

REPORT TO EXECUTIVE MAYOR AND MAYORAL COMMITTEE ON DEVIATIONS, UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE FOR THE FOURTH QUARTER OF 2023/24 FINANCIAL YEAR

1. PURPOSE

To report to Executive Mayor and Mayoral committee on Deviations, Unauthorized, Irregular, Fruitless and Wasteful Expenditure incurred by the Municipality in the fourth quarter of 2023/24 financial year for noting by the Executive Mayor and Mayoral Committee.

2. LEGAL AND OR STATUTORY REQUIREMENTS

Section 32 and 110 of the Municipal Finance Management Act 56 of 2003
MFMA circular 68
Section 36 of the Supply Chain Management Regulation of 2000

3. BACKGROUND EXPOSITION, FACTS AND OR PROPOSAL

3.1 IRREGULAR EXPENDITURE.

The municipality has made payments to recurring contracts which have been classified as irregular expenditure in previous periods due to non-compliances with SCM legislative frameworks as follows:

The root cause of this historic Irregular Expenditure is absence of the specification committee which was only established in 2013 and all contract prior this period was deemed irregular by AG.

Irregular expenditure incurred during the quarter amounts to **R2 639 065.49** (refer to annexure A).

3.2 FRUITLESS AND WASTEFUL EXPENDITURE

During the quarter, the municipality was charged interest on outstanding accounts by its service providers as these invoices were not paid timeously. The delay in the payment of invoices was as a result of cashflow challenges which we are currently experiencing.

In the quarter ending 30 June 2024 interests and penalties amounted to **R1 658 185.79** and is detailed per annexure B. The bulk of interest relates to ESKOM.

3.3 UNAUTHORISED EXPENDITURE

There has been unauthorized expenditure amounting to **R23 166 106.23** which was incurred during the quarter ending 30 June 2024 as per annexure C.

3.4 DEVIATION EXPENDITURE

There have been transactions that were processed through Deviations process which amounts to **R 1 051 624.21** as per annexure D.

4. FINANCIAL IMPLICATIONS

Irregular expenditure	R 2 639 065.49
Fruitless and wasteful expenditure	R 1 658 185.79
Unauthorized expenditure	R 23 166 106,23
	<hr/>
Total UIFW	R 27 463 357,51
Deviations	<u>R 1 051 624.21</u>
Total Deviations	R 1 051 624.21

5. STAFF IMPLICATIONS

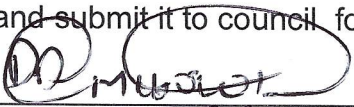
Own staff

6. ANNEXURES

Annexure A	Irregular Expenditure
Annexure B	Fruitless and Wasteful Expenditure
Annexure C	Unauthorized Expenditure
Annexure D	Deviations


7. Recommendations

It is recommended that Executive Mayor and Mayoral Committee notes the report and submit it to council for consideration and approval.




N. Zibi
Acting Chief Financial Officer

Date



N. Pakade
Municipal Manager

12 - 07 - 2024
Date



Cllr Z. Gana
MMC BTO

12 - 07 - 2024
Date

ANNEXURE A: REGISTER OF IRREGULAR EXPENDITURE FOR THE QUARTER ENDED 30 JUNE 2024

Date of discovery	Date Reported to Accounting Officer	Date of payment	Payment voucher	Person Liable (Official or Political Office Bearer)	Amount	Description of Incident	Person Liable (Official or Political Office Bearer)	Type of Prohibited Expenditure	Status							General comments
									UI	DP	CC	TR	P	WO		
July 2018	28 June 2024	12 June 2024	37775	R385636.38	Building of RDP houses-No specification committee	Official	Irregular expenditure-Development	No	No	No	No	No	No	No	No	Reported to council
July 2018	28 June 2024	27 June 2024	37822	R2253429.11	Building of RDP houses-No specification committee	Official	Irregular expenditure-Development	No	No	No	No	No	No	No	No	Reported to council
				R2 639 065.49												

Abbreviations:

- UI: Irregular expenditure Under Investigation
- DP: Disciplinary process initiated against responsible person.
- CC: Criminal charges laid with SAPS
- TR: Transferred to receivables for recovery.
- P: Paid or in process of paying in instalments
- WO: Written-off by council as irrecoverable.

ANNEXURE B: REGISTER OF FRUITLESS AND WASTEFUL EXPENDITURE – IDENTIFIED FOR THE QUARTER ENDED 30 JUNE 2024

KING SABATA DALINDYEBO LOCAL MUNICIPALITY																
No	Date of discovery	Accounting Officer	Transaction details			Person Liable (Official or Political Office Bearer)	Type of Prohibited Expenditure	Status								
			Date of Payment	Payment Number	Amount			Description of Incident	UI	DP	CC	TR	P	WO	General comments	
1.	2023/24	2023/24	-	-	1 619 580.92	ESKOM	n/a	Fruitless & wasteful exp	n	n	n	n	n	n	n	Under investigation

2.	2023/24	2023/24	-	-	115.22	TELKOM MOBILE	n/a	Fruitless & wasteful exp	n	n	n	n	n	n	n	Under investigation
3.	2023/24	2023/24	-	-	37 707.18	OR TAMBO MUNICIPALITY	n/a	Fruitless & wasteful exp	n	n	n	n	n	n	n	Under investigation
4.	2023/24	2023/24	-	-	162.88	ESKOM SMALL ACCOUNTS	n/a	Fruitless & wasteful exp	n	n	n	n	n	n	n	Under investigation
5.	2023/24	2023/24	-	-	619.59	ECDC	n/a	Fruitless & wasteful exp	n	n	n	n	n	n	n	Under investigation
	TOTAL.				1 658 185.79											

Abbreviations:

- UI: Irregular expenditure Under Investigation
- DP: Disciplinary process initiated against responsible person
- CC: Criminal charges laid with SAPS
- TR: Transferred to receivables for recovery
- P: Paid or in process of paying in installments
- WO: Written-off by council as irrecoverable

ANNEXURE C: REGISTER OF UNAUTHORISED EXPENDITURE FOR THE QUARTER ENDED 30 JUNE 2024

King Sabata Dalindyebo municipality

CONSOLIDATED UNAUTHORISED EXPENDITURE REGISTER 2023/24 FINANCIAL YEAR													
PERIOD	DEPARTMENT / VOTE	CAPITAL	OPERATIONAL	DESCRIPTION	PAYMENT DATE	VOUCHER NO	SCM NO	DATE DISCOVERED	PERSON RESPONSIBLE FOR THE EXPENDITURE	ACTION TAKEN	COMMENTS	EXPENDITURE WRITTEN OFF BY COUNCIL	BALANCE TO BE WRITTEN OFF BY COUNCIL
Jun-24	Executive and council	(29 900,00)		LA - Air Conditioners	Jun-24	9/111-131-5413	N/A	Jun-24	N/A	None	None	No	29 900,00
Jun-24	Community services		(5 364 726,58)	Depreciation- Other Assets	Jun-24	9/338-628-8205	N/A	Jun-24	N/A	None	None	No	5 364 726,58
Jun-24	Public safety		(1 333 072,06)	Agency Services - Security	Jun-24	9/362-657-88890	N/A	Jun-24	N/A	None	None	No	1 333 072,06
Jun-24	Technical services		(16 438 407,59)	Depreciation-Infra	Jun-24	9/382-626-8209	N/A	Jun-24	N/A	None	None	No	16 438 407,59
													23 166 106,23

ANNEXURE D: REGISTER OF DEVIATIONS FOR THE QUARTER ENDING 30 JUNE 2024

NO	Order No	Supplier Name	Order Date	Description	Amount	Department	Black Owned %	Women %	Gender M/F	Youth(Y/N)	Military	Disability Y/N
1	282	CIGFARO	20240403	Registration Fees	15798.00	Executive And Council	0	0	M	N	N	N
2	284	Spectrum communications (Pty) Ltd	20240507	Motivation for spectrum communication to be considered for electricity SCADA refurbishment Project	145796.06	Technical services	4	0	0	N	0	N
3	286	Synergy business events	20240508	Request for Stall for Tourism indaba	52637.77	Executive and council	1	6	M&F	N	0	N
4	288	Post office	20240508	Postage of billing statements	284869.57	Budget and treasury	N/A	N/A	N/A	N/A	N/A	N/A
5	289	Government printing works	20240516	By-laws	136843.20	Community services	N/A	100	F	N	0	N
6	292	Eye detect private investigations and lie detect	20240520	Liar detector test on municipal employees	9418.88	Executive and council	2	0	M	N	0	N
7	295	The ethics institute	20240603	Ethics and Integrity training, development implementation plan	90025.00	Municipal Managers Office	84,62	50,26	M&F	N	0	N

8	297	The institute of internal auditors	20240607	I/A membership renewal 2024-25.	23928.66	Corporate Services	85	55	M&F	Y	0	N
9	298	The institute of risk management south Africa	20240610	IRMSA membership fees	4824.25	Municipal Managers Office	86	48	M&F	N	0	N
10	304	Government printing works	20240619	Revenue Bylaws	193684.29	Budget and Treasury Office	N/A	N/A	N/A	N/A	N/A	N/A
11	305	Nafco engineering (pty) ltd	20240621	Request for tuition fee of MVLV Reticulation Training	12000.00	Technical Services	100	100	F	N	0	N
12	307	Registrar of deeds	20240621	Chief registrar of deeds	68952.00	Budget and Treasury Office	N/A	N/A	N/A	N/A	N/A	N/A
13	308	Government printing works	20240625	Gazette notice	10844.38	Human Settlement	N/A	N/A	N/A	N/A	N/A	N/A
14	320	The south African council for the quantity surveying profession	20240628	ISDG Mentorship programme - SACQSP Candidate Annual Fee SA	2002.15	Technical Services	N/A	N/A	N/A	N/A	N/A	N/A

1051624.21