

A 94 REPORT ON THE INVESTIGATION OF THE 2016/17 UNAUTHORISED, FRUITLESS AND WASTEFUL EXPENDITURE

(E/C 2018 09 28, C 2018 09 28)

(12/2/3/1/1)

RESOLVED

a) UNAUTHORISED EXPENDITURE

- a) That Council condone all the unauthorized expenditure of **R 32 399 991.00** as irrecoverable on the basis that the expenditures incurred are non-cash items; no loss was incurred by the municipality.
- b) Budget practice be strengthened, that is, availability of budget be monitored to avoid unauthorized expenditure;

b) FRUITLESS AND WASTEFUL EXPENDITURE

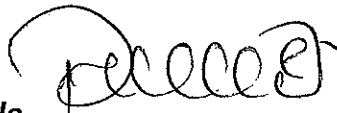
- a) That Council write-off all fruitless and wasteful expenditure of **(R6 060 039.05)** which emanates from interest on late payment paid to the service providers such as Telkom, Thomas and Swanepoel.
- b) That the municipality should implement more effective steps and measures to prevent this from happening in future and ensures that they receive invoices timeously from ESKOM.

c) IRREGULAR EXPENDITURE

- a) That Council condones the irregular expenditure of **R27 178 275, 11.**
- b) That council write-off the amount of **R352 156,83** paid to Royal Aloe Guest lodge in respect of the accommodation of Municipal officials during the SAIMSA Games and the amount of **R195 500,00** paid to More2life Trading Enterprises where payment was made in respect of construction of exhibition stalls.
- c) That the supply chain management awareness /workshop be conducted to relevant staff members before the end of November 2018.
- d) That the Municipal Manager establish a unit to manage all contracts of the municipality in order to avoid irregular expenditure.

- e) That the Accounting Officer institute processes to recover money from officials where there is transgression of the law;
- f) That Unauthorized expenditure be condoned on the basis that they are non-cash items, no loss was incurred by the municipality;
- g) That a letter be written to National Treasury for condonement of irregular in terms of Section 170 of the MFMA;
- h) That all officials adhere to the SCM policy, regulations and processes;
- i) That consequence management be implemented on non-compliance to policies of the municipality;
- j) That Unauthorized, irregular or fruitless and wasteful expenditure policy be developed;
- k) That monitoring and evaluation of processes be strengthened;
- l) That budget control measures be strengthened, and the availability of budget be monitored to avoid unauthorized expenditure;
- m) That Unauthorized, irregular or fruitless and wasteful expenditure be reported to relevant structures on a quarterly basis, for action to be taken against officials whilst they are still employees of the council.

Signed by Speaker
Councillor DJ Mmetle.....



**A 94 REPORT ON THE INVESTIGATION OF THE 2016/17 UNAUTHORISED,
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(EC 2018 09 28, C 2018 09 28)

(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 2016/17 unauthorized, irregular, fruitless and wasteful expenditure (UIF).

BACKGROUND

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) .

The item that was noted by the council covers the irregular expenditures which amounted to (R 26 024 700, 93), Fruitless and wasteful expenditure amounted to (R 2 811 599, 05), and unauthorized expenditure amounted to (R140 742 976).

However during the investigation, the committee discovered that the irregular expenditure amounted to (R 27 725 931, 91), fruitless and wasteful expenditure amounted to (R 6 060 039.05) and unauthorized expenditure amounted to (R32 399 991, 00). And therefore the report will presented in line with the figures that were found during the investigation.

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.

Section 32 (2) of the Local Government Municipal Finance Management Act 56 of 2003 "unauthorized, Irregular, fruitless and wasteful expenditure". States that: "a Municipality must recover unauthorized, irregular, fruitless and wasteful expenditure from the person liable for such expenditure unless the expenditure-

- (a) In case of unauthorized expenditure;
 - (i) Unauthorized 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."

SUMMARY OF THE KEY FINDINGS

4. UNAUTHORISED EXPENDITURE

Unauthorized expenditure occurs when the municipality exceeded their budget. The investigation revealed that the municipality incurred unauthorized expenditure amounting to R 32 399 991.00. The said expenditure can be broken down into Departments:

DEPARTMENTS THAT OVERSPENT	ORIGINAL BUDGET (R-Value)	ACTUAL JULY TO JUNE'17 (R-Value)	DIFFERENCE (R-Value)	% VARIANCE
03-Budget & Treasury	82 545 108	95 568 652	13 023 544	15.78%
04-Corporate Services	91 762 314	104 731 989	12 969 675	14.13%

05-Community Services	193 188 879	199 595 651	6 406 772	3.32%
			R32,399,991	

Total unauthorised expenditure at the end of the year is **R 32 399 991**. Although these expenditures are considered as non-cash items because there is no transaction with any service provider or supplier, an under provision during the budget compilation process is a material misstatement of the surplus or deficit position of the municipality. This could be the result of poor budgeting or financial management, or unknown events that gave rise to the asset and debt impairment after the adoption of the budget. The investigation further revealed that: there are no losses incurred by the municipality.

5. FRUITLESS AND WASTEFUL EXPENDITURE

The municipality incurred fruitless and wasteful expenditure amounting to R 6 060 039.05 In (Budget and Treasures Department and Engineering Services department) the detailed breakdown is on **page 13-22** of the report.

The root-causes of this expenditure are due to:

- d) interest on late payments;
- e) court orders

The investigation further revealed that:

- c) The losses incurred by the municipality and responsible officials are on **pages 13-22** of the report.

6. IRREGULAR EXPENDITURE

The municipality incurred irregular expenditure amounting to R27 725 931, 91. The breakdown of the said expenditure is on **pages 23-55** of the report. Summary of irregular expenditure per department;

Department	Amount
01-Municipal Manager	R 8 300
02-PED	R 244 641,70
03-Budget and Treasury	R 231 791,19

04-Corporate Services	R 155 180 ,00
05-Community Services	R 5 528 594,19
08-Engineering Services	R 21 557 424,29
Total	R27725931,91

The root-causes of this expenditure are as a result of:

- h) expired contracts;
- i) deviations made due to emergencies;
- j) variation orders not signed by accounting officer;
- k) supply chain processes not followed;
- l) court orders
- m) 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:

- c) The municipality received the services from service providers on pages 23-54
- d) The municipality also incurred financial losses due to the irregular expenditure. Breakdown of this expenditure is on pages 23-54 of the report.
- e) Some of the irregular expenditure can be avoided if 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.

GENERIC FINDINGS

- a) Lack of monitoring of the budget which led to unauthorized expenditure;
- b) Supply chain processes not properly followed.
- c) 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;

- d) Lack of accountability and consequence management.

RECOMMENDATIONS OF THE MPAC CHAIRPERSON (COUNCILLOR DG MKHABELA)

4. UNAUTHORISED EXPENDITURE

- b) That Council condone all the unauthorized expenditure of **R 32 399 991.00** as irrecoverable on the basis that the expenditures incurred are non-cash items; no loss was incurred by the municipality.
- a) Budget practice be strengthened, that is, availability of budget be monitored to avoid unauthorized expenditure;

5. FRUITLESS AND WASTEFUL EXPENDITURE

- c) That Council write-off all fruitless and wasteful expenditure of **(R6 060 039.05)** which emanates from interest on late payment paid to the service providers such as Telkom, Thomas and Swanepoel.
- d) That the municipality should implement more effective steps and measures to prevent this from happening in future and ensures that they receive invoices timeously from ESKOM.

6. IRREGULAR EXPENDITURE

- m) That Council condones the irregular expenditure of **R27 178 275, 11**.
- n) That council write-off the amount of **R352 156,83** paid to Royal Aloe Guest lodge in respect of the accommodation of Municipal officials during the SAIMSA Games and the amount of **R195 500,00** paid to More2life Trading Enterprises where payment was made in respect of construction of exhibition stalls.
- o) That the supply chain management awareness /workshop be conducted to relevant staff members before the end of November 2018.
- p) That the Municipal Manager establish a unit to manage all contracts of the municipality in order to avoid irregular expenditures.

7. That the Accounting Officer institute processes to recover money from officials where there is transgression of the law;
8. That Unauthorized expenditure be condoned on the basis that they are non-cash items, no loss was incurred by the municipality;
9. That a letter be written to National Treasury for condonement of irregular in terms of Section 170 of the MFMA;
10. That all officials adhere to the SCM policy, regulations and processes;
11. That consequence management be implemented on non-compliance to policies of the municipality;
12. That Unauthorized, irregular or fruitless and wasteful expenditure policy be developed;
13. That monitoring and evaluation of processes be strengthened;
14. That budget control measures be strengthened, and the availability of budget be monitored to avoid unauthorized expenditure;
15. That Unauthorized, irregular or fruitless and wasteful expenditure be reported to relevant structures on a quarterly basis, for action to be taken against officials whilst they are still employees of the council.

FOR CONSIDERATION

**GREATER TZANEEN MUNICIPALITY UIF REPORT:
2016/17 FY**



**UNAUTHORISED, IRREGULAR, FRUITLESS
AND WASTEFUL EXPENDITURE (UIF)
INVESTIGATION REPORT: 2016/2017 FY**

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ABBREVIATIONS

<i>MFMA</i>	<i>Municipal Finance Management Act (Act No 56 of 2003);</i>
<i>STRUCTURES ACT</i>	<i>Local Government: Municipal Structures Act, (Act No 117 of 1998);</i>
<i>SYSTEMS ACT</i>	<i>Local Government: Municipal Systems Act, (Act No 32 of 2000);</i>
<i>“Constitution”</i>	<i>means the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996);</i>
<i>PFMA</i>	<i>Public Finance Municipal Act (Act No.1 of 1999 as amended by Act 29 of 1999);</i>
<i>GTM</i>	<i>Greater Tzaneen Municipality;</i>
<i>AO</i>	<i>Accounting Officer</i>
<i>IA</i>	<i>Internal Audit</i>
<i>AC</i>	<i>Audit Committee</i>
<i>RMU</i>	<i>Risk Management Unit</i>
<i>RMC</i>	<i>Risk Management Committee</i>
<i>UIF</i>	<i>Unauthorised, Irregular or Fruitless and Wasteful Expenditure</i>
<i>SAPO</i>	<i>South African Post Office</i>

DEFINITIONS

Accounting Officer means: *Municipal Manager* in a municipality and *Chief Executive Officer* in a municipal entity.

Audit Committee means: an independent committee constituted to review the control, governance and risk management within the institution established in terms of Section 166 of MFMA.

Internal Audit means: an official within the municipality responsible for internal audit activities.

Executive Authority means: The Municipal Council in a municipality and Municipal Council of its parent municipality

Internal Auditing means: an independent, objective assurance and consulting activity designed to add value and improve municipal's operations. It helps the municipality to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Management means: all senior officials of the municipality.

MFMA means: Municipal Finance Management Act

Risk Management Committee means: a committee appointed by Accounting Officer to review the municipality's system of risk management.

Risk Management Unit means: a business unit responsible for coordinating and supporting the overall institutional risk management process, but which does not assume the responsibilities of management for identifying, assessing and managing risk.

Councillor means member of municipal council of Greater Tzaneen Municipality

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

“Financial Misconduct” means any misappropriation, mismanagement, waste or theft of the finances of a municipality, and also includes any form of financial misconduct specifically set out in sections 171 and 172 of the Act.

“Irregular expenditure”, in relation to a municipality or municipal entity, means:

- a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of

“Overspending” means:

- a) in relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure, as the case may be;
- b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- c) in relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section.

“Political Office Bearer” means the speaker, executive mayor, mayor, deputy mayor, or a member of the executive committee as referred to in the Municipal Structures Act.

“Prohibited expenditure” means unauthorised, irregular, fruitless and wasteful expenditure;

“Senior Manager” has the meaning assigned to it in section 1 of the MFMA and in relation to Greater Tzaneen Municipality refers to Directors and CFO

“Unauthorised expenditure” any expenditure incurred by a municipality other than in accordance with section 15 or 11(3), and includes-

- a) overspending of the total amount appropriated in the municipality’s approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;

- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” other than in accordance with any conditions of the allocation; or grant by GTM;
- f) Any grant to an individual or household unless it is in terms of the municipality’s indigent policy, bursary scheme, corporate social responsibility policy, councillors discretionary grant or the grants-in-aid ;
- g) Unforeseen and unavoidable expenditure not authorised within an adjustments budget within 60 days after the expenditure was incurred; and
- h) Any overspending on non-cash items, for example depreciation, impairments, provisions.

“Vote” means:

- a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different department or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

“Official” in relation to Greater Tzaneen Municipality, means:

- a) an employee of the municipality;
- b) a person contracted by the municipality to work as a member of the staff

1. INTRODUCTION

The Auditor-General has highlighted an 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.

This report relates to the investigation of unauthorized expenditure of R 32 399 991.00, irregular expenditure of ; R 27 725 931, 91 and fruitless and wasteful expenditure of R 6 060 039.05 which occurred in 2016/2017 financial year. 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:

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

This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control.

Section 32 (2) of the Local Government Municipal Finance Management Act 56 of 2003 "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."*

2. LEGISLATIVE MANDATE

Irregular Expenditure

Local Government Municipal Finance Management Act of 2003 Circular No 68 on Unauthorised, Irregular, Fruitless and Wasteful expenditure states that;

In terms of section 32(2)(b) irregular expenditure may only be written-off by Council if, after an investigation by a Council committee, that irregular expenditure is certified as irrecoverable. In other words writing-off is not a primary response, it is subordinate to the recovery processes, and may only take place if the irregular expenditure is certified by Council as irrecoverable, based on the findings of an investigation.

Local Government Municipal Finance Management Act of 2003 Section 170 (2) states that only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

There is no provision in the MSA that allows a contravention of the Act (law) to be condoned. Nevertheless, should a municipality wish to request that an act of non-compliance with any provision of the MSA be condoned, then the Accounting Officer should address the request to the Minister of Co-operative Governance and Traditional Affairs, who is responsible for administering the MSA. The resultant expenditure should however be dealt with in terms of section 32(2) of the MFMA.

With reference to (c) as defined – there is no provision to allow irregular expenditure resulting from a contravention of the Public Office-Bearers Act to be condoned. This is consistent with section 167(2) of the MFMA, which provides that such irregular expenditure cannot be written-off and must be recovered from the political office-bearer concerned.

With reference to (d) as defined – a council may condone a contravention of the council approved SCM policy or a by-law giving effect to such policy, provided that the contravention, is not also a contravention of the MFMA or the SCM regulations, in which case (a) applies and then only National Treasury can condone a contravention of the SCM regulations. Any such requests must be accompanied by a full motivation and submitted to mfma@treasury.gov.za for consideration.

Unauthorised Expenditure

MFMA Circular No 68 Municipal Finance Management Act No. 56 of 2003 on Unauthorised, Irregular, Fruitless and Wasteful expenditure states that;

“In considering authorisation of unauthorised expenditure, Council must consider the following factors:

- (i) Has the matter been referred to Council for a determination and decision?*
- (ii) Has the nature, extent, grounds and value of the unauthorised expenditure been submitted to Council?*
- (iii) Has the incident been referred to a council committee for investigation and recommendations?*
- (iv) Has it been established whether the Accounting Officer or official or public office bearer that made, permitted or authorised the unauthorised expenditure acted deliberately or in a negligent or grossly negligent manner?*
- (v) Has the Accounting Officer informed Council, the Mayor or the Executive Committee that a particular decision would result in an unauthorised expenditure as per section 32(3) of the MFMA?*
- (vi) Are there good grounds shown as to why an unauthorised expenditure should be authorised? For example:*
 - the Mayor, Accounting Officer or official was acting in the best interests of the municipality and the local community by making and permitting unauthorised expenditure;*
 - the Mayor, Accounting Officer or official was acting in good faith when making and permitting unauthorised expenditure; and*
 - the municipality has not suffered any material loss as a result of the action.*

In these instances, the council may authorise the unauthorised expenditure. If unauthorised expenditure is approved by Council, there would be no further consequences for the political office-bearers or officials involved in the decision to incur the expenditure.”

Fruitless and Wasteful Expenditure

The processes to respond appropriately to fruitless and wasteful expenditure are similar to the following three processes outlined for irregular expenditure:

- (i) *disciplinary charges* against officials and political office bearers;
- (ii) *criminal charges* against officials and political office-bearers; and
- (iii) *recovery* of the fruitless and wasteful expenditure from the liable persons.

The description of the categories of irregular expenditure in the above three instances can be applied directly to fruitless and wasteful expenditure. The difference is that fruitless and wasteful expenditure can arise in any circumstance and is not dependent on non-compliance with any legislation.

Council should follow section 32(2)(b) of the MFMA when dealing with instances of fruitless and wasteful expenditure. Section 32 (2) MFMA No 56 of 2003

“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. PURPOSE OF THE REPORT

The purpose of this submission is to report to Council on the results of the investigations conducted on the 2016/17 unauthorised, irregular, fruitless and wasteful expenditure (UIF).

4. BACKGROUND

Section 32 (2) of the Local Government Municipal Finance Management Act 56 of 2003 “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-

- (c) In case of unauthorized expenditure. is*
- (iii) authorised in an adjustment budget; or*
- (iv) Certified by the municipal Council, after investigation by the council committee as irrecoverable and written off by Council; and*

- (d) *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."*

On the 31st of August 2017 Council resolved that the 2016/17 register of unauthorised, irregular, fruitless and wasteful expenditure (UIF) be noted and referred for investigation by MPAC as per Council Resolution No. A70 of 31/08/2017

5. SCOPE OF THE INVESTIGATION

The scope of the investigation will cover 2016/2017 UIF expenditure incurred by the municipality which are accumulated figures of unauthorized expenditure of R 32 399 991.00 (on page 7 of this report), irregular expenditure of R 27 725 931,91 and fruitless and wasteful expenditure of R 6 060 039.05. The scope of the UIF investigation was established by **the Council resolutions number A70 of 31 August 2017**. All relevant information from the opening balances was scrutinized which is covered by the investigation.

It should be noted that despite a diligent effort on our part to obtain all information and documentation relevant to conduct the investigation, we cannot guarantee that such is accurate. Therefore, our opinion and conclusions may change should further documentation or information be obtained or made available to us that materially impacts on this investigation.

The scope of our investigation was limited to an analysis of documentation, information and data made obtained. It should further be noted that this report does not limit the overall scope of this investigation and that GTM may extend the scope of this investigation in the event of further areas of concern and/or irregularities being identified.

Scope limitation:

We were not able to interview former CFO, former Director Community Services and former Municipal Manager as they are no longer employees of Greater Tzaneen Municipality.

6. METHODOLOGY

The procedures performed are based on the information and documentation made available to us during the investigation. The conclusions and recommendations are based on the information obtained through interviews with officials deemed relevant for the investigation and scrutiny of documents obtained. Should further documentation and/or information, previously not divulged to us for whatever reason be made available to ourselves, our conclusions and inferences may change, and if considered necessary, a supplementary report will be issued.

2016/2017 UIF INVESTIGATION REPORT

7. FRUITLESS EXPENDITURE

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	DEPARTMENT	COMMENTS/RECOMMENDATIONS
1.	Eskom-FBE	08/2016	1064012	507,25	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on the 18 th of July 2016. Payment was effected on the 29 th Of July 2016. The Manager Revenue indicated that FBE invoices are normally received late. The municipality made an arrangement with Eskom to send the invoices by email to avoid interest in future. Recommendations: that

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	DEPARTMENT	COMMENTS/ RECOMMENDATIONS
							the expenditure be written because it is uneconomical. It is further recommended that the municipality to develop proper systems of control, that is, there is no trace of when the invoice was received by the user departments. The delay in payment of the invoice which attracted the interest cannot be traced.
2.	Eskom- BULK	12/2016	1066506	272 372,55	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on the 6 th of December 2016. Payment was effected on the 20 th of December

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	DEPARTMENT	COMMENTS/RECOMMENDATIONS
							2016. Recommendations: that the expenditure be condoned by Council.
3.	Eskom	02/2017	1067285	46,47	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on the 31 st January 2017. Payment was effected on the 10 th of February 2017. Recommendations: that the expenditure be written off because it is uneconomical.
4.	Eskom	02/2017	1067347	282,15	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on the 30 th of January 2017.

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	DEPARTMENT	COMMENTS/RECOMMENDATIONS
							Payment was effected on the 17 th of February 2017. Recommendations: that the expenditure be written off.
5.	Eskom	03/2017	1067751	19,57	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on the 14 th February 2017. Payment was effected on the 10 th of March 2017. Recommendations: that the expenditure be written off because it is uneconomical.
6.	Eskom- BULK	03/2017	1067796	233 029,35	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	DEPARTMENT	COMMENTS/RECOMMENDATIONS
							the 03 rd of March 2017. Payment was effected on the 17 th of March 2017. Recommendations: that the expenditure be written off.
7.	Eskom	03/2017	1067796	1,09	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on the 03 rd of March 2017. Payment was effected on the 17 th of March 2017. Recommendations: that the expenditure be written because it is uneconomical.
8.	Eskom- BULK	04/2017	1068589	87 349,22	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	DEPARTMENT	COMMENTS/ RECOMMENDATIONS
							paid to Eskom on overdue account. The municipality received the invoice on the 05 th of April 2017. Payment was effected on the 19 th of April 2017. Recommendations: that the expenditure be written off.
9.	Telkom	04/2017	1068606	23,03	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on the 20 th of April 2017. Payment was effected on the 21 st of April 2017. Recommendations: that the expenditure be written off.

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	DEPARTMENT	COMMENTS/RECOMMENDATIONS
10.	Eskom- FBE	05/2017	1068985	437,35	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on the 20 th of April 2017. Payment was effected on the 9 th of May 2017. The Manager Revenue indicated that FBE invoices are normally received late. The municipality made an arrangement with Eskom to send the invoices by email to avoid interest in future. Recommendations: that the expenditure be written off.
11.	Eskom	05/2017	1069078	14,22	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	DEPARTMENT	COMMENTS/ RECOMMENDATIONS
							paid to Eskom on overdue account. The municipality received the invoice on the 10 th of May 2017. Payment was effected on the 17 th of May 2017. Recommendations: that the expenditure be written off.
12.	Eskom	05/2017	1069380	17,18	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on the 18 th of May 2017. Payment was effected on the 31 st May 2017. Recommendations: that the expenditure be written off.

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	DEPARTMENT	COMMENTS/RECOMMENDATIONS
13.	Eskom	06/2017	1070080	3,12	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice on the 19 th of June 2017. Payment was effected on the 30 th of June 2017. Recommendations: that the expenditure be written off.
14.	Eskom	06/2017	1066826	90 006,54	Interest on late payment	Budget & treasury	The expenditure was incurred due to interest paid to Eskom on overdue account. The municipality received the invoice late and payment was effected in June 2017. Recommendations: that the expenditure be written off.

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	DEPARTMENT	COMMENTS/ RECOMMENDATIONS
15.	Eskom	06/2017	1070080	131 332,07	Interest on late payment	Budget & treasury	Interest for late payment made. Recommendations: that the expenditure be written off
17.	Thomas and Swanepoel	2017		3 248 440,00	Interest on late payment	Engineering services	Interest claimed by the service provider for the delayed payment in terms of the court order. Recommendations: that the expenditure be written off.
	TOTAL			R6 060 039,05			

8. IRREGULAR EXPENDITURE PER DEPARTMENT
8.1.OFFICE OF THE MUNICIPAL MANAGER

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R)	DESCRIPTION	COMMENTS
1.	Garden Court Hatfield	31/01/2017	1067130	1400.00	Payment made using pro-forma invoice	Irregular expenditure was incurred due to SCM processes not being followed by the municipal manager's office. Payment was made in respect of accommodation for municipal manager attending MIG meeting in Pretoria. Payment was made using a quotation. The service was also not certified upon return. Tax invoice is compulsory for any service rendered according to the municipal financial delegations. In future this cannot be regarded as irregular due to its materiality. It is recommended that the expenditure be condoned.
2.	Southern Sun Elangeni & Maharani	19/06/2016	1064697	2700.00	Payment made using a quotation.	Irregular expenditure was incurred because SCM processes were not followed. The official didn't request three (3) quotations. Payment was

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	COMMENTS
						made using a quotation which exceeds R2000. Payment was made for former municipal manager in respect of IMFO conference which took place in Durban. The municipal manager should have followed proper SCM processes or rather use the services of the appointed travel agent in the pool and also Expenditure division should have withheld the payment up until proper documents are submitted. It is therefore recommended that the expenditure be condoned.
3.	Garden Court Hatfield	18/07/2016	1063667	4200.00	Payment made using pro-forma invoice	Irregular expenditure was incurred in respect of the accommodation paid for Municipal Manager who was attending a workshop on municipal service delivery and PPP. Payment was made using a quotation. No proper documentation were produced by the former municipal manager. The service was also not certified on return. In

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT (R')	DESCRIPTION	COMMENTS
						terms of the S&T policy, the service rendered must be certified by the recipient. The municipal manager was supposed to submit a tax invoice from the hotel on return as a proof of service rendered. Former municipal manager is no longer an employee of the municipality. Former CFO authorised payment. It is therefore recommended that the expenditure be written off.
	TOTAL			R8300.00		

8.2.BUDGET AND TREASURY DEPARTMENT (FINANCE)

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS
4.	Contour Technology	18/07/2016	1063668	25 711,32	Contract Expired	The service provider was appointed to render the services of electricity prepaid vending for the municipality. The contract has <u>long lapsed in 2005</u> . 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 Municipal Manager and CFO in October 2013 <u>alleging that the service provider is a sole supplier of prepaid vending.</u> The municipality is currently in the process of procuring services for prepaid vending. Service provider will be given 90 days termination notice upon <u>for 10 days - up -</u> appointment of a service provider.
		31/08/2016	1064448	13 901,02		
		30/09/2016	1065153	13 980,36		
		30/11/2016	1066262	26 865,78		
		27/01/2017	1066994	14 312,41		
		30/03/2017	1068142	42 006,76		
		31/05/2017	1069383	14 570,40		

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS
						Long term contracts in terms of MFMA Section 33 states that contracts must not exceed <u>3 year period</u> . It is therefore recommended that the amount be condoned. The municipality is currently in the process of procuring services for prepaid vending. Current service provider will be given 90 days termination notice upon appointment of a new service provider. <i>recurring</i>
5.	Focus Outsourcing Solutions CC	21/07/2016	1063816	7 791,29	Contract Expired	Focus Outsourcing renders the services of water and lights statements. No efforts were made to appoint new service provider. The contract has long lapsed 2005. Long term contracts in terms of MFMA Section 33 states that contracts must not exceed 3 year period. It is recommended that the expenditure be condoned and the finance department to begin with the procurement processes.
		31/08/2016	1064458	7 758,28		
		31/10/2016	1065725	7 685,76		
		29/12/2016	1066706	8 315,24		
		11/01/2017	1066747	13 502,77		
		11/01/2017	1066747	13 450,19		
		31/01/2017	1067129	7 513,66		
		31/05/2017	1069383	14 425,95		

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS
						The municipality is currently in the process of procuring services for prepaid vending. Service provider will be given 90 days termination notice upon appointment of a new service provider.
	TOTAL	R231 791.19				

8.3.COMMUNITY SERVICES

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
1.	Letaba Security	11/07/2016	1063501	41 984,06	Contract Expired	Service provider was paid in respect of cash in transit services. Community Services Department acknowledged that the contract has expired and requested the former CFO and Municipal Manager to regularise the irregular expenditure. Former Municipal Manager approved request from Community Services on the 28 th February 2017 which was recurring from previous.
		08/09/2016	1064527	41 984,06		
		19/09/2016	1064708	41 544,06		
		14/10/2016	1065431	42 204,06		
		04/11/2016	1065822	41 544,06		
		20/12/2016	1065513	43 064,06		
		29/12/2016	1066726	41 324,06		
		24/02/2016	1067438	41 764,06		
		07/03/2017	1067735	41 324,06		Recommendations: It is recommended that the expenditure be condoned because the former Municipal Manager and CFO are no longer employees of the municipality. <i>is resolved / fixed for cash in transit</i>
2.	Hlimbyi Trading Enterprise	17/05/2017	1069100	1 996 157,89	Court order	The court declared the contract invalid reason being that the tender expired, the

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						tender was awarded outside expiry date which is 90 days of SCM processes. Contract of Hlimbyi Trading Enterprise was declared invalid by the case of, Kgoshi Monene Business Enterprise v Greater Tzaneen Municipality and Hlimbyi Trading Enterprise. Bid Adjudication Committee decided not to appoint Hlimbyi Trading Enterprise because the service provider didn't meet <u>specification</u> requirements. Accounting Officer appointed Hlimbyi Trading Enterprise against the decision of Bid Adjudication Committee (BAC). The municipality doesn't have the contract with service provider, Hlimbyi (unauthorised expenditure). There was no authority (court order or any tax costs on attorney and own client scale awarded against by the municipality at high court). The only valid document was tax invoice from service

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						provider. Money was paid without any authority. <i>- condoned. / court order</i>
3.	Malwandla Security Services	10/04/2017	1068504	903 000,00	Court order	The municipality was ordered by the court to pay the service provider because the payment was not effected as per contract. This service provider then approached the court to seek relief; court granted him judgement. Service provider was appointed to render security services at the municipality with the contract amount of R2, 709 333.00 for three (3) months (February, March and April 2017). The payment was made in respect of court order issued against the municipality. It is recommended that the expenditure be condoned.
		08/05/2017	1068941	903 000,00		
		08/05/2017	1068940	903 000,00		

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
4.	Maakana Trading	27/06/2016	1063604	27 360,00	Invoice date precedes the order date	Payment was made in respect of catering services for training of street steering committees consisted of 300 people. Tax invoice was issued prior the order date. The invoice was received on the 27 June 2016 whereas the order was issued on the 29th of June 2016 (after the invoice date). Documents were signed by both former Director Community Services and former CFO. <u>Supply chain processes</u> were not properly followed. Service rendered was not an emergency. The department must in future ensure that the order is issued before requesting the tax invoice from service provider. N.B. The municipal departments must be trained on SCM policy, processes and regulations in order to comply. It is

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						therefore recommendation that the expenditure be condoned.
5.	Royal Aloe Guest Lodge	21/09/2016	1064772	352 156,83	SCM Processes not followed-1 quote attached	Irregular expenditure occurred due to non-adherence to SCM policy and Regulations. Former Director Community Services requested a deviation on this expenditure which was approved by former Municipal Manager and CFO. Deviation memo was approved on the 14 th September 2016. Payment made was in respect of accommodation for SAIMSA games attended by municipal officials. Council also approved participation of SAIMSA games as per Council Resolution No B85 of 14 th September 2016. The department concerned, Community Services was supposed to follow proper supply chain processes since this matter

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						was not an emergency. In terms of MFMA Section 32(2) (b) irregular expenditure may only be written-off by Council if, after an investigation by a Council committee, the irregular expenditure is certified as irrecoverable. In this case this irregular expenditure will not be recovered. It is recommended that the expenditure be condoned and awareness campaigns be conducted by the municipality in order to sensitise officials about SCM processes.
6.	SAIEH	28/11/2016	1066201	12 000,00	No Invoice attached	Payment was made in respect of the registration of the national conference by Community Services officials. There is no tax invoice or order attached for payment but only registration form. Service was not certified by as rendered by the municipality, that is, no invoice

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						was submitted upon return by officials. It is therefore recommended that the expenditure be condoned and that SCM awareness be conducted to sensitise municipal officials about SCM processes.
7.	ID Control	13/09/2016	1064594	7 278,46	Supply Chain Process not followed	The department requested an approval of deviation reason being that ID control is the sole service provider for repairs and maintenance of electric doors for the municipality's main entrance. A request was approved by former municipal manager. Former CFO didn't sign the memo. It is therefore recommended that the expenditure be condoned. (main doc)
8.	IMPSA-SA	11/08/2016	1064047	4250.00	Payment made using registration form. No	Irregular expenditure occurred due to SCM processes not being followed. Only document provided to effect

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
					invoice is attached.	payment was the registration form and a letter from the institution confirming invitation. Request was made by secretary for the former director community services who approved the cheque requisition of which was also approved by former municipal manager and CFO. Director was not advised to submit proper invoice and also not requested to submit tax invoice on return in order to certify the service rendered. Former municipal manager, Director Community Services and CFO are no longer employees of the municipality. It is therefore recommendation that the irregular expenditure be condoned as the chances of recovering the money are limited.

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
9.	The Peninsula All Suit Hotel	19/06/2016	1064699	18 600.00	Payment made using pro-forma invoice instead of tax invoice.	Three (3) of Community Services officials attended IERM world urban parks for three (3) days. Irregular expenditure occurred because proper supply chain processes were not followed. Tax invoices were not submitted to Finance to certify the service on return. It is therefore recommended that irregular expenditure be condoned and that consequence management be implemented on officials who are in contravention of the law It is further recommended that the internal control measures be strengthened and that SCM awareness be conducted to sensitise officials on SCM processes.

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
10.	SAIEH	30/01/2017	1067055	9 000.00	Payment made using registration form. No invoice is attached.	Irregular expenditure occurred because payment was made without proper documentation submitted to Expenditure Management. Two (2) Councillors were approved by former municipal manager to attend Environmental Health conference outside municipal boundaries. The service was not certified on return by the officials; that is, tax invoices were not submitted as proof of service rendered. Finance department must in future apply SCM and S&T policy before effecting any payment. Recommendation: that the irregular expenditure be condoned and that awareness campaigns be conducted to sensitise all staff and Councillors about SCM processes.

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
11.	Diplidania Trading 18		1065597	700,01	Invoice dated same as quotation.	Irregular expenditure occurred because supply chain processes were not properly followed. Order issued after the invoice. The service provider rendered the service before the order was issued. It is therefore recommended that the expenditure be condoned and that due to the materiality of the amount this transaction be not regarded as irregular expenditure.
12.	Diplidania Trading 18		1065597	1 150,00	Invoice dated same as quotation.	Irregular expenditure occurred because supply chain processes were not properly followed. Order issued after the invoice. The service provider rendered the service before the order was issued. It is therefore recommended that the expenditure be condoned and that due to the materiality of the amount this

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						transaction be not regarded as irregular expenditure.
13.	Tshete Asphalt (Pty) Ltd	11/08/2016	1064103	29 070,00	Payment made before Invoice was issued	Payment date shows the 10 th June 2016 whilst the invoice date is 12 th August 2016. Former CFO and former Director Community Services must account. Unfortunately the two former Directors are no longer the employees of the municipality. It is recommended that the expenditure be condoned because of the materiality of the amount it might be costly for the municipality recover such from the former employees of Council.
14.	Garden Court OR Tambo	21/10/2016	1065500	12 735,00	Payment made using Pro-forma Invoice instead Tax Invoice	No tax invoice was provided. Former CFO also approved the payment without tax invoice. The service was not certified, that is, no tax invoices was submitted to Budget & Treasury office

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						on return. If payment was effected using a pro-forma invoice a tax invoice should be submitted on return. It is recommended that the expenditure be condoned and Finance to implement SCM and S&T policies in order to remain complaint. It is further recommended that awareness campaigns be conducted to sensitise officials about SCM processes.
	TOTAL	R 5 528 594,19				

8.4.ENGINEERING SERVICES

Emphasis f

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
1.	Thomas & Swanepoel (out - to fruitless)	04/11/2016	1065814	R4 000 000,00	Court order	Payment was made to Expectra in respect of the court order issued to the municipality regarding Sasekani to Nkowankowa road.
2.	Thomas & Swanepoel	06/12/2016	1066339	R7 000 000,00		Attachment order was issued against the municipality, the municipal assets were confiscated by the sheriff of the court as the municipality couldn't pay due to insufficient cash flow. The total amount due to the service provider was
3.	Thomas & Swanepoel	28/12/2016	1066724	R4 000 000,00		R17 015 292.14. The former municipal manager informed the former CFO, not to pay the whole amount but in instalment amounting to R4m and R7m respectively due to cash flow problems.
4.	Thomas & Swanepoel	31/01/2017	1067191	R2 015 292,14		This transaction cannot be regarded as irregular expenditure but fruitless
5.	Thomas & Swanepoel	31/01/2017	1067166	R101 923,35		reason being that it was not a bid but a

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						court order for delayed payment by the municipality. It is therefore recommended that the expenditure be condoned and that a proper description of the transaction be clearly defined. Court order shouldn't be classified as irregular expenditure. <i>NYB</i>
6.	Uyapho E ngineering Projects	04/11/2016	1065815	R4 000 000,00	SCM Processes not followed	Payment was made in respect of NDPG project to build Nkowankowa taxi rank. SCM processes were properly followed and also implemented. Service provider was appointed on the 26 th April 2016 for Nkowankowa taxi rank amounting to R7 291 440.27 Commencement date of the contract was 4 th of May 2016. Contract period is 7 months. It is recommended that the expenditure be written off and that the transaction in future be properly located, that is, there is no indication

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						why this transaction was regarded as irregular expenditure.
7.	Sonco voertuie	30/06/2017	1069994	R3 545,97	Emergency	Payment was made in respect the emergency call out and additional kilos break downs of municipal vehicles. The department indicated that the breakdowns normally happen after hours and thus impossible to request three (3) quotations. The department issued out a memo of request to Acting Municipal Manager and former CFO in order to deviate from the SCM processes. It is therefore recommended that the expenditure be condoned as the matter was an emergency.
8.	Selane Business Enterprise	29/09/2016	1065142	R7 256,55	SCM processes not followed	Engineering department requested approval to deviate from normal supply chain processes. The memo for deviation was approved by former CFO and Municipal Manager on the 9 th of

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						June 2016. Acting Director Engineering Services indicated that it is difficult to tow a car for strip and quote to different supplier in order to establish the problem of damage. It is therefore recommended that the expenditure be condoned and also the importance of awareness campaigns about SCM processes and procedures be prioritised. It is further recommended that the department, Engineering Services considers appointing pool of service providers for such matters.
9.	Madumelani Construction	16/09/2016	1064688	R45 350,00	Order issued after invoice was received	Buy-out requisition for payment was made on the 05 th August 2016. Order was issued on the 31 st August 2016 and the invoice was received on the 7 th September 2016. The user department only requested one (1) quotation for this

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						service. Proper <u>SCM</u> processes were not followed. There are no reasons for <u>deviation</u> from the user department. Former CFO didn't advise the user department to request three (3) quotations before the transaction is concluded. It is therefore recommended that the expenditure be condoned and that awareness campaigns on SCM processes be prioritised for municipal officials.
10.	Selby Construction	31/08/2016	1064495	R384 056,28	Invoice date precedes the order date	Irregular expenditure occurred because proper supply chain processes were not followed. Order was issued out to the service provider on the 25 th July 2016 whilst the invoice date is 25 th May 2016. This basically mean that work was done before the order was issued. Service rendered was not an emergency. The contractor was appointed on the 6 th

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						June 2013 for maintenance of storm water drainage. This contractor is in the pool of long term contractors for a period not exceeding three (3) years. Work was performed in 2016. Recommendation: that irregular expenditure be condoned and that SCM unit sensitise officials on how to render services to communities using pool of contractors.
	TOTAL			R21 557 424.29		

8.5.CORPORATE SERVICES

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
1.	Bakhutlama Mobile Promotions	29/07/2016	1063938	52 300,00	Supply Chain Process not followed	Department requested approval of deviation for payment of loud hailing due to urgent political programme for state of the ward address. State of the ward address shouldn't be an emergency, it was pre-planned. The department didn't plan its logistics on time. Former municipal manager approved the deviation. Former CFO also signed but mentioned that request for approval for deviation came after the service was rendered. It is therefore recommended that irregular expenditure be condoned and that and awareness campaigns be conducted to sensitise officials about SCM processes.
2.	Bakhutlama Mobile Promotions	29/07/2016	1063938	4 200,00		
3.	ForstaTeaNet Trading	05/08/2016	1064008	40 800,00		
4.	Mangovo Traditional Dancers	13/02/2017	1067314	6000.00	Supply Chain process not followed	Deviation by Corporate Service Department was approved by former CFO and Municipal manager. Service rendered was for joint Mayoral inauguration in September 2016 which was held at

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						Maruleng. GTM was given responsibility of organising entertainment for the event. It is therefore recommended that the expenditure be condoned.
5.	Nwa Buku Business Enterprise	24/03/2017	1067999	6000.00	Supply Chain Process not Followed	Irregular expenditure was incurred due to SCM processes not being followed. The amount for the service rendered exceeds R2000. User department didn't request three (3) quotations from different suppliers. This matter is not an emergency because the event for more than 50 people was pre-planned whereby catering was offered. It is recommended that the expenditure be condoned and awareness campaigns be conducted to sensitise employees about SCM processes.
6.	High-grove Lodge	12/12/2016	1066467	2 295.00	Accommodation authorised within GTM jurisdiction	Irregular expenditure occurred due to payment for municipal officials who booked the accommodation within the vicinity of Tzaneen town contravening SCM policy. Officials were alleged to be preparing the Youth Career Expo. The request was made by the former Acting Manager in the Office of the

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						Mayor and was also approved by former Acting Director Corporate Services. It is therefore recommended that the expenditure be condoned and disciplinary procedures be institute against the former Acting Manager in the Office of the Mayor and Acting Director Corporate Services for allowing municipal officials to book accommodation within town of Tzaneen contravening SCM policy.
7.	The Shamrock Lodge	30/01/2017	1067065	2 580,00	SCM processes were not followed	Irregular expenditure was incurred due to SCM processes not being followed. Tax invoice for the service was more than R2000. Only one (1) quotation was requested instead of three (3) It is therefore recommended that irregular expenditure be condoned and that awareness campaigns be conducted to sensitise official about SCM processes.
8.	Trunamo Trading and Enterprise	08/09/2016	1064537	1 800,00	Invoice date precedes the order date	Payment was made to the service provider for catering of Provincial OHS audit committee. Invoice was received before the order was issued

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						out to the service provider. Invoice date is 24 th August 2016 whereas the order date is 29 th August 2016. User department, Corporate Services, didn't follow proper SCM processes. Finance Department should have advised the department to amend the dates by requesting new documents from the service provider in order to comply. It is therefore recommended that the irregular expenditure be condoned and that awareness campaigns be conducted to sensitise officials about SCM processes.
9.	Harmonie Slagpale	20/01/2017	1066851	15 000,00	Supply Chain Process not followed	The irregular expenditure was incurred due to an emergency matter of a mass funeral around Tzaneen town where the Mayor donated meat for Ward 2 and 3. Due to time constraints only one service provider was used. The request to regularise irregular expenditure was approved by former Acting Director Corporate Services, former Municipal Manager and CFO. It is therefore
10.	Harmonie Slagpale	11/01/2017	1066744	5 000,00		

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						recommended that irregular expenditure be condoned.
11.	Open Mic Productions	13/02/2017	1067322	21 500	Supply chain processes not followed.	Deviation by Corporate Service Department was approved by former CFO and Municipal manager. Service rendered was for joint Mayoral inauguration in September 2016 which was held at Maruleng. GTM was given responsibility of organising entertainment for the event. It is therefore recommended that irregular expenditure be condoned.
12.	TOTAL			R155 180 ,00		

8.6.PLANNING AND ECONOMIC DEVELOPMENT

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
1.	Limpopo Bookings	18/08/2016	1064197	15 000,00	Supply Chain process not followed	The department requested approval of deviation for payment of tourism maps in favour of service provider and it is alleged that he is the sole provider of Tourism Data Bank. It is therefore recommended that the expenditure be condoned.
2.	Letaba Herald	31/08/2016	1064468	2 736,00	Supply Chain process not followed	Office of the Mayor requested approval to regularise the irregular expenditure due to an urgent notice/advert of temporary water shedding in Nkowankowa area. The request was not approved by either MM of CFO but the service was rendered. Payment was later authorised by former CFO. Due to the fact that the matter was an emergency it is recommended that irregular expenditure be condoned.
3.	Letaba Herald	09/028/2017	1067280	9120,20	Supply Chain process not followed	Irregular expenditure was incurred due to payment of advertisement for Expo. The request for deviation was approved by former MM and CFO.

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						Recommendation: that irregular expenditure be condoned.
4.	Tzaneen Country Club	28/11/2016	1066204	7 000,00	Contract Expired	PED requested irregular expenditure to be regularised which was approved by former municipal manager. Former CFO recommended that this irregular expenditure be condoned.
5.	Hlabale Trading	26/10/2016	1065631	1 600,00	No order was attached	Payment was made during Agricultural Expo which was held for two (2) days. Payment was made without order being issued. Recommendations: It is recommended that the amount be condoned because it is uneconomical. It is further recommended that awareness sessions be conducted to sensitise officials about SCM processes.
6.	South African National Parks	27/10/2016	1065645	13 685,50	Invoice not attached	Tourism capacity building workshop for 13 PED officials including Director. Three (3) quotations not requested. No request to regularise the expenditure by the user department. Former CFO should have advised the department to follow

ITEM NO	SERVICE PROVIDER	PAYMENT DATE	PAYMENT NO	AMOUNT	DESCRIPTION	COMMENTS/RECOMMENDATIONS
						proper supply chain processes especially the order and the tax invoice. It is therefore recommended that the expenditure be condoned and that awareness workshop be conducted to sensitise municipal officials about SCM processes.
7.	More2Life Trading Enterprise	29/09/2016	1065139	195 500,00	Invoice issued before order	Order was issued by the municipality on the 29 th September whilst the tax invoice was received on the 28 th September 2016. The order must be issued out to the service provider before requesting tax invoice. Proper SCM processes were not followed by the user department. Payment was made in respect of construction of exhibition stalls. It is recommended that the expenditure be written off and that awareness campaigns by Budget & Treasury office/SCM be conducted in order to sensitise employees about SCM processes.
8.	TOTAL			R244 641.70		

9. UNAUTHORISED EXPENDITURE: (Unauthorised expenditure occurs when the municipality exceeded their budget)

DEPARTMENTS THAT OVERSPENT	ORIGINAL BUDGET (R-Value)	ACTUAL JULY TO JUNE'17 (R-Value)	DIFFERENCE (R-Value)	% VARIANCE
01-MUNICIPAL MANAGER	0	0	0	0
02-PED		0	0	0
03-BUDGET AND TREASURY OFFICE	82 545 108	95 568 652	13 023 544	15.78%
04-CORPORATE SERVICES	91 762 314	104 731 989	12 969 675	14.13%
05-COMMUNITY SERVICES	193 188 879	199 595 651	6 406 772	3.32%
06-ELECTRICAL ENGINEERING		0		
08-ENGINEERING SERVICES (CIVIL)				

Total unauthorised expenditure at the end of the year is **R 32 399 991.00**. Although these expenditures are considered as non-cash items because there is no transaction with any service provider or supplier, an under provision during the budget compilation process is a material misstatement of the surplus or deficit position of the municipality. This could be the result of poor budgeting or financial management, or unknown events that gave rise to the asset and debt impairment after the adoption of the budget.

10. CRITICAL ISSUES IDENTIFIED DURING INVESTIGATIONS

- a) Non-termination of contracts by the municipality;
- b) Long term expired contracts continue rendering services to the municipality;
- c) Overspending on budget by departments (led to unauthorized expenditure);
- d) Supply chain processes in most instances are not followed;
- e) There is poor contract management by user departments, some vendors providing services to the municipality for more than 3years without advertising the bid;
- f) Payment effected without proper documentation being attached (payment of services paid using either registration forms, quotations or pro-forma invoices);
- g) Quotation analysis not done by SCM Office;
- h) Abuse of SCM Regulation 32;
- i) Court matters takes time to be finalized;
- j) Payments delayed due to cash flow problems;

11. RECOMMENDATIONS

- a) It is recommended that the Accounting Officer institute processes to recover money from officials where there is transgression of the law;
- b) Unauthorized expenditure be condoned (MFMA Sec 32 (2)(a)) on the basis that it is mainly non-cash items, no loss was incurred by the municipality;
- c) The municipality to adhere to the SCM policy, Regulations and processes;
- d) Budget and Treasury Office (Office of the CFO) conduct awareness workshops on SCM policy and Regulations to sensitize employees about SCM processes;
- e) Consequence management be implemented on non-compliance;
- f) Unauthorized, irregular or fruitless and wasteful expenditure policy or procedure manual be developed;
- g) Monitoring and evaluation be strengthened;
- h) Contract management be strengthened, that is, each municipal department to develop its own contract register;
- i) Communication gap between SCM and user departments be strengthened;
- j) Budget practices be strengthened, that is, availability of budget be monitored to avoid unauthorized expenditure;
- k) Payments to services provider not be effected where user department cannot produce proper documentation;

- l) Services to be certified especially where municipal officials and political office bearer attends workshops outside the jurisdiction of Tzaneen, That is submitting tax invoices on return;
- m) Unauthorized, irregular or fruitless and wasteful expenditure be reported to Council on quarterly basis.

12. CONCLUSION

In terms of Section 32(2)(b) of the MFMA the irregular expenditure may only be written off by Council, if after an investigation by Council committee, the irregular expenditure is certified as irrecoverable. In term of Section 170 of the MFMA only National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council has therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. The treatment of expenditure associated with non-compliance is therefore the responsibility of the Council.

The municipality can avoid unauthorised, irregular or fruitless and wasteful expenditure if due processes and procedures are being followed. The development of the policies such as unauthorised, irregular, fruitless and wasteful policy will be of the utmost importance. Those charged with responsibilities should adhere to the policies, procedures and processes. The Accounting Officer must set the tone at the top and introduce consequence management for the transgressors of the law and legislative prescripts.