

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 366 [NW394E]
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366. Mr K J Mileham (DA) to ask the Minister of Finance:

For each metropolitan municipality, based on the 2013-14 audited annual financial statements, what amount of (a) irregular expenditure, (b) unauthorised expenditure and (c) fruitless and wasteful expenditure was (i) reported, (ii) condoned, (iii) written off in an adjustment budget and (iv) recovered in terms of section 32 of the Local Government: Municipal Finance Management Act, Act 56 of 2003?

NW394E

REPLY:

Honourable Member to note that the MFMA defines irregular expenditure to mean:

- a) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with a requirement of the Act and which has not been condoned in terms of section 170;
- b) Expenditure incurred by a municipality or municipal entity 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 that Act;
- c) Expenditure incurred by a municipality in contravention of, or that is not in accordance with a requirement of the Public Office Bearers Act, 1998 (Act No 20 of 1998); or
- d) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in term of such policy or by-law.

The MFMA defines unauthorized expenditure to mean any expenditure incurred by a municipality otherwise 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, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

The MFMA defines fruitless and wasteful expenditure to mean expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Section 32(2) of the MFMA sets out the procedural matters which should be undertaken by municipalities in handling or treating each of these expenditure types once identified. These procedures include investigations by a council committee who will provide recommendations to council on how to proceed in terms of recovery or writing off the expenditure as irrecoverable. In the case of unauthorized expenditure, section 32(2) also requires that such expenditure be authorized via an adjustment budget.

In addition to the above, section 125(2)(d) also requires municipalities or municipal entities to disclose particulars of any material losses and any material irregular or fruitless and wasteful expenditure, including in the case of a municipality, any material unauthorized expenditure, that occurred during the financial year and whether these are recoverable.

Having provided the applicable legal framework above, the table below reflects the amounts incurred by each metropolitan municipality for unauthorized, irregular, fruitless and wasteful expenditure as reported in their 2013/14 audited Annual Financial Statements as part of the section 125(2)(d) of the MFMA disclosure requirements.

Municipality	Irregular Expenditure	Unauthorized Expenditure	Fruitless and Wasteful Expenditure	Condoned	Recoveries
	R'	R'	R'	R'	R'
Nelson Mandela	768,212,060	1,016,645,415	122,143,994	270,777,602	0
Buffalo City	1,330,327,568	186,767,984	5,532,125	583,610,148	0
eThekweni	366,736	0	0	50,050	0
City of Cape Town	45,000	0	440,000	0	146,000
Ekurhuleni	753,702,756	0	159,883,363	4,019	0
City of Johannesburg	1,120,947,000	53,166,000	26,357,000	6,043,000	7,851,000
City of Tshwane	452,619,667	1,193,981,952	17,117,352	1,188,088	0
Mangaung	274,276,377	892,507,058	28,324,936	35,000,906	0

Nelson Mandela Bay Metro Council has unauthorized non-cash flow items amounting to R622 551 908 on 22 January 2015, listed below:

- R605 508 471 land and building being an old Telkom Park rugby stadium that was demolished after the supplementary valuation roll commissioned was completed and after the 2014 adjustment budget process, and
 - R17 043 437 consisting mainly of safety and security assets that reached their useful depreciation life span. Due to assessed good condition of the assets, the useful life had extended, resulting in changes in calculations of the depreciation, which was based on the revalued amount.
- Unauthorized expenditure of R121 386 666 related to the Public Transport Integrated Systems grant and is being addressed through the Municipal Public Accounts Committee system. The Committee is expected to make recommendations to Council and the Accounting Office, who will then deal with this matter in terms of MFMA section 32.
 - An amount of R270 777 602 in respect of the 2012/13 financial year was authorized by Council during the 2013/14 financial year.

Buffalo City Metropolitan Municipality did not table any special adjustment budget to authorize any unauthorized expenditure reported in the 2013/14 AFS.

eThekweni has also not incurred any unauthorized expenditure for the 2013/14 financial year, hence, the adjustment budget which was passed during the month of February 2015 would not have dealt with any unauthorized expenditure.

The **City of Cape Town** has not incurred any unauthorized expenditure for the 2013/14 financial year, hence, the adjustment budget which was passed during the month of February 2015 would not have dealt with any unauthorized expenditure.

Ekurhuleni Metropolitan Municipality did not table any special adjustment budget to authorize any unauthorized expenditure as none had been incurred for the 2013/14 financial year.

City of Johannesburg Metropolitan Municipality did not table any special adjustment budget to authorize any unauthorized expenditure reported in the 2013/14 AFS. Processes are underway to submit a report to Council to have the unauthorized expenditure identified during the 2013/14 financial year authorized during the special adjustment budget process.

The **City of Tshwane** did not table any special adjustment budget to authorize any unauthorized expenditure reported in the 2013/14 AFS.

Mangaung Metropolitan Municipality has referred all the identified expenditure to the Council who has referred same to the Municipal Public Accounts Committee for investigation and recommendations. Once recommendations have been received, it will be dealt with via the special adjustment budget process.