditure be condoned by Council.
2.	Coitsee & Kruger Inc.	30/10/2017	1072356	5 628,40	Court order	Sheriff fees was paid because of the warrant of execution which was issued for attachments and removal of properties at the municipality	The irregular expenditure be condoned by Council. (This matter cannot be classified as an irregular expenditure because it was a court order which was supposed to be implemented by the municipality).
3.	Sheriff T Robertson	30/10/2017	1072353	10 019,46	Court order	Sheriff fees was paid because of the warrant of execution which was issued for attachments and removal of properties at the	The irregular expenditure be condoned by Council. ((This matter cannot be classified as an irregular expenditure because it was a court order which
		31/10/2017	1072407	2 034,90			

NO	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
						<p>municipality. High court issued a warrant of execution for attaching and removing municipal property because of the outstanding amounts owed to the service provider, Mapheto Business Services. Municipality lost money with regard to the matter. The court matter between the municipality and Mapheto Security Services is now finalised.</p>	<p>was supposed to be implemented by the municipality).</p>
4.	Letsoalo JHL	31/10/2017	1072390	36 750,00	Court order	Tax cost for Mapheto's case versus GTM.	The irregular expenditure be condoned by Council.

NO.	NAME OF THE VENDOR	PAYMENT DATE	PAYMENT NUMBER	AMOUNT PAID (R')	REASON	DISCUSSIONS	RECOMMENDATIONS
						Advocate appointment by ILM Mamabolo. Municipality lost and the interdict because it was no defended.	

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**Summary of irregular expenditure per department**

<b>DEPARTMENT</b>	<b>AMOUNT PAID (R' Value)</b>
Office of the MM	163 269,50
Council	384 799,82
Corporate Services	1 194 430,61
Community Services	9 327 211,51
Budget & Treasury	406 976,50
PED	0,00
Electrical Services	0,00
Engineering Services	776 228,09
	<b>12 252 916,03</b>

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**4.3.UNAUTHORISED EXPENDITURE (Budget exceeded in a financial year)**

<b>OVERSPENDING OF DEPARTMENTS</b>	<b>ORIGINAL BUDGET (R-Value)</b>	<b>ACTUAL JULY TO JUNE/17 (R-Value)</b>	<b>DIFFERENCE (R-Value)</b>	<b>% VARIANCE</b>
Municipal Manager	15 103 988	11 637 117	-3 466 871	-22,95%
PED	28 806 841	222 070	222 070	0,77%
Financial Services	92 752 902	103 583 886	77 490 913	83,55%
Corporate Services	102 005 569	2 747 352	2 747 352	2,69%
Community Services	204 741 609	175 663 282	-29 078 327	-14,20%
Electrical Engineering Services	517 888 491	466 640 708	-51 247 783	-9,90%
Engineering Services	156 386 341	5 355 918	82 356 375	52,66%
<b>Total unauthorised Exp.</b>		<b>111 909 226</b>		

Unauthorised expenditures are non-cash outflow expenditure in finance such as journals for bad debts provision and depreciation expenditures process at year end during AFS preparation for AG. Unauthorised Expenditures are non-cash flow items where there is no transaction with any service provider or supplier

## 5. GENERIC FINDINGS

- a) Lack of contract management;
- b) Long term expired contracts continue rendering services to the municipality without;
- c) Overspending on budget by departments which led to unauthorized expenditure;
- d) Supply chain processes are not followed;
- e) Court matters takes time to be finalized;
- f) Payments not paid on time due to cash flow problems resulting in fruitless expenditure because of the interest paid to the service providers.

## 6. RECOMMENDATIONS (to be implemented by management)

- a) That the Accounting Officer institute processes to recover money from officials where there is transgression of the law;
- b) That the Accounting Officer institute corrective measures or disciplinary actions on any act of misconduct where identified;
- c) That Risk and Compliance Office be invited to observe SCM processes during Bid Specification and Evaluation Committee meetings. SCM Regulations no 41 states that *“a supply chain policy must provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system”*;
- d) That Budget and Treasury Office (SCMU) conducts awareness workshops to sensitise officials about SCM processes as per Regulations and policy;
- e) That contract management be strengthened (each municipal department to develop and manage their own contracts);
- f) Conduct SCM compliance checklist to supplement policies and procedures.

**7. RECOMMENDATIONS (for consideration by Council)**

**a) Unauthorised Expenditure**

That Council condone all unauthorised expenditures of **R111 909 226** for 2017/2018 however non-cash outflow expenditure in finance are journals for bad debts provision and depreciation expenditures process at year end during AFS preparation for AG.

**b) Fruitless and Wasteful Expenditure**

That Council write off all fruitless and wasteful expenditure of **R4 868 884, 08** which arise from interest paid to Eskom for late payments due to financial constraints, SARS and other service providers.

**c) Irregular Expenditure**

i) That Council condone irregular expenditures as highlighted by the report;

1. Irregular Expenditures: court orders:  
R99 748,43
2. Engineering Services: R19 959,82
3. Corporate Services: R28 694,38
4. Community Services: R3 838 826,21
5. Budget & Treasury: R406 976,50
6. Municipal Manager: R163 269,50
7. Council: R101 349,00
8. GTEDA fruitless expenditure: R342 556,00
9. GTEDA irregular expenditure: R76 658,00
10. Irregular expenditure: disciplinary cases: R2 595 847,46

*Risk and Compliance Unit*