

**NATIONAL COUNCIL OF PROVINCES**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER: 96 [CW147E]**  
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**96. Mr D B Feldman (COPE-Gauteng) to ask the Minister of Finance:**

- (1) Whether the National Treasury is drawing up a central policy document in response to the Auditor-General's 2013 report on the R24.8 billion irregular expenditure by municipalities in the country; if not, why not; if so, what are the relevant details;
- (2) whether the National Treasury has a national policy approach on cell phone and 3G data policies which have been identified as one of the major areas where leakages in efficiency expenses are most high; if not, why not; if so, (a) how soon will his department put recommendations through to all the relevant departments and provinces and (b) what are the further relevant details?

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**REPLY:**

- (1) No. Legislation governing local government (such as the Municipal Finance Management Act and various Regulations such as Municipal Budget and Reporting Regulations and Municipal Supply Chain Management regulations) provides the legal framework in which municipalities need to deal with instances of unauthorised, irregular, fruitless and wasteful expenditure. These are defined as follows:

**'unauthorised expenditure'** means –

- Overspending of the total amount appropriated in the municipality's approved budget and
- Expenditure not in accordance with the purpose of the budget.

**'fruitless and wasteful expenditure'** means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

**'irregular expenditure'** means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including –

- the PFMA, MFMA and DoRA; or
- the SCM Regulations made in terms of that Act

Also note the definitions of the unauthorised expenditure are broader within the context of local government.

In terms of the legislative framework governing municipalities, a municipal council is ultimately accountable to manage the fiscal and financial affairs of its municipality in a

transparent and accountable manner. This includes approving the relevant by-laws and policies to guide the municipal administration when raising revenue and planning the use of funds through its IDP and budget. The municipal administration must spend all municipal funds in accordance with the above legal framework which will be consistent with council-approved by-laws, policies and budget and within the boundaries set out in the local government legislative framework. The municipal council must oversee and enforce its administration's implementation of the IDP and budget in accordance with its by-laws and policies.

National Treasury has institutionalised two formal processes with the 17 non-delegated municipalities (of the 278 municipalities 261 have been delegated to the respective provincial treasuries) namely the Municipal Budget and Benchmark Engagements and Mid-year performance assessments<sup>1</sup>. The 2012/13 MTREF Mid-year performance assessment was the sixth consecutive year that that this exercise was undertaken with the 17 non-delegated municipalities. The engagements are meant to strengthen national government oversight, and provide support to municipalities to improve financial management capacity. The program for these engagements covers a host of topics including unauthorised, irregular, fruitless and wasteful expenditure identified in the previous financial year and will these culminate in comprehensive reports for each of these municipalities including recommended remedial actions. Although significant progress has been made by certain provincial treasuries, the capacity of all Provincial Treasuries is being strengthened so that these practices can be replicated by them in future to cover all municipalities. In addition, National Treasury is in the process of releasing a MFMA Circular providing further guidance to municipalities in identifying and dealing with instances of unauthorised, irregular and fruitless and wasteful expenditure against which the Auditor - General will audit.

- (2) There is no formal national policy on cell phone and data contracts. In terms of s38 (1b) of PFMA national departments and provinces are responsible efficient and effective management of the use of resources. As such they each have cell phone policies that are consistent with their unique circumstances.

In respect of municipalities, there is also no national policy on the use policy cell phone and data contracts. Municipalities are required to formulate their own policies considering their unique environments which are directly informed by legislation

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<sup>1</sup> Municipal and Benchmark Engagements scheduled between April and May of each financial year focusses on the proposed medium-term revenue and expenditure frameworks, while Mid-year performance assessments undertaken during February and March of each financial year is aimed at assessing the previous audit outcomes and half-yearly performance against adopted budgets.

governing local government. National Treasury identified expenditure leakages within this area and subsequently issued MFMA Circular 67 which alerts municipalities of the extent of the problem and request them to put policies in place and requires them to control the usage of cellular telephones and mobile data, Indicating that “...Where such a policy is not already in place, municipalities are required to compile and approve a cellular<sup>2</sup> telephone (mobile) and data (3G) policy with effect of 1 July 2013. The policy must set upper monthly limits for costs associated with these expenses and the 2013/14 MTREF budget must be compiled in line with these limits. National Treasury will request the Auditor General to audit against the policy for the 2013/14 financial year and where it is found that expenditure was incurred outside the limits contained in the policy framework, such expenditure will be classified as fruitless and wasteful expenditure as part of the 2013/14 audit finding.”

In addition to the audit to be undertaken by the Auditor-General, National Treasury will continue to review these policies and strengthen financial management capacity.