

***OFFICE OF THE MUNICIPAL MANAGER: UNAUTHORISED EXPENDITURE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022***

**1. PURPOSE**

The purpose of this report is to present Unauthorized for the financial year ended 30 June 2022 to Council so that it can be referred to MPAC for investigation. The aforementioned is a year-end financial reports as per the legislative requirements of the Municipal Finance Management Act No.56 of 2003 read together with the guidance issued by the National Treasury in terms of their National Treasury Circular 68.

**2. BACKGROUND**

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 West Rand District Municipality (WRDM) and must for this purpose, inter alia:-

- Take all reasonable steps to ensure that unauthorized, irregular; fruitless and wasteful expenditure and other losses are prevented;
- Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or councillor of the West Rand District Municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the Municipal Finance Management Act, 2003.

This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control and that all officials and Political Office Bearers are aware of their responsibilities in respect of irregular expenditure. All unauthorized; irregular, fruitless and wasteful expenditure incurred must be reported to Council and investigated. The Accounting Officer should ensure that the necessary resources be made available to assist the process and where necessary request the assistance of the National and Provincial Treasury.

**3. ENABLING LEGISLATION & GUIDANCE**

The following legislations and regulations sets the precedent for the management, reporting and accounting of West Rand District

Municipality's unauthorized, irregular fruitless and wasteful expenditure  
Policy:

- (a) The Constitution of the Republic of South Africa, 1996, Act No 108 of 1996;
- (b) The Municipal Finance Management Act, 2003, No 56 of 2003;
- (c) The Remuneration of Public Office Bearers Act;
- (d) Municipal Systems Act, 2000, Act No 32 of 2000;
- (e) MFMA Supply Chain Management of 2005;
- (f) MFMA Circular 68; and
- (g) Preferential Procurement Policy Framework Act of 2000.

### **3.1 UNAUTHORIZED EXPENDITURE**

#### **Definition:**

Unauthorized Expenditure', in relation to a municipality, means 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 tables below detail unauthorized expenditure of the 2021 and 2022 financial years:

**Unauthorized expenditure for the period ended 30 June 2021**

<b>Unauthorized Expenditure</b>	<b>Adjusted Budget 2020/2021 R</b>	<b>Actual 2020/2021 R</b>	<b>Variance R</b>	<b>Unauthorized R</b>	<b>Comments</b>
Unwinding of WRDA	3 540 026	10 972 189	(7 432 163)	Economic Development/ Regional Planning : (5 519 251)	Over-expenditure was due to losses incurred in derecognizing the investment in controlled entities. Loss on transfer of functions (WRDA).
				Economic Development/ Regional Planning (1 912 912)	Over-expenditure on loss on investment in controlled entities.
Post- retirement benefits	-	3 206 614	(3 206 614)	Finance: (3 206 614)	The current service costs on actual valuation variance was due to the movement between post-retirement benefits (medical & long-service awards)
Depreciation	4 040 000	4 488 619	(448 619)	Finance : (448 619)	The variance was due to additions of assets during the financial year.
Operational Cost	-	2 775 220	(2 775 220)	Finance: (2 775 220)	Over expenditure on leave pay accrual
Interest costs	-	7 390 697	(7 390 697)	Corporate services: (226 646)	The variance was due to interest on pension fund and workmen's compensation fund.

				Finance : ( 7 164 051)	The variance was due to interest cost on post- retirement medical benefits.
<b>Totals</b>	<b>7 580 026</b>	<b>28 833 339</b>	<b>(21 253 313)</b>	<b>(21 253 313)</b>	

**Unauthorised expenditure for the period ended 30 June 2022**

<b>Unauthorized Expenditure</b>	<b>Adjusted Budget 2021/2022 R</b>	<b>Actual 2021/2022 R</b>	<b>Variance R</b>	<b>Unauthorized R</b>	<b>Comments</b>
Interest costs	746 906	8 943 423	(8 196 517)	Finance : (6 904 947)	Interest costs relating to the fiancé department arose from post-retirement medical benefits, interest on arrear and long-service awards.
				Corporate services: (1 291 570)	Interest costs relating to corporate services arose from Workman's Compensation and charges on overdue accounts for municipal services.
Operational costs	21 636 084	24 601 127	(2 965 043)	Corporate services: (1 240 111)	Workmen's provision movement
				Health and social development: (149 691)	Over spending on pauper burials
				Public Safety: (1 575 241)	Over spending on fire debtors written off.
Depreciation & Impairment	4 000 000	6 030 192	(2 030 192)	Economic Development/ Planning : (1 199 221)	Impairment from Economic Development/ Planning function arose from infrastructure vandalism (Donaldson Dam & Merafong-

					flora).
				Finance: (830 972)	Additions and restatement of PPE assets had an impact on the overall increased deprecation amount.
<b>TOTALS</b>	<b>26 382 990</b>	<b>39 574 742</b>	<b>(13 191 752)</b>	<b>(13 191 752)</b>	

## **RECOMMENDATIONS THAT:**

1. Cognizance be taken of the report of the Municipal manager regarding the Unauthorised expenditure for the year ended 30 June 2022 and 30 June 2021.
  - a) The **Unauthorised Expenditure** amounting to **R 13 191 752** for the current financial year 30 June 2022 be referred to the Municipal Public Accounts Committee (MPAC) for investigation and report back to Council with recommendations as prescribed by the Municipal Finance Management Act (MFMA).
  - b) The **Unauthorised Expenditure** amounting to **R 21 253 313** from previous financial year of 30 June 2021 be referred to the Municipal Public Accounts Committee (MPAC) for investigation and report back to Council with recommendations as prescribed by the Municipal Finance Management Act (MFMA).