

# MHLONTLO LOCAL MUNICIPALITY



## REPORT ON INVESTIGATION OF UNAUTHORISED, IRREGULAR, WASTEFUL AND FRUITLESS EXPENDITURE FOR 2017/18, 2018/19 and 2019/20 FINANCIAL YEAR

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## **1. KEY DEFINITIONS**

### **1.1. Fruitless and Wasteful expenditure means:**

Expenditure that was made in vain and would have been avoided had reasonable care been exercised;

### **1.2. Irregular expenditure in a municipality means:**

Expenditure incurred by a municipality in contravention of, or that is not accordance with, a requirement of Municipal Systems Act, Act No. 32 of 2000; the Public Office-Bearers Act No 20 of 1998; Municipal Finance Management Act No 56 of 2003 and Regulations; the Supply Chain Management Policy; and which has not been condoned in terms of the said legislation, but which excludes Unauthorised Expenditure

### **1.3. Transgression means:**

An act or omission by a responsible party that results in Irregular Expenditure;

### **1.4. Unauthorised Expenditure means:**

Any expenditure incurred and includes-

- i) Overspending of the total amount appropriated in the municipality's budget,
- ii) Overspending of the total amount appropriated for a vote in the approved budget,
- iii) Expenditure from a vote unrelated to the department/functional area covered by the vote,
- iv) Expenditure of funds appropriated for a specific purpose, other than for that specific purpose,
- v) Spending of an allocation not in accordance with the conditions of the allocation and/or grant.

### **1.5. Write-off means:**

A decision to waive the recovery of an irregular expenditure from the responsible party as a result of the municipality having benefitted from the irregular expenditure by having received goods and services, and not suffered any loss.

## **2. PURPOSE OF THE REPORT**

The purpose of the report is to submit to Council the outcome of the investigation into unauthorized, irregular, wasteful and fruitless expenditure with recommendations for approval.

## **3. INTRODUCTION AND BACKGROUND**

The Mhlontlo Local Municipality (MLM) and Auditor General (AG) identified and recorded unauthorized, irregular, wasteful and fruitless expenditure during the 2016/17 financial year audit and 2017/18 financial year.

On 27 June 2018 MLM Council resolved as follows:

“That, Council authorizes expenditure totaling to R15 484 810.01 that was incurred in the 2016/17 financial year; (Resolution No.)

That, Council appoints a Committee to investigate the Fruitless and Wasteful expenditure incurred from 01 July 2017 to 30 June 2018; (Resolution No. )

That, Council appoints a Committee to investigate irregular expenditure incurred in 2016/17 and 2017/18 financial years for the projects listed under 4.2 below:- (Resolution No. )

To mandate an AD HOC Committee, chaired by Cllr N Ntunkunzezi, to lead and be assisted by Internal Audit Unit and a member of the Audit Committee in conducting the above-mentioned investigations on the Fruitless and Wasteful expenditure and Irregular Expenditure and submit the recommendations to Council.”

The purpose of the investigation is to collect sufficient evidence in order to determine whether the transaction that resulted in wasteful, fruitless and

irregular expenditure should be recovered or written off by the municipality and whether disciplinary action should be taken against those in contravention of the Supply Chain Management Policy (SCM) and Municipal Finance Management Act No 56 of 2003 (MFMA) and regulations.

#### **4. SCOPE OF THE INVESTIGATION**

The scope of the investigation includes the following

- Determine the nature and extent of non-compliance that resulted in fruitless, wasteful and irregular (FWI) expenditure for the contracts mentioned below under 4.1 and 4.2;
- Reasons provided for FWI expenditure and performing corroborative procedures to substantiate the reasons;
- Determine if FWI expenditure has not resulted in MLM suffering a loss and if value for money was derived from use of goods and services rendered, for decisions with regard to cases where recovery of monies and disciplinary measures (Consequence Management) is required.

#### **4.1. Fruitless and Wasteful Expenditure**

The municipality incurred expenditure to the total of R5 955 since 01 July 2017 to 30 June 2018 on interest charged to overdue accounts as follows:

No	Item Description	Expenditure 2017/18
1.	Eskom	
2.	Telkom	
	TOTAL	R 5 955

#### **4.2. Irregular Expenditure**

MLM and Auditor-General have identified irregular expenditure resulting from non-compliance with Legislation (MFMA), SCM regulations and MLM

SCM Policy for the years 202016/17, 2017/18 and 2018/19 financial years,  
as follows:

No	Item Description	Expenditure 2016/17	Expenditure 2017/18	Expenditure 2018/19	Expenditure 2019/20
1.	Nombodlelana-Ncitshane Access Road	2 836 300.18	342 115.90		
2.	Mahlubini Access Road	1 908 433.84			
3.	Gungqwana Access Road	290 885.73			
4.	Khalankomo-Qumbu Technical School Access Road	2 432 424.12			
5.	Lukhaleni Low Level Bridge	2 130 205.28	94 007.29		
6.	Town Hall Construction	8 707 503.84	719 418.00		490 629.69
7.	Ntshiqo Sportsfield	783 974.22			
8.	Amadiba Electrification	1 620 542.27	1 620 542.27		
9.	Amacwerha Phase 2 additional works	7 911 791.28			
10.	Completion of Amacwerha Phase 2 Electrification	10 726 161.27		382 289.87	
11.	Construction of Slab	169 898.82			
12.	Maintenance of street lights and high mast	120 000.00			
13.	Maintenance of street lights and high mast	170 000.00			
14.	Compilation of Valuation roll			369 990.00	29 700.00
15.	Asset Management Services			1 007 323.38	666 295.84
16.	Travel Agent			6 663 903.38	272 496.25
17.	Provision of uniform			114 251.00	99 043.00
18.	Completion of Internal Audit Plan			140 175.00	
19.	Ngqakaqheni Bridge			5 769 949.36	617 065.90
20.	Mvumelwano Sports Field			1 453 814.59	
21.	Repairs to grader			77 970,00	
22.	Repairs to Mayoral Car			45 512,50	

23.	Competency Assessment			21 862,10	
24.	Supply and delivery of paraffin			224 018,80	
25.	Supply and delivery of paraffin			219 817,40	
26.	Supply and delivery of paraffin			228 640,40	
27.	Supply and delivery of paraffin			195 204,00	
28.	Supply and delivery of paraffin			222 860,00	
29.	Supply and delivery of paraffin			222 860,00	
30.	Supply and delivery of paraffin			224 160,60	
31.	Supply and delivery of Cleaning Material			275 830,53	
32.	Supply and delivery of stationery			961 462,50	
33.	Animal auction sale			162 834,42	
34.	Competency Assessment			43 724,21	
35.	Catering			26 250,00	
36.	Catering			22 000,00	
37.	Catering			17 298,00	
38.	Rehabilitation of Qumbu Sport Field			8 918 741,71	
39.	Catering			19 950,00	
40.	Professional Services for Qumbu warehouse			160 000,00	
41.	Supply & Delivery of Protective Clothing				168 300.00
	<b>TOTAL</b>	<b>40 808 119.85</b>	<b>2 776 083.46</b>	<b>27 192 698.75</b>	<b>2 333 530.68</b>

This investigation covers all the projects listed above.

## **5. LEGISLATIVE FRAMEWORK**

The following relevant legislation were obtained and considered during the investigation. A brief synopsis of relevant sections considered is also provided as follows:



- Municipal Finance Management Act (MFMA) No 56 of 2003 and Regulations

Section 32 of the MFMA deals with unauthorized, irregular, fruitless and wasteful expenditure. Sub-section (2) states that: A municipality must recover unauthorized, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure –

- a) In the case of unauthorized expenditure, is –
  - i) Authorised in an adjustment budget; or
  - ii) Certified by the municipal Council, after investigation by a Council Committee, as irrecoverable and written off by the Council; and
- b) In the 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.

Sub-section (4) states that: The Accounting Officer must promptly inform the Mayor, the MEC for local government in the province, and the Auditor-General, in writing of -

- a) Any unauthorized, irregular or fruitless and wasteful expenditure incurred by the municipality;
- b) Whether any person is responsible or under investigation for such unauthorized, irregular or fruitless and wasteful expenditure; and
- c) The steps that have been taken –
  - i) To recover or rectify such expenditure; and
  - ii) To prevent a recurrence of such expenditure.

Sub-section (5) states that: The writing off in terms of sub-section (2) of any unauthorized, irregular, fruitless and wasteful expenditure as irrecoverable, is no excuse in criminal and disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorized, irregular or fruitless and wasteful expenditure.

Sub-section (6) states that: an Accounting Officer must report to the South African Police Service all cases of alleged –

- a) Irregular expenditure that constitute a criminal offence;  
and
- b) Theft and fraud that occurred in the municipality.
- MFMA Regulations 21, 22, 23, 24, 26, 27, 28, 29, 32 are also relevant and have been considered by the Investigating Committee (IC).
- MLM Unauthorised, Irregular, Wasteful and Fruitless (UIWF) Expenditure Policy 2015/16;

UIWF expenditure policy clearly defines the responsibilities of Council, Accounting Officer, Management and other officials of the municipality with respect to the prevention, identification, reporting, recovery, write off or approval and disclosure in the Annual Financial Statements (AFS) of unauthorized, irregular, fruitless and wasteful expenditure. The policy also spells out the Procedure to be followed regarding UIWF expenditure in terms of reporting requirements, accounting treatment, disclosure and management reporting.

- National Treasury Guideline on Irregular Expenditure of May 2014;  
Provides an example of a register for Irregular Expenditure that can be used for recording and submission of identified Irregular Expenditure on a monthly basis to Risk Management Committee, on a quarterly basis to Audit Committee, Council, MEC and Provincial/National Treasury.

## **6. METHODOLOGY AND DETERMINANTS OF THE INVESTIGATION**

A presentation on the procedure to be followed as guided by National Treasury guidelines and MLM SCM policy was made for all members to ensure same understanding of concepts and the approach. A memorandum was forwarded to the Municipal Manager requesting information on each

project as well as portfolio of evidence. Sessions with the Manager: Supply Chain Management were arranged to request information on each project as well as portfolio of evidence.

Thereafter the following documents were obtained, perused and reviewed by the Investigating Committee:

- Project files with tender documents, viz. advertisements, specifications, evaluation, adjudication, awards,
- Project progress monitoring minutes and reports
- Project payment schedules, certificates, cessions and variations
- Project Service Level Agreements
- Project completion certificate
- Handover reports
- Previous years' UIWF investigations and reports
- UIWF registers

Irregular expenditure register with details of each incident, payment processes, amount involved, responsible officials (committed irregular expenditure), action taken by management, etc.

## **7. ANALYSIS OF EACH INCIDENT**

The root cause for the incurrence of irregular expenditure were identified, assessed and are stated below.

All the transgressions relate to non-compliance with MLM SCM policy, MFMA and Treasury MFMA Regulations

### **7.1 Nombodlelana – Ncitshane Access Road**

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Accounting Officer (11 January 2016)	Bid Adjudication Committee (BAC) composition – BAC not properly constituted	During 2015/16 there were two officials working at Supply Chain Management Office. The late Mr Mbono sat at Bid Specification Committee	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY	NIL

		<p>and Ms Budaza-Mditshwa at Bid Evaluation Committee meetings. Municipal Manager appointed Mr Lwana to sit on Bid Adjudication Committee meetings. During the previous years' audits MLM did not encounter any problems with AG, but in 2016/17 AG raised finding and quoted SCM regulation 29 (2) (i) and (ii). The irregular appointment was done because of shortage of staff and in this section segregation of duties is required. SCM Manager sits on BAC and SCM Practitioner sits on BSC and that is the reason why BEC could not realize the turnaround time for procurement.</p>	MANAGER: SCM)	

## 7.2 Mahlubini Access Road

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Accounting Officer (29 June 2013)	No senior SCM practitioner or any other member of the SCM department was present at BAC meeting as required in terms of MFMA Regulation 29 and MLM SCM policy	At that time the SCM department had one official and an Intern, and due to Staff shortages, the municipality could not comply with MFMA and MLM SCM policy requirements	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

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### 7.3 Gungqwana Access Road

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Accounting Officer (11 January 2016)	MFMA Regulation 32 procurement of Access Road under contract secured by the Matatiele Local Municipality without due diligence with regard to, for example, topography, etc. Also the project was classified as an emergency hence the deviation (2015/16 project).	This project was classified as an Emergency hence the application of MFMA Regulation 32. The MLM was implementing Section 32 procurement for the first time and because of complexities involved has not applied this type of procurement since then	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

### 7.4 Khalankomo-Qumbu Technical School Access Road

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Accounting Officer (11 January 2016)	MFMA Regulation 32 procurement of Access Road under contract secured by the Matatiele Local Municipality without due diligence with regard to, for example, topography, etc. Also the project was classified as an emergency hence the deviation (2015/16 project).	This project was classified as an Emergency hence the application of MFMA Regulation 32. The MLM was implementing Section 32 procurement for the first time and because of complexities involved has not applied this type of procurement since	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

		then		

### 7.5 Lukhaleni Low Level Bridge

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Accounting Officer (29 June 2013)	No senior SCM practitioner or any other member of the SCM department was present at BAC meeting as required in terms of MFMA Regulation 29 and MLM SCM policy	At that time the SCM department had one official and an Intern, and due to Staff shortages, the municipality could not comply with MFMA and MLM SCM policy requirements	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

### 7.6 Construction of Town Hall

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Accounting Officer (28 March 2014)	No senior SCM practitioner or any other member of the SCM department was present at BAC meeting as required in terms of MFMA Regulation 29 and MLM SCM policy	At that time the SCM department had one official and an Intern, and due to Staff shortages, the municipality could not comply with MFMA and MLM SCM policy requirements	Construction incomplete and Investigation not completed	<b>Investigate</b>

### 7.7 Ntshiqo Sportsfield

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Accounting Officer (28 March 2014)	The bidder did not submit an account for municipal rates and tax certificates; No senior SCM practitioner or any other member of the SCM department was present at BAC meeting as required in terms of MFMA Regulation 29 and MLM SCM policy	With regard to submission of tender documents this was an unintentional omission, a mistake. At that time the SCM department had one official and an Intern, and due to Staff shortages, the municipality could not comply with MFMA and MLM SCM policy requirements	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

## 7.8 Construction of Toleni Co-operative Development Centre

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Accounting Officer (28 March 2014)	The winning bidder is a 3CE company and was awarded a contract of R2 752 185.72, whereas he is limited to R2 million; Composition of BAC not in compliance with Regulation 29 of MFMA and MLM SCM Policy (2014/15 project); The winning bidder did not submit the statement for municipal rates affairs.	With regard to submission of tender documents and awarding to a non-qualifying bidder it was unintentional omissions / mistake. At that time the SCM department had one official and an Intern, and due to staff shortages, the municipality could not comply with MFMA and MLM SCM policy requirements	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

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### 7.9 Amadiba Phase 2B electrification

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	CIDB grading not mentioned on advert (2016/17 project) as required in terms of Construction Industry Development Board (CIDB) Regulations	This was a turnkey project (design and construct). Management was of the view that this was consultancy work and the total value of the project was to be determined after designs had been completed by the consultant. Hence CIDB grading could not be specified in the advert. Management's opinion was that they couldn't estimate the project cost. AG is not in agreement with management view	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

### 7.9 Amacwerha Phase 2B electrification

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	CIDB grading not mentioned on advert (2016/17 project) as required in terms of Construction Industry Development Board (CIDB) Regulations	This was a turnkey project (design and construct). Management was of the view that this was consultancy work and the total value of the	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION	NIL



		project was to be determined after designs had been completed by the consultant. Hence CIDB grading could not be specified in the advert. Management's opinion was that they couldn't estimate the project cost. AG is not in agreement with management view	SUBMITTED BY MANAGER: SCM)	
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### 7.10 Completion of Amacwerha Phase 2 electrification

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	CIDB grading not mentioned on advert (2016/17 project) as required in terms of Construction Industry Development Board Regulations	This was a turnkey project (design and construct). Management was of the view that this was consultancy work and the total value of the project was to be determined after designs had been completed by the consultant. Hence CIDB grading could not be specified in the advert. Management's opinion was that they couldn't estimate the project cost. AG is not in agreement with management view	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

### 7.11 Construction of Slab

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	CIDB grading not mentioned on advert (2016/17 project) as required in terms of Construction Industry Development Board Regulations	This was an unintentional omission, Construction of Slab (Khalankomo –Qumbu Technical School) CIDB was mentioned on advert published on the 21/04/2017 on noticeboard. Slab was not done, fraud case opened at Qumbu Police Station by Municipal Manager and there was an official involved in the case. Consequence management was done because the official is serving 5 years sentence in jail.	Yes, the official responsible was charged and sentenced to 5 years in jail.	169 898.82

### 7.12 Maintenance of Street lights and Highmast

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	CIDB grading not mentioned on advert (2016/17 project) as required in terms of Construction Industry Development Board Regulations	Management was of the view that changing of globes on street lights did not form part of Construction Industry Development Board requirements	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

### 7.13 Maintenance of Street lights and Highmast

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	CIDB grading not mentioned on advert (2016/17 project) as required in terms of Construction Industry Development Board Regulations	Management was of the view that changing of globes on street lights did not form part of Construction Industry Development Board requirements	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

### 7.14 Compilation of General Valuation Roll

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	Functionality criteria not specific	Functionality was not specified meaning that if experience was 40 points, the municipality should then specify that the bidder has 1 project completed and then how many marks do you score?  MLM have done 40 points for 4 completed projects not considering bidders with 3 completed projects and it was unfair for small business but we did not have any bidder contesting that,	No loss, The project is reported as incomplete	NIL

## 7.15 Asset Management Services

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	Functionality criteria not specific	<p>Functionality was not specified meaning that if experience was 40 points, the municipality should then specify that the bidder has 1 project completed and then how many marks do you score?</p> <p>MLM have done 40 points for 4 completed projects not considering bidders with 3 completed projects and it was unfair for small business but we did not have any bidder contesting that,</p>	No loss, The project is reported as COMPLETED (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

## 7.16 Travel Agent

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	Functionality criteria not specific	<p>Functionality was not specified meaning that if experience was 40 points, the municipality should then specify that the bidder has 1 project completed and then how many marks do you score?</p> <p>MLM have done 40 points for 4 completed projects not considering bidders with 3 completed projects</p>	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

		and it was unfair for small business but we did not have any bidder contesting that,		

### 7.17 Provision of uniform

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	Functionality criteria not specific	<p>Functionality was not specified meaning that if experience was 40 points, the municipality should then specify that the bidder has 1 project completed and then how many marks do you score?</p> <p>MLM have done 40 points for 4 completed projects not considering bidders with 3 completed projects and it was unfair for small business but we did not have any bidder contesting that,</p>	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

### 7.18 Completion of internal audit plan

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Specification Committee	Functionality criteria not specific	<p>Functionality was not specified meaning that if experience was 40 points, the municipality should then specify that the bidder has 1 project completed and then how many marks do you score?</p>	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION	Nil

		MLM have done 40 points for 4 completed projects not considering bidders with 3 completed projects and it was unfair for small business but we did not have any bidder contesting that,	SUBMITTED BY MANAGER: SCM)	

### 7.19 Ngqakaqheni Bridge

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Bid Adjudication Committee	Awarded contract that is above the maximum contract value allowed for their grade as per CIDB regulation	The municipality only relies on CSD, MBD 4 form and Declaration of Interest, if the supplier happens to misrepresent herself then the municipality shall wait up until the Office of the AG finds out because the municipality does not have CAATS system. We incurred irregular expenditure because one of our employees did not declare interest and he was part of Bid Evaluation.	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	Nil

### 7.20 Mvumelwano Sport Field

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Bid Adjudication Committee	Awarded contract that is above the maximum contract value allowed for their grade as per CIDB regulation		The project is reported as incomplete and investigation not completed	<b>Investigate</b>

### 7.21 Repairs to grader

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Non-	Any loss suffered by MLM	Amount
Supply Chain Management	The request for a quotation was not advertised for at least seven days on the website and noticeboard of a municipality or municipal entity	<b>Investigation completed</b>	<b>not</b>	The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	<b>Investigate</b>

### 7.22 Repairs for Mayoral car

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Non-	Any loss suffered by MLM	Amount
Supply Chain Management	Three quotations were not obtained	<b>Investigation completed</b>	<b>not</b>	The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	<b>Investigate</b>

### 7.23 Competency Assessment

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Non-	Any loss suffered by MLM	Amount
Supply Chain Management	Three quotations were not obtained	<b>Investigation completed</b>	<b>not</b>	The project is reported as complete (STATEMENT	<b>Investigate</b>

			CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	

#### 7.24 Supply and Delivery of Paraffin

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Municipal Manager as Accounting Officer	Bid Adjudication Committee was not properly constituted	At that time the SCM department had one official and an Intern, and due to Staff shortages, the municipality could not comply with MFMA and MLM SCM policy requirements	The project is reported as incomplete and investigation not completed	Investigate

#### 7.25 Supply and Delivery of Cleaning Material

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Municipal Manager as Accounting Officer	Bid Adjudication Committee was not properly constituted	At that time the SCM department had one official and an Intern, and due to Staff shortages, the municipality could not comply with MFMA and MLM SCM policy requirements	No loss, The project is reported as complete. (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

#### 7.26 Supply and delivery of stationery



Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Municipal Manager as Accounting Officer	Bid Adjudication Committee was not properly constituted	At that time the SCM department had one official and an Intern, and due to Staff shortages, the municipality could not comply with MFMA and MLM SCM policy requirements	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

### 7.27 Animal auction sale

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Municipal Manager as Accounting Officer	Bid Adjudication Committee was not properly constituted	At that time the SCM department had one official and an Intern, and due to Staff shortages, the municipality could not comply with MFMA and MLM SCM policy requirements	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

### 7.28 Competency Assessment

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Bid Adjudication Committee	Award made to suppliers in the service of the state	The municipality only relies on CSD, MBD 4 form and Declaration of Interest, if the	No loss, The project is reported as	NIL

		supplier happens to misrepresent herself then the municipality shall wait up until the Office of the AG finds out because the municipality does not have CAATS system. We incurred irregular expenditure because one of our employees did not declare interest and he was part of Bid Evaluation.	complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	

### 7.29 Catering

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Bid Adjudication Committee	Related party transaction	Related party transaction awards refers to transaction that takes place between two parties who hold a pre-existing connection prior to the transaction. The municipality relies on CSD, MBD4 form and Declaration of Interest and if AG discovered for the first time that the matter is not irregular expenditure it is then considered as noncompliance and it is only then considered as irregular expenditure when it is for repeated.	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

### 7.30 Rehabilitation of Qumbu Sport Field

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Bid	Related party transaction	Related party transaction	No loss, The	NIL

Adjudication Committee		awards refers to transaction that takes place between two parties who hold a pre-existing connection prior to the transaction. The municipality relies on CSD, MBD4 form and Declaration of Interest and if AG discovered for the first time that the matter is not irregular expenditure it is then considered as noncompliance and it is only then considered as irregular expenditure when it is for repeated.	project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	

### 7.31 Professional Services for Qumbu warehouse

Responsible Official	Description of Incidence/Transgression	Reason for Non-compliance	Any loss suffered by MLM	Amount
Bid Adjudication Committee	Award made to suppliers in the service of the state	The municipality only relies on CSD, MBD 4 form and Declaration of Interest, if the supplier happens to misrepresent herself then the municipality shall wait up until the Office of the AG finds out because the municipality does not have CAATS system. We incurred irregular expenditure because one of our employees did not declare interest and he was part of Bid Evaluation.	No loss, The project is reported as complete (STATEMENT CONFIRMING COMPLETION SUBMITTED BY MANAGER: SCM)	NIL

## **FINDINGS**

### 7.2 Wasteful and Fruitless Expenditure

The wasteful and fruitless expenditure is derived through interest from overdue accounts from the following service providers:

- Telkom
- Eskom

Both service providers send invoices through the Post Office and there is inconvenience due to strikes, stay away, and slow distribution of post by Post Office.

There are also administration delays due to ineffective processes within the municipality.

Some invoices are received late from the service providers. The municipality has signed stop orders for payment of these accounts to avoid interest charged for overdue accounts.

## 8.2 Irregular Expenditure

Overall it has been identified that:

- the responsible Bid Committees and officials that performed the irregular expenditure were aware of the MLM SCM policy, SCM processes, relevant MFMA and MFMA Regulations for proper procuring of goods and services, but made unintentional omissions, errors and mistakes due to, amongst other things, staff shortages;
- inadequate due diligence, project monitoring and evaluation;
- Inadequate training and induction of employees on SCM policies and procedures, MFMA and MFMA Regulations, Unauthorised, Irregular, Wasteful and Fruitless Expenditure and transactions;

## 8. FINANCIAL IMPLICATIONS

Due to the complexity of the investigation coupled with the busy schedule of various role players within the municipality, the duration of the investigation proved longer than originally planned.

Expenditure towards the investigation could not be quantified.

## **RECOMMENDATIONS**

### **8.1. Wasteful and fruitless expenditure**

- The Accounting Officer engages with Telkom and Eskom and ensures that all invoices are sent by email in addition to postal services;
- The Accounting Officer arranges and sign stop order payments for these services to avoid any interest charged for overdue amounts.
- The Records Management policy and processes be reviewed to ensure effective distribution of mail and correspondence within the municipality.
- The Council condones and writes off wasteful and fruitless expenditure;

### **8.2. Irregular expenditure**

- The Accounting Officer take disciplinary action against individuals that are found to have allowed loss to the municipality, for example, in the case of Construction of Slab;
- Investigations for the following projects be completed as the AD HOC Committee could not finalise these FIVE (5) projects: Construction of Town Hall, Mvumelwano Sports Field, Supply & Delivery of Paraffin, Repairs for Grader, Repairs for Mayoral Car, Competency Assessment.
- Where it is impractical for disciplinary action to be taken as in the case of employees who are no longer with the municipality, and where there is loss due to such expenditure, all irregular expenditure incurred be recovered;
- The Accounting Officer ensures that training and induction of employees on SCM policies and procedures, MFMA and MFMA

Regulations, Unauthorised, Irregular, Wasteful and Fruitless Expenditure and transactions is undertaken.

- Irregular expenditure for all remaining cases/ projects not mentioned above (8.2, bullet points 2 ) be condoned and written off.

## **9. CONCLUSION AND LESSONS LEARNT**

In conclusion the following lessons have been learnt from this exercise:

- Investigations on reported Unauthorised, irregular, wasteful and fruitless expenditure need to be undertaken quarterly to avoid delays in finalizing such investigations and also for purposes of complying with legislation;
- The Investigating Committee needs to be capacitated for purposes of effective coordination of all committee activities;

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**CLLR NTUKUNTEZI**

**CHAIRPERSON OF AD HOC COMMITTEE INVESTIGATING UIWF**

**MHLONTLO L.M.**